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 x 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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Alberto-Culver Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11:

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

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2) Aggregate number of securities to which transaction applies:

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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):

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4) Proposed maximum aggregate value of transaction:

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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:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

4) Date Filed:

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 *Nexxus*. 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.

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 *Nexxus* 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.

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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;

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.

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.

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

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

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

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

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;

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

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

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.

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.

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

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.

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

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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.

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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	2005	2005	2004	2003	2002	2001
	(unaudited)						
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.

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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	

Total stockholders equity	702,328

See Unaudited Condensed Pro Forma Consolidated Financial Statements of New Alberto-Culver beginning on page 170.

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.

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Selected Historical Consolidated Financial Information of Sally Holdings

	Nine Months Ended June 30,		Fiscal Year Ended September 30,				
	2006	2005	2005	2004	2003	2002	2001
	(unaudited)						
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.

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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)	

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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.

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

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.

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;

- 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

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

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

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

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.

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

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.

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

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 complete 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.

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 Oreal 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.

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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

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 is 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

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.

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

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.

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

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 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;

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.

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.

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

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.

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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 Oreal, 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.

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.

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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.

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,

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,

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.

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

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.

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 inquires 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

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 unsolicated 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;

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

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.

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

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.

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

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.

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.

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

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.

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

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 Albert-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.

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 CAGR	**2007 PE/5-Year EPS CAGR**
Alberto-Culver	12.0%	1.4x
New Sally	NA	NA
Selected Companies:		
CVS Corporation	14.0	1.1
Claire s Stores, Inc.	12.0	1.0
Dollar General Corporation	10.0	1.2
Dollar Tree Stores, Inc.	12.0	1.1
Family Dollar Stores, Inc.	12.0	1.2
Longs Drug Stores, Inc.	21.2	NA
Michaels Stores, Inc.	18.0	0.9
Office Depot, Inc.	14.5	1.2
Regis Corporation	13.0	1.1
Range for Selected Companies	10.0-21.2%	0.9-1.2x
Median for Selected Companies	13.0	1.1

The analyses described above permit a comparison of the enterprise value and P/E multiples, margins and EPS CAGR of New Sally implied by the purchase price of $575 million to be paid by the Investor for approximately 47.5% of the shares of New Sally common stock with corresponding multiples for the selected companies described above, which contributed to Goldman Sachs s opinion described herein.

Selected Transaction Analysis. Goldman Sachs analyzed certain information relating to selected transactions in the retail industry. The purpose of this analysis is to compare the leveraged consideration as a multiple of

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EBITDA in recently completed transactions to the enterprise value as a multiple of LTM EBITDA for 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. While none of the companies participating in the selected transactions are directly comparable to the New Sally, the transactions are of 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. Goldman Sachs calculated and compared the leveraged consideration as a multiple of the target company s publicly reported LTM EBITDA prior to announcement of the applicable transaction. Leveraged consideration was calculated by adding the announced transaction price for the equity of the target company in each selected transaction to the book value of the target company s net debt based on public information available prior to the announcement of each applicable transaction.

The following table lists the selected comparative transactions (by acquiror/target and date announced) and presents the results of this analysis:

Transaction (Listed by Acquiror/Target)	Date of Announcement	Multiple of EBITDA
Leonard Green & Partners, L.P. / The Sports Authority, Inc.	1/23/2006	8.2x
Supervalu Inc., CVS Corporation and Cerberus Capital Management / Albertson s, Inc.	1/23/2006	7.6
Bain Capital / Burlington Coat Factory Warehouse Corporation	1/18/2006	6.7
Apollo Management and Silver Point Capital / Linens N Things, Inc.	11/8/2005	8.6
Sun Capital Partners / Shopko Stores, Inc.	10/2005	5.9
Prentice Capital Management and GMM Capital / Goody s Family Clothing, Inc.	10/2005	9.5
Berkshire Partners LLC and Weston Presidio / Party City Corporation	9/27/2005	12.3
GameStop Corp. / Electronics Boutique Holdings Corp.	4/18/2005	10.5
OSIM International and JW Childs Associates, L.P. / Brookstone, Inc.	4/15/2005	8.5
Kohlberg Kravis Roberts & Co., Bain Capital Partners LLC and Vornado Realty Trust / Toys R Us, Inc.	3/17/2005	9.7
Bain Capital Partners, LLC / S. Rossy Inc. and Dollar A.M.A. Inc.	11/18/2004	10.6
Dick s Sporting Goods, Inc. / Galyan s Trading Company, Inc.	6/21/2004	10.2
Jean Coutu Group (PJC), Inc. / Eckerd Stores Northeast (J.C. Penney)	4/5/2004	6.9
CVS Corporation / Eckerd Stores Southern (J.C. Penney)	4/5/2004	7.3
Circuit City Stores, Inc. / InterTAN, Inc.	3/31/2004	9.2
Oak Hill Capital Partners, L.P. / Duane Reade, Inc.	12/22/2003	9.2
Apollo Management, L.P. / General Nutrition Companies, Inc.	10/17/2003	5.4
Boise Cascade Corp. / OfficeMax Inc.	7/14/2003	10.2
Gart Sports Company / The Sports Authority, Inc.	2/19/2003	4.7
Range		4.7-12.3x
Median		8.6

The analysis described above permits comparison of the EBITDA multiple for the transaction implied by the purchase price of $575 million to be paid by the Investor for approximately 47.5% of the shares of New Sally common stock with EBITDA multiples derived from selected acquisition transactions, which contributed to Goldman Sachs s opinion described herein.

