

ALBERTO CULVER CO
Form DEFM14A
October 13, 2006
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Alberto-Culver Company

(Name of Registrant as Specified In Its Charter)

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

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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TRANSACTION PROPOSAL YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Alberto-Culver Company:

As previously announced, the board of directors of Alberto-Culver Company has approved a plan to separate its consumer products business and its Sally/BSG distribution business into two separate, publicly-traded companies. Following completion of the separation and related transactions, Alberto-Culver stockholders will have received (i) shares of New Aristotle Holdings, Inc. (which we refer to as New Alberto-Culver), which will operate the consumer products business, representing 100% of the issued and outstanding shares of New Alberto-Culver common stock, (ii) shares of New Sally Holdings, Inc. (which we refer to as New Sally), which will operate the Sally/BSG distribution business, representing approximately 52.5% of the shares of New Sally common stock on a fully diluted basis and (iii) a \$25.00 per share special cash dividend. In connection with the transactions, New Sally will issue shares of New Sally Class A common stock, which we refer to as the New Sally share issuance, to CDRS Acquisition LLC, a limited liability company organized by Clayton, Dubilier & Rice Fund VII, L.P., for \$575 million that on the day following the closing date will automatically convert on a one-for-one basis into shares of New Sally common stock, which we refer to as the conversion, which converted shares will represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis.

The transactions will be effected pursuant to an investment agreement dated as of June 19, 2006, among Alberto-Culver and certain of its subsidiaries and CDRS Acquisition LLC, which we refer to as Investor. To effect the transactions, Alberto-Culver will engage in a holding company merger whereby New Aristotle Company, currently a direct, wholly-owned subsidiary of New Sally, will merge with and into Alberto-Culver with Alberto-Culver continuing as the surviving corporation and as a direct, wholly-owned subsidiary of New Sally. In the holding company merger, each share of Alberto-Culver common stock will be converted into one share of New Sally common stock and New Sally will issue approximately 93,232,804 shares of New Sally common stock to holders of record of Alberto-Culver common stock, based on the number of outstanding shares of Alberto-Culver common stock as of October 3, 2006. As a result of the holding company merger, New Sally will be a publicly-traded company. Following the holding company merger and related transactions, New Sally will issue shares of New Sally Class A common stock to Investor and then distribute on a pro rata basis to holders of record of its common stock (other than the Class A common stock) a \$25.00 per share special cash dividend, and one share of New Alberto-Culver common stock for each share of New Sally common stock held of record.

There is currently no market for the New Alberto-Culver common stock or the New Sally common stock. It is a condition to completion of the transactions that the New Sally common stock and New Alberto-Culver common stock be approved for listing on the New York Stock Exchange, subject to official notice of issuance. New Alberto-Culver intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under Alberto-Culver's present symbol of ACV and New Sally intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under the symbol SBH. On June 16, 2006, the last trading day before the announcement of the investment agreement, the last reported sales price of Alberto-Culver common stock as reported on the New York Stock Exchange Composite Tape was \$46.68.

For a discussion of the material United States federal income tax consequences of the transactions, see Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions beginning on page 97 of the accompanying proxy statement/prospectus-information statement.

Alberto-Culver is holding a special meeting of its stockholders on November 10, 2006 at 10:00 a.m. Central time at 2525 Armitage Avenue, Melrose Park, Illinois 60160, at which Alberto-Culver will ask its stockholders to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance. **The Alberto-Culver board of directors recommends that Alberto-Culver stockholders vote FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance.**

Your vote is very important. We cannot complete the transactions unless Alberto-Culver stockholders adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, by the affirmative vote of a majority of the outstanding shares of Alberto-Culver common stock. **Whether or not you plan to be present at the special meeting, please complete, sign, date and return the enclosed proxy card or submit your proxy card by telephone or Internet as described in the accompanying proxy statement/prospectus information statement.**

The accompanying proxy statement/prospectus information statement explains the transactions and provides specific information concerning the special meeting. Please review this document carefully.

You should carefully consider the matters discussed under Risk Factors beginning on page 27 of the accompanying proxy statement/prospectus information statement before voting.

On behalf of the board of directors of Alberto-Culver, I thank you for your support and appreciate your consideration of this important matter.

Sincerely,

Carol L. Bernick

Chairman of the Board

Alberto-Culver Company

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the transactions, including the holding company merger, the New Sally share issuance or any other transaction described in the accompanying proxy statement/prospectus information statement or passed upon the adequacy or accuracy of the accompanying proxy statement/prospectus information statement. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus-information statement is dated October 11, 2006, and is first being mailed to Alberto-Culver stockholders on or about October 13, 2006.

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ADDITIONAL INFORMATION

This document, which is sometimes referred to as this proxy statement/prospectus information statement, constitutes a proxy statement of Alberto-Culver with respect to the solicitation of proxies by Alberto-Culver for the Alberto-Culver special meeting described within, a prospectus of New Sally for the shares of New Sally common stock that New Sally will issue to Alberto-Culver stockholders in the holding company merger and an information statement of New Sally relating to the distribution of shares of New Alberto-Culver to holders of New Sally common stock. As permitted under the rules of the Securities and Exchange Commission, which we refer to as the SEC, this proxy statement/prospectus information statement incorporates important business and financial information about Alberto-Culver that is contained in documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus information statement. You may obtain copies of these documents, without charge, from the web site maintained by the SEC at www.sec.gov, as well as other sources. See **Where You Can Find More Information** beginning on page 289. You may also obtain copies of these documents, without charge, from Alberto-Culver by writing or calling:

Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, Illinois 60160

Attn: Investor Relations

Tel: (708) 450-3000

You also may obtain documents incorporated by reference into this proxy statement/prospectus information statement by requesting them in writing or by telephone from the proxy solicitor for the transactions, at the following address and telephone number:

Morrow & Co. Inc.

470 West Avenue 3rd Floor

Stamford, CT 06902

Tel: (800) 607-0088

To receive timely delivery of requested documents in advance of the Alberto-Culver special meeting, you should make your request no later than November 3, 2006.

VOTING BY TELEPHONE, OVER THE INTERNET OR BY MAIL

Alberto-Culver stockholders of record as of the record date for the Alberto-Culver special meeting may submit their proxies:

by telephone, by calling the toll-free number 800-652-VOTE (8683) in the United States or Canada on a touch-tone phone and following the recorded instructions;

by accessing the Internet website at <http://www.computershare.com/expressvote> and following the instructions on the website; or

by mail, by completing the enclosed proxy card, signing and dating the proxy card and returning the proxy card in the enclosed, postage-paid envelope that accompanied that proxy card.

If your broker holds your shares of Alberto-Culver common stock in street name, you must either direct your broker on how to vote your shares or obtain a proxy from your broker to vote in person at the Alberto-Culver special meeting. Please check the voting form used by your broker for

information on how to submit your instructions.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD NOVEMBER 10, 2006

To the Stockholders of Alberto-Culver Company:

A special meeting of stockholders of Alberto-Culver Company will be held on November 10, 2006 at 2525 Armitage Avenue, Melrose Park, Illinois 60160, at 10:00 a.m. Central time. The special meeting is being held for the following purposes:

- (1) To consider and vote upon a proposal to adopt the investment agreement, dated as of June 19, 2006, among Alberto-Culver, New Sally Holdings, Inc., currently a wholly-owned subsidiary of Alberto-Culver, New Aristotle Company (Merger Sub), currently a wholly-owned subsidiary of New Sally, Sally Holdings, Inc., currently a wholly-owned subsidiary of Alberto-Culver, and CDRS Acquisition LLC (Investor), a limited liability company organized by Clayton, Dubilier & Rice Fund VII, L.P., a private investment fund managed by Clayton, Dubilier & Rice, Inc., and approve the transactions contemplated by the investment agreement, including the merger of Merger Sub with and into Alberto-Culver with Alberto-Culver continuing as the surviving corporation (the holding company merger) and the issuance of shares of New Sally Class A common stock to Investor (the New Sally share issuance); and
- (2) To consider and vote upon any other business that properly comes before the special meeting and any adjournment or postponement thereof.

Only stockholders of record at the close of business on October 3, 2006, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of it. As of the record date for the special meeting, there were 93,232,804 shares of Alberto-Culver common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting. In connection with the signing of the investment agreement, certain stockholders of Alberto-Culver entered into support agreements with Investor pursuant to which they agreed that, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, they will vote their shares of Alberto-Culver common stock for adoption of the investment agreement and approval of the transactions contemplated by the investment agreement. Accordingly, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, approximately 12.82% of the shares of Alberto-Culver common stock outstanding as of the record date for the special meeting is contractually committed to vote for the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement.

The separation agreement, dated as of June 19, 2006, among Alberto-Culver, New Sally, Sally Holdings and New Aristotle Holdings, Inc., currently a wholly-owned subsidiary of New Sally, the investment agreement and the transactions contemplated by those agreements, including the holding company merger and the New Sally share issuance, are described more fully in the accompanying proxy statement/prospectus information statement, and we urge you to read it carefully. Alberto-Culver stockholders have no appraisal rights under Delaware law in connection with the transactions contemplated by the investment agreement and the separation agreement.

The Alberto-Culver board of directors has unanimously adopted and approved the investment agreement and determined that the investment agreement and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, are advisable and in the best interests of Alberto-Culver and its stockholders and recommends that Alberto-Culver stockholders vote FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance.

To ensure that your shares of Alberto-Culver common stock are represented at the special meeting, please complete, sign and date the enclosed proxy card and mail it promptly in the enclosed, postage-paid envelope or submit your proxy by telephone or Internet as described in the accompanying proxy statement/prospectus information statement. Any executed but unmarked proxy cards will be voted FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance. Alberto-Culver stockholders may revoke their proxy in the manner described in the accompanying proxy statement/prospectus information statement before it has been voted at the special meeting. If your broker holds your shares of Alberto-Culver common stock in street name, you must either direct your broker on how to vote your shares or obtain a proxy from your broker to vote in person at the special meeting. Please check the voting form used by your broker for information on how to submit your instructions.

WE CANNOT COMPLETE THE TRANSACTIONS UNLESS OUR STOCKHOLDERS ADOPT THE INVESTMENT AGREEMENT AND APPROVE THE TRANSACTIONS CONTEMPLATED BY THE INVESTMENT AGREEMENT, INCLUDING THE HOLDING COMPANY MERGER AND THE NEW SALLY SHARE ISSUANCE BY THE AFFIRMATIVE VOTE OF A MAJORITY OF THE OUTSTANDING SHARES OF ALBERTO-CULVER COMMON STOCK. WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD OR SUBMIT YOUR PROXY BY TELEPHONE OR INTERNET AS DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT/PROSPECTUS INFORMATION STATEMENT.

Failure to respond will have the same effect as voting against the proposal unless you attend and vote **FOR** the proposal at the special meeting of stockholders.

By Order of the Board of Directors

Gary P. Schmidt

Secretary

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Trademarks, Service Marks and Trade Names	

Each of Alberto-Culver and Sally Holdings currently owns or has rights and each of New Alberto-Culver and New Sally will own or have rights to use the trademarks, service marks and trade names that each uses or will use in conjunction with the operation of their respective businesses. Some of the more important trademarks and service marks that appear in this proxy statement/prospectus information statement that are owned by Alberto-Culver include *Alberto V05*, *St. Ives*, *TRESemmé* and *Nexus*. Each trademark, trade name or service mark of any other company appearing in this proxy statement/prospectus-information statement is to our knowledge owned by such company.

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SUMMARY

*This summary highlights selected information from this proxy statement/prospectus information statement and may not contain all of the information that is important to you. For a more complete description of the legal terms of the transactions contemplated by the investment agreement, you should carefully read this entire proxy statement/prospectus information statement and the other documents to which we refer you, including in particular the copies of the investment agreement and the first amendment thereto, the separation agreement and the first amendment thereto and the tax allocation agreement and the first amendment thereto that are attached to this proxy statement/prospectus information statement as Annexes A-1 and A-2, B-1 and B-2 and C-1 and C-2, respectively. See *Where You Can Find More Information* beginning on page 289.*

This proxy statement/prospectus information statement is:

a prospectus of New Sally Holdings, Inc. relating to the issuance of shares of New Sally common stock in connection with the holding company merger;

a proxy statement of Alberto-Culver Company for use in the solicitation of proxies for Alberto-Culver's special meeting; and

an information statement of New Sally relating to the distribution of shares of New Aristotle Holdings, Inc. (to be renamed Alberto-Culver Company) common stock to holders of New Sally common stock (other than the New Sally Class A common stock).

In this proxy statement/prospectus information statement, unless the context requires otherwise:

we use the term Alberto-Culver to refer to Alberto-Culver Company prior to giving effect to the transactions; and

we use the term Lavin family stockholders to mean Mrs. Carol L. Bernick, Chairman of the Alberto-Culver board of directors, Mr. Leonard H. Lavin, a director of Alberto-Culver, and Mrs. Bernice Lavin, wife of Mr. Lavin and mother of Mrs. Bernick, and a partnership and trusts established for the benefit of specified members of the Lavin family, including Mrs. Bernick, Mr. Lavin and Mrs. Lavin, as well as the permitted transferees of such persons, partnership and trusts that have entered into a support agreement with Investor, and that will enter into a stockholders agreement with New Sally, Investor and CD&R Parallel Fund VII, L.P., an affiliate of Investor, prior to the closing of the transactions. Mrs. Bernick and Mr. Lavin are trustees and/or co-trustees of substantially all of the trusts, and one of the trusts of which Mrs. Bernick is sole trustee is the general partner of the partnership.

The Business Entities (see pages 144 and 206)

Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, Illinois 60160

(708) 450-3000

www.alberto.com

Alberto-Culver Company, a Delaware corporation, is the parent corporation of Sally Holdings, Inc. In addition to the activities of Sally Holdings, described below, Alberto-Culver owns and operates its consumer products business, which manufactures, distributes and markets leading personal care products including *Alberto VO5*, *St. Ives*, *TRESemmé* and *Nexus* in the U.S. and internationally. We refer to the business of Alberto-Culver, excluding the business of Sally Holdings, as the consumer products business. As described below, following completion of the transactions Alberto-Culver will continue to own and operate the consumer products business but will be a subsidiary of a new

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publicly-traded company, New Aristotle Holdings, Inc., which will change its name to Alberto-Culver Company.

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Sally Holdings, Inc.

3001 Colorado Boulevard

Denton, Texas 76210

(708) 450-3000

www.sallybeauty.com

Sally Holdings, Inc., a Delaware corporation and currently a wholly-owned subsidiary of Alberto-Culver, is a holding company for subsidiaries involved in the beauty supply distribution business, including Sally Beauty Company, Inc. and Beauty Systems Group, Inc. Sally Holdings is a leading international distributor of professional beauty supplies. As described below, following completion of the transactions Sally Holdings will be an indirect wholly-owned subsidiary of New Sally Holdings, Inc., a new publicly-traded company and will continue to own the equity of Sally Beauty Supply and BSG.

References in this proxy statement/prospectus information statement to Sally Holdings historical assets, liabilities, products, businesses or activities are generally intended to refer to the historical assets, liabilities, products, businesses or activities of Sally Holdings as a wholly-owned subsidiary of Alberto-Culver prior to the transactions. Sally Holdings historical financial results as part of Alberto-Culver contained herein do not reflect what its financial results would have been had it been operated as a subsidiary of New Sally during the periods presented.

New Sally Holdings, Inc.

c/o Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, Illinois 60160

(708) 450-3000

New Sally Holdings, Inc., a Delaware corporation and currently a direct, wholly-owned subsidiary of Alberto-Culver, was formed by Alberto-Culver for the purpose of completing the transactions. Prior to the completion of the transactions, New Sally intends to change its name to Sally Beauty Holdings, Inc. Following completion of the transactions, New Sally will be a separate, publicly-traded company that will own Sally Holdings, which will continue to own the equity of the companies that own and operate the Sally/BSG distribution business.

New Aristotle Holdings, Inc.

c/o Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, Illinois 60160

(708) 450-3000

New Aristotle Holdings, Inc., or New Alberto-Culver, a Delaware corporation and currently a direct, wholly-owned subsidiary of New Sally, was formed by New Sally for the purpose of completing the transactions. Following completion of the transactions, New Alberto-Culver will be a separate, publicly-traded company that will own the equity of the companies that own and operate the consumer products business.

References in this proxy statement/prospectus information statement to New Alberto-Culver s historical assets, liabilities, products, businesses or activities are generally intended to refer to the historical assets, liabilities, products, businesses or activities of Alberto-Culver s consumer products business prior to the transactions. The historical financial results of New Alberto-Culver contained

in this proxy statement/prospectus information statement do not reflect what its financial results would have been had it been operated as a stand-alone company during the periods presented.

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New Aristotle Company

c/o Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, Illinois 60160

(708) 450-3000

New Aristotle Company, or Merger Sub, a Delaware corporation and currently a direct, wholly-owned subsidiary of New Sally, was formed by New Sally for the purpose of effecting the holding company merger, whereby New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the Sally/BSG distribution business and, prior to completion of the other transactions, the companies that own and operate the consumer products business.

CDRS Acquisition LLC

c/o Clayton, Dubilier & Rice Fund VII, L.P.

1403 Foulk Road, Suite 106

Wilmington, DE 19803

Fax: (302) 427-7398

CDRS Acquisition LLC, or Investor, is a Delaware limited liability company organized by Clayton, Dubilier & Rice Fund VII, L.P., a private investment fund managed by Clayton, Dubilier & Rice, Inc., or CD&R.

CD&R Parallel Fund VII, L.P.

1403 Foulk Road, Suite 106

Wilmington, Delaware 19803

Fax: (302) 427-7398

CD&R Parallel Fund VII, L.P., or Parallel Fund, a Cayman Islands exempted limited partnership, is a private investment fund managed by CD&R and is an affiliate of Investor. Under the investment agreement, Investor may assign to Parallel Fund the right to purchase a portion of Investor's equity interest in New Sally, which portion will not exceed approximately 0.3% of New Sally common stock on a fully diluted basis immediately following the conversion. References in this proxy/prospectus information statement to the equity investment by Investor include any investment by Parallel Fund resulting from Investor's assignment under the investment agreement.

The Transactions (see page 57)

On June 19, 2006, Alberto-Culver, Merger Sub, Sally Holdings, New Sally and Investor entered into the investment agreement pursuant to which,

Alberto-Culver will separate into two publicly-traded companies: New Alberto-Culver, which will own and operate the consumer products business, the issued and outstanding common stock of which will be owned 100% by the Alberto-Culver stockholders, and New Sally, which will own and operate the Sally/BSG distribution business, and approximately 52.5% of the common stock of which will be owned by Alberto-Culver stockholders on a fully diluted basis;

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Investor will invest \$575 million in New Sally for an equity interest representing approximately 47.5% of New Sally common stock on a fully diluted basis;

Sally Holdings and/or one or more of its subsidiaries will incur approximately \$1.85 billion of indebtedness; and

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New Sally will use all or a substantial portion of the proceeds of the investment by Investor and the debt incurrence to pay all or a substantial portion of a \$25.00 per share special cash dividend to holders of record of shares of New Sally common stock (formerly Alberto-Culver stockholders) other than the New Sally Class A common stock held by Investor.

To accomplish the results described above, on the terms and subject to the conditions set forth in the investment agreement, separation agreement, tax allocation agreement and employee matters agreement described below, the parties will engage in a number of transactions including:

Holding Company Merger. A holding company merger by which Merger Sub will merge with and into Alberto-Culver with Alberto-Culver continuing as the surviving corporation and as a direct, wholly-owned subsidiary of New Sally and each issued and outstanding share of Alberto-Culver common stock will automatically convert into one share of New Sally common stock. As a result of the holding company merger, New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the consumer products business and the Sally/BSG distribution business.

Investment by Investor and Debt Financing. The payment by Investor to New Sally of \$575 million for shares of New Sally Class A common stock that as described below will automatically convert on a one-for-one basis into shares of New Sally common stock at 12:01 a.m. Eastern time on the day following the closing date and the contemporaneous borrowings by Sally Holdings and/or one or more of its subsidiaries of approximately \$1.85 billion of indebtedness. We refer to the issuance of the shares of New Sally Class A common stock to Investor as the New Sally share issuance.

Distributions. The distributions by New Sally of:

the \$25.00 per share special cash dividend to holders of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions; and

one share of New Alberto-Culver common stock for each share of New Sally common stock (other than the New Sally Class A common stock) held of record.

See Questions and Answers About the Transactions beginning on page 13 for a discussion of how you will receive your shares of New Alberto-Culver common stock and New Sally common stock and your portion of the special cash dividend.

Conversion of Class A Common Stock. On the day following the closing date, the conversion of each share of New Sally Class A common stock issued to Investor into one share of New Sally common stock, which shares of New Sally common stock will represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion of such shares of New Sally Class A common stock into shares of New Sally common stock.

As a result of completion of the transactions contemplated by the investment agreement,

each holder of Alberto-Culver common stock as of the effective time of the holding company merger will have received one share of New Sally common stock for each share of Alberto-Culver common stock held of record, which shares of New Sally common stock in the aggregate, after giving effect to the investment by Investor, will represent approximately 52.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion;

Investor will have received shares of New Sally common stock that represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion;

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each holder of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions will have received the \$25.00 per share special cash dividend; and

each holder of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions will have received one share of New Alberto-Culver common stock for each share of New Sally common stock held of record, which shares of New Alberto-Culver common stock in the aggregate will represent 100% of the issued and outstanding shares of New Alberto-Culver common stock immediately following the distributions.

See The Investment Agreement and The Separation Agreement beginning on pages 105 and 123, respectively. The investment agreement and the amendment thereto are attached as Annexes A-1 and A-2 to this proxy statement/prospectus information statement and the separation agreement and the amendment thereto are attached as Annexes B-1 and B-2 to this proxy statement/prospectus information statement and each of them is incorporated by reference into this proxy statement/prospectus information statement. When we refer to the investment agreement and the separation agreement, we mean such agreements as amended by the first amendment thereto. We urge you to read the investment agreement and the separation agreement carefully to understand the rights and obligations of the parties with respect to the transactions, as they are the principal legal documents that govern the transactions.

There Are Additional Agreements that Govern Matters Relating to Effecting the New Alberto-Culver Share Distribution and the Relationship of New Alberto-Culver and New Sally After the Transactions (see page 128)

In addition to the investment agreement and separation agreement, Alberto-Culver, New Alberto-Culver, Sally Holdings and New Sally have entered into various agreements that will govern the New Alberto-Culver share distribution and various interim and ongoing relationships among them, including, among others:

an employee matters agreement; and

a tax allocation agreement.

You should read the tax allocation agreement and the amendment thereto, which are described in this proxy statement/prospectus information statement under Additional Agreements Relating to the New Alberto-Culver Share Distribution Tax Allocation Agreement beginning on page 131 and are attached as Annexes C-1 and C-2, respectively, to this proxy statement/prospectus information statement and incorporated by reference into this proxy statement/prospectus information statement and the employee matters agreement and the amendment thereto, which are described in this proxy statement/prospectus information statement under Additional Agreements Relating to the New Alberto-Culver Share Distribution Employee Matters Agreement and are exhibits to the registration statement of which this proxy statement/prospectus information statement forms a part and are incorporated by reference into this proxy statement/prospectus information statement. When we refer to the employee matters agreement and the tax allocation agreement, we mean such agreements as amended by the first amendment to each such agreement.

Under the Transaction Agreements, New Alberto-Culver and New Sally Will Be Required to Make Various Payments to Each Other and to Investor and its Affiliates (see pages 122 and 124)

Under the transaction agreements, New Alberto-Culver and New Sally will be required to make specified payments to the other in connection with the transactions, and, in the case of New Sally, to Investor and its affiliates.

Alberto-Culver Expects to Continue its Stated Dividend Policy of Paying a Regular Quarterly Dividend of \$0.13 per Share Until Completion of the Transactions; Following Completion of the Transactions, New Alberto-Culver Expects to Pay a Regular Quarterly Dividend and New Sally Does Not Expect to Pay a Regular Quarterly Dividend (see page 26)

The investment agreement permits Alberto-Culver to continue to pay regular quarterly dividends to stockholders of \$0.13 per share in accordance with its previously announced dividend policy, which Alberto-Culver expects to do.

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New Alberto-Culver expects that following completion of the transactions, it will pay a regular quarterly dividend. However, the amount of future dividends will not be determined until sometime following completion of the transactions.

New Sally expects that following completion of the transactions, it will not pay a regular quarterly dividend.

Assuming the New Alberto-Culver Share Distribution Constitutes a Tax-Free Distribution Under Section 355 of the Internal Revenue Code, No Taxable Gain or Loss Will Generally Be Recognized by Alberto-Culver Stockholders as a Result of the New Alberto-Culver Share Distribution (see page 97)

The obligations of Investor, Alberto-Culver and New Sally to effect the transactions under the investment agreement are conditioned upon the receipt of (i) a private letter ruling from the Internal Revenue Service and (ii) an opinion of Sidley Austin LLP, counsel to Alberto-Culver (or another law firm of national standing), in each case to the effect that the Alberto-Culver contribution (as described under The Transactions Description of the Transactions Timing and Structure of the Transactions beginning on page 59) and the New Alberto-Culver share distribution will qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Internal Revenue Code. None of Alberto-Culver or New Sally intends to waive these conditions.

Assuming that the New Alberto-Culver share distribution constitutes a tax-free distribution under Section 355 of the Internal Revenue Code, then:

no taxable gain or loss will be recognized by a New Sally stockholder as the result of the receipt of New Alberto-Culver common stock pursuant to the New Alberto-Culver share distribution; and

no taxable gain or loss generally will be recognized by New Sally as the result of the New Alberto-Culver share distribution. The holding company merger and special cash dividend will be subject to the treatment described in Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions beginning on page 97.

Due to Variances Between the Charters and Other Corporate Documents of Alberto-Culver, New Alberto-Culver and New Sally, Differences Exist Between the Rights of Alberto-Culver Stockholders, New Alberto-Culver Stockholders and New Sally Stockholders (see page 279)

The rights of Alberto-Culver stockholders under Alberto-Culver's corporate documents prior to the transactions will be different from the rights of New Sally stockholders and New Alberto-Culver stockholders under their respective corporate documents following the transactions.

The Composition of the Board of Directors of New Sally Will Be Modified Pursuant to the Investment Agreement (see pages 133 and 258)

The investment agreement provides that upon completion of the transactions, the New Sally board of directors will consist of twelve individuals, in three staggered classes of four persons each, with five persons named by Alberto-Culver, at least four of whom qualify as independent of New Sally under the rules of the New York Stock Exchange, and Gary G. Winterhalter, the current President of Sally Holdings, and six persons named by Investor, at least three of whom qualify as independent of New Sally under the rules of the New York Stock Exchange. Pursuant to the investment agreement, upon completion of the transactions, New Sally will appoint an Investor designee as Chairman of the New Sally board of directors.

The investment agreement provides that upon completion of the transactions, Mr. Winterhalter will be President and Chief Executive Officer of New Sally.

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Prior to the closing, New Sally will adopt the New Sally amended and restated certificate of incorporation and amended and restated by-laws, and New Sally, Investor, Parallel Fund and the Lavin family stockholders will enter into a stockholders agreement. These documents include, among other things, governance provisions which will permit Investor to, so long as the ownership percentage of Investor's and its affiliates' and their permitted transferees' shares of New Sally common stock in the aggregate equals or exceeds specified percentages, designate for nomination to the New Sally board of directors, a specified number of individuals.

Completion of the Transactions Is Subject to the Satisfaction or Waiver of a Number of Conditions (see pages 116 and 124)

The obligation of each party to the investment agreement to complete the transactions under the investment agreement that are to occur on the closing date is subject to the satisfaction or waiver of specified conditions set forth in the investment agreement, including:

the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement, including the holding company merger and New Sally share issuance, by Alberto-Culver stockholders;

receipt by New Sally of a favorable Internal Revenue Service ruling to the effect that the New Alberto-Culver share distribution will constitute a tax-free distribution under Section 355 of the Internal Revenue Code and receipt by New Sally and Alberto-Culver of an opinion of Sidley Austin LLP (or another law firm of national standing) stating that the New Alberto-Culver share distribution will constitute a tax-free distribution under Section 355 of the Internal Revenue Code;

the receipt by the boards of directors or similar bodies of Alberto-Culver, New Sally and Sally Holdings of opinions from a valuation firm of national reputation retained by Alberto-Culver and reasonably acceptable to Investor to render specified surplus and solvency opinions;

other customary conditions set forth in the investment agreement.

New Sally's obligation to complete the distributions and the other transactions contemplated by the separation agreement is subject to the satisfaction or waiver of further specified conditions set forth in the separation agreement. None of the conditions under the separation agreement may be waived by New Sally without the prior written consent of Alberto-Culver. Specified conditions may not be waived by New Sally unless New Sally receives the prior written consent of Investor, which consent may not be unreasonably withheld, conditioned or delayed.

How the Investment Agreement May Be Terminated by Alberto-Culver or Investor (see page 118)

The investment agreement may be terminated at any time before the completion of the transactions:

by mutual written consent of Alberto-Culver and Investor;

by either Alberto-Culver or Investor:

if the transactions have not been completed by April 30, 2007, provided that the terminating party's failure to fulfill any obligation under the investment agreement is not the cause of the transactions not being completed by April 30, 2007;

if Alberto-Culver stockholders fail to adopt the investment agreement and approve the transactions contemplated by the investment agreement at the special meeting of the Alberto-Culver stockholders; or

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if the other party has breached or failed to perform its obligations under the investment agreement, such that the closing condition relating to the accuracy of the representations or relating to the

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performance of covenants of such other party is not capable of being satisfied on or before April 30, 2007; or

by Investor if under specified circumstances and subject to specified exceptions, the Alberto-Culver board of directors fails to recommend that the Alberto-Culver stockholders adopt the investment agreement and approve the transactions contemplated by the investment agreement, withdraws (or publicly proposes not to make or to withdraw, modify or qualify) such recommendation, recommends or accepts an acquisition proposal (as that term is described under The Investment Agreement Covenants No Solicitation of Acquisition Proposals; Recommendation of Alberto-Culver Board of Directors beginning on page 107), does not send a statement to its stockholders within 10 business days that it recommends the rejection of any tender offer made by a third party or Alberto-Culver breaches its obligation to hold the Alberto-Culver special meeting; or

by Alberto-Culver:

if the Alberto-Culver board of directors in good faith concludes (after consultation with its outside counsel and the valuation firm) that one or more of the opinions as to the surplus or similar concept of Alberto-Culver, as to the surplus of New Sally and/or as to the solvency of New Sally and its subsidiaries is not reasonably capable of being satisfied on or before April 30, 2007 based on the facts available to the Alberto-Culver board of directors at the time of such conclusion; or

if prior to the Alberto-Culver stockholders adopting the investment agreement and approving the transactions contemplated by the investment agreement, the Alberto-Culver board of directors authorizes Alberto-Culver to enter into an agreement for a transaction that constitutes a superior proposal (as that term is described under The Investment Agreement Covenants No Solicitation of Acquisition Proposals; Recommendation of Alberto-Culver Board of Directors beginning on page 107), provided that specified conditions are met.

Termination Fees May Be Payable Under Some Circumstances (see page 120)

As described under The Investment Agreement Effect of Termination; Termination Fees Termination Fee to be Paid by Alberto-Culver, Alberto-Culver has agreed to pay Investor a termination fee of:

\$30 or \$60 million if the investment agreement is terminated in specified circumstances involving a competing transaction; or

\$60 million if Investor terminates the investment agreement as a result of specified actions or failure to act by the Alberto-Culver board of directors or intentional breaches of the investment agreement by Alberto-Culver such that the closing condition relating to the performance of covenants and the accuracy of representations of Alberto-Culver, New Sally and Sally Holdings are not capable of being satisfied on or before April 30, 2007.

As described under The Investment Agreement Effect of Termination; Termination Fees Termination Fee to be Paid by Investor, Investor has agreed to pay Alberto-Culver a termination fee of \$60 million if under specified circumstances the investment agreement is terminated and the debt financing has not been obtained or as a result of intentional breaches of the investment agreement by Investor such that the closing conditions relating to the performance of covenants and the accuracy of representations of Investor are not capable of being satisfied on or before April 30, 2007.

Financing of the Special Cash Dividend; Debt Financing (see page 136)

As noted above, Investor will invest \$575 million in New Sally for an equity interest representing approximately 47.5% of New Sally common stock on a fully diluted basis. New Sally will use all or a substantial

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portion of (i) the proceeds of such investment and (ii) the net proceeds from debt incurred by Sally Holdings and/or one or more of its subsidiaries in order to finance all or a substantial portion of the special cash dividend and to pay certain transaction expenses. In addition, Sally Holdings and/or one or more of its subsidiaries will enter into additional debt financing arrangements to provide funds after the closing date for working capital, capital expenditures and general corporate purposes.

Alberto-Culver Stockholder Approval Is Required to Complete the Transactions (see page 54)

Adoption of the investment agreement and approval of the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, by the affirmative vote of a majority of the outstanding shares of Alberto-Culver common stock is required to complete the transactions.

At the close of business on the Alberto-Culver special meeting record date, Alberto-Culver directors and executive officers as a group owned and were entitled to vote 14,620,524 shares of Alberto-Culver common stock, representing approximately 15.68% of the outstanding voting power of Alberto-Culver common stock (approximately 2.86% if the shares covered by the support agreements of the Lavin family stockholders and Mr. Howard B. Bernick, President and Chief Executive Officer and a director of Alberto-Culver, are excluded). All of the directors and executive officers of Alberto-Culver that are entitled to vote at the Alberto-Culver special meeting have indicated that they currently intend to vote their shares of Alberto-Culver common stock in favor of adopting the investment agreement and approving the transactions contemplated by the investment agreement. See *The Alberto-Culver Special Meeting Share Ownership of Management and Certain Stockholders* beginning on page 55.

In connection with the execution of the investment agreement, the Lavin family stockholders entered into a support agreement with Alberto-Culver, New Sally and Investor, pursuant to which the Lavin family stockholders have agreed that, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, they will vote their shares of Alberto-Culver common stock for adoption of the investment agreement and approval of the transactions contemplated by the investment agreement. Additionally, Mr. Bernick entered into a similar support agreement with Alberto-Culver, New Sally and Investor. Accordingly, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, approximately 12.82% of the shares of Alberto-Culver common stock outstanding as of the record date for the special meeting is contractually committed to vote for the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement.

The Alberto-Culver Board of Directors Recommends the Adoption of the Investment Agreement and Approval of the Transactions Contemplated by the Investment Agreement (see page 73)

The Alberto-Culver board of directors has unanimously adopted and approved the investment agreement and determined that the investment agreement and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, are advisable and in the best interests of Alberto-Culver and its stockholders and recommends that Alberto-Culver stockholders vote FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance.

Alberto-Culver's Reasons for the Transactions (see page 73)

In reaching its decision to adopt and approve the investment agreement and the transactions contemplated by the investment agreement and recommend that Alberto-Culver stockholders adopt the investment agreement

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and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, the Alberto-Culver board of directors considered a variety of factors weighing positively in favor of the transactions, including the following:

elimination of channel conflicts associated with Alberto-Culver operating two businesses each of which competes with the customers or suppliers of the other business;

greater business focus of each of New Alberto-Culver and New Sally as a result of the separation of the businesses;

the financial terms of the transactions and anticipated tax treatment;

receipt by Alberto-Culver stockholders of the special cash dividend;

the terms of the investment agreement and separation agreement; and

the potential contributions by CD&R to the Sally/BSG distribution business.

None of Alberto-Culver, New Alberto-Culver or New Sally Stockholders Have Dissenters or Appraisal Rights in Connection with the Transactions (see page 96)

None of Alberto-Culver stockholders, New Sally stockholders or New Alberto-Culver stockholders will be entitled to exercise appraisal rights or to demand payment for their shares in connection with the transactions.

Opinion of Alberto-Culver's Financial Advisor (see page 79)

Goldman, Sachs & Co., referred to herein as Goldman Sachs, delivered its oral opinion to Alberto-Culver's board of directors on June 18, 2006, subsequently confirmed by delivery of a written opinion dated June 19, 2006, that, as of such date and based upon and subject to the factors and assumptions set forth therein, the purchase price to be received by New Sally for the New Sally Class A common stock to be purchased by Investor pursuant to the investment agreement was fair from a financial point of view to New Sally. At the time of the issuance of such shares, New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the consumer products business and the Sally/BSG distribution business.

The full text of the written opinion of Goldman Sachs, dated June 19, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex I. Goldman Sachs provided its opinion for the information and assistance of Alberto-Culver's board of directors in connection with its consideration of the transactions contemplated by the investment agreement and the separation agreement. The Goldman Sachs opinion is not a recommendation as to how any holder of Alberto-Culver's common stock should vote with respect to any aspect of the transactions contemplated by the investment agreement or separation agreement. Pursuant to an engagement letter between Alberto-Culver and Goldman Sachs, upon the consummation of the transactions contemplated by the investment agreement and separation agreement, Alberto-Culver has agreed to pay Goldman Sachs a transaction fee of \$16.5 million, all of which is payable upon consummation of the transaction.

Alberto-Culver Executive Officers and Directors, the Lavin Family Stockholders and Investor Have Interests in the Transactions that Are Different from, or in Addition to, the Interests of Alberto-Culver Stockholders Generally (see pages 60 and 88)

In considering the recommendation of the Alberto-Culver board of directors to adopt the investment agreement and approve the transactions contemplated by the investment agreement, Alberto-Culver stockholders should be aware that certain Alberto-Culver stockholders, Alberto-Culver's directors and executive officers, the Lavin family stockholders and Investor have interests in the transactions that are different from, or in addition to, the interests of Alberto-Culver stockholders generally as a result of, among other things:

Mr. Winterhalter will become the President and Chief Executive Office of New Sally;

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options to purchase Alberto-Culver common stock issued under Alberto-Culver stock plans and outstanding prior to the completion of the distributions, including those held by executive officers and directors, will be ultimately converted into fully exercisable options to purchase New Alberto-Culver common stock in the case of employees who will be employed by New Alberto-Culver and non-employee directors who will be directors of New Alberto-Culver after the closing date (along with Mr. Michael H. Renzulli, Chairman of Sally Holdings), or New Sally common stock, in the case of employees who will be employed by New Sally and non-employee directors who will be directors of New Sally after the closing date, upon completion of the distributions (approximately 1,322,559 options held by executive officers and directors would vest if the transactions were to be completed on June 30, 2006);

restrictions upon restricted stock issued under Alberto-Culver's restricted stock plans and Management Bonus Plan awarded prior to completion of the distributions, including those held by executive officers, will lapse (restrictions on 11,813 shares of restricted stock held by executive officers would lapse if the transactions were to be completed on June 30, 2006);

the accelerated payout of prorated (i) bonuses under the Alberto-Culver Management Incentive Plan and (ii) incentive pay under the Alberto-Culver Shareholder Value Incentive Plan to Alberto-Culver and Sally Holdings executives;

the accelerated payout of deferred compensation benefits to Sally Holdings executives;

severance arrangements maintained for Alberto-Culver executive officers other than Mrs. Bernick and Messrs. Bernick and Renzulli that provide for cash severance pay valued in an aggregate amount of approximately \$5,553,400 (generally based on a specified multiple of their then current salary and the average of their annual bonuses over the five years prior to their termination) and other benefits, if their employment is terminated between June 19, 2006 and two years following completion of the transactions;

a new severance arrangement to be maintained by New Sally for Mr. Winterhalter that provides for a lump-sum cash severance payment, which payment as of June 30, 2006, would be an amount equal to \$3,133,520, and other benefits if his employment is terminated, with certain exceptions, within two years after a change in control of New Sally;

a termination agreement between Mr. Bernick and Alberto-Culver, pursuant to which Mr. Bernick would receive, upon completion of the transactions, (i) a lump sum payment equal to \$6,723,200 in respect of the waiver of his severance agreement; (ii) a lump sum payment equal to \$2,660,000 as a retirement bonus and (iii) certain other benefits;

a termination and consulting agreement among Mr. Renzulli, Alberto-Culver and Sally Holdings, pursuant to which Mr. Renzulli would (A) receive, upon completion of the transactions, (i) a lump sum payment equal to \$3,641,034 in respect of the waiver of his severance agreement and (ii) certain other benefits and (B) be paid \$500,000 per year to provide certain consulting services to Sally Holdings for a period of three years following completion of the transactions;

the stockholders agreement to be entered into among New Sally, Investor, Parallel Fund and the Lavin family stockholders providing for, among other things, certain registration rights in connection with the Lavin family stockholders' ownership of shares of New Sally common stock;

Investor, which will own approximately 47.5% of the common stock of New Sally on a fully diluted basis immediately following the conversion, is a company organized by the Fund, which is a private equity fund that seeks investments in companies that it believes present opportunities for growth and expansion, and returns for the Fund's investors; and

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New Sally will reimburse Investor for an amount equal to its expenses related to the transactions, which Investor has estimated to be approximately \$27.1 million, and New Sally will pay CD&R a \$30 million

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transaction fee as part of New Sally's agreement to bear the fees and expenses of Investor incurred in connection with the transactions. **Investor, Alberto-Culver, New Sally and the Lavin Family Stockholders Have Entered into or, Prior to Completion of the Transactions, Will Enter into Additional Agreements Relating to the Voting of the Lavin Family Stockholders' Common Stock of Alberto-Culver with Respect to the Transactions and Certain Rights with Respect to New Sally (see page 132)**

The Lavin family stockholders have entered into a support agreement, which will govern their voting of common stock of Alberto-Culver in connection with the transactions, and prior to the time of the distributions, will enter into a stockholders agreement that will contain provisions regarding their ongoing relationship as stockholders of New Sally.

Investor, Alberto-Culver, New Sally and Howard B. Bernick Have Entered into a Support Agreement Relating to the Voting of Mr. Bernick's Common Stock of Alberto-Culver with Respect to the Transactions (see page 132)

Mr. Bernick has entered into a support agreement, which will govern his voting of common stock of Alberto-Culver in connection with the transactions.

Completion of the Transactions Is Subject to Antitrust Approvals (see page 87)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the transactions may not be completed until a Notification and Report Form has been filed with the Antitrust Division of the U.S. Department of Justice, which we refer to as the DOJ, and the Federal Trade Commission, which we refer to as the FTC, and the specified 30-day waiting period has been observed. The Fund and Alberto-Culver filed Notification and Report Forms with the DOJ and FTC on July 7, 2006. The parties received early termination of the waiting period on July 14, 2006. At any time before or after completion of the transactions, the DOJ, FTC or others (including states and private parties) could take action under the antitrust laws, including seeking to prevent the transactions, to rescind the transactions or to conditionally approve the transactions.

Antitrust approvals for the transactions are also required to be obtained from governmental authorities in Germany and Ireland. The parties submitted both applications for such approvals on July 19, 2006. The German Federal Cartel Office approved the transaction on July 27, 2006. The Irish Competition Authority approved the transaction on August 15, 2006.

Accounting Treatment (see page 88)

Notwithstanding the legal form of the transactions, because of the substance of the transactions, New Alberto-Culver will be considered the divesting entity and treated as the accounting successor to Alberto-Culver and Sally Holdings will be considered the accounting spinee for financial reporting purposes in accordance with Emerging Issues Task Force, EITF Issue No. 02-11, Accounting for Reverse Spinoffs.

As a Condition to Completion of the Transaction, New Alberto-Culver and New Sally Common Stock Issued in the Transactions Will Each Be Listed on the New York Stock Exchange (see page 116)

It is a condition to completion of the transactions that each of the shares of New Sally common stock to be issued in the holding company merger and the shares of New Alberto-Culver common stock to be distributed in the Alberto-Culver share distribution will be listed on the New York Stock Exchange. New Alberto-Culver intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under Alberto-Culver's present symbol of ACV and New Sally intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under the symbol SBH.

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The Transactions, Including the Performance of New Alberto-Culver and New Sally, Involve a Number of Risks

There are a number of risks relating to the transactions and to the businesses of New Alberto-Culver and New Sally. See **Risk Factors** beginning on page 27 of this proxy statement/prospectus information statement for a discussion of these and other risks and see also the documents that Alberto-Culver has filed with the SEC and which are incorporated by reference into this proxy statement/prospectus information statement.

Questions and Answers About the Transactions

Why am I receiving this document?

We are delivering this document to you because it is serving as a proxy statement of Alberto-Culver, a prospectus of New Sally and an information statement of New Sally. It is a proxy statement because Alberto-Culver is using it to solicit the approval by its stockholders of the adoption of the investment agreement and approval of the transactions contemplated by the investment agreement. It is a prospectus because New Sally is offering shares of its common stock to stockholders of Alberto-Culver in the holding company merger. It is an information statement because New Sally is using it to distribute to persons that will be its stockholders (i.e., current Alberto-Culver stockholders) information relating to New Alberto-Culver and the New Alberto-Culver share distribution.

What am I being asked to vote upon?

You are being asked to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance.

Who can vote on the Alberto-Culver proposal?

Holders of record of Alberto-Culver common stock at the close of business on October 3, 2006, the record date for the Alberto-Culver special meeting, can vote their shares by proxy by completing, signing, dating and returning their proxy card in the enclosed, postage-paid envelope or by submitting their proxy by telephone or Internet as described in this proxy statement/prospectus information statement or they may vote in person at the Alberto-Culver special meeting. See **The Alberto-Culver Special Meeting Purpose, Time and Place** beginning on page 54.

When and where is the special meeting of Alberto-Culver stockholders?

The special meeting of Alberto-Culver stockholders will take place on November 10, 2006 at 2525 Armitage Avenue, Melrose Park, Illinois 60160, at 10:00 a.m. Central time.

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What will happen at the special meeting?

At the special meeting, holders of Alberto-Culver common stock will vote on whether to adopt the investment agreement and approve the transactions contemplated by the investment agreement. The parties to the investment agreement cannot complete the transactions without the approval of the holders of a majority of the shares of Alberto-Culver common stock. See The Alberto-Culver Special Meeting beginning on page 54.

What do I need to do to vote?

You may vote:

by telephone, by calling the toll-free number 800-652-VOTE (8683) in the United States or Canada on a touch-tone phone and following the recorded instructions;

by accessing the Internet website at <http://www.computershare.com/expressvote> and following the instructions on the website; or

by mail, by completing the enclosed proxy card, signing and dating the proxy card and returning the proxy card in the enclosed, postage-paid envelope that accompanied that proxy card.

If my shares are held in street name by my broker, will my broker vote my shares for me?

Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares will not be voted.

What happens if I do not respond?

The failure to respond by returning your signed proxy card, voting by telephone or voting over the Internet will have the same effect as voting against the proposal unless you vote for the proposal in person at the Alberto-Culver special meeting.

Can I change my vote after I submit my proxy card?

Yes. If you are a holder of record of Alberto-Culver common stock and have properly completed and submitted your proxy card, you can change your vote in any of the following ways:

by sending a written notice to the corporate secretary of Alberto-Culver that is received prior to the special meeting stating that you revoke your proxy;

by properly completing and submitting a new proxy card bearing a later date that is received prior to the special meeting; or

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by attending the special meeting and voting in person.

Simply attending the special meeting will not revoke a proxy.

If you are a holder whose shares are held in street name by your broker and you have directed that person to vote your shares, you must instruct that person to change your vote if you wish to so change your vote.

When will the special meeting take place relative to the transactions?

We expect that:

the special meeting will be held on November 10, 2006; and

the record date for the distributions and, assuming the conditions in the investment agreement and separation agreement have been satisfied or waived, the date of the closing of the transactions, which will be the same date, will be on a date one to three business days after the special meeting.

When will the transactions be completed?

We are working to complete the transactions as quickly as reasonably possible. If approved by the Alberto-Culver stockholders, we hope to complete the transactions in the fourth calendar quarter of 2006. However, it is possible that factors outside our control could require us to complete the transactions at a later time or not to complete them at all. See The Investment Agreement Conditions to the Completion of the Transactions beginning on page 116.

If the transactions are completed, when and how will I receive my shares of New Sally common stock, New Alberto-Culver common stock and the special cash dividend?

If the transactions are completed, you will receive your shares and the \$25.00 per share special cash dividend as follows:

New Sally and New Alberto-Culver Shares. The exchange agent will:

record in the stock transfer records of New Sally the issuance of one share of New Sally common stock to each holder of Alberto-Culver common stock as of the effective time of the holding company merger for each share of Alberto-Culver common stock then held of record; and

record in the stock transfer records of New Alberto-Culver the distribution of one share of New Alberto-Culver common stock to each holder of New Sally common stock

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(other than the New Sally Class A common stock) as of the record date for the distributions for each share of New Sally common stock then held of record.

In addition, following the closing date, the exchange agent for the holding company merger will mail you a letter of transmittal and instructions on how to surrender your shares of Alberto-Culver common stock. Upon surrender of such shares to the exchange agent, the exchange agent will mail to you a certificate representing the number of shares of New Sally common stock into which your shares of Alberto-Culver common stock were converted in the holding company merger and a certificate representing the number of shares of New Alberto-Culver common stock you were distributed in the New Alberto-Culver share distribution. If your shares are held in street name with a broker, the exchange agent will send your new shares to your broker without any action required by you.

Special Cash Dividend. Following the closing date, the distribution agent will pay you or your broker, if your shares are held in street name, the \$25.00 per share special cash dividend.

What should I do now?

After carefully reading and considering the information contained in this proxy statement/prospectus information statement, including the investment agreement and the amendment thereto, separation agreement and the amendment thereto and tax allocation agreement and the amendment thereto attached to this proxy statement/prospectus information statement as Annexes A-1 and A-2, B-1 and B-2 and C-1 and C-2, respectively, you should complete, sign and date your proxy card and return it in the enclosed, postage-paid envelope or submit your proxy by telephone or over the Internet as soon as possible so that your shares will be represented and voted at the Alberto-Culver special meeting. If you submit a proxy and do not indicate how to vote, Alberto-Culver will count the proxy as a vote FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement.

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Who can answer my questions?

If you have any questions regarding the transactions or the Alberto-Culver special meeting or any other matter described in this proxy statement/prospectus information statement, or if you need assistance in voting your shares, please contact:

Alberto-Culver Company

2525 Armitage Avenue

Melrose Park, IL 60160

Attn: Investor Relations

Tel: (708) 450-3000

or

Morrow & Co. Inc.

470 West Avenue 3rd Floor

Stamford, CT 06902

Tel: (800) 607-0088

Table of Contents**Selected Historical Consolidated Financial Information of Alberto-Culver (Accounting Predecessor to New Alberto-Culver)**

The following table sets forth selected historical consolidated financial information for Alberto-Culver. Notwithstanding the legal form of the transactions, because of the substance of the transactions, New Alberto-Culver will be considered the divesting entity and treated as the accounting successor to Alberto-Culver for financial reporting purposes in accordance with EITF Issue No. 02-11, Accounting for Reverse Spinoffs. As such, the historical consolidated financial information presented below for Alberto-Culver (accounting predecessor to New Alberto-Culver) reflects historical consolidated financial information that previously has been filed with the SEC by Alberto-Culver. After the transactions occur, New Alberto-Culver will report the historical consolidated results of operations (subject to certain adjustments) of New Sally in discontinued operations in accordance with the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Pursuant to SFAS No. 144, this presentation is not permitted until the closing date.

The selected historical consolidated financial information of Alberto-Culver is qualified by reference to, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) beginning on page 149 and the consolidated financial statements and notes of Alberto-Culver as of September 30, 2005 and 2004 and for each of the fiscal years in the three fiscal year period ended September 30, 2005 and as of June 30, 2006 and for the nine month periods ended June 30, 2006 and 2005. The results of operations information for the fiscal years ended September 30, 2005, 2004 and 2003 and the financial condition information as of September 30, 2005 and 2004 is derived from the audited consolidated financial statements of Alberto-Culver included elsewhere in this proxy statement/prospectus information statement. The results of operations information for the fiscal years ended September 30, 2002 and 2001 and the financial condition information as of September 30, 2003, 2002 and 2001 are derived from the audited consolidated financial statements of Alberto-Culver not included in this proxy statement/prospectus information statement. The results of operations information for the nine month periods ended June 30, 2006 and 2005 and the financial condition information as of June 30, 2006 are derived from the unaudited consolidated financial statements of Alberto-Culver included elsewhere in this proxy statement/prospectus information statement. The financial condition information as of June 30, 2005 is derived from unaudited consolidated financial statements of Alberto-Culver not included in this proxy statement/prospectus information statement. The unaudited consolidated financial statements of Alberto-Culver include, in Alberto-Culver's management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the consolidated results of operations and the consolidated financial position of Alberto-Culver for the dates set forth in the table below. You should read the following information in conjunction with the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver beginning on page 170. The historical consolidated financial information of Alberto-Culver would have been different had New Alberto-Culver been operated independently. The historical consolidated financial information of Alberto-Culver may not be a reliable indicator of future results of operations of New Alberto-Culver. The amounts in the table below are in thousands.

Table of Contents**Selected Historical Consolidated Financial Information of Alberto-Culver (Accounting Predecessor to New Alberto-Culver)**

	Nine Months Ended June 30,			Fiscal Year Ended September 30,			
	2006 (unaudited)	2005	2005	2004	2003	2002	2001
Results of operations information:							
Net sales	\$ 2,797,750	2,630,488	3,531,231	3,257,996	2,891,417	2,650,976	2,379,117
Cost of products sold	1,436,000	1,372,508	1,757,734	1,610,522	1,449,250	1,342,964	1,217,233
Interest expense	7,708	8,003	10,608	25,744	25,743	26,013	27,309
Earnings before provision for income taxes	207,185(a)	233,744(b)	324,463(b)	212,644(c)	251,400	211,792	167,236(e)
Provision for income taxes	67,707(a)	81,811(b)	113,562(b)	70,874(c)	89,247	74,127	56,860(e)
Net earnings	139,478(a)	151,933(b)	210,901(b)	141,770(c)	162,153	137,665	110,376(e)
Net earnings per share(d):							
Basic	1.51(a)	1.66(b)	2.31(b)	1.57(c)	1.85	1.60	1.31(e)
Diluted	1.50(a)	1.63(b)	2.27(b)	1.54(c)	1.80	1.55	1.27(e)
Financial condition information (at period end):							
Working capital	\$ 770,624	612,735	653,694	585,999	699,980	523,770	486,646
Cash, cash equivalents and short-term investments	220,357	103,329	168,491	201,889	370,148	217,485	202,839
Property, plant and equipment, net	351,958	331,188	335,400	293,901	264,335	247,850	235,822
Total assets	2,468,285	2,228,072	2,302,123	2,058,780	1,945,609	1,729,491	1,516,501
Long-term debt	122,284	134,183	124,084	121,246	320,587	320,181	321,183
Stockholders' equity	1,652,957	1,476,181	1,531,622	1,313,706	1,062,129	862,459	736,009

- (a) Effective October 1, 2005, Alberto-Culver adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), *Share Based Payments*, using the modified prospective method. Under this method, compensation expense is recognized for new stock option grants beginning in fiscal year 2006 and for the unvested portion of outstanding stock options that were granted prior to the adoption of SFAS No. 123 (R). As a result, Alberto-Culver recorded stock option expense for the nine months ended June 30, 2006 that reduced earnings before provision for income taxes by \$12.9 million, provision for income taxes by \$4.5 million, net earnings by \$8.4 million and basic and diluted net earnings per share by nine cents. In accordance with the modified prospective method under SFAS No. 123 (R), the financial statements of Alberto-Culver for prior periods have not been restated. The first nine months of fiscal year 2006 also includes expenses related to the Sally Holdings transactions, which reduced earnings before provision for income taxes by \$56.6 million, provision for income taxes by \$20.5 million, net earnings by \$36.1 million, basic net earnings per share by 39 cents and diluted net earnings per share by 38 cents. In total, these two non-core items reduced earnings before provision for income taxes by \$69.5 million, provision for income taxes by \$25.0 million, net earnings by \$44.5 million, basic net earnings per share by 48 cents and diluted net earnings per share by 47 cents.
- (b) Fiscal year 2005 includes a non-cash charge related to the conversion to one class of common stock. For the full fiscal year 2005, this non-cash charge reduced earnings before provision for income taxes by \$14.5 million, provision for income taxes by \$5.1 million, net earnings by \$9.4 million and basic and diluted net earnings per share by ten cents. For the nine months ended June 30, 2005, this non-cash charge reduced earnings before provision for income taxes by \$11.1 million, provision for income taxes by \$3.9 million, net earnings by \$7.2 million and basic and diluted net earnings per share by eight cents.
- (c) Fiscal year 2004 includes the following non-core items, which reduced earnings before provision for income taxes by \$88.0 million, net earnings by \$53.7 million and basic and diluted net earnings per share by 60 cents and 59 cents, respectively:
- Non-cash charge related to the conversion to one class of common stock which reduced earnings before provision for income taxes by \$85.6 million, net earnings by \$55.6 million and basic and diluted net earnings per share by 62 cents and 61 cents, respectively.
 - Gain from the sale of Alberto-Culver's Indola European professional business which increased earnings before provision for income taxes by \$10.1 million, net earnings by \$5.7 million and basic and diluted net earnings per share by six cents.
 - Charge related to the early redemption of Alberto-Culver's \$200 million of 8.25% senior notes which reduced earnings before provision for income taxes by \$12.6 million, net earnings by \$8.2 million and basic and diluted net earnings per share by nine cents.
 - Tax benefit from the liquidation of certain Indola foreign legal entities which reduced the provision for income taxes by \$4.4 million and increased net earnings by \$4.4 million and basic and diluted net earnings per share by five cents.
- (d) Net earnings per share have been restated to reflect the 3-for-2 stock split in the form of a 50% stock dividend on outstanding shares in February, 2004.
- (e) Alberto-Culver implemented SFAS No. 142, *Goodwill and Other Intangible Assets*, in fiscal year 2002 and, accordingly, discontinued the amortization of goodwill and trade names. In accordance with SFAS No. 142, earnings before provision for income taxes, provision for income taxes, net earnings and net earnings per share for fiscal year 2001 have not been restated and, therefore, include the amortization of goodwill and trade names.

Table of Contents**Summary Unaudited Condensed Pro Forma Consolidated Financial Information of New Alberto-Culver**

The following table sets forth summary unaudited condensed pro forma consolidated financial information of New Alberto-Culver. This information is qualified by reference to, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) beginning on page 149 and the historical consolidated financial statements and notes of Alberto-Culver as of September 30, 2005 and 2004 and for each of the fiscal years in the three fiscal year period ended September 30, 2005 and as of June 30, 2006 and for the nine months ended June 30, 2006 and 2005 included elsewhere in this proxy statement/prospectus information statement.

The unaudited condensed pro forma consolidated results of operations information of New Alberto-Culver for the nine months ended June 30, 2006 and the fiscal year ended September 30, 2005 has been prepared as though the transactions had occurred as of October 1, 2004. The unaudited condensed pro forma consolidated balance sheet information of New Alberto-Culver as of June 30, 2006 has been prepared as though the transactions had occurred on June 30, 2006.

The unaudited condensed pro forma consolidated financial information of New Alberto-Culver is derived from the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver. The unaudited condensed pro forma consolidated financial statements of New Alberto-Culver are derived from the historical consolidated financial statements of Alberto-Culver and adjusted to give effect to:

the contribution of Alberto-Culver to New Alberto-Culver;

the distribution of approximately 92,905,595 shares of New Alberto-Culver common stock in connection with the New Alberto-Culver share distribution;

the receipt of all of the cash of Sally Holdings other than the amount described under "The Separation Agreement - Covenants"; and

the removal of the operations of Sally Holdings.

The share numbers and dollar and settlement amounts are based on Alberto-Culver share numbers and balances as of June 30, 2006.

The pro forma adjustments are based upon available information and assumptions that management of New Alberto-Culver believes are reasonable; however, such adjustments are subject to change. In addition, such adjustments are estimates and may not prove to be accurate.

Non-recurring charges related to the transaction have been excluded from the unaudited condensed pro forma consolidated statements of earnings in accordance with Regulation S-X. In addition, the unaudited condensed pro forma consolidated statements of earnings do not give effect to changes in certain costs New Alberto-Culver expects to incur associated with operating as a stand-alone company.