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Discounted Cash Flow Analysis. Goldman Sachs performed a discounted cash flow analysis to calculate illustrative enterprise values for New Sally using projections provided to Goldman Sachs by Alberto-Culver management and terminal multiples of 2011 estimated EBITDA ranging from 8.5x to 10.5x. The purpose of this analysis is to compare the enterprise value of 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 to an estimate of the illustrative enterprise value of New Sally based on future cash flows of New Sally projected by Alberto-Culver management. These illustrative values were calculated and then discounted to June 30, 2006 using discount rates ranging from 10.0% to 13.0%. Discount rates were selected based upon a combination of observed dividend yields of selected companies in the public market, calculations derived from financial theory and empirical data and Goldman Sachs professional judgment and experience based upon its review of the financial information provided by Alberto-Culver. Terminal multiples were selected based on a combination of observed public market multiples for selected publicly traded companies and transaction multiples in selected recently completed transactions, as well as Goldman Sachs professional judgment and experience based upon its review of the financial information provided by Alberto-Culver. These calculations resulted in illustrative enterprise values ranging from $2.408 billion to $3.195 billion. Assuming a 11.0% discount rate and a 9.5x EBITDA multiple, Goldman Sachs also calculated illustrative enterprise values assuming changes in the growth rate of sales and changes in the EBIT margin relative to the projections of Alberto-Culver management, in each case ranging from a decrease of 2% to an increase of 2%. Changes in the growth rate of sales and EBIT margin were selected to reflect the potential impact to the illustrative enterprise value of modest changes to Alberto-Culver management s projections. Based on these assumptions, Goldman Sachs calculated illustrative enterprise values ranging from $2.205 billion to $3.561 billion overall. Within this range, Goldman Sachs calculated illustrative enterprise values ranging from $2.371 billion to $3.303 billion assuming changes in the EBIT margin ranging from a decrease of 2% to an increase of 2% and no changes in the growth rate of sales. Goldman Sachs then calculated illustrative enterprise values ranging from $2.634 billion to $3.055 billion assuming changes in the growth rate of sales ranging from a decrease of 2% to an increase of 2% and no changes in the EBIT margin. This analysis concluded that the illustrative enterprise values derived using a discounted cash flow analysis based on the projections provided by Alberto-Culver management and other assumptions described above are consistent with the enterprise value for New Sally implied by the purchase price of $575 million to be paid by the Investor for approximately 47.5% of the shares of New Sally common stock, which contributed to Goldman Sachs s opinion described herein.

Leveraged Buyout Analysis. Goldman Sachs performed an analysis of the range of equity rates of returns that could theoretically be realized if New Sally was acquired in a leveraged buyout and resold by the acquirer at the end of fiscal year 2010 or 2011 at a price equal to a multiple of LTM EBITDA ranging from 8.5x to 10.5x at the time of sale. The purpose of this analysis is to calculate the expected rate of return that might be realized in a hypothetical leveraged buyout based on the enterprise value of 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, the capital structure of the proposed transaction with no additional equity for New Sally management and the projected financial information provided to Goldman Sachs by Alberto-Culver management. Terminal multiples were selected based on a combination of observed public market multiples for selected publicly traded companies and transaction multiples in selected recently completed transactions, as well as Goldman Sachs professional judgment and experience based upon its review of the financial information provided by Alberto-Culver. Based on these assumptions, Goldman Sachs derived implied rates of return ranging from 7.4% to 18.1% for a sale at the end of fiscal year 2010 and from 9.4% to 17.2% for a sale at the end of fiscal year 2011. This analysis calculates an implied rate of return 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 and a subsequent sale at the time and upon the terms described above. This analysis shows that the rate of return that would be received by the Investor based on the projections provided by Alberto-Culver management, the purchase price to be paid by the Investor, the capital structure for the transactions and other assumptions is consistent with the types of returns sought by parties such as the Investor that engage in acquisitions of interests in companies such as New Sally with a view towards reselling such interests, which contributed to Goldman Sachs s opinion described herein.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summaries set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Alberto-Culver or New Sally or the transactions contemplated by the investment agreement and separation agreement.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to Alberto-Culver s board of directors as to the fairness from a financial point of view to New Sally of the purchase price to be received by New Sally for the investor shares pursuant to the investment agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Alberto-Culver, New Alberto-Culver, New Sally, Sally Holdings, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The purchase price was determined through arms-length negotiations between Alberto-Culver and the Investor and was approved by Alberto-Culver s board of directors. Goldman Sachs provided advice to Alberto-Culver during these negotiations. Goldman Sachs did not, however, recommend any purchase price to Alberto-Culver or its board of directors or that any specific purchase price constituted the only appropriate purchase price for the transaction.