	Nine Months Ended June 30, 2006	Fiscal Year Ended September 30, 2005 (in thousands)
Unaudited pro forma statement of earnings information:		
Net sales	\$ 1,052,133	\$ 1,306,305
Operating earnings	52,182	101,674
Earnings from continuing operations before provision for income taxes	48,877	96,901
Net earnings	41,362	70,768
Unaudited pro forma balance sheet information (at period end):		
Total assets	1,197,574	
Long-term debt	121,440	

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Total stockholders' equity	702,328
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See Unaudited Condensed Pro Forma Consolidated Financial Statements of New Alberto-Culver beginning on page 170.

Table of Contents**Selected Historical Consolidated Financial Information of Sally Holdings**

The following table sets forth selected historical consolidated financial information of Sally Holdings, which following the transactions will be an indirect wholly-owned subsidiary of New Sally and will continue to own the equity of the companies that own and operate the Sally/BSG distribution business. This information is qualified by reference to, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations of Sally Holdings beginning on page 223 and the consolidated financial statements and notes of Sally Holdings as of September 30, 2005 and 2004 and for each of the fiscal years in the three fiscal year period ended September 30, 2005 and as of June 30, 2006 and for the nine month periods ended June 30, 2006 and 2005. The results of operations information for the fiscal years ended September 30, 2005, 2004 and 2003 and the financial condition information as of September 30, 2005 and 2004 is derived from the audited consolidated financial statements of Sally Holdings included elsewhere in this proxy statement/prospectus information statement. The results of operations information for the fiscal years ended September 30, 2002 and 2001 and the financial condition information as of September 30, 2003, 2002 and 2001 are derived from the audited consolidated financial statements of Sally Holdings not included in this proxy statement/prospectus information statement. The results of operations information for the nine months ended June 30, 2006 and 2005 and the financial condition information as of June 30, 2006 are derived from the unaudited consolidated financial statements of Sally Holdings included elsewhere in this proxy statement/prospectus information statement. The financial condition information as of June 30, 2005 is derived from the unaudited consolidated financial statements of Sally Holdings not included in this proxy statement/prospectus information statement. The unaudited consolidated financial statements of Sally Holdings include, in Sally Holdings' management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the consolidated results of operations and the consolidated financial position of Sally Holdings for the dates set forth in the table below. You should also read the following information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) beginning on page 149 and the consolidated financial statements and notes of Alberto-Culver as of September 30, 2005 and 2004 and for each of the fiscal years in the three fiscal year period ended September 30, 2005 and as of June 30, 2006 and for the nine month periods ended June 30, 2006 and 2005 included elsewhere in this proxy statement/prospectus information statement, and the unaudited condensed pro forma consolidated financial statements of New Sally beginning on page 249. The historical consolidated financial information of Sally Holdings has been derived from the financial statements and accounting records of Alberto-Culver and reflects assumptions and allocations made by Alberto-Culver. The historical consolidated financial information of Sally Holdings would have been different had Sally Holdings been operated independently. The historical consolidated financial information of Sally Holdings may not be a reliable indicator of future results of operations of Sally Holdings. The amounts in the table below are in thousands.

We have not provided financial information of New Sally because, prior to the transactions, it will have no assets, liabilities or operations other than incident to its formation and the ownership of Merger Sub and New Alberto-Culver, each of which has no assets, liabilities or operations other than incident to its formation.

Table of Contents**Selected Historical Consolidated Financial Information of Sally Holdings**

	Nine Months Ended June 30,			Fiscal Year Ended September 30,			
	2006 (unaudited)	2005	2005	2004	2003	2002	2001
Results of operations information:							
Net sales	\$ 1,766,990	1,687,961	2,254,307	2,097,667	1,824,008	1,667,052	1,460,137
Cost of products sold and distribution expenses	953,756	918,659	1,227,307	1,146,814	1,016,941	952,096	837,422
Interest expense	1,346	3,277	4,109	3,434	1,508	2,149	3,740
Earnings before provision for income taxes	128,652(a)	143,341(b)	189,615(b)	167,369(c)	169,718	154,810	142,356(d)
Provision for income taxes	49,122(a)	55,162(b)	73,154(b)	62,059(c)	62,205	57,026	53,067(d)
Net earnings	79,530(a)	88,179	116,461(b)	105,310(c)	107,513	97,784	89,289(d)
Financial condition information (at period end):							
Working capital	\$ 452,328	384,777	382,482	377,708	383,643	300,585	289,459
Cash, cash equivalents and short-term investments	77,028	22,277	38,612	68,003	118,214	71,497	62,460
Property and equipment, net	144,235	148,593	149,354	125,810	93,691	81,497	77,353
Total assets	1,292,135	1,206,010	1,225,507	1,102,428	932,163	838,724	656,484
Long-term debt, including notes payable to affiliated companies	844	47,983	18,828	34,872	24,173	12,747	9,849
Stockholder's equity	974,884	869,454	900,296	786,163	678,166	575,868	465,024

- (a) Effective October 1, 2005, Sally Holdings adopted SFAS No. 123 (R), using the modified prospective method. Under this method, compensation expense is recognized for new stock option grants beginning in fiscal year 2006 and for the unvested portion of outstanding stock options that were granted prior to the adoption of SFAS No. 123 (R). As a result, Sally Holdings recorded stock option expense for the nine months ended June 30, 2006 that reduced earnings before provision for income taxes by \$4.1 million, provision for income taxes by \$1.4 million and net earnings by \$2.7 million. In accordance with the modified prospective method under SFAS No. 123 (R), the financial statements of Sally Holdings for prior periods have not been restated. The first nine months of fiscal year 2006 also includes transaction expenses, which reduced earnings before provision for income taxes by \$39.3 million, provision for income taxes by \$14.2 million and net earnings by \$25.1 million. In total, these two non-core items reduced earnings before provision for income taxes by \$43.4 million, provision for income taxes by \$15.6 million and net earnings by \$27.8 million.
- (b) Fiscal year 2005 includes a non-cash charge related to Alberto-Culver's conversion to one class of common stock. For the full fiscal year 2005, this non-cash charge reduced earnings before provision for income taxes by \$4.1 million, provision for income taxes by \$1.5 million and net earnings by \$2.6 million. For the nine months ended June 30, 2005, this non-cash charge reduced earnings before provision for income taxes by \$3.1 million, provision for income taxes by \$1.1 million and net earnings by \$2.0 million.
- (c) Fiscal year 2004 includes a non-cash charge related to Alberto-Culver's conversion to one class of common stock which reduced earnings before provision for income taxes by \$27.0 million, provision for income taxes by \$9.4 million and net earnings by \$17.6 million.
- (d) Sally Holdings adopted SFAS No. 142 in fiscal year 2002 and, accordingly, discontinued the amortization of goodwill and trade names. In accordance with SFAS No. 142, earnings before provision for income taxes, provision for income taxes and net earnings for fiscal year 2001 have not been restated and, therefore, include the amortization of goodwill and trade names.

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Summary Unaudited Condensed Pro Forma Consolidated Financial Information of New Sally

The following table sets forth summary unaudited condensed pro forma consolidated financial information of New Sally. This information is qualified by reference to, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations of Sally Holdings beginning on page 223 and the historical consolidated financial statements and notes of Sally Holdings as of September 30, 2005 and 2004 and for the each of the fiscal years in the three fiscal year period ended September 30, 2005 and as of June 30, 2006 and for the nine months ended June 30, 2006 and 2005, included elsewhere in this proxy statement/prospectus information statement.

The unaudited condensed pro forma consolidated results of operations information of New Sally for the nine months ended June 30, 2006 and the fiscal year ended September 30, 2005 has been prepared as though the transactions had occurred as of October 1, 2004. The unaudited condensed pro forma consolidated balance sheet information of New Sally as of June 30, 2006 has been prepared as though the transactions had occurred on June 30, 2006.

The unaudited condensed pro forma consolidated financial information of New Sally is derived from the unaudited condensed pro forma consolidated financial statements of New Sally. The unaudited condensed pro forma consolidated financial statements of New Sally are derived from the historical consolidated financial statements of Sally Holdings and adjusted to give effect to:

the issuance of approximately 92,905,595 shares of New Sally common stock in connection with the holding company merger;

the contribution of Sally Holdings to New Sally by Alberto-Culver;

the issuance of shares of New Sally Class A common stock to Investor and the subsequent conversion of such shares into approximately 85,759,011 shares of New Sally common stock;

the receipt of \$575 million from Investor in consideration for the issuance of the shares of New Sally Class A common stock described above;

the incurrence by Sally Holdings and/or one or more of its subsidiaries of approximately \$1.85 billion of indebtedness and approximately \$43.0 million in associated costs;

the transfer of all of the cash of Sally Holdings to Alberto-Culver, other than the amount described under The Separation Agreement Covenants ;

the payment to Alberto-Culver, Investor and CD&R of the amounts described under The Investment Agreement Fees and Expenses ; and

the payment of a \$25.00 per share cash dividend to New Sally stockholders of record as of the record date for the distributions.

The share numbers and dollar and settlement amounts are based on Alberto-Culver share numbers and balances as of June 30, 2006.

The pro forma adjustments are based upon available information and assumptions that management of New Sally believes are reasonable; however, such adjustments are subject to change. In addition, such adjustments are estimates and may not prove to be accurate. In addition, the unaudited condensed pro forma consolidated financial statements reflect assumptions with respect to the debt financing for the transactions, including but not limited to assumptions regarding the availability of each of the debt obligations at and after closing on financial terms currently contemplated and the interest rates applicable to each such obligation, that are subject to changes that may be material.

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Non-recurring charges related to the transaction have been excluded from the unaudited condensed pro forma consolidated statements of earnings in accordance with Regulation S-X.

	Nine Months Ended June 30, 2006	Fiscal Year Ended September 30, 2005
	(in thousands)	
Unaudited pro forma statement of earnings information:		
Net sales	\$ 1,766,990	\$ 2,254,307
Operating earnings	150,139	219,696
Earnings before provision for income taxes	26,829	53,362
Net earnings	16,400	31,984

Unaudited pro forma balance sheet information (at period end):

Total assets	1,303,975
Long-term debt	1,840,144
Total stockholders' deficit	(875,111)

See Selected Historical Consolidated Financial Information of Sally Holdings beginning on page 221 and Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally beginning on page 249.

Table of Contents**Comparative Historical and Unaudited Pro Forma Per Share Information**

The following table sets forth certain historical per share information of Alberto-Culver common stock and pro forma per share information of New Alberto-Culver common stock and New Sally common stock. This information should be read in conjunction with the selected historical consolidated financial information of Alberto-Culver and Sally Holdings included elsewhere in this proxy statement/prospectus information statement, the historical consolidated financial statements of Alberto-Culver (accounting predecessor to New Alberto-Culver) and Sally Holdings, respectively, and related notes included elsewhere in this proxy statement/prospectus information statement, the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver beginning on page 170 of this proxy statement/prospectus information statement and the unaudited condensed pro forma consolidated financial statements of New Sally beginning on page 249 of this proxy statement/prospectus information statement. The historical per share information is derived from the audited consolidated financial statements of Alberto-Culver as of and for the fiscal year ended September 30, 2005 and the unaudited consolidated financial statements of Alberto-Culver as of and for the nine months ended June 30, 2006. The New Alberto-Culver unaudited pro forma information is derived from the unaudited condensed pro forma consolidated financial statements for the fiscal year ended September 30, 2005 and as of and for the nine months ended June 30, 2006. The New Sally unaudited pro forma information is derived from the unaudited condensed pro forma consolidated financial statements for the fiscal year ended September 30, 2005 and as of and for the nine months ended June 30, 2006. The unaudited pro forma information provided below is for illustrative purposes only. New Alberto-Culver and New Sally would have performed differently had they always been separate, stand-alone companies rather than their businesses being part of Alberto-Culver. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been separate, stand-alone companies or the future results that New Alberto-Culver or New Sally will experience following the transactions.

	Nine Months Ended June 30, 2006	Fiscal Year Ended September 30, 2005
ALBERTO-CULVER HISTORICAL:		
Net earnings per share:		
Basic	\$ 1.51	\$ 2.31
Diluted	1.50	2.27
Book value per share (at period end):		
Basic	17.92	16.75
Diluted	17.72	16.50
Cash dividends declared per share	.36	.445
NEW ALBERTO-CULVER UNAUDITED PRO FORMA:		
Net earnings from continuing operations per share:		
Basic	.45	.77
Diluted	.44	.75
Book value per share (at period end):		
Basic	7.59	
Diluted	7.41	
NEW SALLY UNAUDITED PRO FORMA:		
Net earnings per share:		
Basic	.09	.18
Diluted	.09	.18
Book value per share (at period end):		
Basic	(4.92)	
Diluted	(4.88)	

Table of Contents**Market Price Data and Price Range of Alberto-Culver Common Stock and Dividends**

Alberto-Culver common stock is currently traded on the New York Stock Exchange under the symbol ACV. On June 16, 2006, the last trading day before the announcement of the investment agreement, the last reported sales price of Alberto-Culver common stock as reported on the New York Stock Exchange Composite Tape was \$46.68. On October 9, 2006, the last reported sales price of Alberto-Culver common stock as reported on the New York Stock Exchange Composite Tape was \$51.44. The following table sets forth the high and low sales prices of Alberto-Culver common stock as reported on the New York Stock Exchange Composite Tape for the periods referenced below.

Fiscal Quarter	2007		2006		2005		2004	
	High	Low	High	Low	High	Low	High	Low
1 st Quarter	\$ 51.47*	\$ 49.71*	\$ 46.69	\$ 41.89	\$ 48.84	\$ 41.61	\$ 42.93	\$ 39.23
2 nd Quarter			50.62	42.51	56.31	46.40	46.95	39.51
3 rd Quarter			49.50	44.00	48.38	41.70	50.28	43.81
4 th Quarter			51.44	46.35	47.12	42.17	52.30	41.66

* The high and low price for the first quarter in fiscal year 2007 is based on information available as of October 9, 2006.

Alberto-Culver paid a quarterly dividend of \$0.07 per share during the first quarter of fiscal year 2004. During the second, third and fourth quarters of fiscal year 2004 and during the first quarter of fiscal year 2005, Alberto-Culver paid quarterly dividends of \$0.10 per share. During the second, third and fourth quarters of fiscal year 2005, and in the first and second quarters of fiscal year 2006, Alberto-Culver paid dividends of \$0.115 per share. In the third and fourth quarters of fiscal year 2006, Alberto-Culver paid a dividend of \$0.13 per share of common stock.

Market Price Data and Price Range of New Alberto-Culver and New Sally Common Stock and Dividends

Market price data and price range and dividend data for New Alberto-Culver and New Sally have not been presented, as they are currently wholly-owned subsidiaries of Alberto-Culver and their common stock does not trade separately from Alberto-Culver's common stock.

There is currently no market for the New Alberto-Culver common stock or the New Sally common stock. It is a condition to completion of the transactions that the New Sally common stock and New Alberto-Culver common stock be approved for listing on the New York Stock Exchange, subject to official notice of issuance. New Alberto-Culver intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under Alberto-Culver's present symbol of ACV and New Sally intends to apply to have its shares of common stock authorized for listing on the New York Stock Exchange under the symbol SBH.

New Alberto-Culver expects that following completion of the transactions, it will pay a regular quarterly dividend. However, the amount of future dividends will not be determined until sometime following completion of the transactions. New Sally expects that following completion of the transactions, it will not pay a regular quarterly dividend.

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RISK FACTORS

In addition to the other information that we have incorporated by reference in this proxy statement/prospectus information statement and the matters addressed in Special Note Regarding Forward-Looking Statements beginning on page 52, you should carefully consider and evaluate all of the information in this proxy statement/prospectus information statement, including the risk factors listed below. These risks describe what we believe to be material risks of the transactions to Alberto-Culver stockholders and material risks relating to the business of New Alberto-Culver and New Sally. There may, however, be additional risks, of which we are not aware or which we do not believe are material, that could materially and adversely affect the transactions, New Alberto-Culver or New Sally.

Risks Relating to the Transactions

The historical consolidated financial information of Sally Holdings and the unaudited condensed pro forma consolidated financial information of New Sally are not representative of New Sally's future financial position, future results of operations or future cash flows nor do they reflect what New Sally's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

The historical consolidated financial information of Sally Holdings included in this proxy statement/prospectus information statement is not representative of New Sally's future financial position, future results of operations or future cash flows nor does it reflect what New Sally's financial position, result of operations or cash flows would have been as a stand-alone company during the periods presented. This is primarily because:

Sally Holdings' historical consolidated financial information reflects allocation of expenses from Alberto-Culver. Those allocations may be different from the comparable expenses New Sally would have incurred as a stand-alone company.

Sally Holdings' working capital requirements historically have been satisfied as part of Alberto-Culver's corporate-wide cash management policies. In connection with the transactions, Sally Holdings and/or one or more of its subsidiaries will incur a large amount of indebtedness and will therefore assume significant debt service costs. As a result, New Sally's cost of debt and capitalization will be significantly different from that reflected in Sally Holdings' historical consolidated financial information.

As a result of the transactions, there will be significant changes in the cost structure of New Sally from that of Sally Holdings, including the cost to establish appropriate accounting and reporting system, debt service obligations and other costs of being a stand-alone company.

The unaudited condensed pro forma consolidated financial information of New Sally included in this proxy statement/prospectus information statement includes adjustments to reflect some of the factors described above. The pro forma adjustments are based upon available information and assumptions that New Sally believes are reasonable; however, its assumptions may not prove to be accurate. In addition, the unaudited condensed pro forma consolidated financial statements of New Sally do not give effect to on-going additional costs that it expects to incur in connection with being a stand-alone company. The unaudited condensed pro forma consolidated statements of earnings also do not give effect to certain initial separation costs. Accordingly, the unaudited condensed pro forma consolidated financial statements of New Sally are not representative of New Sally's future financial position, future results of operations or future cash flows nor do they reflect what New Sally's financial position, result of operations or cash flows would have been as a stand-alone company during the periods presented. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Sally Holdings' and Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally beginning on pages 223 and 249, respectively, and the historical consolidated financial statements of Sally Holdings and the notes to those statements included elsewhere in this proxy statement/prospectus information statement.

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The historical consolidated financial information of Alberto-Culver and the unaudited condensed pro forma consolidated financial information of New Alberto-Culver are not representative of New Alberto-Culver's future financial position, future results of operations or future cash flows nor do they reflect what New Alberto-Culver's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

As noted elsewhere in this proxy statement/prospectus information statement, New Alberto-Culver will be considered the divesting entity in the transactions and treated as the accounting successor to Alberto-Culver for financial reporting purposes in accordance with EITF No. 02-11. After the transactions occur, New Alberto-Culver will report the historical consolidated results of operations of Sally Holdings in discontinued operations in accordance with the provisions of SFAS No. 144. Pursuant to SFAS No. 144, this presentation is not permitted until the closing date. Because the historical consolidated financial information of Alberto-Culver included elsewhere in this proxy statement/prospectus information statement includes the results of Sally Holdings, it is not representative of New Alberto-Culver's future financial position, future results of operations or future cash flows nor does it reflect what New Alberto-Culver's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

The unaudited condensed pro forma consolidated financial information of New Alberto-Culver included in this proxy statement/prospectus information statement includes adjustments to reflect the divestiture of Sally Holdings. The pro forma adjustments are based upon available information and assumptions that New Alberto-Culver believes are reasonable; however, its assumptions may not prove to be accurate. In addition, the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver do not give effect to on going additional costs that it expects to incur in connection with being a stand-alone company. The unaudited condensed pro forma consolidated statements of earnings also do not give effect to certain initial separation costs. Accordingly, the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver are not representative of New Alberto-Culver's future financial position, future results of operations or future cash flows nor does it reflect what New Alberto-Culver's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) and Unaudited Condensed Pro Forma Consolidated Financial Statements of New Alberto-Culver beginning on pages 149 and 170, respectively, and the historical consolidated financial statements of Alberto-Culver and the notes to those statements included elsewhere in this proxy statement/prospectus information statement.

Neither New Sally nor New Alberto-Culver may realize the anticipated benefits from the transactions.

The success of the transactions will depend, in part, on the ability of each of New Alberto-Culver and New Sally to realize the anticipated benefits of the transactions. These anticipated benefits include increased brand and product recognition as a result of increased ability of each company to engage in more aggressive marketing and advertising campaigns following the elimination of difficulties arising from operating two businesses which compete with the customers and suppliers of the other business and the potential for increased operating earnings of the consumer products business and the Sally/BSG distribution business expected to result from allowing each company to focus its attention and resources on its business and customers. Neither New Alberto-Culver nor New Sally can assure you these benefits will occur. During the past five fiscal years, New Alberto-Culver's and New Sally's respective businesses experienced significant net sales and earnings growth. There can be no assurance that either will be able to achieve comparable growth in the future.

The separation of New Alberto-Culver and New Sally may present significant challenges.

There is a significant degree of difficulty and management distraction inherent in the process of separating New Alberto-Culver and New Sally. These difficulties include:

the challenge of effecting the separation while carrying on the ongoing operations of each business;

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preserving customer, distribution, supplier and other important relationships of each business;

the potential difficulty in retaining key officers and personnel of each company; and

separating corporate infrastructure, including systems, insurance, accounting, legal, finance, tax and human resources, for each of the two new public companies.

New Alberto-Culver and New Sally may not successfully or cost-effectively separate the companies. The failure to do so could have an adverse effect on each of New Alberto-Culver's and New Sally's business, financial condition and results of operations.

The process of separating operations could cause an interruption of, or loss of momentum in, the activities of one or more of each of New Alberto-Culver's and New Sally's businesses. Members of each of New Alberto-Culver's and New Sally's senior management may be required to devote considerable amounts of time to this separation process, which will decrease the time they will have to manage their respective businesses, service existing customers, attract new customers and develop new products or strategies. If New Alberto-Culver's and New Sally's respective senior managements are not able to manage effectively the separation process, or if any significant business activities are interrupted as a result of the separation process, New Alberto-Culver's or New Sally's business could suffer.

New Sally's accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which it will be subject following the transactions. If New Sally is unable to achieve and maintain effective internal controls, its business, financial position and results of operations could be adversely affected.

New Sally's financial results previously were included within the consolidated results of Alberto-Culver, and its reporting and control systems were appropriate for those of subsidiaries of a public company. However, New Sally was not directly subject to reporting and other requirements of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. As a result of the transactions, New Sally will be directly subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which will require annual management assessments of the effectiveness of New Sally's internal controls over financial reporting and a report by New Sally's independent registered public accounting firm addressing such assessments. These reporting and other obligations will place significant demands on New Sally's management and administrative and operational resources, including accounting resources.

To comply with these requirements, it is anticipated that New Sally will need to upgrade its systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional legal, accounting and finance staff. If New Sally is unable to upgrade its financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, New Sally's ability to comply with its financial reporting requirements and other rules that apply to reporting companies could be impaired. In addition, if New Sally is unable to conclude that its internal control over financial reporting is effective (or if the auditors are unable to attest that management's report is fairly stated or they are unable to express an opinion on management's assessment or on the effectiveness of the internal controls), New Sally could lose investor confidence in the accuracy and completeness of its financial reports and any failure to achieve and maintain effective internal controls could have an adverse effect on New Sally's business, financial position and results of operations.

New Sally has no history as a stand-alone public company and may be unable to make the changes necessary to operate effectively as a public entity.

There can be no assurance that the separation from Alberto-Culver and the resulting absence of general administrative assistance will not have an adverse impact on the business, financial condition and results of

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operations of New Sally. Following completion of the transactions, apart from a limited number of services to be provided by Alberto-Culver to New Sally on a transitional basis, New Alberto-Culver will have no obligation to provide financial, operational or organizational assistance to New Sally, Sally Holdings or any of their subsidiaries. Among other things, as an independent entity, New Sally will be subject to, and responsible for, regulatory compliance, including periodic public filings with the SEC and compliance with listing requirements, as well as generally applicable tax and accounting rules. New Sally may not be able to implement successfully the changes necessary to operate as an independent public entity.

If the New Alberto-Culver share distribution does not constitute a tax-free distribution under Section 355 of the Internal Revenue Code, then New Alberto-Culver or New Sally (pursuant to the tax allocation agreement) and Alberto-Culver stockholders may be responsible for payment of significant U.S. federal income taxes.

The completion of the New Alberto-Culver share distribution is conditioned upon the receipt of (i) a private letter ruling from the Internal Revenue Service and (ii) an opinion of Sidley Austin LLP, counsel to Alberto-Culver (or another law firm of national standing), in each case, to the effect that the Alberto-Culver contribution and the New Alberto-Culver share distribution will qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Internal Revenue Code. The private letter ruling and the opinion of counsel will be based, in part, on assumptions and representations as to factual matters made by, among others, Alberto-Culver, New Sally and representatives of the Lavin family stockholders, as requested by the Internal Revenue Service or counsel, which, if incorrect, could jeopardize the conclusions reached by the Internal Revenue Service and counsel. The private letter ruling also will not address certain material legal issues that could affect its conclusions, and will reserve the right of the Internal Revenue Service to raise such issues upon a subsequent audit. Opinions of counsel neither bind the Internal Revenue Service or any court, nor preclude the Internal Revenue Service from adopting a contrary position.

If the New Alberto-Culver share distribution were not to qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, New Sally, as the successor to Alberto-Culver under the Internal Revenue Code, would recognize taxable gain equal to the excess of the fair market value of the New Alberto-Culver common stock distributed to the New Sally stockholders over New Sally's tax basis in the New Alberto-Culver common stock. In addition, each New Sally stockholder who receives New Alberto-Culver common stock in the New Alberto-Culver share distribution would generally be treated as receiving a taxable distribution to the extent of earnings and profits of New Sally in an amount equal to the fair market value of the New Alberto-Culver common stock received.

In the event that New Sally recognizes a taxable gain in connection with the New Alberto-Culver share distribution because the New Alberto-Culver share distribution does not qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, the taxable gain recognized by New Sally would result in significant U.S. federal income tax liabilities to New Sally. Under the Internal Revenue Code, New Sally would be primarily liable for these taxes and New Alberto-Culver would be secondarily liable. Under the terms of the tax allocation agreement between New Sally, Sally Holdings, New Alberto-Culver and Alberto-Culver, New Alberto-Culver will generally be required to indemnify New Sally against any such tax liabilities unless such failure results solely from an act of New Sally or its affiliates (including Investor), subject to specified exceptions, after the New Alberto-Culver share distribution. See *Additional Agreements Relating to the New Alberto-Culver Share Distribution Tax Allocation Agreement* beginning on page 131.

The New Alberto-Culver Share Distribution may be taxable to New Sally and New Alberto-Culver if there is an acquisition of 50% or more of New Alberto-Culver or New Sally Outstanding common stock.

Even if the New Alberto-Culver share distribution otherwise qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code, the distribution of New Alberto-Culver common stock to New Sally

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stockholders in connection with the New Alberto-Culver share distribution would result in significant U.S. federal income tax liabilities to New Sally, as the successor to Alberto-Culver under the Internal Revenue Code (but not Alberto-Culver stockholders), if there is an acquisition of stock of New Alberto-Culver or New Sally as part of a plan or series of related transactions that includes the New Alberto-Culver share distribution and that results in an acquisition of 50% or more of New Alberto-Culver or New Sally outstanding common stock.

For purposes of determining whether the distribution of New Alberto-Culver common stock to New Sally stockholders in connection with the New Alberto-Culver share distribution is disqualified as tax-free to New Sally under the rules described in the preceding paragraph, any acquisitions of the stock of New Alberto-Culver or New Sally within two years before or after the New Alberto-Culver share distribution are presumed to be part of a plan, although the parties may be able to rebut that presumption. For purposes of this test, the investment by Investor will be treated as part of such a plan or series of transactions. Under the terms of the investment agreement, Investor will acquire approximately 47.5% of New Sally common stock on a fully diluted basis and as much as 48.0% on a basic shares outstanding method (which is the percentage likely to be used for purposes of this test). Thus, a relatively minor additional change in the ownership of the New Sally common stock could trigger a significant tax liability for New Sally under Section 355 of the Internal Revenue Code (for which New Alberto-Culver may be required to indemnify New Sally under the tax allocation agreement).

The process for determining whether a prohibited change in control has occurred under the rules is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. If New Alberto-Culver or New Sally does not carefully monitor its compliance with these rules, it might inadvertently cause or permit a prohibited change in the ownership of New Sally or of New Alberto-Culver to occur, thereby triggering New Alberto-Culver's or New Sally's respective obligations to indemnify the other pursuant to the tax allocation agreement, which would have a material adverse effect on New Sally and/or New Alberto-Culver. New Sally will be primarily liable for these taxes, and there can be no assurance that New Alberto-Culver would be able to fulfill its obligations under the tax allocation agreement if New Alberto-Culver was determined to be responsible for these taxes thereunder. In addition, these mutual indemnity obligations could discourage or prevent a third party from making a proposal to acquire either party. See Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions beginning on page 97.

In the event that New Sally recognizes a taxable gain in connection with the New Alberto-Culver share distribution because of an acquisition of 50% or more of New Alberto-Culver or New Sally outstanding common stock as part of a plan or series of related transactions that includes the New Alberto-Culver share distribution, the taxable gain recognized by New Sally would result in significant U.S. federal income tax liabilities to New Sally. Under the Internal Revenue Code, New Sally would be primarily liable for these taxes and New Alberto-Culver would be secondarily liable. Pursuant to the tax allocation agreement, these liabilities have been apportioned as described below under Additional Agreements Relating to the New Alberto-Culver Share Distribution Tax Allocation Agreement.

Actions taken by the Lavin family stockholders or by Investor could adversely affect the tax-free nature of the New Alberto-Culver share distribution.

Sales and/or acquisitions by the Lavin family stockholders of New Sally common stock or New Alberto-Culver common stock after completion of the transactions (or stock of Alberto-Culver before the transactions) may adversely affect the tax-free nature of the New Alberto-Culver share distribution. First, with certain exceptions, sales by the Lavin family stockholders of New Sally common stock or New Alberto-Culver common stock at any time after completion of the New Alberto-Culver share distribution might be considered evidence that the New Alberto-Culver share distribution was used principally as a device for the distribution of earnings and profits, particularly if the selling stockholder were found to have an intent to effect such sale at the time of the New Alberto-Culver share distribution. If the Internal Revenue Service successfully asserted that the New Alberto-Culver share distribution was used principally as such a device, the New Alberto-Culver share

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distribution would not qualify as a tax-free distribution, and thus would be taxable to both New Sally and the New Sally stockholders (as a result of which New Alberto-Culver would be required to indemnify New Sally to the extent required under the tax allocation agreement). Second, with certain exceptions, if any of the Lavin family stockholders were to sell an amount of New Sally common stock that it received in the holding company merger (or to acquire additional shares of New Sally common stock) within the two year period following completion of the New Alberto-Culver share distribution, and that amount of stock, if added to the New Sally common stock acquired by Investor (expected to comprise approximately 48.0% of the New Sally common stock on a basic share outstanding method after the New Alberto-Culver share distribution), were to equal or exceed 50% of the outstanding common stock of New Sally, as determined under the Internal Revenue Code and applicable Treasury regulations, a deemed acquisition of control of New Sally in connection with the New Alberto-Culver share distribution would be presumed. If this presumption were not rebutted, New Sally would be subject to significant U.S. federal income tax liabilities, which, if not reimbursed by New Alberto-Culver, would have a material adverse effect on New Sally, and New Alberto-Culver would be required to indemnify New Sally to the extent required under the tax allocation agreement, which would have a material adverse effect on New Alberto-Culver. Similar principles would apply to sales or acquisitions of Alberto-Culver stock by the Lavin family before the transactions.

Similarly, acquisitions by the Investor or its affiliates of New Sally common stock after completion of the transactions may cause a deemed acquisition of control of New Sally in connection with the New Alberto-Culver share distribution.

As a result of the special cash dividend and New Alberto-Culver share distribution, stockholders of Alberto-Culver may have a tax basis in their shares of New Alberto-Culver common stock and New Sally common stock that is significantly higher than the fair market value of each such share.

Under the rules for taxing dividends under the Internal Revenue Code, the special cash dividend will be taxable to holders of New Sally common stock first as a dividend to the extent paid out of New Sally's current and accumulated earnings and profits; thereafter as a tax-free return of capital that reduces a stockholder's tax basis in its New Sally common stock to the extent of such basis; and thereafter as capital gain from the sale or exchange of the New Sally common stock. Any tax basis remaining after application of these rules will be allocated between the New Sally common stock and New Alberto-Culver common stock received in the New Alberto-Culver share distribution in proportion to the fair market value of each.

The special cash dividend will reduce the value of a stockholder's shares of New Sally common stock. However, because New Sally is expected to have significant earnings and profits at the time of the special cash dividend, a substantial portion of the special cash dividend will be taxable as a dividend and to that extent have no effect on a stockholder's tax basis in its New Sally common stock. Thus, a stockholder can expect that the value of its New Sally common stock (after giving effect to the distributions) will decline by a greater amount than the amount of reduction of its tax basis, because stock basis will only be reduced by a portion, but not the entire amount, of the dividend. As a result, stockholders of Alberto-Culver who participate in the transaction may have a tax basis in their shares of New Alberto-Culver common stock and New Sally common stock that is significantly higher than the fair market value of each such stock. In particular, persons who have a tax basis in their Alberto-Culver common stock approximately equal to its trading price immediately prior to the transactions can expect this result.

Stockholders who have a tax basis in their shares of New Alberto-Culver common stock and New Sally common stock that is higher than the fair market value of such stock may face adverse tax consequences. Generally, a sale of such stock will generate a capital loss. Under the Internal Revenue Code, capital losses are generally only allowable to the extent of capital gains (or, in the case of an individual, the lower of \$3,000 (\$1,500 in the case of a married individual filing a separate return) or the excess of such losses over such gains). In particular, a stockholder who acquires Alberto-Culver common stock at a price near its trading price immediately prior to the transactions would recognize taxable income (through the taxation of the dividend) without having recognized any economic income and might not be able to offset the taxable income because of the special rules governing losses.

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In addition, a substantial amount of the special cash dividend is expected to constitute an extraordinary dividend under the Internal Revenue Code. Under special tax rules relating to extraordinary dividends, any loss on the sale or exchange of New Sally common stock (and possibly New Alberto-Culver common stock) held by individuals will, to the extent of the amount treated as an extraordinary dividend, be long-term capital loss (even if it would otherwise be considered short-term under the general rules), and corporate stockholders that have not held their Alberto-Culver common stock for two years prior to the announcement of the special cash dividend may be required to reduce their basis in the shares by the untaxed portion of the special cash dividend.

The uncertain reporting of the special cash dividend may result in stockholders overpaying income taxes and having to file amended tax returns.

As noted above, the portion of the special cash dividend that will be taxable as a dividend for U.S. federal income tax purposes is dependent on the earnings and profits of New Sally through the close of its taxable year in which the special cash dividend is paid (currently expected to be the taxable year ending September 30, 2007). Thus, the amount of the special cash dividend constituting a dividend for such purposes will not be known until after the close of such tax year. Nonetheless, stockholders will be required to reflect the tax consequences of the special cash dividend in their tax returns for their own taxable year that includes the date they actually receive the special cash dividend. For example, assuming the special cash dividend is received by an individual in calendar year 2006, the individual would be required to report the dividend in the individual's tax return for 2006, generally due on April 16, 2007 (assuming no extension).

New Sally will be required to send information returns to stockholders reporting the special cash dividend generally by January 31 of the year following payment. Copies of these information returns are also required to be filed with the Internal Revenue Service. At the time New Sally is required to file these information returns, New Sally's earnings and profits for the relevant period will not be known and, consequently, the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will not be known. Treasury Regulations require, in these circumstances, that the entire amount of the special cash dividend be reported by New Sally as a taxable dividend. Because it is expected that the special cash dividend will in fact exceed the earnings and profits of New Sally, the reporting required by the Treasury Regulations will result in an overstatement of the amount of the special cash dividend constituting a taxable dividend.

The Internal Revenue Service has not provided clear guidance on how stockholders should file their tax returns in these circumstances. Stockholders who file their returns based on the information returns supplied by New Sally will overstate the amount of the taxable dividend, which may result in them paying significantly higher taxes than if the final actual amount of the taxable dividend were reflected on their tax returns. Stockholders who file their returns based on an estimate of the amount of the special cash dividend constituting a taxable dividend may face increased audit risk due to the discrepancy between the amount reported to them by New Sally and the amount reflected on their tax returns, and may be liable for interest and penalties if their estimate of tax resulting from the dividend understates the amount of tax ultimately determined to be due.

As described more fully in *Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions* the portion of the special cash dividend that does not constitute a dividend for tax purposes also affects a stockholder's tax basis in its New Sally common stock (which basis will be allocated among its New Sally common stock and the New Alberto-Culver common stock received in the New Alberto-Culver share distribution). As a result, until the exact amount of the special cash dividend constituting a taxable dividend is determined, a stockholder will not know with certainty its tax basis in its New Sally common stock and New Alberto-Culver common stock. Thus, stockholders who sell their New Sally common stock or New Alberto-Culver common stock prior to this determination will face the same uncertainty with respect to the gain or loss on the sale as they do with respect to the amount constituting a taxable dividend.

New Sally currently intends to provide stockholders with a determination of the portion of the special cash dividend constituting a taxable dividend as soon as practicable after its earnings and profits for the taxable year in

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which the special cash dividend is paid are determined. However, it is currently expected that this determination may not be made until calendar year 2008, after New Sally's federal income tax return for its fiscal year ended September 30, 2007 is completed. Thus, assuming the special cash dividend is paid during the calendar year 2006, a calendar year stockholder may need to file an amended tax return for 2006 to reflect the corrected amount of the taxable dividend, and possibly for 2007 (if, for example, such stockholder sold New Sally common stock or New Alberto-Culver common stock in 2007) in calendar year 2008 after New Sally has provided stockholders with an amended information return for 2006 for the special cash dividend. Stockholders who report the full amount of the special cash dividend as a dividend must reduce their tax basis by the amount ultimately determined not to constitute a dividend whether or not they amend their originally filed return.

Non-U.S. Stockholders may face significant withholding taxes as a result of the special cash dividend.

As described more fully below under Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions, New Sally or another U.S. withholding agent is generally required to withhold U.S. federal income tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of the special cash dividend paid to a non-U.S. stockholder. In contrast, amounts received by a non-U.S. stockholder upon the sale or exchange of Alberto-Culver common stock prior to the transactions generally would not be subject to withholding. Thus, non-U.S. stockholders who choose to retain their Alberto-Culver common stock and participate in the transactions may face significant additional U.S. tax liabilities.

New Sally will be affected by significant restrictions on its ability to issue equity securities after the New Alberto-Culver share distribution.

Because of certain limitations imposed by the Internal Revenue Code and regulations thereunder, the amount of equity that New Sally can issue to make acquisitions or raise additional capital following the New Alberto-Culver share distribution will be severely limited for at least two years following completion of the transactions. See Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions beginning on page 97. These limitations may restrict the ability of New Sally to carry out its business objectives and to take advantage of opportunities that could be favorable to its business. In addition, because New Sally will have approximately \$1.85 billion in debt upon completion of the transactions, and the instruments governing New Sally's indebtedness will contain limits on the ability of Sally Holdings to incur additional debt, the inability to raise even a small amount of equity capital at a time when New Sally needs additional capital could have a material adverse effect on the ability of New Sally to service its debt and operate its business.

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, you could be required to return all or a portion of the cash and shares received in the distributions.

If New Sally is insolvent or rendered insolvent as a result of the distributions to the holders of New Sally common stock, or if any of Sally Holdings and/or one or more of its subsidiaries that incurs a portion of the approximately \$1.85 billion of indebtedness in connection with the debt financing is insolvent or rendered insolvent either as a result of the incurrence of the indebtedness or the ultimate dividend/transfer of the proceeds of such indebtedness to New Sally, there is a risk that a creditor (or a creditor representative) of New Sally could bring fraudulent transfer claims to recover all or a portion of the special cash dividend and the New Alberto-Culver common stock received in the New Alberto-Culver share distribution and that the persons receiving such distributions would be required to return all or a portion of such distributions if such claims were successful. See The Transactions The Distributions Restrictions on Payment of Dividends beginning on page 63 for a general description of insolvency measures. It is a condition to the completion of the transactions that New Sally have received opinions of a valuation firm with respect to its and its subsidiaries' solvency at the time it declares the distributions and at the time the distributions are made.

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Failure to obtain the consent of third parties under contracts of each of Alberto-Culver and Sally Holdings could have an adverse effect on the respective businesses of New Alberto-Culver and New Sally.

There are a number of contracts to which Sally Holdings and/or Alberto-Culver are a party that provide that Sally Holdings or Alberto-Culver, as applicable, must obtain the consent of the other party to the contract in connection with completion of the transactions or that provide the other party to the contract the right to terminate the contract in connection with the transactions. It is not a condition to completion of the transactions that these consents be obtained or that the other party to the contract waive its termination right. Failure to obtain the consent of the other party to these contracts or to have the other party waive its termination right could have an adverse effect on New Sally and/or New Alberto-Culver.

The loss of the assets, revenue, cash flows and results of operations of each of New Alberto-Culver and New Sally will adversely affect the financial position and operations of the other company.

The assets, revenue, cash flows and results of operations of each of New Alberto-Culver and New Sally are currently included in the consolidated financial statements of Alberto-Culver. If the transactions are completed, the assets, revenue, cash flows and results of operations of each of New Alberto-Culver and New Sally will no longer be included in the consolidated financial statements of New Sally or New Alberto-Culver, respectively, and the financial positions and results of operations of each company will therefore be significantly different than they were prior to completion of the transactions and, following completion of the transactions, each will have materially less assets, revenue and cash flows than Alberto-Culver currently has on a consolidated basis. For fiscal year 2005, the Sally/BSG distribution business represented approximately 63% of the net sales and 63% of the segment operating profits of Alberto-Culver. Alberto-Culver's diversification resulting from operating the consumer products business of Alberto-Culver alongside the Sally/BSG distribution business of Sally Holdings tends to mitigate financial and operational volatility. The transactions will eliminate that diversification and each of New Alberto-Culver and New Sally may experience increased volatility in terms of cash flow, operating results, working capital and financing requirements.

As separate entities, New Alberto-Culver and New Sally will not enjoy all of the benefits of scale that Alberto-Culver achieves with the combined consumer products and Sally/BSG distribution businesses.

Currently, Alberto-Culver benefits from the scope and scale of the consumer products and Sally/BSG distribution businesses in certain areas, including, among other things, risk management, employee benefits, regulatory compliance, administrative services and human resources. The loss by New Alberto-Culver and New Sally of these benefits as a consequence of the transactions could have an adverse effect on each of New Alberto-Culver's and New Sally's respective businesses, results of operations and financial conditions following completion of the transactions. In addition, it is possible that some costs will be greater at the separate companies than they were for the combined company due to the loss of volume discounts and the position of being a large customer to service providers and vendors.

The aggregate market value of the shares of common stock of New Alberto-Culver and New Sally held by a former Alberto-Culver stockholder following completion of the transactions plus the amount of the special cash dividend received by such holder might be less than (i) the market value of Alberto-Culver common stock held by such holder prior to the transactions or (ii) what the market value of the Alberto-Culver common stock held by such holder would have been without the transactions.

If the parties complete the transactions, each holder of shares of Alberto-Culver common stock at the effective time of the holding company merger will receive one share of New Sally common stock, one share of New Alberto-Culver common stock and a \$25.00 per share special cash dividend for each share of Alberto-Culver common stock held of record as of such time. The aggregate market value of the shares of New Sally and the shares of New Alberto-Culver common stock held by such a holder immediately following completion of the transactions plus the amount of the special cash dividend received by such holder could be less than what the

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market value of the shares of Alberto-Culver common stock held by such holder (i) would have been if the transactions were not completed or (ii) was immediately prior to the transactions.

The trading price and trading volume of New Alberto-Culver and New Sally common stock may be more volatile following completion of the transactions.

Alberto-Culver cannot predict how investors in Alberto-Culver common stock will behave after completion of the transactions. The trading price for shares of common stock of each of New Alberto-Culver and New Sally following completion of the transactions may be more volatile than the trading price of shares of Alberto-Culver common stock before completion of the transactions. The trading price of shares of each company's common stock could fluctuate significantly for many reasons, including the risks identified in this proxy statement/prospectus-information statement, selling by existing holders of Alberto-Culver common stock who decide that they do not want to hold some or all of their New Sally and/or New Alberto-Culver securities after the completion of the transactions, or reasons unrelated to either of New Alberto-Culver's or New Sally's performance. In addition, New Alberto-Culver's common stock and/or New Sally's common stock may not be included in the S&P 500 Index, which could ultimately result in reduced trading volume relative to the trading volume of Alberto-Culver, which is included in the S&P 500 Index. These factors and other factors beyond either New Alberto-Culver's or New Sally's control may result in reduced trading volume and/or increased volatility in either company's common stock and/or short- or long-term reductions in the value of New Alberto-Culver and/or New Sally securities.

If the transactions are completed, any financing New Alberto-Culver or New Sally obtains in the future could involve higher costs.

Following completion of the transactions, any financing that either New Alberto-Culver or New Sally obtains will be with the support of a reduced pool of diversified assets and, in the case of New Sally, a significant amount of outstanding debt, and therefore either company may not be able to secure adequate debt or equity financing on desirable terms. The cost to either New Alberto-Culver or New Sally of financing without New Sally or New Alberto-Culver, respectively, may, or in the case of New Sally, will be materially higher than the cost of financing of Alberto-Culver prior to the transactions. Alberto-Culver has been put on negative credit watch by S&P and Moody's in connection with the transactions. Because of the significant amount of debt New Sally will have following completion of the transactions, it is likely it will have a lower credit rating than Alberto-Culver currently has. If either New Alberto-Culver or New Sally has a credit rating lower than Alberto-Culver's, it will be more expensive for them to obtain debt financing than it has been for Alberto-Culver.

In addition, the transactions contemplated would result in a default under Alberto-Culver's existing \$300 million revolving credit facility if (i) the terms of that credit facility are not renegotiated or (ii) the facility is not terminated by Alberto-Culver prior to completion of the transactions. A default under the credit facility may result in defaults under other contracts to which Alberto-Culver is a party. In addition, if Alberto-Culver is unable to negotiate amendments to the existing credit facility prior to completion of the transactions or enter into a new credit facility, it may be unable to carry out its business objectives or take advantage of opportunities that could be favorable to its business.

If the transactions are completed, it is expected that both New Alberto-Culver and New Sally will lose some of the directors of Alberto-Culver, including Alberto-Culver's President and Chief Executive Officer.

The investment agreement provides that Alberto-Culver and New Sally will take all actions necessary so that the New Sally board of directors will be comprised of Mr. Winterhalter, five other individuals designated by Alberto-Culver and six individuals designated by Investor. Mr. Bernick's termination agreement provides that at the time of the transactions, he will resign his positions as President and Chief Executive Officer of Alberto-Culver and will resign from the Alberto-Culver board of directors.

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The acceleration of vesting of options to purchase shares of Alberto-Culver common stock and restricted shares in connection with the transactions may make it more difficult for New Alberto-Culver or New Sally to retain key employees.

Alberto-Culver is treating the transactions as though they constitute a change in control under Alberto-Culver's equity compensation plans. Accordingly, all outstanding options to purchase shares of Alberto-Culver common stock and all shares of restricted stock will vest prior to or upon completion of the transactions. The vesting of these options and restricted shares over a period of time is used by Alberto-Culver to provide incentives to employees to remain with Alberto-Culver. The loss of this incentive may make it more difficult for New Sally and/or New Alberto-Culver to retain certain key employees.

Failure to complete the transactions could adversely impact the market price of Alberto-Culver as well as Alberto-Culver's business and operating results.

If the transactions are not completed for any reason, the price of Alberto-Culver common stock may decline to the extent that the market price of Alberto-Culver common stock reflects positive assumptions that the transactions will be completed and the related benefits will be realized. Alberto-Culver may also be subject to additional risks if the transactions are not completed, including:

depending on the reasons for termination of the investment agreement, the requirement that Alberto-Culver pay Investor a termination fee of \$60 million;

substantial costs related to the transactions, such as legal, accounting, registration, advisory and printing fees, must be paid regardless of whether the transactions are completed; and

potential disruption to the business of Alberto-Culver and distraction of its workforce and management team.

Risks Relating to New Alberto-Culver

In addition to the risks set forth under Risks Relating to the Transactions, New Alberto-Culver will also face the following risks in connection with its business.

New Alberto-Culver faces intense competition in its markets, and the failure to compete effectively could have an adverse impact on its business, financial condition and results of operations.

New Alberto-Culver faces intense competition from consumer product companies both in the U.S. and in its international markets. Most of New Alberto-Culver's products compete with other widely advertised brands within each product category. New Alberto-Culver also encounters competition from similar and alternative products, many of which are produced and marketed by major multinational or national concerns. New Alberto-Culver's products generally compete on the basis of:

specific benefits to consumers;

marketing (advertising, promotion, merchandising, packaging and trade customer relations);

quality; and

price.

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A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising and sales promotion. If a product gains consumer acceptance, it normally requires continuing advertising and promotional support to maintain its relative market position. Many of New Alberto-Culver's competitors are larger and have financial resources greater than those of New Alberto-Culver and may therefore be able to spend more aggressively on advertising and promotional activities and respond more effectively to changing business and economic conditions than New Alberto-Culver.

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can. In addition, New Alberto-Culver's competitors may attempt to gain market share by offering products at prices at or below those typically offered by New Alberto-Culver. Competitive pricing may require New Alberto-Culver to reduce prices and could lead to a reduction in its sales or its profit margins. If New Alberto-Culver is unable to compete effectively, such failure could have an adverse impact on its business, financial condition and results of operations.

New Alberto-Culver depends on a limited number of customers for a large portion of its net sales, and the loss of any of these customers or a material reduction in sales to any of these customers could have an adverse effect on New Alberto-Culver's business, financial condition and results of operation.

A limited number of customers account for a large percentage of New Alberto-Culver's net sales. The consumer products business' largest customer, Wal-Mart Stores, Inc. and its affiliated companies, accounted for approximately 18%, 17% and 15% of its net sales during fiscal years 2005, 2004 and 2003, respectively. During fiscal years 2005, 2004 and 2003, the consumer products business' five largest customers accounted for approximately 28%, 27% and 26% of its net sales, respectively. New Alberto-Culver expects that a significant portion of its net sales will continue to be derived from a small number of customers and that these percentages may increase if the growth of mass merchandisers continues. As a result, changes in the strategies of New Alberto-Culver's largest customers, including a reduction in the number of brands they carry or a shift of shelf space to private label products, may harm New Alberto-Culver's net sales.

In addition, New Alberto-Culver's business is based primarily upon individual sales orders and New Alberto-Culver rarely enters into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from New Alberto-Culver at any time and for any reason. If New Alberto-Culver loses a significant customer or if sales of its products to a significant customer materially decrease, it could have an adverse effect on New Alberto-Culver's business, financial condition and results of operations.

The failure of New Alberto-Culver to effectively anticipate and respond to market trends and changes in consumer preferences could adversely affect its business, financial condition and results of operations.

New Alberto-Culver's continued success depends in large part on its ability to anticipate, gauge and react in a timely and effective manner to changes in consumer spending patterns and preferences for beauty and other consumer products. New Alberto-Culver must continually work to develop, produce and market new products, maintain and enhance the recognition of its brands, achieve a favorable mix of products, and refine its approach as to how and where it markets and sells its products. While New Alberto-Culver devotes considerable effort and resources to shape, analyze and respond to consumer preferences, consumer spending patterns and preferences cannot be predicted with certainty and can change rapidly. If New Alberto-Culver is unable to anticipate and respond to trends in the market for beauty and other consumer products and changing consumer demands, its business, financial condition and results of operations could suffer.

Furthermore, material shifts or decreases in market demand for New Alberto-Culver's products, including as a result of changes in consumer spending patterns and preferences, could result in New Alberto-Culver carrying inventory that cannot be sold at anticipated prices or increased product returns by its customers. Failure to maintain proper inventory levels or increased product returns by its customers could have an adverse effect on New Alberto-Culver's business, financial condition and results of operations.

Third party suppliers provide the raw materials used to manufacture New Alberto-Culver's products and the loss of any of these suppliers or a disruption or interruption in the supply chain could adversely affect New Alberto-Culver's business, financial condition and results of operations.

New Alberto-Culver manufactures and packages almost all of its products. New Alberto-Culver purchases from various suppliers the raw materials for these products. The loss of one or more suppliers or a significant disruption or interruption in the supply chain could have an adverse effect on the manufacturing and packaging of New Alberto-Culver's products.

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Price increases in raw materials could harm New Alberto-Culver's profit margins.

As noted above, New Alberto-Culver manufactures and packages almost all of its products. The principal raw materials used by New Alberto-Culver include essential oils, chemicals, containers and packaging components. Increases in the costs of these or other raw materials used in New Alberto-Culver's business may adversely affect New Alberto-Culver's profit margins if it is unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution.

Large sophisticated customers may take actions that adversely affect New Alberto-Culver's margins and results of operations.

In recent years, New Alberto-Culver has experienced a consumer trend away from traditional grocery and drug store and toward mass merchandisers, which include super centers and club stores. This trend has resulted in the increased size and influence of these mass merchandisers. As these mass merchandisers grow larger and become more sophisticated, they may demand lower pricing, special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. If New Alberto-Culver does not effectively respond to the demands of these mass merchandisers, they could decrease their purchases from New Alberto-Culver, causing New Alberto-Culver's sales and profitability to decline.

New Alberto-Culver is a holding company with no operations of its own and depends on its subsidiaries for cash.

New Alberto-Culver is a holding company and following the transactions it will not have any material assets or operations other than ownership of the membership interest of Alberto-Culver. New Alberto-Culver's operations are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends is highly dependent on the earnings of, and receipt of funds from, its subsidiaries through dividends or intercompany loans. However, none of New Alberto-Culver's subsidiaries are obligated to make funds available to New Alberto-Culver for payment of dividends or to service its debt.

If New Alberto-Culver is unable to protect its intellectual property rights, specifically its trademarks, its ability to compete could be negatively impacted.

The market for New Alberto-Culver's products depends to a significant extent upon the value associated with its trademarks and brand names, including Alberto VO5, St. Ives, TRESemmé and Nexxus. New Alberto-Culver owns the trademarks and brand name rights used in connection with marketing and distribution of its major products both in the United States and in other countries. Although most of New Alberto-Culver's material intellectual property is registered in the United States and in certain foreign countries in which it operates, it may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect New Alberto-Culver's intellectual property rights to the same extent as the laws of the United States. The costs required to protect New Alberto-Culver's trademarks and brand names is expected to continue to be substantial.

New Alberto-Culver's business is exposed to domestic and foreign currency fluctuations.

New Alberto-Culver's international sales are generally denominated in foreign currencies, and this revenue could be materially affected by currency fluctuations. Approximately 48.7% of its net sales were from international operations in fiscal year 2005. Its primary exposures are to fluctuations in exchange rates for the United States dollar versus the Swedish krona, the British pound sterling, the Canadian dollar, the Euro, the Australian dollar, the Mexican peso, the Argentine peso, the New Zealand dollar, the Poland zloty and the Denmark krone. Changes in currency exchange rates may also affect the relative prices at which New Alberto-Culver and its foreign competitors sell products in the same market. Although New Alberto-Culver occasionally

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hedges some exposures to changes in foreign currency exchange rates arising in the ordinary course of business, it cannot assure you that foreign currency fluctuations will not have an adverse effect on its business, results of operations and financial condition.

New Alberto-Culver's ability to conduct business in or import products from international markets may be affected by legal, regulatory, political and economic risks.

Approximately 48.7% of New Alberto-Culver's net sales were from international operations in fiscal year 2005. New Alberto-Culver's ability to capitalize on growth in new international markets and to grow or maintain the current level of operations in its existing international markets is subject to risks associated with international operations. These include:

unexpected changes in regulatory requirements; and

new tariffs or other barriers to some international markets.

New Alberto-Culver is also subject to political and economic risks in connection with its international operations, including:

political instability;

changes in diplomatic and trade relationships; and

economic fluctuations in specific markets.

New Alberto-Culver cannot predict whether quotas, duties, taxes or other similar restrictions will be imposed by the United States, the European Union or other countries upon the import or export of its products in the future, or what effect any of these actions would have on its business, results of operations and financial condition. Changes in regulatory or geopolitical policies and other factors may have an adverse affect on New Alberto-Culver's business in the future or may require it to modify its current business practices.

Any future acquisitions may expose New Alberto-Culver to additional risks.

New Alberto-Culver frequently reviews acquisition prospects that would complement its current product offerings, increase the size and geographic scope of its operations or otherwise offer growth and operating efficiency opportunities. The financing for any of these acquisitions could dilute the interests of New Alberto-Culver stockholders, result in an increase in its indebtedness or both. Acquisitions may entail numerous risks, including:

difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses;

diversion of management's attention from New Alberto-Culver's core business;

compliance with foreign regulatory requirements;

enforcement of new intellectual property rights;

adverse effects on existing business relationships with suppliers and customers;

operating inefficiencies and negative impact on profitability;

entering markets or product categories in which New Alberto-Culver has limited or no prior experience; and

general economic and political conditions, including legal and other barriers to cross-border investment in general, or by United States companies in particular.

New Alberto-Culver's failure to complete successfully the integration of any acquired business could have an adverse effect on its business, financial condition and results of operations. In addition, there can be no

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assurance that New Alberto-Culver will be able to identify suitable acquisition candidates or consummate acquisitions on favorable terms.

Product liability claims could adversely affect New Alberto-Culver's business, financial condition and results of operations.

New Alberto-Culver may be required to pay for losses or injuries purportedly caused by its products. Claims could be based on allegations that, among other things, New Alberto-Culver's products contain contaminants, provide inadequate instructions regarding their use, or provide inadequate warnings concerning interactions with other substances. Product liability claims could result in negative publicity that could harm New Alberto-Culver's sales and operating results. In addition, if any of New Alberto-Culver's products is found to be defective, New Alberto-Culver could be required to recall it, which could result in adverse publicity and significant expenses. Although New Alberto-Culver maintains product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or potential product liability claims may be excluded under the terms of the policy.

Environmental matters create potential liability risks.

New Alberto-Culver must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, the handling and disposal of liquid and solid hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. New Alberto-Culver handles and transports hazardous substances at its plant sites. A release of such chemicals due to accident or an intentional act could result in substantial liability to governmental authorities and/or to third parties. New Alberto-Culver has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations.

Risks Relating to New Sally

In addition to the risks set forth under Risks Relating to the Transactions, New Sally will also face the following risks in connection with its business.

The beauty products distribution industry is highly competitive.

The beauty products distribution industry is highly fragmented and there are few significant barriers to entry into the markets for most of the types of products and services New Sally sells. Sally Beauty Supply competes with other domestic and international beauty product wholesale and retail outlets, including local and regional cash-and-carry beauty supply stores, professional-only beauty supply stores, salons, mass merchandisers, drug stores and supermarkets, as well as sellers on the Internet and salons retailing hair care items. Beauty Systems Group competes with other domestic and international beauty product wholesale and retail suppliers and manufacturers selling professional beauty products directly to salons and individual salon professionals. The primary competitive factors in the beauty products distribution industry are the price at which New Sally purchases products from manufacturers and the retail price, quality, perceived value, consumer brand name recognition, packaging and mix of the products New Sally sells, customer service, the efficiency of New Sally's distribution network and the availability of desirable store locations. Competitive conditions may limit New Sally's ability to maintain prices or require it to reduce prices to retain business or market share. Some of New Sally's competitors are larger and have greater financial and other resources than New Sally and will be less leveraged than New Sally will be following the transactions, and may therefore be able to spend more aggressively on advertising and promotional activities and respond more effectively to changing business and economic conditions. New Sally's failure to continue to compete effectively in its markets could adversely impact New Sally's business, financial condition and results of operations. In addition, if New Sally's competitors that own national chains acquire additional salons that are currently BSG customers, New Sally could lose those customers. New Sally also understands that L'Oréal has agreed to acquire a 30% stake in Beauty Alliance, one of Beauty Systems Group's largest competitors. New Sally has been unable to verify whether this transaction has closed. At this time, New Sally does not know what impact this acquisition will have on operating results in the future.

Table of Contents***New Sally may be unable to anticipate changes in consumer preferences and buying trends or manage its product lines and inventory commensurate with consumer demand.***

New Sally's success will depend in part on its ability to anticipate and offer products and services that appeal to the changing needs and preferences of its customers. If New Sally does not anticipate and respond to changes in customer preferences in a timely manner, New Sally's sales may decline significantly and it may be required to mark down certain products to sell the resulting excess inventory at prices which can be significantly lower than the normal retail or wholesale price, which could adversely impact New Sally's business, financial condition and results of operations. In addition, New Sally depends on its inventory management and information technology systems in order to replenish inventories and deliver products to store locations in response to customer demands. Any systems-related problems could result in difficulties satisfying the demands of customers which, in turn, could adversely affect New Sally's sales and profitability.

New Sally depends on manufacturers who may be unable to provide products of adequate quality or who may be unwilling to continue to supply products to New Sally.

New Sally does not manufacture the brand name or private label products it sells, and instead purchases its products from manufacturers and fillers, including Alberto-Culver's consumer products business. New Sally depends on a limited number of manufacturers for a significant percentage of the products it sells. Sally Beauty Supply's five largest suppliers provided it with approximately 41% and 39% of the products Sally Beauty Supply purchased in fiscal years 2005 and 2004, respectively. Beauty Systems Group's five largest suppliers provided it with approximately 60% and 55% of the products Beauty Systems Group purchased in fiscal years 2005 and 2004, respectively.

In addition, since New Sally purchases products from many manufacturers and fillers on an at-will basis, under contracts which can be terminated without cause upon 90 days notice or less or which expire without express rights of renewal and such manufacturers and fillers could discontinue sales to New Sally at any time or upon the expiration of the distribution period. Some of New Sally's contracts with manufacturers may be terminated by such manufacturers if New Sally fails to meet specified minimum purchase requirements. In such cases, New Sally does not have contractual assurances of continued supply, pricing or access to new products and vendors may change the terms upon which they sell. New Sally may not be able to acquire desired merchandise in sufficient quantities or on acceptable terms in the future.

Changes in Sally Beauty Supply and BSG's relationships with suppliers occur often, and could positively or negatively impact the net sales and operating profits of both business segments. For example, net sales and operating profits of Sally Beauty Supply and BSG were negatively affected in fiscal year 2005 by the decision of certain suppliers of the BSG business to begin selling their products directly to salons in most markets. Subsequently, in fiscal year 2006 one of those suppliers agreed to have BSG once again sell its product lines in BSG stores. Currently, BSG is in discussions with a principal supplier of Sally Beauty Supply/BSG regarding the largest BSG division within the United States, and these discussions could result in significant changes in that BSG division's relationship with that supplier. New Sally cannot predict what changes to the relationship between BSG and this supplier may eventually occur. If such negotiations are not resolved in New Sally's favor, there could be a negative effect on operating results for fiscal year 2007 and possibly beyond.

Manufacturers and fillers of beauty supply products are subject to certain risks that could adversely impact their ability to provide New Sally with their products on a timely basis, including industrial accidents, environmental events, strikes and other labor disputes, union organizing activity, disruptions in logistics or information systems, loss or impairment of key manufacturing sites, product quality control, safety, and licensing requirements and other regulatory issues, as well as natural disasters and other external factors over which neither they nor New Sally has control. In addition, New Sally's operating results depend to some extent on the orderly operation of New Sally's receiving and distribution process, which depends on manufacturers' adherence to shipping schedules and New Sally's effective management of its distribution facilities and capacity.

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If a material interruption of supply occurs, or a significant supplier ceases to supply New Sally or materially decreases its supply to New Sally, New Sally may not be able to acquire products with similar quality and consumer brand name recognition as the products New Sally currently sells, or acquire such products in sufficient quantities to meet its customers' demands or on favorable terms to its business, any of which could adversely impact its business, financial condition and results of operations.

New Sally does not control the production process for the brand name and private label products it sells. In many cases, New Sally relies on representations of manufacturers and fillers about the products it purchases for resale regarding whether such products have been manufactured in accordance with applicable governmental regulations. New Sally may not be able to identify a defect in a product it purchases from a manufacturer or filler before it offers such product for resale, which could result in fines or other actions by government regulators, product liability claims, product recalls, harm to New Sally's credibility, impairment of customer relationships or a decrease in the market acceptance of brand names, any of which could adversely affect New Sally's business, financial condition and results of operations.

If products sold by New Sally are found to be defective in labeling or content, New Sally's credibility and that of the brands it sells may be harmed, market acceptance of New Sally's products may decrease and New Sally may be exposed to liability in excess of its products liability insurance coverage and manufacturer indemnities.

New Sally's sale of certain products exposes it to potential product liability claims, recalls or other regulatory or enforcement actions initiated by federal or state regulatory authorities or through private causes of action. Such claims, recalls or actions could be based on allegations that, among other things, the products sold by New Sally are misbranded, contain contaminants, provide inadequate instructions regarding their use or misuse, or include inadequate warnings concerning flammability or interactions with other substances. Claims against New Sally could also arise as a result of the misuse by purchasers of such products or as a result of their use in a manner different than the intended use. New Sally may be required to pay for losses or injuries actually or allegedly caused by the products it sells and to recall any product it sells that is alleged to be or is found to be defective.

Any actual defects or allegations of defects in products sold by New Sally could result in adverse publicity and harm New Sally's credibility, which could adversely affect New Sally's business, financial condition and results of operations. Although New Sally may have indemnification rights against the manufacturers of many of the products it distributes and rights as an additional insured under the manufacturer's insurance policies, it is not certain that any individual manufacturer or insurer will be financially solvent and capable of making payment to any party suffering loss or injury caused by products sold by New Sally. Further, some types of actions and penalties, including many actions or penalties imposed by governmental agencies and punitive damages awards may not be remediable through reliance on indemnity agreements or insurance. Furthermore, potential product liability claims may exceed the amount of indemnity or insurance coverage or be excluded under the terms of an indemnity agreement or insurance policy. If New Sally is forced to pay to satisfy such claims, it could have an adverse effect on New Sally's financial condition and results of operations.

New Sally could be adversely affected if it does not comply with laws and regulations or if it becomes subject to additional or more stringent laws and regulations.

New Sally is subject to a number of U.S. federal, state and local laws and regulations, as well as the laws and regulations applicable in each other market in which it does business. These laws and regulations govern the composition, packaging, labeling and safety of the products it sells and the methods it uses to sell the products. Non-compliance with applicable laws and regulations of governmental authorities, including the Food and Drug Administration and similar authorities in other jurisdictions, by New Sally or the manufacturers of the products sold by New Sally could result in fines, product recalls and enforcement actions or otherwise restrict New Sally's ability to market certain products, which could adversely affect New Sally's business, financial condition and results of operations. The laws and regulations applicable to New Sally or manufacturers of the products sold by

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New Sally may become more stringent. Continued legal compliance could require the review and possible reformulation or relabeling of certain products, as well as the possible removal of some products from the market altogether. Legal compliance could also lead to considerably higher internal regulatory costs. Manufacturers may try to recover some or all of any increased costs of compliance by increasing the prices at which New Sally purchases products, which increased cost New Sally may not be able to recover from its customers. New Sally is also subject to state and local laws that affect its franchisor-franchisee relationships. Increased compliance costs and the loss of sales of certain products due to more stringent or new laws and regulations could adversely affect New Sally's business, financial condition and results of operations.

Product diversion could have an adverse impact on New Sally's revenues.

The majority of the products that Beauty Systems Group sells are meant to be used exclusively by salons and individual salon professionals or are meant to be sold exclusively by the purchasers, such as salons, to their retail consumers. However, despite Beauty Systems Group's efforts to prevent diversion, incidents of product diversion occur, whereby Beauty Systems Group products are sold by these purchasers (and possibly by other bulk purchasers such as franchisees) to middlemen and general merchandise retailers. The retailers, in turn, sell such products to consumers. The diverted product may be old, tainted or damaged and sold through unapproved outlets, all of which could diminish the value of the brand. Diversion could result in lower net sales for Beauty Systems Group should consumers choose to purchase diverted products from retailers rather than purchasing from Beauty Systems Group customers, or choose other products altogether because of the perceived loss of brand prestige.

Product diversion is generally prohibited under Beauty Systems Group supplier contracts and New Sally may be under a contractual obligation to stop selling to salons, salon professionals and other bulk purchasers who engage in product diversion. New Sally's investigation and enforcement of anti-diversion policies may result in reduced sales to its customer base, thereby decreasing its revenues.

The occurrence of one or more natural disasters or acts of terrorism could adversely affect New Sally's operations and financial performance.

The occurrence of one or more natural disasters or acts of terrorism could result in physical damage to one or more of New Sally's properties, the temporary closure of stores or distribution centers, the temporary lack of an adequate work force in a market, the temporary or long term disruption in the supply of products from some local suppliers, the temporary disruption in the delivery of goods to New Sally distribution centers, the temporary reduction in the availability of products in New Sally stores and/or the temporary reduction in visits to stores by customers.

If one or more natural disasters or acts of terrorism were to impact New Sally's business, New Sally could, among other things, incur significantly higher costs and longer lead times associated with distributing products to stores. Furthermore, insurance costs associated with New Sally's business may rise significantly in the event of a large scale natural disaster or act of terrorism.

New Sally will be restricted in its ability to issue equity for at least two years following completion of the transactions, which could limit its ability to make acquisitions or to raise capital required to service its debt and operate its business.

The amount of equity that New Sally can issue to make acquisitions or raise additional capital will be severely limited for at least two years following completion of the transaction, except in limited circumstances. See Material U.S. Federal Income Tax Consequences of the Holding Company Merger, the Special Cash Dividend, the New Alberto-Culver Share Distribution and Related Transactions beginning on page 97. These limitations may restrict the ability of New Sally to carry out its business objectives and to take advantage of opportunities such as acquisitions that could supplement, grow or increase the efficiency of the Sally/BSG

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distribution business. In addition, because New Sally will have approximately \$1.85 billion in debt upon completion of the transactions, and the agreements governing New Sally's indebtedness will contain limits on the ability of Sally Holdings to incur additional debt, the inability to raise even a small amount of equity capital at a time when New Sally needs additional capital could have a material adverse effect on the ability of New Sally to service its debt and operate its business.

New Sally may not be able to successfully identify acquisition candidates or successfully complete desirable acquisitions.

In the past several years, the Sally/BSG distribution business has completed several significant acquisitions the majority of which were for the BSG business. New Sally intends to continue to pursue additional acquisitions in the future. The Sally/BSG distribution business actively reviews acquisition prospects that would complement its current lines of business, increase the size and geographic scope of its operations or otherwise offer growth and operating efficiency opportunities. There can be no assurance that New Sally will be able to identify suitable acquisition candidates.

If suitable candidates are identified, sufficient funds may not be available to make such acquisitions. New Sally competes against many other companies, some of which are larger and have greater financial and other resources than New Sally. Increased competition for acquisition candidates could result in fewer acquisition opportunities and higher acquisition prices. In addition, the amount of equity that New Sally can issue to make acquisitions or raise additional capital will be severely limited for at least two years following completion of the transactions, which will make equity generally unavailable to fund acquisitions. Also, because New Sally will be highly leveraged and the agreements governing New Sally's indebtedness will contain limits on the ability of Sally Holdings to incur additional debt, New Sally may be unable to finance acquisitions that would increase its growth or improve its financial and competitive position. To the extent that debt financing is available to finance acquisitions, New Sally's net indebtedness could be increased as a result of any acquisitions. At such time as it is available, the use of equity to finance acquisitions could dilute the interests of New Sally stockholders.

If New Sally acquires any businesses in the future, they could prove difficult to integrate, disrupt New Sally's business or have an adverse effect on its results of operations.

Any acquisitions that New Sally does make may be difficult to integrate profitably into its business and may entail numerous risks, including:

difficulties in assimilating acquired operations, stores or products, including the loss of key employees from acquired businesses;

diversion of management's attention from New Sally's core business;

complying with foreign regulatory requirements, including multi-jurisdictional competition rules;

enforcement of intellectual property rights in some foreign countries;

adverse effects on existing business relationships with suppliers and customers;

operating inefficiencies and negative impact on profitability;

entering markets in which New Sally has limited or no prior experience; and

those related to general economic and political conditions, including legal and other barriers to cross-border investment in general, or by United States companies in particular.

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In addition, during the acquisition process, New Sally may fail or be unable to discover some of the liabilities of businesses that New Sally acquires. These liabilities may result from a prior owner's noncompliance with applicable laws and regulations. Acquired businesses may also not perform as New Sally expects or New Sally may not be able to obtain financial improvements in acquired businesses that it may expect.

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New Sally's ability to conduct business in international markets may be affected by legal, regulatory, and economic risks.

The ability of New Sally to capitalize on growth in new international markets and to grow or maintain its current level of operations in its existing international markets is subject to risks associated with its international operations. These risks include: unexpected changes in regulatory requirements; trade barriers to some international markets; economic fluctuations in specific markets; potential difficulties in enforcing contracts, protecting assets, including intellectual property, and collecting receivables in certain foreign jurisdictions; and difficulties and costs of staffing, managing and accounting for foreign operations.

If New Sally is unable to profitably open and operate new stores, its business, financial condition and results of operations may be adversely affected.

New Sally's future growth depends in part on its ability to open and profitably operate new stores in existing and additional geographic markets. The capital requirements to open a new Sally Beauty Supply or Beauty Systems Group store, excluding inventory, average approximately \$66,000 and \$68,000, respectively. However, New Sally may not be able to open all of the new stores it plans to open and any new stores it opens may not be profitable, either of which could have a material adverse impact on New Sally's financial condition or results of operations. There are several factors that could affect New Sally's ability to open and profitably operate new stores, including:

the inability to identify and acquire suitable sites or to negotiate acceptable leases for such sites;

proximity to existing stores that may reduce new stores' sales;

difficulties in adapting New Sally's distribution and other operational and management systems to an expanded network of stores;

the potential inability to obtain adequate financing to fund expansion because of New Sally's high leverage and limitations on its ability to issue equity for at least two years following completion of the transactions, among other things;

difficulties in obtaining any needed governmental and third-party consents, permits and licenses needed to operate additional stores; and

potential limitations on capital expenditures which may be included in financing documents that New Sally enters into.

New Sally is a holding company, with no operations of its own, and depends on its subsidiaries for cash.

New Sally is a holding company and following the transactions it will not have any material assets or operations other than ownership of equity interests of Sally Investment Holdings LLC. New Sally's operations are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its obligations or to pay dividends is highly dependent on the earnings of, and receipt of funds from, its subsidiaries through dividends or intercompany loans. However, none of New Sally's subsidiaries are obligated to make funds available to New Sally for payment of dividends. Further, the terms of the debt financings are expected to significantly restrict the ability of New Sally's subsidiaries to pay dividends or otherwise transfer assets to New Sally. Furthermore, New Sally and its subsidiaries may be able to incur substantial additional indebtedness in the future that may severely restrict or prohibit its subsidiaries making distributions, paying dividends or making loans to it. In addition, Delaware law may impose requirements that may restrict New Sally's ability to pay dividends to holders of its common stock.

If New Sally is unable to protect its intellectual property rights, specifically its trademarks, its ability to compete could be negatively impacted.

The success of New Sally's business depends to a certain extent upon the value associated with its intellectual property rights. New Sally owns certain trademark and brand name rights used in connection with the

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Sally/BSG distribution business, including *Sally*, *Sally Beauty*, *BSG*, *CosmoProf*, *Armstrong McCall* and *ion*. New Sally protects its intellectual property rights through a variety of methods, including trademarks which are registered or legally protected in the United States, Canada and other countries throughout the world in which the Sally/BSG distribution business operates. New Sally also relies on trade secret laws, in addition to confidentiality agreements with vendors, employees, consultants, and others who have access to its proprietary information. While New Sally intends to vigorously protect its trademarks against infringement, it may not be successful in doing so. In addition, the laws of certain foreign countries may not protect New Sally's intellectual property rights to the same extent as the laws of the United States. The costs required to protect New Sally's intellectual property and trademarks are expected to continue to be substantial.

Debt incurred in connection with the transactions could adversely affect New Sally's operations and financial condition.

New Sally will be highly leveraged as a result of the transactions. Sally Holdings and/or one or more of its subsidiaries will incur approximately \$1.85 billion of debt and will have a \$400 million revolving credit facility (subject to borrowing base limitations), of which approximately \$70 million is anticipated to be drawn at closing (and is included in the \$1.85 billion). In addition, debt incurred in connection with the transactions generally will be at higher rates of interest than Alberto-Culver would have paid. On a pro forma basis, assuming that the financings occurred on June 30, 2006, New Sally would have had approximately \$1.85 billion of outstanding indebtedness.

Such indebtedness, coupled with the restrictions on the ability of New Sally to issue equity securities following completion of the transactions without jeopardizing the intended tax consequences of the transactions, could have adverse consequences for New Sally's business, financial condition and results of operations, such as:

making more difficult the satisfaction of its obligations to its lenders, resulting in possible defaults on and acceleration of such indebtedness;

limiting its ability to obtain additional financing to fund growth, working capital, capital expenditures, debt service requirements, acquisitions or other cash requirements;

limiting its operational flexibility in planning for or reacting to changing conditions in its business and industry;

requiring dedication of a substantial portion of its cash flows from operations to make payments on its debt, which would reduce the availability of such cash flows to fund working capital, capital expenditures and other general corporate purposes;

limiting its ability to compete with companies that are not as highly leveraged, or whose debt is at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns; and

increasing its vulnerability to economic downturns and changing market conditions or preventing New Sally from carrying out capital spending that is necessary or important to its growth strategy and efforts to improve operating margins.

New Sally expects to pay its expenses and to pay the principal and interest on its outstanding debt with funds generated by its operations. New Sally's ability to meet its expenses and debt service obligations will depend on its future performance, which will be affected by financial, business, economic and other factors, including potential changes in customer preferences, the success of product and marketing innovations and pressure from competitors. If New Sally does not have enough money to pay its debt service obligations, it may be required to refinance all or part of its existing debt, sell assets or borrow more money. New Sally may not be able to, at any given time, refinance its debt, sell assets or borrow more money on terms acceptable to it or at all, the failure to do any of which could have adverse consequences for New Sally's business, financial condition and results of operations.

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The financing arrangements that New Sally expects to enter into in connection with the transactions will contain restrictions and limitations that could significantly impact New Sally's ability to operate its business.

New Sally expects that the agreements governing the indebtedness that it will incur in connection with the transactions will contain covenants that, among other things, will limit the ability of Sally Holdings and/or one or more of its subsidiaries that will incur debt in connection with the transactions to dispose of assets, to incur additional indebtedness, to incur guarantee obligations, to pay dividends, to create liens on assets, to enter into sale and leaseback transactions, to make investments (including joint ventures), loans or advances, to engage in mergers, consolidations or sales of all or substantially all of their respective assets, to change the business conducted by New Sally and engage in certain transactions with affiliates or amend certain debt agreements. In addition, New Sally will be required to comply with certain financial covenants set forth in these agreements. Certain of these agreements will require New Sally to make an offer to purchase the related debt if New Sally experiences specified changes of control or sells certain assets, and New Sally's failure to purchase such debt agreements in accordance with their terms would result in a default under such agreements.

In addition, if Sally Holdings fails to maintain a specified minimum level of borrowing capacity under the asset-backed senior secured revolving credit facility, which we refer to as the ABL Facility and is more fully described in Anticipated Terms of Financing, beginning on page 136, Sally Holdings will then be subject to a financial covenant under the ABL Facility that will obligate Sally Holdings to maintain a specified financial coverage ratio in relation to fixed charges. Sally Holdings' ability to comply with this covenant in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond New Sally's control. The ability to comply with this covenant in future periods will also depend on product pricing, the success at implementing cost reduction initiatives and the ability to successfully implement New Sally's overall business strategy.

Various risks, uncertainties and events beyond New Sally's control could affect its ability to comply with the covenants contained in its debt agreements. Failure to comply with any of the covenants in its existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing the debt. Under these circumstances, New Sally might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by financing agreements on New Sally's ability to incur additional debt and to take other actions might significantly impair its ability to obtain other financing. New Sally cannot assure you that it will be granted waivers or amendments to these agreements if for any reason it is unable to comply with these agreements, or that it will be able to refinance its debt on terms acceptable to it, or at all.

Although the terms of its debt agreements have not been finalized and are subject to changes that may be material, New Sally expects that restrictions in its debt agreements may prevent New Sally from taking actions that would be in the best interest of its business, and may make it difficult to successfully execute its business strategy or effectively compete with companies that are not similarly restricted. New Sally expects that its debt agreements may include restrictions such as:

restrictions on acquisitions, which may limit New Sally's ability to make attractive acquisitions;

restrictions on investments, which may prevent New Sally from investing in other companies or entering into joint ventures;

restrictions on guarantees, which may prevent New Sally from providing commercially desirable credit support to suppliers, customers or other business partners; and

restrictions on incurrence of additional debt, which may further restrict New Sally's ability to make acquisitions or investments or to otherwise expand its business.

New Sally or its subsidiaries may also incur future debt obligations that might subject them to additional restrictive covenants that could affect New Sally's financial and operational flexibility.

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New Sally cannot assure you that it will be able to generate sufficient cash flow needed to service its indebtedness.

New Sally's ability to make scheduled payments on its indebtedness and to fund planned capital expenditures will depend on the ability of New Sally and its subsidiaries to generate cash flow in the future. New Sally's future performance is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. In addition, New Sally's ability to borrow funds in the future will depend on the satisfaction of the covenants in New Sally's credit facilities and its other debt agreements and other financing arrangements it may enter into in the future. In the event that the credit facilities need to be refinanced, New Sally cannot assure you that it will be able to do so or obtain additional financing, particularly because of its anticipated high levels of debt and the debt incurrence restrictions imposed by its debt agreements, as well as prevailing market conditions. New Sally cannot assure you that its business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable New Sally to service its debt and fund its other liquidity needs.

If New Sally's cash flow and capital resources are insufficient to fund its debt service obligations, New Sally may be forced to reduce or delay capital expenditures, sell assets or seek to obtain additional equity capital, or refinance its indebtedness or obtain additional financing. In the future, New Sally's cash flow and capital resources may not be sufficient for payments of interest on and principal of its debt and there can be no assurance that any of, or a combination of, such alternative measures would provide New Sally with sufficient cash flows. In addition, such alternative measures could have an adverse effect on New Sally's business, financial condition and results of operations. New Sally will generally be unable to generate significant cash flow from the issuance of equity for at least two years following completion of the transaction.

In the absence of sufficient operating results and resources, New Sally could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations or otherwise risk default under the agreements governing its indebtedness. These agreements are expected to restrict New Sally's ability to dispose of assets and restrict the use of proceeds from any such dispositions. If required, New Sally cannot be sure as to the timing of such sales or adequacy of the proceeds that it could realize therefrom.

Despite New Sally's expected indebtedness levels following the transactions, New Sally may still be able to incur substantially more debt which could exacerbate the risks associated with New Sally's substantial indebtedness.

New Sally may be able to incur substantial additional indebtedness in the future and the terms of New Sally's various forms of indebtedness will not fully prohibit New Sally from doing so. In particular, New Sally may not be subject to some or all of the restrictions on incurrence of indebtedness to which Sally Holdings and/or one or more of its subsidiaries will be subject under the transaction debt agreements. In addition, the indentures governing the notes will not fully prohibit Sally Holdings or its subsidiaries from incurring some additional debt. As of June 30, 2006, on a pro forma basis, the credit facilities would have provided Sally Holdings and its subsidiaries commitments for additional borrowings of up to \$300 million under the ABL Facility and permitted additional borrowings beyond those commitments under certain circumstances. Furthermore, the indentures governing the notes will not prevent Sally Holdings or its subsidiaries from incurring obligations that do not constitute indebtedness. If additional debt is added to the debt levels that will exist upon completion of the transactions, the related risks that New Sally now faces would increase.

An increase in interest rates would increase the cost of servicing New Sally's debt and could reduce New Sally's profitability.

A significant portion of the debt that Sally Holdings will incur in connection with the transactions, including under the credit facilities, will bear interest at variable rates. As a result, an increase in interest rates, whether

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because of an increase in market interest rates or a decrease in Sally Holdings' credit worthiness, would increase the cost of servicing Sally Holdings' debt and could materially reduce New Sally's profitability and cash flows. The impact of such an increase would be more significant for New Sally than it would be for less leveraged companies because of its subsidiaries' substantial debt.

The terms of the various forms of indebtedness have not been finalized and are subject to market risk.

The terms of the various forms of indebtedness described in "Anticipated Terms of Financing - Debt Financing" reflect the current state of discussions with respect to financing and have not yet been finalized. As such, those terms may materially change depending on market conditions at the time of the incurrence or offering of such indebtedness. The economic terms of the indebtedness, including interest rates and redemption prices, will be determined as part of the offering process and will vary depending on market conditions. Adverse market conditions could result in higher than expected redemption prices or subject New Sally to restrictive covenants that impose restrictions and limitations that are in addition to, or more restrictive than, those currently expected. The funding of the interim loan, if it occurs, would exacerbate these risks, and could adversely affect the ability of Sally Holdings and/or its subsidiaries to obtain other debt financing on favorable terms. In addition, if the interim loan is funded in lieu of issuing the notes, or market flex provisions applicable to the new debt financings are exercised by the lenders, the interest expense payable by the borrower could increase. See "Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally" beginning on page 249.

The ownership percentage of Alberto-Culver shareholders in New Sally will be diluted as a result of the merger.

Following the transactions, the shareholders of Alberto-Culver will continue to own 100% of the outstanding shares of New Alberto-Culver. However, their ownership percentage of New Sally will be diluted as a result of Investor's investment in New Sally.

The voting power of New Sally's principal shareholder may discourage third party acquisitions of New Sally at a premium.

Investor will own approximately 47.5% of the shares of New Sally on a fully diluted basis immediately following the New Sally share issuance. Pursuant to the stockholders agreement to be entered into by New Sally, Investor and the Lavin family stockholders prior to completion of the transactions and the amended and restated by-laws of New Sally to be adopted prior to completion of the transactions, Investor will have the right to name six of New Sally's initial twelve directors, as well as the Chairman of the Board at the time of the Closing, and Investor's rights to nominate certain numbers of directors will continue so long as it owns specified percentages of New Sally common stock. Investor's ownership of New Sally common stock may have the effect of discouraging offers to acquire control of New Sally and may preclude holders of New Sally common stock from receiving any premium above market price for their shares that may otherwise be offered in connection with any attempt to acquire control of New Sally.

The interests of Investor may differ from the interests of other holders of New Sally common stock.

Immediately after completion of the transactions, Investor will own approximately 47.5% of New Sally's voting capital stock. The interests of Investor may differ from those of other holders of New Sally common stock in material respects. For example, Investor may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its overall equity portfolio, even though such transactions might involve risks to holders of New Sally common stock. Investor is in the business of making investments in companies, and may from time to time in the future, acquire interests in businesses that directly or indirectly compete with certain portions of New Sally's business or are suppliers of customers of New Sally. Additionally, Investor may determine that the disposition of some or all of its interests in New Sally would be beneficial to Investor at a time when such disposition could be detrimental to the other holders of New Sally common stock.

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New Sally's proposed certificate of incorporation, New Sally's by-laws and Delaware law may discourage takeovers and business combinations that New Sally's stockholders may consider in their best interests.

Provisions in New Sally's proposed amended and restated certificate of incorporation and proposed amended and restated by-laws and provisions of Delaware corporate law may delay, defer, prevent or render more difficult a takeover attempt which is not approved by New Sally's board of directors but which New Sally's stockholders may consider in their best interests. These provisions include:

authorization of the issuance of preferred stock, the terms of which may be determined at the sole discretion of the board of directors;

establishment of a classified board of directors with staggered, three-year terms;

prohibition on stockholders calling special meetings of stockholders or acting by consent without a meeting;

establishment of advance notice requirements for stockholder proposals and nominations for election to the board of directors at stockholder meetings; and

authorization of the issuance of additional capital stock at the sole discretion of the New Sally board of directors.

These provisions may prevent New Sally's stockholders from receiving the benefit from any premium to the market price of the common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of New Sally's common stock if it is viewed as discouraging takeover attempts in the future. These provisions may also make it difficult for stockholders to replace or remove New Sally's directors.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus information statement includes forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking terms such as believes, expects, may, will, should, could, seek, intends, plans, estimate, or other comparable terms. Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond the control of Alberto-Culver, New Alberto-Culver, New Sally and Sally Holdings. A number of important factors could cause actual results to differ materially from those in the forward-looking statements, including those factors discussed in Risk Factors. Factors that could cause actual results to differ from those reflected in forward-looking statements relating to the operations and business of Alberto-Culver, New Alberto-Culver, New Sally and Sally Holdings include:

risks inherent in acquisitions, divestitures and spinoffs, including the capital resources required for acquisitions, business risks, legal risks and risks associated with the tax and accounting treatment of such transactions;

the ability to obtain stockholder approval of the transactions;

the ability to obtain a favorable revenue ruling from the Internal Revenue Service;

the pattern of brand sales, including variations in sales volume within periods with respect to New Alberto-Culver;

the ability of each company to attract and retain qualified personnel and key employees;

the risk that the benefits from the transactions may not be fully realized or may take longer to realize than expected;

loss of distributorship rights by Sally Holdings;

the risks of operating as a stand-alone company and loss of certain benefits associated with common ownership;

the ability of each company to maintain and/or improve sales and earnings performance;

the effects of substantial indebtedness and the limitations contained in the agreements governing such indebtedness, in the case of Sally Holdings;

the ability to service debt obligations, in the case of Sally Holdings;

restrictions on the ability to issue equity for at least two years following completion of the transactions, except in limited circumstances;

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competition within relevant product markets, including the ability to develop and introduce successfully new products, ensuring product quality, pricing, promotional activities, introduction of competing products and continuing customer acceptance of existing products;

sales by unauthorized distributors in Sally Holdings' exclusive markets;

foreign currency exchange and interest rate fluctuations;

general economic, political and business conditions that adversely affect each company or its suppliers, distributors or customers;

adverse weather conditions, natural disasters and acts of terrorism;

changes in costs, including changes in labor costs, raw material prices or advertising and marketing expenses;

the costs and effects of unanticipated legal or administrative proceedings;

disruption from the transactions making it more difficult to maintain relationships with customers, employees or suppliers;

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dependence on certain suppliers of manufactured products and termination of distribution agreements with key suppliers that cover exclusive territories due to the failure by Sally Holdings to meet performance targets required under such agreements or to comply with covenants to investigate product diversion;

the effect of consolidation in the beauty supply industry; and

other risks and uncertainties, including those set forth in this proxy statement/prospectus information statement and those detailed from time to time in Alberto-Culver's filings with the SEC.

You should read this proxy statement/prospectus information statement and the documents incorporated by reference into it completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this proxy statement/prospectus information statement are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this proxy statement/prospectus information statement, and Alberto-Culver, New Alberto-Culver, New Sally and Sally Holdings do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events or changes in future operating results over time or otherwise.

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THE ALBERTO-CULVER SPECIAL MEETING

Purpose, Time and Place

The Alberto-Culver special meeting will be held on November 10, 2006 at 2525 Armitage Avenue, Melrose Park, Illinois 60160, at 10:00 a.m. Central time.

At the special meeting, Alberto-Culver stockholders will be asked:

- (1) To consider and vote upon a proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance; and
- (2) To consider and vote upon any other business that properly comes before the special meeting and any adjournment or postponement thereof.

Approval by the stockholders of Alberto-Culver of proposal (1) is required to complete the transactions.

The Alberto-Culver board of directors has unanimously adopted and approved the investment agreement and determined that the investment agreement and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, are advisable and in the best interests of Alberto-Culver and its stockholders and recommends that Alberto-Culver stockholders vote FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance.

Record Date; Voting Information; Required Vote

The Alberto-Culver board of directors has fixed the close of business on October 3, 2006 as the record date for determining the holders of Alberto-Culver common stock entitled to notice of, and to vote at, the special meeting. Only holders of record of Alberto-Culver common stock at the close of business on the record date for the special meeting will be entitled to notice of, and to vote at, the special meeting.

As of the record date for the special meeting, approximately 93,232,804 shares of Alberto-Culver common stock were issued and outstanding and entitled to vote at the special meeting and there were approximately 1,141 holders of record of Alberto-Culver common stock. Each share of Alberto-Culver common stock entitles the holder to one vote on each matter to be considered at the special meeting.

If you are a record holder of Alberto-Culver common stock as of the record date for the special meeting, you may vote your shares of Alberto-Culver common stock in person at the special meeting or by proxy as described below under **Voting by Proxy**.

The presence in person or by proxy at the special meeting of the holders of at least a majority of the shares of Alberto-Culver common stock entitled to vote at the special meeting will constitute a quorum for the special meeting. Properly signed proxies that are marked **abstain** are known as abstentions. Properly signed proxies that are held by brokers in street name on behalf of customers who have not provided their broker with specific voting instructions on nonroutine matters such as proposal (1) are known as broker non-votes. Abstentions and broker non-votes will be counted for the purposes of determining whether a quorum exists at the special meeting but will have the effect of a vote against proposal (1).

We cannot complete the transactions unless the investment agreement is adopted and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, are approved by the affirmative vote of the holders of a majority of the outstanding shares of Alberto-Culver common stock.

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Voting by Proxy

There are three ways to vote your proxy: by mail, by telephone or by the Internet. Alberto-Culver stockholders who vote their shares of Alberto-Culver common stock by completing and signing a proxy and returning it in time for the special meeting will have their shares voted as indicated on their proxy card. If a proxy is properly executed but does not contain voting instructions, the proxy will be voted FOR the proposal to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance. If other matters are properly presented before the special meeting, the persons named in the proxy will have authority to vote in accordance with the discretion of the board of directors, including, without limitation, any proposal to adjourn or postpone the meeting or otherwise concerning the conduct of the meeting. Alberto-Culver does not currently expect that any matter other than as described in this proxy statement/prospectus-information statement will be properly brought before the special meeting.

Alberto-Culver stockholders who vote their shares of Alberto-Culver common stock by phone should call 800-652-VOTE (8683), which will be available 24 hours a day, 7 days a week, until 1:00 a.m. (Central time) on November 10, 2006. Please have your proxy card available. Follow the instructions provided on the phone call.

Alberto-Culver stockholders who vote their shares of Alberto-Culver common stock by the Internet should go to <http://www.computershare.com/expressvote>, which will be available 24 hours a day, 7 days a week, until 1:00 a.m. (Central time) on November 10, 2006. Please have your proxy card available. Follow the instructions to obtain your records and create an electronic ballot.

If your broker holds your shares of Alberto-Culver common stock in street name, you must either direct your broker on how to vote your shares or obtain a proxy from your broker to vote in person at the special meeting. Please check the voting form used by your broker for information on how to submit your instructions.

Revocation of Proxies

Alberto-Culver stockholders of record may revoke their proxy at any time prior to the time it is voted at the special meeting. Alberto-Culver stockholders of record may revoke their proxy by:

sending a written notice to Alberto-Culver's corporate secretary that is received prior to the special meeting stating that you are revoking your proxy;

properly completing a new proxy bearing a later date and properly submitting it so that it is received prior to the special meeting; or

attending the special meeting and voting in person.

Simply attending the special meeting will not revoke your proxy. If you instructed a broker to vote your shares and you wish to change your instructions, you must follow your broker's directions for changing those instructions. If an adjournment occurs and no new record date is set, it will have no effect on the ability of Alberto-Culver stockholders of record as of the record date to exercise their voting rights or to revoke any previously delivered proxies.

Share Ownership of Management and Certain Stockholders

At the close of business on the record date for the special meeting, Alberto-Culver directors and executive officers as a group owned and were entitled to vote 14,620,524 shares of Alberto-Culver common stock, representing approximately 15.68% of the outstanding shares of Alberto-Culver common stock (approximately 2.86% if the shares covered by the support agreements held by the Lavin family stockholders and Mr. Bernick are excluded). All of the directors and executive officers of Alberto-Culver that are entitled to vote at the

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Alberto-Culver special meeting have indicated that they currently intend to vote their shares of Alberto-Culver common stock in favor of approving the transactions.

In connection with the execution of the investment agreement, the Lavin family stockholders entered into a support agreement with Alberto-Culver, New Sally and Investor, pursuant to which the Lavin family stockholders have agreed that, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, they will vote their shares of Alberto-Culver common stock for adoption of the investment agreement and approval of the transactions contemplated by the investment agreement. Additionally, Howard B. Bernick entered into a similar support agreement with Alberto-Culver, New Sally and Investor. Accordingly, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, approximately 12.82% of the shares of Alberto-Culver common stock outstanding as of the record date for the special meeting is contractually committed to vote for the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement. See *Additional Agreements Relating to the Transactions* beginning on page 132.

No Appraisal Rights

None of Alberto-Culver, New Alberto-Culver or New Sally stockholders will be entitled to exercise appraisal rights or to demand payment for their shares in connection with the transactions.

Solicitation of Proxies

Alberto-Culver is soliciting proxies for the special meeting. Pursuant to the terms of the investment agreement, all expenses incurred by Alberto-Culver in connection with the solicitation of proxies will be paid by Sally Holdings or New Sally after completion of the transactions, provided, however, that the total fees and expenses to be paid by Sally Holdings or New Sally pursuant to the fee sharing arrangement will not exceed \$20 million.

Alberto-Culver expects to solicit proxies primarily by mail, but directors, officers and other employees of Alberto-Culver as well as Morrow & Co. Inc. may also solicit in person or by Internet, telephone or mail.

Alberto-Culver has retained Morrow & Co. Inc. to assist in the solicitation of proxies for a fee of \$29,000 plus reasonable out-of-pocket expenses incurred by Morrow & Co. Inc.

Alberto-Culver stockholders should not send stock certificates with their proxies. The exchange agent for the holding company merger will mail transmittal forms with instructions for the surrender of stock certificates of Alberto-Culver common stock to you following completion of the transactions.

Table of Contents**THE TRANSACTIONS****Description of the Transactions**

Below is a description of the transactions contemplated by the transaction agreements. We urge you to read carefully the investment agreement and the amendment thereto and the separation agreement and the amendment thereto which are attached as Annexes A-1 and A-2 and Annexes B-1 and B-2, respectively, to this proxy statement/prospectus information statement because they set forth the terms of the transactions. We urge you to read the New Sally amended and restated certificate of incorporation and amended and restated by-laws, the form of New Sally stockholders agreement and the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws, which are attached as Annex D, Annex E, Annex F, Annex G and Annex H, respectively, because they are the primary documents that will govern your rights as holders of common stock of New Sally and New Alberto-Culver, respectively, following the transactions.

Business Entities Involved in the Transactions

Alberto-Culver Company. Alberto-Culver Company, which we refer to as Alberto-Culver, a Delaware corporation, is the parent corporation of Sally Holdings, Inc. In addition to the activities of Sally Holdings, described below, Alberto-Culver owns and operates its consumer products business, which manufactures, distributes and markets leading personal care products in the U.S. and internationally. We refer to the business of Alberto-Culver, excluding the business of Sally Holdings, as the consumer products business. As described below, following completion of the transactions Alberto-Culver will continue to own and operate the consumer products business but will be a subsidiary of a new publicly-traded company, New Aristotle Holdings, Inc., which will change its name to Alberto-Culver Company.

Sally Holdings, Inc. Sally Holdings, Inc., which we refer to as Sally Holdings, a Delaware corporation and currently a wholly-owned subsidiary of Alberto-Culver, is a holding company for subsidiaries involved in the beauty supply distribution business, including Sally Beauty Company, Inc., which, together with its affiliates, we refer to as Sally Beauty Supply, and Beauty Systems Group, Inc., which, together with its affiliates, we refer to as Beauty Systems Group or BSG. Sally Holdings is a leading international distributor of professional beauty supplies. Through its Sally Beauty Supply and Beauty Systems Group business units, Sally Holdings operated 3,155 stores and supplied 163 franchised stores in the United States, Puerto Rico, the United Kingdom, Canada, Japan, Germany, Mexico and Ireland, as of June 30, 2006. Sally Holdings has approximately 1,200 professional distributor sales consultants who sell directly to salons across North America. Sally Beauty Supply's stores offer an extensive selection of hair care products, cosmetics, styling appliances and other beauty items, from leading third-party brands such as *Clairol, L'Oréal, Conair* and *Revlon*. BSG's product offerings include leading third-party brands such as *Matrix, Redken, Paul Mitchell, Graham Webb, Rusk, TIGI* and *Fusion Energy of Beauty*, which are intended to be available to consumers exclusively through salons and salon professionals. We refer to the business of Sally Holdings as the Sally/BSG distribution business. As described below, following completion of the transactions Sally Holdings will be an indirect, wholly-owned subsidiary of New Sally Holdings, Inc., a new publicly-traded company, which we refer to as New Sally, and will continue to own the equity of Sally Beauty Supply and BSG.

New Sally Holdings, Inc. New Sally Holdings, Inc., a Delaware corporation and currently a direct, wholly-owned subsidiary of Alberto-Culver, was formed by Alberto-Culver for the purpose of completing the transactions. Prior to completion of the transactions, New Sally intends to change its name to Sally Beauty Holdings, Inc. Following completion of the transactions, New Sally will be a separate, publicly-traded company that will own Sally Holdings, which will continue to own the equity of the companies that own and operate the Sally/BSG distribution business.

New Aristotle Holdings, Inc. New Aristotle Holdings, Inc., which we refer to as New Alberto-Culver, a Delaware corporation and currently a direct, wholly-owned subsidiary of New Sally, was formed by New Sally for the purpose of completing the transactions. Following completion of the transactions, New Alberto-Culver will be a separate, publicly-traded company that will own the equity of the companies that own and operate the consumer products business.

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New Aristotle Company. New Aristotle Company, which we refer to as Merger Sub, a Delaware corporation and currently a direct, wholly-owned subsidiary of New Sally, was formed by New Sally for the purpose of effecting the holding company merger, whereby New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the Sally/BSG distribution business and, prior to completion of the other transactions, the companies that will own and operate the consumer products business.

CDRS Acquisition LLC. CDRS Acquisition LLC, which we refer to as Investor, is a Delaware limited liability company organized by Clayton, Dubilier & Rice Fund VII, L.P., which we refer to as the Fund, a private investment fund managed by Clayton, Dubilier & Rice, Inc., which we refer to as CD&R.

CD&R Parallel Fund VII, L.P. CD&R Parallel Fund VII, L.P., which we refer to as Parallel Fund, a Cayman Islands exempted limited partnership, is a private investment fund managed by CD&R and is an affiliate of Investor. Under the investment agreement, Investor may assign to Parallel Fund the right to purchase a portion of Investor's equity interest in New Sally, which portion will not exceed approximately 0.3% of

New Sally common stock on a fully diluted basis immediately following the conversion.

Overview

On June 19, 2006, Alberto-Culver, Merger Sub, Sally Holdings, New Sally and Investor entered into the investment agreement pursuant to which,

Alberto-Culver will separate into two publicly-traded companies: New Alberto-Culver, which will own and operate the consumer products business, and the issued and outstanding common stock of which will be owned 100% by the Alberto-Culver stockholders, and New Sally, which will own and operate the Sally/BSG distribution business, and approximately 52.5% of the common stock of which will be owned by Alberto-Culver stockholders on a fully diluted basis immediately following the conversion;

Investor will invest \$575 million in New Sally for an equity interest representing approximately 47.5% of New Sally common stock on a fully diluted basis immediately following the conversion;

Sally Holdings and/or one or more of its subsidiaries will incur approximately \$1.85 billion of indebtedness; and

New Sally will use all or a substantial portion of the proceeds of the investment by Investor and the debt incurrence to pay all or a substantial portion of the \$25.00 per share special cash dividend to holders of record of New Sally common stock (formerly Alberto-Culver stockholders) other than the New Sally Class A common stock held by Investor.

As a result of completion of the transactions contemplated by the investment agreement,

each holder of Alberto-Culver common stock as of the effective time of the holding company merger will have received one share of New Sally common stock for each share of Alberto-Culver common stock held of record, which shares of New Sally common stock in the aggregate, after giving effect to the investment by Investor, will represent approximately 52.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion;

Investor will have received shares of New Sally common stock that represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion;

each holder of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions will have received the \$25.00 per share special cash dividend; and

each holder of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions will have received one share of New Alberto-Culver common stock for each share of New Sally common stock held of record, which shares of New Alberto-Culver common stock in the aggregate will represent 100% of the issued and outstanding shares of New Alberto-Culver common stock immediately following the distributions.

Table of Contents***Timing and Structure of the Transactions***

To accomplish the results described above, on the terms and subject to the conditions of the transaction agreements, the parties will engage in the following transactions in the order set forth below. Step 1, the declaration of the conditional distributions and the setting of the record date for the distributions, is expected to take place a number of days prior to or on the closing date. Steps 2 through 11 are all expected to occur on the closing date. Step 12, the automatic conversion of the shares of New Sally Class A common stock, will occur on the day following the closing date.

Step 1: Declaration of Conditional Distributions and Setting of Record Date. The New Sally board of directors (which, at that time, will be comprised of the then-current directors of Alberto-Culver) will declare two conditional distributions and set the record date for those distributions: the \$25.00 per share special cash dividend and the New Alberto-Culver share distribution. The record date for each of these distributions is expected to be 5:00 p.m. Eastern time on the closing date. Because Alberto-Culver and New Sally will instruct the exchange agent for the holding company merger not to permit any transfers of shares of New Sally common stock from the effective time of the holding company merger up to and including the record date for the distributions, each holder of Alberto-Culver common stock that receives shares of New Sally common stock in the holding company merger will also be a holder of record of shares of New Sally common stock as of the record date for the distributions and therefore will receive the \$25.00 per share special cash dividend and shares of New Alberto-Culver in the New Alberto-Culver share distribution. Each of the distributions will be subject to the satisfaction or waiver of the conditions set forth in the separation agreement and the investment agreement, including, among other things, the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement by holders of Alberto-Culver common stock, the receipt of the private letter ruling from the Internal Revenue Service and opinion of counsel as to the tax-free nature of the New Alberto-Culver share distribution and the closing of the financings.

Step 2: Holding Company Merger. Alberto-Culver, New Sally and Merger Sub will effect the holding company merger by which Merger Sub will merge with and into Alberto-Culver with Alberto-Culver continuing as the surviving corporation and as a direct, wholly-owned subsidiary of New Sally. In the holding company merger, each issued and outstanding share of Alberto-Culver common stock will automatically convert into one share of New Sally common stock. As a result of the holding company merger, as illustrated in diagram 2 below, New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the consumer products business and the Sally/BSG distribution business.

Step 3: Alberto-Culver and Other Conversions. Immediately following the effective time of the holding company merger, Alberto-Culver will convert from a Delaware corporation to a Delaware limited liability company. We refer to this as the Alberto-Culver LLC conversion. Certain subsidiaries of New Sally are also expected to convert from Delaware corporations into Delaware limited liability companies.

Step 4: Sally Holdings Distribution. Alberto-Culver, now a limited liability company and a direct, wholly-owned subsidiary of New Sally, will distribute the outstanding shares of Sally Holdings capital stock to New Sally, which we refer to as the Sally Holdings distribution. Following completion of this distribution, Sally Holdings, which owns the equity of the companies that own and operate the Sally/BSG distribution business, will be a direct, wholly-owned subsidiary of New Sally.

Step 5: Alberto-Culver Contribution. New Sally will contribute the membership interests of Alberto-Culver to New Alberto-Culver, which at that time will be a direct, wholly-owned subsidiary of New Sally. We refer to this contribution as the Alberto-Culver contribution. Steps 3 through 5 are referred to collectively as the internal transactions. Following these transactions, as illustrated in diagram 3 below, New Sally will have two direct, wholly-owned subsidiaries: New Alberto-Culver, which will own the equity of the companies that own and operate the consumer products business, and Sally Holdings, which will own the equity of the companies that own and operate the Sally/BSG distribution business.

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Step 6: Investment by Investor. Investor will pay New Sally \$575 million for shares of New Sally Class A common stock that, as described below in Step 12, will automatically convert on a one-for-one basis into shares of New Sally common stock at 12:01 a.m. Eastern time on the day following the closing date.

Step 7: Consummation of the Debt Financing. Contemporaneous with the investment by Investor, Sally Holdings and/or one or more of its subsidiaries will incur approximately \$1.85 billion of indebtedness and will transfer the net proceeds of such indebtedness to New Sally.

Step 8: Special Cash Dividend. At the time established by the New Sally board of directors, which will be on the closing date and after 5:00 p.m. Eastern time, New Sally will effect the special cash dividend by instructing the distribution agent to pay to holders of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions the \$25.00 per share special cash dividend.

Step 9: New Alberto-Culver Share Distribution. Immediately after effecting the special cash dividend, New Sally will effect the New Alberto-Culver share distribution by instructing the distribution agent to record in the stock transfer records of New Alberto-Culver the distribution of one share of New Alberto-Culver common stock to each holder of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions for each share of New Sally common stock held of record and mail to each such holder a letter of transmittal and instructions on how to exchange certificates representing shares of Alberto-Culver common stock for certificates representing shares of New Sally common stock for the holding company merger and New Alberto-Culver common stock for the New Alberto-Culver share distribution.

Step 10: Determination of New Sally Operating Cash. The separation agreement sets the time immediately following the distributions as the measuring point for determining the amount of cash that will be left with New Sally and its subsidiaries as described under *The Separation Agreement Treatment of Sally Holdings Cash* beginning on page 124.

Step 11: Payment of Expenses. Immediately following the measurement time described in Step 10, New Sally or Sally Holdings will pay to:

Alberto-Culver the fees and expenses of Alberto-Culver, New Sally, Sally Holdings and their respective subsidiaries up to \$20 million, except for certain expenses of trademark registration in connection with the Alberto-Culver LLC conversion, which will be paid by Alberto-Culver, plus 50% of the amount required for specified tax studies contemplated by the investment agreement to be conducted prior to closing, which 50% has been estimated to be approximately \$123,000;

CD&R a \$30 million transaction fee as part of New Sally's agreement to bear the fees and expenses of Investor incurred in connection with the transactions; and

Investor an amount equal to the expenses of Investor related to the transactions, which Investor has estimated to be approximately \$27.1 million.

On a pro forma basis it is estimated that New Sally would have had approximately \$46 million in cash and cash equivalents following such payments had the transactions been completed on June 30, 2006. See *Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally* beginning on page 249.

Step 12: Conversion of Class A Common Stock. At 12:01 a.m. Eastern time on the day following the closing date, each share of New Sally Class A common stock issued to Investor in Step 6 above will automatically convert into one share of New Sally common stock,

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which shares of New Sally common stock in the aggregate will represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion. Immediately following the conversion of the New Sally Class A common stock, the New Sally common stock will be the only class of New Sally capital stock outstanding.

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The diagrams below show the Alberto-Culver companies involved in the transactions prior to the transactions and after giving effect to each of (i) the holding company merger, (ii) the other internal transactions and (iii) the special cash dividend and New Alberto-Culver share distribution and the conversion.

Potential Additional Contribution of Sally Holdings

In addition to the transactions above, on the closing date and following the other transactions that will occur on the closing date, it is expected that New Sally will contribute the outstanding equity interests of Sally Holdings to a newly formed subsidiary of New Sally, Sally Investment Holdings LLC.

The Holding Company Merger

In the holding company merger, Merger Sub, a direct, wholly-owned subsidiary of New Sally, will be merged with and into Alberto-Culver with Alberto-Culver continuing as the surviving corporation and as a direct,

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wholly-owned subsidiary of New Sally. Each issued and outstanding share of Alberto-Culver common stock will automatically convert into one share of New Sally common stock. Each issued and outstanding share of Merger Sub common stock will automatically convert into one share of common stock of the surviving corporation. As a result of the holding company merger, New Sally will be a publicly-traded company that will own the equity of the companies that own and operate the consumer products business and the Sally/BSG distribution business.

Prior to the effective time of the holding company merger, New Sally's board of directors will adopt, and Alberto-Culver, as the sole stockholder of New Sally at that time, will approve the New Sally amended and restated certificate of incorporation and amended and restated by-laws, the forms of which are attached as Annex D and Annex E, respectively, to this proxy statement/prospectus information statement. The New Sally amended and restated certificate of incorporation and amended and restated by-laws will contain provisions that differ from those of Alberto-Culver's certificate of incorporation and by-laws. See Comparison of Rights of New Sally, New Alberto-Culver and Alberto-Culver Stockholders beginning on page 279. In addition, prior to the closing, New Sally will enter into the stockholders agreement with Investor, Parallel Fund and the Lavin family stockholders.

The Investment by Investor

Immediately following the internal transactions, Investor will purchase from New Sally shares of New Sally Class A common stock for an aggregate purchase price of \$575 million, which we refer to as the equity investment. The terms of the New Sally Class A common stock provide that shares of such class are not entitled to either of the distributions. At 12:01 a.m. Eastern time on the day following the closing date, each share of New Sally Class A common stock will automatically convert into one share of New Sally common stock, which shares of New Sally common stock in the aggregate will represent approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion. As discussed under Determination of Investment by Investor, depending on the number of shares of New Sally common stock outstanding and the number of options to purchase New Sally common stock that will be outstanding after the New Alberto-Culver share distribution, the conversion of the New Sally Class A common stock could result in Investor receiving shares of New Sally common stock representing up to 48% of the common stock of New Sally on a basic share outstanding method. In addition, under certain circumstances, Alberto-Culver may be required under the investment agreement and separation agreement to transfer to New Sally cash in an amount intended to reflect the limitations placed on the number of shares of New Sally that Investor may acquire in order not to jeopardize the intended tax-free nature of the New Alberto-Culver share distribution.

Debt Financing

Contemporaneous with the investment by Investor, Sally Holdings and/or one or more of its subsidiaries will incur indebtedness in the aggregate amount of approximately \$1.85 billion, which indebtedness we refer to as the debt financing. Investor has obtained a commitment letter from Merrill Lynch Capital Corporation, Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., Bank of America N.A., JP Morgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc. and certain of their affiliates to provide the debt financing. For a description of the commitment letter and the anticipated terms of the debt financing, see Anticipated Terms of Financing Debt Financing, beginning on page 136.

The Distributions

On or prior to the closing date, New Alberto-Culver's board of directors will adopt and New Sally, as the sole stockholder of New Alberto-Culver at that time, will approve the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws, the forms of which are attached as Annex G and Annex H, respectively, to this proxy statement/prospectus information statement. The New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws will contain provisions that differ from those of Alberto-Culver's certificate of incorporation and by-laws. See Comparison of Rights of New Sally, New Alberto-Culver and Alberto-Culver Stockholders, beginning on page 279. Prior to the New

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Alberto-Culver share distribution, New Alberto-Culver and New Sally will cause the number of outstanding shares of New Alberto-Culver common stock to be increased to equal the number of shares to be distributed to holders of record of New Sally common stock in the New Alberto-Culver share distribution.

Following the receipt by Sally Holdings and its subsidiaries of the net proceeds of the financings, New Sally will deposit with the distribution agent, an amount of cash equal to the amount required to pay the \$25.00 per share special cash dividend and a number of shares of New Alberto-Culver common stock necessary to effect the New Alberto-Culver share distribution. At the time established by the New Sally board of directors, which will be on the closing date and after 5:00 p.m. Eastern time, New Sally will:

effect the cash dividend by instructing the distribution agent to pay to holders of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions the \$25.00 per share special cash dividend; and

effect the New Alberto-Culver share distribution.

New Sally will effect the New Alberto-Culver share distribution by instructing the distribution agent to record in the stock transfer records of New Alberto-Culver the distribution of one share of New Alberto-Culver common stock to each holder of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions for each share of New Sally common stock held of record and mail to each such holder a letter of transmittal and instructions on how to exchange certificates representing shares of Alberto-Culver common stock for certificates representing shares of New Sally common stock for the holding company merger and New Alberto-Culver common stock for the New Alberto-Culver share distribution.

Under the investment agreement, if the amount required to make the special cash dividend exceeds \$2.349 billion, Alberto-Culver will pay to New Sally prior to the distributions an amount equal to such excess. However, if the amount required to make the special cash dividend is less than \$2.349 billion, New Sally will pay to Alberto-Culver at closing the amount equal to such shortfall.

Restrictions on Payment of Dividends

Section 170(a) of the Delaware General Corporation Law, which we refer to as the DGCL, generally allows a corporation to declare and pay dividends upon the shares of its capital stock either (i) out of its surplus or (ii) in the case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Under Section 154 of the DGCL, surplus is defined as the excess, if any, of the net assets of the corporation over the amount determined to be capital. Additionally, section 18-607 of the Delaware Limited Liability Company Act, which we refer to as the DLLCA, generally prohibits a limited liability company from making a distribution which causes the company's liabilities to exceed the fair market value of the assets of the limited liability company.

In addition, under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, a transfer or conveyance or the incurrence of an obligation is fraudulent if at the time of such transfer or incurrence of such obligation, the transferor or obligor (a) made such transfer or incurred such obligation with the intent to hinder, delay or defraud any present or future creditor or (b) received less than reasonably equivalent value or fair consideration for the transfer or for the incurrence of the obligation and (i) was insolvent or rendered insolvent by reason of such transfer or the incurrence of such obligation, (ii) was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital, or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts mature.

The measures of insolvency will vary depending upon the applicable law. As a general matter, a transferor or obligor will be considered insolvent if (a) the sum of its debts, including contingent liabilities, was greater than the saleable value of its assets, (b) the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities as they become absolute and mature or (c) it cannot pay its debts as they become due.

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These provisions will apply to New Sally in connection with it declaring and effecting the distributions and to Sally Holdings and its subsidiaries in connection with the transfer to New Sally of the proceeds of the debt financing incurred to finance a portion of the special cash dividend. To the extent that any subsidiary of Sally Holdings does not have adequate surplus to make the necessary dividends or would be insolvent after doing so, Sally Holdings will incur all of the indebtedness in connection with the debt financing. New Sally must also have surplus in excess of the amount of the special cash dividend and the New Alberto-Culver share distribution and must be solvent at the time of the making of the special cash dividend and the New Alberto-Culver share distribution and not become insolvent as a result of making such distributions.

It is a condition to the closing of the transactions that the board of directors of Sally Holdings has received opinions of the valuation firm with respect to its surplus and that the board of directors of New Sally has received opinions of the valuation firm with respect to its surplus and solvency.

See Risk Factors Risks Relating to the Transactions Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, you could be required to return all or a portion of the cash and shares received in the distributions, on page 34.

Receipt of Shares and Special Cash Dividend

Holders of common stock of Alberto-Culver and New Sally that are entitled to receive shares of New Sally in the holding company merger and cash and shares of New Alberto-Culver common stock in the distributions, will receive those shares and cash in the manner described below.

New Sally and New Alberto-Culver Shares. The exchange agent will:

record in the stock transfer records of New Sally the issuance of one share of New Sally common stock to each holder of Alberto-Culver common stock as of the effective time of the holding company merger for each share of Alberto-Culver common stock held of record; and

record in the stock transfer records of New Alberto-Culver the distribution of one share of New Alberto-Culver common stock to each holder of New Sally common stock (other than the New Sally Class A common stock) as of the record date for distributions for each share of New Sally common stock held of record.

In addition, following the closing date, the exchange agent will mail to holders of record of Alberto-Culver common stock a letter of transmittal and instructions on how to surrender their shares of Alberto-Culver common stock. Upon surrender of such shares to the exchange agent, the exchange agent will mail to each such holder a certificate representing the number of shares of New Sally common stock into which such holder's shares of Alberto-Culver common stock were converted in the holding company merger and a certificate representing the number of shares of New Alberto-Culver common stock such holder was distributed in the New Alberto-Culver share distribution.

Special Cash Dividend. Following the closing date, the distribution agent will pay to holders of record of New Sally common stock (other than the New Sally Class A common stock) as of the record date for the distributions, the portion of the special cash dividend to which such holder is entitled.

Determination of Investment by Investor

The New Sally share issuance is intended to provide Investor with shares of New Sally Class A common stock that will be convertible into shares of New Sally common stock representing approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion.

The number of shares of New Sally common stock that would represent approximately 47.5% of the New Sally common stock on a fully diluted basis immediately following the conversion could not be fixed on the date

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of execution of the investment agreement, however, because events will occur between the date of execution of the investment agreement and the closing date that will change the number of shares necessary to equal such percentage. Accordingly, the investment agreement provides for a formula pursuant to which Investor and Alberto-Culver mutually will determine the number of shares of New Sally Class A common stock to be acquired by Investor in the New Sally share issuance so that such shares will convert into shares of New Sally common stock representing approximately 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion. See The Investment by Investor on page 62.

In no circumstance, however, will the number of shares of New Sally Class A common stock to be issued to Investor be convertible into shares of New Sally common stock that would represent greater than 48% of the issued and outstanding shares of New Sally common stock immediately following the conversion. If the number of shares of New Sally Class A common stock that would need to be issued to Investor for Investor to receive in the conversion of such stock shares of New Sally common stock representing 47.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion would exceed 48% of the issued and outstanding shares,

New Sally will issue Investor shares of New Sally Class A common stock that will convert into 48% of the issued and outstanding shares of New Sally common stock immediately following the conversion; and

pursuant to the separation agreement, Alberto-Culver will pay to Sally Holdings an amount of cash, as calculated pursuant to the investment agreement, that is designed to increase the equity value of New Sally to an amount that would result in the New Sally common stock issued to Investor having the same aggregate value as New Sally common stock that would have been issued to Investor had the cap on ownership in excess of 48% of the issued and outstanding common stock of New Sally not been in place.

Background of the Transactions

At the April 28, 2005 regular meeting of the Alberto-Culver board of directors and as part of its active and ongoing strategic review and business development activities, the Alberto-Culver board of directors authorized management to engage Goldman, Sachs & Co., which we refer to as Goldman Sachs, to consider, among other strategic alternatives, the possibility of entering into business combinations, joint ventures, or other strategic alliances, including the feasibility of a possible separation of the Sally/BSG distribution business from Alberto-Culver, which separation would eliminate channel conflicts between the consumer products business and the Sally/BSG distribution businesses because the largest of Sally Holdings vendors have historically been competitors of Alberto-Culver's consumer products business. The Sally/BSG distribution business also competes against mass marketers that sell Alberto-Culver's consumer products, which has restricted the ability of both businesses to market their products. A separation of the businesses also would eliminate competition between the consumer products business and the Sally/BSG distribution business for company resources. By letter dated June 14, 2005, Alberto-Culver engaged Goldman Sachs as its financial advisor in connection with its review of strategic alternatives.

On or about June 23, 2005, Mr. Paul Finkelstein, the Chairman, Chief Executive Officer and President of Regis Corporation, contacted Mr. Howard B. Bernick, the President and Chief Executive Officer of Alberto-Culver, to discuss the recent acquisition by Alberto-Culver of the Nexxus brands of hair care products. During the course of this conversation, the two discussed the possibility of a transaction to combine Regis Corporation, which we refer to as Regis, and Sally Holdings. In a further conversation on June 27, 2005, Messrs. Bernick and Finkelstein agreed that Regis and Alberto-Culver would consider exploring a potential transaction involving Sally Holdings.

On July 27, 2005, the Alberto-Culver board of directors held a regularly scheduled, in-person board meeting. At this meeting, Goldman Sachs, as part of its engagement to consider strategic alternatives, made a presentation to the Alberto-Culver board of directors and management on a number of strategic possibilities for Alberto-Culver, including spinning off the Sally/BSG distribution business and merging that business into Regis. Alberto-Culver's board of directors reviewed the strategic possibilities presented by Goldman Sachs and discussed the possible benefits and risks of each alternative, including the potential transaction with Regis.

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At a special, in-person meeting of the Alberto-Culver board of directors on August 12, 2005, the Alberto-Culver board of directors and management discussed a strategic plan for Alberto-Culver, including a transaction with Regis whereby the Sally/BSG distribution business would be separated from Alberto-Culver and merged into Regis. At the end of this meeting, the Alberto-Culver board of directors authorized management to explore and negotiate a transaction with Regis along those lines. During the period of September 2005 through early January 2006, Alberto-Culver and Regis, with the assistance of their respective advisors, conducted due diligence, negotiated the terms of and prepared agreements for a potential transaction involving Sally Holdings.

On January 10, 2006, Alberto-Culver and Sally Holdings entered into a merger agreement with Regis pursuant to which Alberto-Culver would spin off Sally Holdings and each holder of record of Alberto-Culver common stock would receive one share of Sally Holdings common stock for, and in addition to, each share of Alberto-Culver common stock held as of the record date for the spin-off. The merger agreement provided that Sally Holdings subsequently be merged with and into a wholly-owned subsidiary of Regis with each outstanding share of Sally Holdings common stock being automatically converted into 0.60 of a share of Regis common stock. Prior to the completion of the merger, Sally Holdings would borrow \$400 million, which would be distributed to Alberto-Culver. Alberto-Culver had announced it intended to use approximately \$280 million of the proceeds after the closing of the merger to pay a \$3 per share special one-time cash dividend to Alberto-Culver stockholders.

On April 5, 2006, Alberto-Culver notified Regis that the Alberto-Culver board of directors had unanimously concluded that it could no longer recommend that its stockholders approve the transaction with Regis. The Alberto-Culver board of directors reached this decision after considering, among other things, (i) Regis' two consecutive earnings shortfall announcements since the execution of the merger agreement, (ii) significant revisions to Regis' financial forecasts, (iii) uncertainty about Regis' fiscal 2007 outlook, and (iv) certain differences over operating and governance approaches. The withdrawal of the recommendation followed Alberto-Culver's unsuccessful efforts to negotiate an upward adjustment to the exchange ratio in light of the reduction in transaction value to Alberto-Culver stockholders and the failure of attempts to clarify operating and board governance matters. Later on that date, Regis notified Alberto-Culver that Regis had terminated the merger agreement.

In the days following the termination of the Regis transaction, Alberto-Culver received a number of unsolicited inquiries about a possible sale of, or other transaction involving, the Sally/BSG distribution business. Among those unsolicited calls was a call to Mr. Bernick on April 6, 2006 from Mr. Donald J. Gogel, the President and Chief Executive Officer of CD&R. Investment funds managed by CD&R have invested in several distribution businesses in the past and Mr. Gogel, having learned of the termination of the Regis merger agreement and interested in exploring whether the Sally/BSG distribution business would present an investment opportunity for CD&R-managed funds, contacted Mr. Bernick, whom Mr. Gogel had met years earlier, to discuss the possibility of an investment by a CD&R-managed fund in connection with a spin-off transaction with respect to the Sally/BSG distribution business. Mr. Gogel also asked Mr. Bernick's permission to discuss the possibility of such a transaction with Goldman Sachs, which Mr. Bernick gave. Later that day, Mr. Gogel called a representative of Goldman Sachs to discuss a possible transaction with respect to Sally Holdings. The other unsolicited inquiries did not lead to substantive discussions with third parties regarding a potential transaction involving Alberto-Culver or the Sally/BSG distribution business. Given the extensive review process engaged in by the Alberto-Culver board of directors prior to signing the Regis transaction, Alberto-Culver and Goldman, at the direction of Alberto-Culver, did not solicit additional inquiries from other third parties.

On April 20, 2006, Mr. Bernick called Mr. Gogel to arrange a meeting with CD&R on the 12th of May, since he was going to be in New York, New York on other business. Mr. Bernick arranged the meeting to discuss various matters, including a possible transaction with respect to Sally Holdings.

On April 26, 2006, the Alberto-Culver board of directors held a regularly scheduled meeting. Also present at this meeting were members of management of Alberto-Culver and representatives of Goldman Sachs and Sidley Austin LLP, counsel to Alberto-Culver. At this meeting the directors discussed strategic alternatives for Alberto-Culver in light of the terminated Regis transaction, including maintaining the status quo of operating both the

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consumer products and Sally/BSG distribution businesses, various methods of separating the consumer products and Sally/BSG distribution businesses, and a business combination with a strategic partner. At this meeting, a representative of Goldman Sachs summarized for the Alberto-Culver board of directors the unsolicited inquiries received regarding a potential transaction with respect to the Sally/BSG distribution business, including conversations with Mr. Gogel. While Mr. Bernick continued to recommend to the Alberto-Culver board of directors that the businesses be separated for various business reasons, the sense of the Alberto-Culver board of directors was to take additional time to reflect on the strategic plan. During the meeting, a representative of Sidley Austin reviewed with the directors their fiduciary duties in connection with considering possible strategic alternatives.

On May 1, 2006, representatives of Merrill Lynch met with representatives of CD&R to discuss potential structures for a transaction involving the Sally/BSG distribution business. Shortly thereafter, CD&R engaged Merrill Lynch as its financial advisor in connection with a potential transaction involving the Sally/BSG distribution business.

On May 3, 2006, Mrs. Carol L. Bernick, the Chairman of the Alberto-Culver board of directors, met with representatives of Merrill Lynch at Merrill Lynch's offices in Chicago, Illinois to discuss the terms of a potential transaction with CD&R involving the Sally/BSG distribution business. Later on May 3, representatives of Merrill Lynch held a meeting at Alberto-Culver's headquarters with Mrs. Bernick and Mr. Bernick to continue this discussion.

On May 7, 2006, the Alberto-Culver board of directors held a special telephonic meeting at which members of management of Alberto-Culver and representatives of Goldman Sachs, Sidley Austin and Neal, Gerber & Eisenberg LLP, counsel to the Lavin family stockholders, were also present. At this meeting, the Alberto-Culver board of directors discussed the general parameters of a possible transaction involving CD&R that had been presented by Merrill Lynch on May 3, 2006. Following this discussion, the Alberto-Culver board of directors authorized management of Alberto-Culver to enter into a confidentiality agreement with CD&R and begin to explore a possible transaction with CD&R.

On May 9, 2006, Alberto-Culver and CD&R entered into a confidentiality agreement to facilitate the exchange of confidential information as part of CD&R's due diligence review of Sally Holdings.

On May 10, 2006, Mrs. Bernick, Mr. Bernick and Mr. Paul W. Hoelscher, the Vice President, Corporate Controller of Alberto-Culver, met with representatives of CD&R, including Mr. Gogel, and representatives of Goldman Sachs and Merrill Lynch at the offices of CD&R in New York, New York, to discuss the possible transaction with respect to Sally Holdings and the strategic issues facing the Sally/BSG distribution business, including the status of its relationship with its suppliers. At this meeting, Mrs. Bernick and Messrs. Bernick and Hoelscher provided CD&R with an overview of the Sally/BSG distribution business, including a review of its financial performance, business and strategy.

On May 12, 2006, Mr. Bernick and a representative of Goldman Sachs met with representatives of CD&R at the offices of CD&R in New York, New York to continue discussions regarding a possible transaction with respect to Sally Holdings. At this meeting, representatives of CD&R reaffirmed their interest in the Sally/BSG distribution business and discussed additional matters pertaining to the possible transaction, including valuation issues and the composition of the board of directors of a publicly-traded Sally Holdings. The participants agreed that representatives of CD&R would call Goldman Sachs the following week to discuss the terms of a possible transaction.

On May 16, 2006, representatives of CD&R and Merrill Lynch met with representatives of Goldman Sachs during which representatives of CD&R summarized their proposed terms for a possible transaction. The terms included that:

Alberto-Culver's consumer products business and the Sally/BSG distribution business would be separated into two publicly-traded companies;

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an investment vehicle of CD&R would purchase a 49% equity interest in the company holding the Sally/BSG distribution business for \$554 million;

Sally Holdings and/or one or more of its subsidiaries would incur approximately \$1.770 billion in debt, including the assumption of Alberto-Culver's \$120 million aggregate principal amount of 6.375% debentures due 2028;

Alberto-Culver stockholders would receive a \$25.00 per share special cash dividend (financed by the proceeds of the transaction); and

following the transactions, Alberto-Culver's consumer products business would be left with \$20 million in cash.

According to Goldman Sachs, the proposal reflected an implied equity value for Sally Holdings of \$1.130 billion and an implied enterprise value for Sally Holdings of \$2.870 billion, assuming that \$30 million in cash remained on Sally Holdings' balance sheet. The CD&R representatives also proposed that the publicly-traded Sally Holdings board of directors would be comprised of five individuals designated by Alberto-Culver and six individuals designated by CD&R and that the chairman of the Sally Holdings board of directors would be one of the CD&R designees. CD&R and Goldman Sachs, on behalf of and at the direction of Alberto-Culver, also discussed other possible terms, including among others, possible limitations on CD&R's ability to dispose of the shares of Sally Holdings stock acquired in the proposed transaction, restrictions on CD&R's ability to acquire additional shares of Sally Holdings capital stock, and the applicability of contract terms from the terminated Regis transaction to a potential transaction with CD&R, including the definition of "material adverse effect", the scope of Alberto-Culver's representations, warranties and covenants, the allocation of liability between Sally Holdings and New Alberto-Culver in the event that the New Alberto-Culver share distribution is taxable and CD&R's request that the Lavin Family stockholders agree to vote in favor of the proposed transaction as they had in the Regis transaction. In addition, Goldman Sachs informed CD&R that the Alberto-Culver board would not accept a financing condition to a potential transaction.

On May 17, 2006, the Alberto-Culver board of directors held a special telephonic meeting which was also attended by members of Alberto-Culver management and representatives of Goldman Sachs, Sidley Austin and Neal Gerber. At this meeting, representatives of Goldman Sachs summarized the terms CD&R had proposed on May 16. The Alberto-Culver board of directors and other participants at the meeting then discussed several matters relating to the proposed transaction, including the terms proposed by CD&R, the potential impact of the proposed transaction on Alberto-Culver's severance agreements and employee benefit plans and contractual restrictions that should be considered to help ensure that the tax-free treatment of the proposed separation was not jeopardized. They also discussed the fact that the proposed transaction would result in Sally Holdings having significant indebtedness, which could limit its operational and financial flexibility. The Alberto-Culver board of directors then authorized Goldman Sachs to convey to CD&R Alberto-Culver's response to CD&R's proposed terms. The Alberto-Culver board of directors then went into executive session with only the independent directors and representatives of Sidley Austin present. The independent directors discussed what level of severance benefits, if any, should be offered to officers of Alberto-Culver in exchange for such officers acknowledging that the proposed transaction would not constitute a change in control for purposes of their respective severance agreements. The severance agreement amendments that were ultimately entered into by such officers generally provide for lower payments than the payments provided for under the original agreements. While Alberto-Culver did not inquire into the motivations of its officers, Alberto-Culver believes that they were willing to enter into these amendments, among other reasons, due to additional termination protections provided in the amendments and to facilitate the entry into the investment agreement. Following this discussion, the independent directors determined the levels of benefits they would offer to the applicable officers of Alberto-Culver. The independent directors also discussed Mr. Bernick's potential retirement in connection with the proposed transaction and what, if any, level of benefits should be offered to Mr. Bernick in connection with his acknowledging that the proposed transaction would not constitute a change in control for purposes of his severance agreement.

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On May 18, 2006, a representative of Goldman Sachs conveyed to representatives of CD&R Alberto-Culver's response to CD&R's May 16 proposed terms. The response included the following modifications from CD&R's proposal:

CD&R's investment would be \$600 million for a 47% equity interest in the publicly-traded Sally Holdings;

Sally Holdings would incur \$1.808 billion in indebtedness to finance a portion of the special cash dividend;

Alberto-Culver's consumer products business would retain the \$120 million aggregate principal amount of 6.375% debentures due 2028 and following the proposed transaction Sally Holdings would retain \$55 million of cash, \$25 million of which would be used to finance a portion of the special cash dividend and \$30 million of which would remain on Sally Holdings' balance sheet; and

Sally Holdings would pay Alberto-Culver's transaction expenses up to a maximum of \$20 million.

According to Goldman Sachs, these economic terms reflected an implied equity value for Sally Holdings of \$1.277 billion and an implied enterprise value for Sally Holdings of \$3.055 billion. The proposed terms also contemplated that the Sally Holdings board of directors would consist of six individuals designated by CD&R and six individuals designated by Alberto-Culver, with CD&R having the right to designate the chairman of the board of directors, and that limitations would be placed on CD&R's ability to sell its interest in Sally Holdings during the first two years following the transactions.

On May 18 and 19, 2006, Mr. Gogel, Mr. Richard J. Schnall, a partner at CD&R, and other CD&R representatives met with Mr. Hoelscher, Mr. Gary G. Winterhalter, the President of Sally Holdings, and Mr. Michael H. Renzulli, the Chairman of Sally Holdings, as well as a representative of Goldman Sachs in Denton, Texas, to discuss the Sally/BSG distribution business, including financial and operational aspects of the business, as well as the prospects for the Sally/BSG distribution business.

On May 19, 2006, representatives of CD&R held a telephone conference call with representatives of Goldman Sachs to discuss CD&R's revised proposed terms. The revised proposal included the following modifications to the proposed terms conveyed on May 18:

CD&R would invest \$575 million for a 47.5% equity interest in the publicly-traded Sally Holdings;

Sally Holdings would incur \$1.85 billion of debt to finance a portion of the special cash dividend; and

Alberto-Culver would pay its own transaction expenses, which would not be reimbursed by Sally Holdings.

According to Goldman Sachs, the revised proposed terms reflected an implied equity value for Sally Holdings of \$1.211 billion and an implied enterprise value of \$3.031 billion, assuming that \$30 million in cash remained on Sally Holdings' balance sheet.

On May 20, 2006, a representative of CD&R contacted a representative of Goldman Sachs to discuss CD&R's revised proposal. During this conversation, CD&R agreed that New Sally would pay Alberto-Culver's transaction expenses up to \$20 million.

On May 22, 2006, the Alberto-Culver board of directors held a special telephonic meeting. Members of management of Alberto-Culver as well as representatives of Goldman Sachs, Sidley Austin and Neal Gerber also attended the meeting. At the meeting, a representative of Goldman Sachs described to the Alberto-Culver board of directors CD&R's revised proposed terms. Members of the Alberto-Culver board of directors then discussed the revised proposal. At the conclusion of the meeting, the Alberto-Culver board of directors directed management and Alberto-Culver's advisors to continue negotiations with CD&R, and, if the results of CD&R's

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scheduled due diligence trip to Sally Holdings' headquarters in Denton, Texas, were satisfactory to CD&R, to begin to prepare drafts of the transaction agreements. The Alberto-Culver board of directors then went into executive session with only the independent directors and representatives of Sidley Austin present. During this session, the independent directors discussed further possible severance arrangements with Mr. Bernick. The independent directors authorized Dr. Robert H. Rock, Chairman of the Compensation and Leadership Development Committee of the Alberto-Culver board of directors to discuss this matter with Mr. Bernick.

On May 23, 2006, representatives of CD&R and management of Alberto-Culver, along with representatives of Merrill Lynch, Ernst & Young LLP, CD&R's accounting advisors for the proposed transaction, Debevoise & Plimpton LLP, legal counsel to CD&R, and Sidley Austin and Goldman Sachs, held a telephonic conference call to discuss, among other things, potential structuring alternatives for the proposed transaction, the process for CD&R completing its due diligence review of Sally Holdings and other logistical matters. Over the course of the next week, the parties held several discussions regarding the most tax and cost efficient structure to effect the proposed transaction. The result of these discussions was the structure described in this proxy statement/prospectus information statement whereby New Sally would become the publicly traded holding company owning the companies that own and operate the consumer products business and the Sally/BSG distribution business and would spin-off New Alberto-Culver (which will own the consumer products business) and pay a \$25.00 per share special cash dividend. See Description of the Transactions.

On May 25 and May 26, 2006, Mr. Schnall and other representatives of CD&R, along with representatives of Merrill Lynch and Ernst & Young, held discussions with Messrs. Hoelscher and Winterhalter, other members of management of Sally Holdings and representatives of Goldman Sachs to conduct business and financial due diligence on Sally Holdings in Denton, Texas.

From May 25 through June 18, 2006, CD&R and its advisors continued their due diligence investigation of Sally Holdings, including legal, business and financial due diligence.

On May 30, 2006, Mr. Schnall and other representatives of CD&R held a telephonic meeting with Mr. Hoelscher to discuss the additional costs of operating a publicly-traded, standalone Sally Holdings. Also on May 30, 2006, Mr. Schnall and other representatives of CD&R held a telephonic meeting with members of management of Sally Holdings to discuss such standalone costs, as well as employee benefits and human resources issues.

On June 1, 2006, Messrs. Bernick and Winterhalter met with Messrs. Gogel and Schnall at CD&R's headquarters in New York, New York to discuss the proposed transaction and due diligence matters with respect to Sally Holdings.

On June 2, 2006, the Alberto-Culver board of directors held a special telephonic meeting. Also present at the meeting were members of management of Alberto-Culver and representatives of Goldman Sachs and Sidley Austin. During the meeting, the Alberto-Culver board of directors received an update from Mr. Bernick and representatives of Goldman Sachs on the status of negotiations of the proposed transaction with CD&R. At the end of the meeting, the Alberto-Culver board of directors authorized management of Alberto-Culver and its advisors to continue negotiations with CD&R.

On June 5, 2006, Debevoise & Plimpton distributed to Alberto-Culver and Sidley Austin a draft of the investment agreement for the proposed transaction. Also on June 5, 2006, Sidley Austin distributed to CD&R and Debevoise & Plimpton drafts of the separation agreement, tax allocation agreement and employee matters agreement for the proposed transaction. CD&R and Alberto-Culver had agreed to use the agreements from the Regis transaction as the basis for negotiation of the agreements for the proposed investment by CD&R, with such changes as were necessary to reflect the different structure of the new transaction and other changes to material terms. From June 5, 2006 to June 19, 2006, CD&R and Debevoise & Plimpton negotiated with Merrill Lynch the commitment letter for the debt financing for the proposed transaction.

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From June 5, 2006 through June 7, 2006, representatives from CD&R held a series of telephonic meetings with members of management of Sally Holdings to discuss due diligence matters with respect to Sally Holdings, including financial, purchasing and procurement issues.

From June 9, 2006 through June 10, 2006, Debevoise & Plimpton and Sidley Austin exchanged comments on the initial drafts of the proposed transaction agreements. Also during this time, Debevoise & Plimpton distributed drafts of the stockholders agreement, support agreements and forms of New Sally certificate of incorporation and bylaws.

In the morning of June 11, 2006, Debevoise & Plimpton distributed a revised draft of the proposed investment agreement, responding to the comments received from Sidley Austin. During the evening of June 11, representatives of Debevoise & Plimpton and Sidley Austin discussed a number of issues with respect to the principal transaction agreements, including issues relating to structure, Alberto-Culver's non-competition covenant, triggers for the payment of termination fees by either party, the amount of cash that would be retained by New Sally following the distributions, responsibility for specified unpaid liabilities of New Sally, responsibility for certain transaction expenses, various tax liability allocation issues and certain employee benefit matters.

On June 12, 2006, the Alberto-Culver board of directors held a special in person meeting. Members of management of Alberto-Culver and representatives of Goldman Sachs and a representative of Sidley Austin also attended. A representative of Sidley Austin updated the Alberto-Culver board of directors on the status of the negotiations with respect to the agreements for the proposed transactions. Also present for a portion of the meeting were Messrs. Gogel and Schnall, who discussed with the Alberto-Culver board of directors the proposed transaction as well as their vision of New Sally's future as a separate, publicly-traded company and CD&R's role as a minority stockholder of New Sally.

Over the course of June 12 through June 15, 2006, members of management of Alberto-Culver and representatives of Goldman Sachs and Sidley Austin held conference calls with representatives of CD&R, Ernst & Young and Debevoise & Plimpton to negotiate open issues in the transaction agreements.

In the morning of June 15, 2006, Sidley Austin distributed revised drafts of the investment agreement, separation agreement, tax allocation agreement and employee matters agreement. Sidley Austin also distributed comments to the stockholders agreement, support agreement and forms of New Sally certificate of incorporation and bylaws on June 15, 2006.

Also on June 15, 2006, the compensation and leadership development committee of the Alberto-Culver board of directors met to discuss, among other things, possible severance arrangements to be entered into with Messrs. Bernick and Renzulli.

On June 16, 2006, the Alberto-Culver board of directors held a special meeting to discuss the status of negotiations on the proposed transaction. Also present at this meeting were members of management of Alberto-Culver and representatives of Goldman Sachs, Sidley Austin and Neal Gerber. Representatives of Goldman Sachs reviewed with the Alberto-Culver board of directors the proposed financial terms of the proposed transaction, the financial performance and prospects of the Sally/BSG distribution business. Goldman Sachs then delivered its presentation, which included a valuation analysis of the proposed transaction as of that date. A representative of Sidley Austin reviewed with the directors their fiduciary duties in connection with the proposed transaction. A representative of Sidley Austin then reviewed in detail with the Alberto-Culver board of directors the proposed terms of the transaction agreements and the outstanding issues with respect to the agreements. Following a discussion of the proposed terms of the transaction agreements and the outstanding issues, the Alberto-Culver board of directors went into executive session with only the independent directors and representatives of Sidley Austin present. During this session, the independent directors discussed the course of negotiations with respect to the possible severance arrangements with Messrs. Bernick and Renzulli. The

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independent directors authorized Dr. Rock and Sidley Austin to negotiate the terms of agreements with Messrs. Bernick and Renzulli and their counsel, Vedder Price Kaufman & Kammholz LLP. Following the executive session, the full board of directors of Alberto-Culver authorized management and its advisors to continue to negotiate with CD&R.

Also on June 16, 2006, Debevoise & Plimpton distributed comments to the separation agreement. During the evening of June 16, 2006, members of management of Alberto-Culver and representatives of Goldman Sachs and Sidley Austin held a telephone conference with representatives of CD&R, Ernst & Young and Debevoise & Plimpton to negotiate the outstanding issues on the transaction agreements.

Following these discussions, in the early morning of June 17, 2006, Sidley Austin distributed comments to the investment agreement. The parties continued to negotiate the terms, and exchange drafts, of the transaction agreements over the course of June 17 and June 18. As a result of these negotiations, all material open contract issues were resolved in the manner described under The Investment Agreement, The Separation Agreement, Additional Agreements Relating to the New Alberto-Culver Share Distribution and Additional Agreements Relating to the Transactions. Also during this time, Dr. Rock and Sidley Austin negotiated with Messrs. Bernick and Renzulli and Vedder Price the proposed terms of their termination agreements.

On June 18, 2006, Mr. Schnall, Mrs. Bernick and Mr. Hoelscher held a telephonic meeting to discuss outstanding employee benefits and human resources issues.

On June 18, 2006, the Alberto-Culver board of directors held a special telephonic meeting to consider the proposed transaction. Also present at the meeting were members of management of Alberto-Culver and representatives of Goldman Sachs, Sidley Austin and Neal Gerber. A representative of Sidley Austin reviewed again with the Alberto-Culver board of directors their fiduciary duties in connection with considering the proposed transaction. Dr. Rock then reported on the course of the negotiations with Messrs. Bernick and Renzulli. A Sidley Austin representative then described to the Alberto-Culver board of directors the terms of the proposed transaction agreements. Representatives of Goldman Sachs then provided Goldman Sachs financial analysis of the proposed transaction and delivered the oral opinion of Goldman Sachs, subsequently confirmed by delivery of a written opinion dated June 19, 2006, that, based upon and subject to the factors and assumptions set forth therein, the purchase price to be paid by Investor to New Sally for the shares of New Sally Class A common stock was fair from a financial point of view to New Sally. A copy of the written opinion is included as Annex I to this proxy statement/prospectus. Following a discussion of the proposed transaction, the Alberto-Culver board of directors unanimously determined that the investment agreement and the transactions contemplated by the investment agreement were advisable and in the best interests of Alberto-Culver and its stockholders and adopted the investment agreement and the separation agreement and approved the transactions contemplated by those agreements. The Alberto-Culver board of directors also approved by the unanimous vote of all directors voting, the severance agreement amendments, Mr. Bernick's termination agreement, Mr. Renzulli's termination and consulting agreement, the termination agreements with certain officers of Sally Holdings and the payment of the legal fees and expenses incurred by the Lavin family stockholders up to a maximum of \$100,000. Abstaining with respect to the termination agreement for Mr. Bernick, the termination and consulting agreement for Mr. Renzulli, the severance agreement amendment for Mrs. Bernick, and the payment of expenses of the Lavin family stockholders were Mrs. Bernick and Messrs. Bernick and Lavin. During the evening of June 18, 2006, Mr. Bernick and Alberto-Culver entered into Mr. Bernick's termination agreement and Alberto-Culver, Sally Holdings and Mr. Renzulli entered into Mr. Renzulli's termination and consulting agreement.

Throughout the night of June 18, 2006 and the early morning of June 19, 2006, members of management of Alberto-Culver and representatives of CD&R, as well as representatives of Sidley Austin and Debevoise & Plimpton finalized the transaction agreements, the disclosure schedules to the investment agreement and the schedules to the separation agreement.

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Early in the morning of June 19, 2006, Alberto-Culver, Investor and the other parties to the investment agreement executed the investment agreement, and the parties to the separation agreement, the tax allocation agreement, the employee matters agreement and the support agreements executed those agreements. Also that morning, Alberto-Culver and the parties to the severance agreement amendments and termination agreements executed those amendments and agreements. Investor and Merrill Lynch also executed the commitment letter for the debt financing.

Following the execution of the principal transaction agreements, Alberto-Culver issued a press release announcing that it had entered into the definitive investment agreement and the related transaction agreements.

On October 3, 2006, the parties executed amendments to each of the investment agreement, separation agreement, tax allocation agreement and employee matters agreement. The investment agreement, separation agreement and tax allocation agreement were each amended to reflect the possibility that Sally Holdings and certain of its subsidiaries may convert to limited liability companies as part of the transactions. In addition, the investment agreement was amended to reflect certain other technical amendments to the mechanics of the transactions, and the separation agreement was amended to entitle New Alberto-Culver to receive the after-tax amount of any interest earned between the closing date of the transactions and the special dividend payment date on the cash held in trust for payment of the special cash dividend to be paid pursuant to the terms of the investment agreement. The amendment to the employee matters agreement amended the provisions of the employee matters agreement dealing with the adjustment of stock options to reflect the manner in which the stock of Alberto-Culver, New Sally and New Alberto-Culver are expected to trade on the New York Stock Exchange in connection with the transactions.

Alberto-Culver's Reasons for the Transactions; Recommendation of the Alberto-Culver Board of Directors

THE ALBERTO-CULVER BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED AND APPROVED THE INVESTMENT AGREEMENT AND DETERMINED THAT THE INVESTMENT AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE INVESTMENT AGREEMENT, INCLUDING THE HOLDING COMPANY MERGER AND THE NEW SALLY SHARE ISSUANCE, ARE ADVISABLE AND IN THE BEST INTERESTS OF ALBERTO-CULVER AND ITS STOCKHOLDERS AND RECOMMENDS THAT ALBERTO-CULVER STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE INVESTMENT AGREEMENT AND APPROVE THE TRANSACTIONS CONTEMPLATED BY THE INVESTMENT AGREEMENT, INCLUDING THE HOLDING COMPANY MERGER AND THE NEW SALLY SHARE ISSUANCE.

In reaching its decision to adopt and approve the investment agreement and the transactions contemplated by the investment agreement and recommend that Alberto-Culver stockholders adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, the Alberto-Culver board of directors consulted with Alberto-Culver's management, as well as its financial and legal advisors, and considered a variety of factors weighing positively in favor of the transactions, including the following:

Elimination of Channel Conflicts. The Alberto-Culver board of directors considered that the consumer products business and the Sally/BSG distribution business compete with the customers and suppliers of the other, which has resulted in a number of difficulties. For example, in the past these channel conflicts have limited the ability of Sally Holdings to actively market its specialty stores against mass market retailers and other customers of the consumer products business and the ability of Alberto-Culver to actively market its products that compete with products of suppliers of the Sally/BSG distribution business. The Alberto-Culver board of directors considered that the separation of Alberto-Culver's Sally/BSG distribution businesses from its consumer products business would eliminate these difficulties, thereby allowing the Sally/BSG distribution business and the consumer products business to each compete in its market more effectively.

Greater Business Focus. The Sally/BSG distribution business of New Sally, on the one hand, and the consumer products business of New Alberto-Culver, on the other hand, have distinct operating, business and

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financial characteristics that require different management approaches. The consumer products business develops, manufactures, distributes and markets branded beauty care products and branded food and household products. Its customers are mass merchants, supermarkets, drug stores, dollar stores, wholesalers and variety stores that sell products to retail customers. The Sally/BSG distribution business on the other hand manages a chain of cash-and-carry outlets offering professional beauty supplies to both salon professionals and retail consumers, as well as a full-service beauty supply distributor offering professional brands to salons through its own sales force and professional-only stores. The Alberto-Culver board of directors considered that the separation is expected to enhance each company's ability to focus its attention and resources on its business and customers, thereby allowing it to pursue a long-term business strategy focused on its business.

Better Alignment of Employee Incentive Awards. The Alberto-Culver board of directors considered that the separation will result in equity securities for each of New Alberto-Culver and New Sally with a value that is expected to reflect more closely the efforts and performance of each company's management. Such equity securities should enable each company to provide incentive compensation arrangements, including stock options and restricted stock, for its key employees that are directly related to the market performance of each company's common stock. The Alberto-Culver board of directors believes that equity-based compensation arrangements tied more closely to the performance of the respective companies should provide enhanced incentives for performance and improve the ability for each company to attract, retain and motivate qualified personnel.

Strategic Alternatives. The Alberto-Culver board of directors considered the strategic alternatives to the transactions, including:

continuing to operate both the consumer products business and the Sally/BSG distribution business;

a spin-off of 100% of the Sally/BSG distribution business to Alberto-Culver's existing stockholders;

a sale of the Sally/BSG distribution business to a financial or strategic buyer; and

a spin-off/merger transaction with respect to the Sally/BSG distribution business.

The Alberto-Culver board of directors considered that the transaction with Investor combined benefits of several other potential transactions by using a tax efficient structure to provide Alberto-Culver stockholders with cash as well as the opportunity to participate in the potential growth of the Sally/BSG distribution business.

Potential for Contribution by CD&R to New Sally. The Alberto-Culver board of directors considered the operational and strategic contributions CD&R has made to other companies in which it has invested and the potential for CD&R to make similar beneficial contributions to the business of New Sally.

Tax Treatment of the Transactions. The Alberto-Culver board of directors considered that (i) the separation of New Alberto-Culver and New Sally is expected to be treated as a tax-free reorganization for federal income tax purposes and (ii) a substantial portion of the cash dividend will be taxable to individual stockholders as qualifying dividend income.

Receipt by Alberto-Culver Stockholders of Cash. The Alberto-Culver board of directors considered that the \$25.00 per share special cash dividend would provide Alberto-Culver stockholders with immediate cash liquidity. The Alberto-Culver board of directors considered that stockholders would generally be taxed on the receipt of this cash at relatively favorable rates.

Participation of Alberto-Culver Stockholders in Potential Success of New Alberto-Culver and New Sally. The Alberto-Culver board of directors considered that, in addition to the cash liquidity received by Alberto-Culver stockholders from the \$25.00 per share special cash dividend, effecting the separation of New Alberto-Culver and New Sally would permit Alberto-Culver stockholders to participate in the potential growth and success of each company. The Alberto-Culver board of directors also considered that upon completion of the transactions, Alberto-Culver stockholders would receive shares of New Alberto-Culver that represent 100% of the issued and outstanding shares of New Alberto-Culver common stock immediately following the transactions

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and shares of New Sally common stock that, giving effect to the investment by Investor, are expected to represent approximately 52.5% of the shares of New Sally common stock on a fully diluted basis immediately following the conversion.

Financial Considerations. The Alberto-Culver board of directors considered the financial terms of the investment agreement, including:

the \$575 million investment that Investor will make in New Sally prior to the New Alberto-Culver share distribution;

the approximately \$1.85 billion of indebtedness Sally Holdings and/or one or more of its subsidiaries will incur prior to the New Alberto-Culver share distribution;

the \$25.00 per share special cash dividend to be paid by New Sally to its stockholders (formerly Alberto-Culver stockholders) other than holders of New Sally Class A common stock, which will be funded all or in substantial part by the investment and the indebtedness incurred by Sally Holdings and/or one or more of its subsidiaries;

that under the investment agreement New Sally or Sally Holdings will pay all of Alberto-Culver's and its subsidiaries' (including Sally Holdings) expenses related to the transactions, up to \$20 million, except for certain expenses of trademark registration in connection with the Alberto-Culver LLC conversion, which will be paid by Alberto-Culver, plus 50% of the expenses related to specified tax studies to be conducted prior to closing and New Sally or Sally Holdings will pay all of the expenses related to the debt financing;

the payment by New Sally to CD&R of a \$30 million transaction fee upon completion of the transactions; and

that under the separation agreement, New Sally will retain immediately following the distributions an amount of cash equal to \$52.7 million, plus an amount equal to the sum of (i) an estimate for accrued and unpaid pre-closing income taxes of New Sally, (ii) specified unpaid liabilities of Sally Holdings and (iii) an amount determined pursuant to a formula intended to reflect the limitations placed on the number of shares of New Sally that Investor may acquire in order not to jeopardize the intended tax-free nature of the New Alberto-Culver share distribution as described under "Determination of Investment by Investor," minus 50% of the costs of obtaining the surplus and solvency opinions.

The Alberto-Culver board of directors evaluated the historic financial condition and operating results of the consumer products business and the Sally/BSG distribution business, including information with respect to their respective earnings history, as well as the prospects of each business. The Alberto-Culver board of directors also evaluated analyses and other financial information related to Sally Holdings, New Alberto-Culver and the transactions.

Opinion of Financial Advisor. The Alberto-Culver board of directors considered the oral opinion of Goldman Sachs to the Alberto-Culver board of directors on June 18, 2006, subsequently confirmed by delivery of a written opinion dated June 19, 2006, that, as of such date, and based upon and subject to the assumptions, qualifications and limitations discussed in the opinion, the purchase price to be received by New Sally for the shares of New Sally Class A common stock to be purchased by Investor pursuant to the investment agreement was fair, from a financial point of view, to New Sally. The Alberto-Culver board of directors took note of the scope of the opinion and its limitations, as well as the fact that Goldman Sachs' fee is payable only upon consummation of the transactions, which the Alberto-Culver board of directors considered a customary arrangement with a financial advisor in the context of transactions of this nature.

Terms of the Separation Agreement and Investment Agreement. The Alberto-Culver board of directors reviewed and considered the terms of the separation agreement and the investment agreement, including:

that Alberto-Culver has the ability to terminate the investment agreement under a number of circumstances, including (i) in order to accept a superior proposal from a third party, subject to paying a \$60 million fee or (ii) if the Alberto-Culver board of directors

concludes in good faith after consultation

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with outside legal counsel and the valuation firm that it will not be able to obtain specified surplus and solvency opinions by April 30, 2007 as described under *The Investment Agreement Termination of the Investment Agreement* ;

that the completion of the transactions is subject to, among other things, (i) New Sally obtaining a private letter ruling and New Sally and Alberto-Culver obtaining an opinion of counsel, in each case, with respect to the tax-free nature of the New Alberto-Culver share distribution and (ii) the receipt of surplus and solvency opinions with respect to certain subsidiaries of Alberto-Culver as described under *The Investment Agreement Conditions to the Completion of the Transactions* ;

that the Alberto-Culver board of directors has the right to change its recommendation of the transactions if doing so is reasonably necessary to comply with its fiduciary duties to the stockholders of Alberto-Culver under applicable law, and that doing so may result in Alberto-Culver being required to pay Investor a termination fee of \$60 million as described under *The Investment Agreement Covenants No Solicitation of Acquisition Proposals; Recommendation of Alberto-Culver Board of Directors* ;

that adverse events with respect to suppliers of Sally Holdings and its subsidiaries, if any, would be carved out from the definition of what constituted a material adverse effect ;

that under specified circumstances either Investor or Alberto-Culver would be required to pay a termination fee if the investment agreement was terminated, including the payment by Investor of a \$60 million fee under certain circumstances if the debt financing is not capable of being obtained as described under *The Investment Agreement Termination of the Investment Agreement* ; and

the requirement that Investor use its reasonable best efforts to obtain the debt financing as described under *The Investment Agreement Covenants*.

The Alberto-Culver board of directors also considered the course of negotiations of the transaction agreements.

Alberto-Culver Stockholder Vote. The Alberto-Culver board of directors considered that under the investment agreement it is a condition to completion of the transactions that a majority of the outstanding shares of Alberto-Culver common stock vote to adopt the investment agreement and approve the transactions contemplated by the investment agreement, thereby giving the Alberto-Culver stockholders the opportunity to accept or reject the transactions. The Alberto-Culver board of directors took note of the fact that Mr. Bernick and the Lavin family stockholders would enter into support agreements with Alberto-Culver, New Sally and Investor pursuant to which they would each agree that, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, they will vote their shares of Alberto-Culver common stock for approval of the transactions contemplated by the investment agreement. Accordingly, so long as the Alberto-Culver board of directors is recommending that holders of Alberto-Culver common stock adopt the investment agreement and approve the transactions contemplated by the investment agreement and the investment agreement has not been terminated, approximately 12.82% of the shares of Alberto-Culver common stock outstanding as of the record date for the special meeting is contractually committed to vote for the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement. See *Additional Agreements Relating to the Transactions* beginning on page 132.

Representation on New Sally Board of Directors. The Alberto-Culver board of directors considered that upon completion of the New Alberto-Culver share distribution, Alberto-Culver would have six designees on the New Sally board of directors evenly divided into three classes. The Alberto-Culver board of directors took note of the fact that Investor would also have six designees on the New Sally board of directors, that the chairman of the New Sally board of directors would be an Investor designee and that under the stockholders agreement, for up to ten years following the transactions, Investor would have the right to designate a specified number of individuals to be nominated to serve on the New Sally board of directors based on the percentage ownership of Investor in New Sally.

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Recommendation of Management. The Alberto-Culver board of directors took into account management's recommendation in favor of the transactions.

Experience of CD&R in Completing Transactions. The Alberto-Culver board of directors considered the success of CD&R in completing complex transactions in the past, as well as its reputation in the private equity industry.

The Alberto-Culver board of directors also considered potential risks and negative consequences of the transactions, including the following:

Potential Adverse Tax Consequences. The Alberto-Culver board of directors considered that the New Alberto-Culver share distribution may result in significant U.S. federal income tax liabilities to New Sally if 50% or more of the stock of New Alberto-Culver or New Sally is acquired, directly or indirectly, by one or more persons as part of a plan or series of related transactions that includes the share issuance and merger.

Potential Adverse Tax Consequences of Lavin Family Stockholders' Actions. The Alberto-Culver board of directors considered that while the Lavin family stockholders are contractually restricted, subject to specified exceptions, from selling shares of New Sally common stock until the earlier of (i) one year after the closing date, (ii) termination of the investment agreement and (iii) the earliest time that no Lavin family shareholder or certain related persons is a controlling shareholder or ten percent shareholder of New Sally for U.S. federal income tax purposes, the Lavin family stockholders are not subject to a contractual covenant that generally prohibits them from taking any action that could adversely affect the tax-free nature of the New Alberto-Culver share distribution and that in the event the Lavin family stockholders acted in a manner that adversely affected the tax-free nature of the New Alberto-Culver share distribution, New Alberto-Culver would be contractually obligated to indemnify New Sally for the tax liability that results therefrom.

Allocation of Potential Tax Liabilities. The Alberto-Culver board of directors considered the allocation under the tax allocation agreement of any tax liabilities resulting from a determination that the share issuance and merger was not tax free.

Financial Impact of the Loss of Sally/BSG. The Alberto-Culver board of directors considered the financial impact of the loss of the assets, revenue and cash flows of the Sally/BSG distribution business on the remainder of Alberto-Culver, including the possibility that New Alberto-Culver's debt rating may be downgraded making it more expensive to obtain financing in the future. The Alberto-Culver board of directors also considered that Alberto-Culver would retain the \$120 million aggregate principal amount of 6.375% debentures due 2028.

Suppliers of New Sally. The Alberto-Culver board of directors considered the potential impact on New Sally if one or more of its significant suppliers terminated its relationship with New Sally or adversely modified the terms of its relationship with New Sally. See *Risk Factors* *Risks Relating to New Sally* New Sally depends on manufacturers who may be unable to provide products of adequate quality or who may be unwilling to continue to supply products to New Sally, beginning on page 42.

Leverage and Risks of Insolvency of New Sally. The Alberto-Culver board of directors considered that following the transactions, New Sally will have a significant amount of indebtedness, which will limit its financial and operational flexibility. The Alberto-Culver board of directors also considered that if New Sally were to become insolvent at some point following completion of the proposed transactions (including as a result of a termination of or material modification to supplier relationships), the proposed distributions could be challenged by creditors of New Sally as a fraudulent conveyance and stockholders who received the funds or shares of New Alberto-Culver common stock in the distributions could be required to return all or a portion of them to New Sally.

Debt Financing. The Alberto-Culver board of directors considered that completion of the transactions requires that Sally Holdings or one or more of its subsidiaries obtain approximately \$1.85 billion of debt financing.

Ongoing Obligations After Completion of the Transactions. The Alberto-Culver board of directors took note of the fact that under the terms of the investment agreement, Alberto-Culver is subject to a 30-month non-competition covenant and a 30-month employee non-hire and non-solicit covenant and is required under specified circumstances to provide certain transition services to New Sally.

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Restraints on Future Transactions. The Alberto-Culver board of directors considered that Alberto-Culver may be constrained from entering into a transaction or series of transactions in which 50% or more of New Alberto-Culver stock is acquired depending on whether Alberto-Culver engaged in substantial negotiation with respect to such transactions in the two-year period prior to the New Alberto-Culver share distribution.

Interests of Executive Officers and Directors of Alberto-Culver in the Transactions. The Alberto-Culver board of directors considered the interests of executive officers and directors of Alberto-Culver in the transactions, including the termination agreement with Mr. Bernick, the termination and consulting agreement with Mr. Renzulli, potential severance benefits payable to other executive officers of Alberto-Culver, the acceleration of vesting of stock options held by executive officers and directors and restricted stock held by executive officers and pro-rated payouts under certain incentive plans to executive officers of Alberto-Culver.

Interests of the Lavin Family Stockholders in the Transactions. The Alberto-Culver board of directors considered the interests of the Lavin family stockholders in the transactions, including the stockholders agreement, providing for, among other things, registration rights with respect to shares of New Sally common stock. Among other things, the Alberto-Culver board of directors noted that Mrs. Bernick, Chairman of the Alberto-Culver board of directors, Mr. Lavin, a director of Alberto-Culver, and Mrs. Lavin, and a partnership and trusts established for the benefit of the specified members of the Lavin family, including Mrs. Bernick, Mr. Lavin and Mrs. Lavin, as well as the permitted transferees of such partnership and trusts, comprise the Lavin family stockholders.

Diversion of Management. The Alberto-Culver board of directors considered the diversion of management resulting from the substantial time and effort necessary to complete the transactions.

Limited Express Contractual Recourse Against Investor and Fund. The Alberto-Culver board of directors considered that the transaction agreements provide for limited recourse against Investor and the Fund. The Alberto-Culver board noted that although Investor is contractually prohibited from acquiring additional shares of New Sally in a manner that would cause the New Alberto-Culver share distribution to be taxable, there is no express contractual provision requiring Investor to indemnify New Alberto-Culver or New Sally for any liabilities that result from Investor taking an action that results in the New Alberto-Culver share distribution being taxable.

Other Factors. In addition to the above factors and risks, the Alberto-Culver board of directors considered that based on the number of seats on the New Sally board of directors and its approximately 47.5% ownership interest in New Sally on a fully diluted basis immediately following the conversion, Investor would be in a position to assert a larger degree of influence over the business and operations of New Sally than other stockholders of New Sally.

The foregoing discusses the material factors considered by the Alberto-Culver board of directors and is not exhaustive of all factors considered by the Alberto-Culver board of directors. In view of the variety of factors considered in connection with its evaluation of the separation agreement and the investment agreement and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, the Alberto-Culver board of directors considered the factors as a whole and did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its determination to approve the separation agreement, investment agreement and the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance. In addition, each member of the Alberto-Culver board of directors may have given differing weights to different factors.

In considering the recommendation of the Alberto-Culver board of directors to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, Alberto-Culver stockholders should be aware that certain executive officers and directors and certain stockholders of Alberto-Culver have certain interests in the proposed

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transactions that may be different from, or in addition to, the interests of Alberto-Culver stockholders generally. The Alberto-Culver board of directors was aware of these interests when approving the separation agreement and the investment agreement and recommending that the Alberto-Culver stockholders vote to adopt the investment agreement and approve the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance. See The Transactions Interests of Certain Persons in the Transactions beginning on page 88.

Opinion of Alberto-Culver's Financial Advisor

Goldman Sachs rendered its oral opinion to Alberto-Culver's board of directors on June 18, 2006, subsequently confirmed by delivery of a written opinion dated June 19, 2006, that, as of such date and based upon and subject to the factors and assumptions set forth therein, the purchase price of \$575,000,000 to be received by New Sally for the shares of New Sally Class A common stock to be purchased by Investor pursuant to the investment agreement was fair from a financial point of view to New Sally.

The full text of the written opinion of Goldman Sachs, dated June 19, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex I. Goldman Sachs provided its opinion for the information and assistance of Alberto-Culver's board of directors in connection with its consideration of the transactions contemplated by the investment agreement and the separation agreement. The Goldman Sachs opinion is not a recommendation as to how any holder of Alberto-Culver's common stock should vote with respect to any aspect of the transactions contemplated by the investment agreement or separation agreement.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the investment agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Alberto-Culver for the five fiscal years ended September 30, 2005;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Alberto-Culver;

certain other communications from Alberto-Culver to its stockholders;

audited financial statements for Sally Holdings for the two fiscal years ended September 30, 2005;

certain internal financial analyses and forecasts for Alberto-Culver prepared by its management; and

certain internal financial analyses and forecasts for New Sally prepared by the management of Alberto-Culver and the management of Sally Holdings.

Goldman Sachs also held discussions with members of the senior managements of Alberto-Culver and Sally Holdings regarding their assessment of the strategic rationale for, and the potential benefits of, the transactions contemplated by the investment agreement and the separation agreement and the past and current business operations, financial condition, and future prospects of New Sally. In addition, Goldman Sachs reviewed the reported price and trading activity for the Alberto-Culver common stock, compared certain financial information for New Sally and Sally Holdings with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the retail industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

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Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs assumed with the consent of Alberto-Culver that the Alberto-Culver and New Sally forecasts described in the last two bullet points immediately prior

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to the preceding paragraph were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the managements of Alberto-Culver and Sally Holdings. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Alberto-Culver or Sally Holdings or any of their respective subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of Alberto-Culver or Sally Holdings or any of their respective subsidiaries furnished to Goldman Sachs. Goldman Sachs' opinion does not address the underlying business decision of Alberto-Culver to engage in the transactions contemplated by the investment agreement or separation agreement, nor does it express any opinion as to the prices at which the shares of New Sally common stock will trade at any time.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of Alberto-Culver in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before June 15, 2006 and is not necessarily indicative of current market conditions.

Summary of Implied Proposed Transaction Multiples. Goldman Sachs calculated several implied transaction multiples with respect to New Sally, implied by the purchase price to be received by New Sally for approximately 47.5% of the shares of New Sally common stock to be purchased by the Investor.

Goldman Sachs first calculated an implied equity value of New Sally of \$1.211 billion, based on the purchase price of \$575 million to be paid by the Investor for approximately 47.5% of the shares of New Sally common stock, calculated on a fully diluted basis. Goldman Sachs then added to the implied equity value, the net debt to be incurred by Sally Holdings as part of the transaction to derive an implied enterprise value of New Sally of \$3.048 billion. Goldman Sachs then calculated an implied price per share of \$6.74 for each share of New Sally common stock, based on an estimate of there being 179.5 million shares of New Sally common stock outstanding following the consummation of the transactions contemplated by the investment agreement and separation agreement. Goldman Sachs also calculated that the total of the implied price per share of New Sally common stock plus the planned special cash dividend of \$25 per share was \$31.74.

Based on these calculations, Goldman Sachs then calculated the multiples described below using the historical and projected financial information for New Sally provided by Alberto-Culver management:

New Sally's implied enterprise value as a multiple of New Sally's sales for the latest twelve months, referred to as LTM, and as a multiple of Alberto-Culver management's estimate of sales of New Sally for the 2006 fiscal year;

New Sally's implied enterprise value as a multiple of New Sally's earnings before interest, taxes and depreciation and amortization, or EBITDA, for the latest twelve months and as a multiple of Alberto-Culver management's estimates of EBITDA of New Sally for the 2006 fiscal year;

New Sally's implied enterprise value as a multiple of New Sally's earnings before interest and taxes, or EBIT, for the latest twelve months and as a multiple of Alberto-Culver management's estimates of EBIT of New Sally for the 2006 fiscal year; and

New Sally's implied equity value in the transaction as a multiple of Alberto-Culver management's estimates of net income of New Sally for the 2006 and 2007 fiscal years, as adjusted for the consummation of the transactions contemplated by the investment agreement and the separation agreement, including, with respect to 2006, a full year's interest expense on the debt to be incurred by Sally Holdings.

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The summary results are as follows:

	Proposed Transaction
Enterprise Value / Sales	
LTM	1.3x
FY 2006E	1.3
Enterprise Value / EBITDA	
LTM	10.7x
FY 2006E	10.3
Enterprise Value / EBIT	
LTM	12.3x
FY 2006E	11.9
Implied Equity Consideration (Diluted) / Net Income	
FY 2006PF	20.8x
FY 2007PF	19.1

These multiples provide context as to how the various implied values derived from the implied price per share of \$6.74 for each share of New Sally common stock based upon the purchase price of \$575 million to be paid by the Investor for approximately 47.5% of the shares of New Sally common stock compare to the latest twelve months and estimated fiscal year 2006 financial data, and were calculated for the consideration of the relationship between the implied enterprise and equity values with the referenced financial data. These multiples provide a means to compare the purchase price to be paid by the Investor for shares of New Sally common stock with financial data from other selected companies and other selected transactions, as described below under the headings *Selected Companies Analysis* and *Selected Transaction Analysis* beginning on pages 81 and 83, respectively.

Selected Companies Analysis. Goldman Sachs reviewed and compared certain financial information for New Sally and certain stock price and financial information for Alberto-Culver to corresponding stock price, financial information, ratios and public market multiples for certain publicly traded corporations in the retail industry. The purpose of this analysis is to compare selected financial multiples of New Sally with financial multiples of similar public companies derived from such companies' public trading prices and other publicly available historical and projected financial information. The companies included in this analysis were:

CVS Corporation

Claire's Stores, Inc.

Dollar General Corporation

Dollar Tree Stores, Inc.

Family Dollar Stores, Inc.

Longs Drug Stores Corporation

Michaels Stores, Inc.

Office Depot, Inc.

Regis Corporation

Although none of the selected companies is directly comparable to New Sally, the companies included were chosen because they are publicly-traded companies with operations that generally distribute, market and sell similar products, have similar types of customers, whose facilities are similar in size and are located in similar types of retail locations and whose operations address similar channels of distribution. Although the purpose of the analysis was not to compare Alberto-Culver to the selected companies, Goldman Sachs also presented similar stock price, financial information, multiples and ratios for Alberto-Culver for reference.

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Goldman Sachs calculated the equity value and enterprise value for Alberto-Culver, New Sally and each of the selected companies. Equity value was calculated for Alberto-Culver and selected companies by multiplying their respective closing market price as of June 14, 2006 by the number of diluted shares outstanding based on each company's most recent publicly available financial statements. Enterprise value was calculated by adding debt and subtracting cash from equity value. For New Sally, which is not a publicly traded company, Goldman Sachs calculated an implied enterprise value of New Sally, as described above in the heading "Summary of Implied Proposed Transaction Multiples" beginning on page 80. The results of these analyses are summarized as follows:

	Enterprise Value Multiples		
	Sales (LTM)	EBITDA (LTM)	EBIT (LTM)
Alberto-Culver	1.2x	10.3x	12.1x
New Sally	1.3	10.7	12.3
Selected Companies:			
CVS Corporation	0.8	10.9	14.1
Claire's Stores, Inc.	1.6	7.2	8.7
Dollar General Corporation	0.5	6.5	8.8
Dollar Tree Stores, Inc.	0.8	6.3	9.4
Family Dollar Stores, Inc.	0.6	7.5	10.2
Longs Drug Stores Corporation	0.4	9.1	16.0
Michaels Stores, Inc.	1.3	9.6	12.1
Office Depot, Inc.	0.8	12.3	17.3
Regis Corporation	0.9	7.4	11.4
Range for Selected Companies	0.4-1.6x	6.3-12.3x	8.7-17.3x
Median for Selected Companies	0.8	7.5	11.4

Goldman Sachs also calculated for Alberto-Culver, New Sally and the selected companies price to earnings multiples calculated by dividing the stock price as of June 14, 2006 of Alberto-Culver and the selected companies by calendarized estimated earnings for 2006 and 2007, based on estimates of earnings provided by Alberto-Culver management in the case of Alberto-Culver and New Sally, and obtained by Goldman Sachs from median consensus estimates provided by International Brokers Estimate System, or IBES (a system that compiles estimates issued by securities research analysts) in the case of selected companies. For New Sally, Goldman Sachs used the implied price per share of \$6.74. The following table presents the results of this analysis:

	Calendarized P/E Multiples	
	2006E	2007E
Alberto-Culver	18.1x	16.3x
New Sally	20.8	16.7
Selected Companies:		
CVS Corporation	19.7	15.8
Claire's Stores, Inc.	13.7	12.3
Dollar General Corporation	13.2	12.0
Dollar Tree Stores, Inc.	14.7	13.3
Family Dollar Stores, Inc.	16.0	14.4
Longs Drug Stores Corporation	22.1	NA
Michaels Stores, Inc.	19.3	16.3
Office Depot, Inc.	21.8	18.0
Regis Corporation	15.6	14.4
Range for Selected Companies	13.2-22.1x	12.0-18.0x
Median for Selected Companies	16.0	14.4

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In addition, Goldman Sachs calculated LTM EBITDA and LTM EBIT for each of New Sally, Alberto-Culver and the selected companies expressed as a percentage of sales. The following table presents the results of this analysis:

	LTM Margins	
	EBITDA	EBIT
Alberto-Culver	11.6%	9.8%
New Sally	12.3	10.7
Selected Companies:		
CVS Corporation	7.1	5.5
Claire's Stores, Inc.	21.5	17.8
Dollar General Corporation	8.3	6.1
Dollar Tree Stores, Inc.	12.5	8.4
Family Dollar Stores, Inc.	7.8	5.7
Longs Drug Stores Corporation	4.1	2.3
Michaels Stores, Inc.	13.3	10.6
Office Depot, Inc.	6.5	4.7
Regis Corporation	12.6	8.1
Range for Selected Companies	4.1-21.5%	2.3-17.8%
Median for Selected Companies	8.3	6.1

Goldman Sachs also obtained the five-year forecasted earning per share, or EPS, compounded annual growth rate, or CAGR, which is the forecasted rate at which EPS grows year after year based on a five year projection of EPS from IBES estimates. Goldman Sachs then calculated the multiple of estimated price/earnings ratios for the 2007 calendar year to the 5-year EPS CAGR by dividing the PE multiple described above by the 5-year EPS CAGR. The following table presents the results of this analysis:

	5-Year EPS	2007 PE/5-Year EPS CAGR
	CAGR	
Alberto-Culver		