As described above, Goldman Sachs opinion to Alberto-Culver s board of directors was one of many factors taken into consideration by Alberto-Culver s board of directors in making its determination to approve the investment agreement and separation agreement and the transactions contemplated by the investment agreement and separation agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex I.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to Alberto-Culver in connection with, and has participated in certain of the negotiations leading to, the transactions contemplated by the investment agreement and separation agreement. In addition, Goldman Sachs has provided certain investment banking services to Alberto-Culver from time to time, including having acted as lead manager with respect to a secondary equity offering of 6,000,000 shares of Class B common stock of Alberto-Culver in June 2002, as a lender under a five-year, revolving credit facility for Alberto-Culver (aggregate amount of loan commitment $25,000,000) in September 2004, and as financial advisor to Alberto-Culver in connection with its terminated transaction with Regis announced on January 10, 2006. Goldman Sachs is currently providing, and has provided, certain investment banking services to affiliates of Investor, including having acted as financial advisor to Riverwood Holding Inc., a former portfolio company of an affiliate of Investor, in connection with its merger with Graphic Packaging Corporation in August 2003; having extended a bank loan (aggregate principal amount of $18,000,000) to North American Van Lines Inc., a subsidiary of a portfolio company of an affiliate of Investor, in November 2003; having acted as lead manager for the initial public offering of 21,052,632 shares of common stock of Sirva, Inc., a portfolio company of an affiliate of Investor, in November 2003; having acted as co-financial advisor to Kinko s Incorporated, a former portfolio company of an affiliate of Investor, in connection with its sale in January 2004; having acted as lead manager for a follow-on offering of 18,500,000 shares of common stock of Sirva, Inc. in June 2004; having acted as financial advisor to Transguard General Insurance Agency Inc., a former portfolio company of an affiliate of

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Investor, in connection with its sale in January 2006; and having extended a bank loan (aggregate principal amount of $1,000,000,000) to The Hertz Corporation, a portfolio company of an affiliate of Investor, in March 2006. In connection with the above-described investment banking services Goldman Sachs has received, and may receive in the future, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such service to Alberto-Culver, Investor and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of Alberto-Culver and affiliates of Investor for its own account and for the accounts of their customers and may at any time hold long and short positions of such securities. Affiliates of Goldman Sachs have invested and may invest in the future in limited partnership units of affiliates of Investor.

The board of directors of Alberto-Culver selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transactions contemplated by the investment agreement. Pursuant to a letter agreement dated June 14, 2005, as amended as of June 18, 2006, Alberto-Culver engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transactions. Pursuant to the letter agreement, 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. In addition, Alberto-Culver has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Antitrust Approvals

United States Antitrust

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 DOJ and 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.

Foreign Antitrust

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.

General

It is possible that any of the governmental entities with which filings are made may seek, as conditions for granting approval of the transactions, various regulatory concessions. There can be no assurance that:

- Investor or Alberto-Culver will be able to satisfy or comply with the conditions;
- compliance or non-compliance will not have adverse consequences on New Sally after completion of the transactions; or

the required regulatory approvals will be obtained within the time frame contemplated by Investor and Alberto-Culver and referred to in this proxy statement/prospectus information statement or on terms that will be satisfactory to Investor and Alberto-Culver.

See The Investment Agreement Conditions to the Completion of the Transactions beginning on page 116.

Accounting Treatment

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 spinnee for financial reporting purposes in accordance with EITF Issue No. 02-11, Accounting for Reverse Spinoffs.

Reverse spinoff accounting is appropriate in situations in which the treatment of the legal spinnee as the accounting successor results in the most accurate depiction of the substance of the transaction for shareholders and other users of the financials statements. Under this treatment, the historical financial statements of New Alberto-Culver will be the historical financial statements of Alberto-Culver. In making its determination, the Alberto-Culver considered the following indicators, among others:

- current senior management of Alberto-Culver will continue to manage and operate New Alberto-Culver; and

- current stockholders of Alberto-Culver will retain their 100% interest in Alberto-Culver through New Alberto-Culver while retaining only approximately a 52.5% interest in New Sally.

Interests of Certain Persons in the Transactions

Interests of Alberto-Culver Directors and Officers

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 and the separation agreement, Alberto-Culver stockholders should be aware that directors and executive officers of Alberto-Culver have certain interests in the transactions that differ from, or are in addition to, the interests of Alberto-Culver stockholders generally. These interests are summarized below.

New Positions of New Alberto-Culver. Alberto-Culver currently anticipates that following completion of the transactions, V. James Marino, the current President of Alberto-Culver Consumer Products Worldwide, will be appointed as the President and Chief Executive Officer, and a director, of New Alberto-Culver.

New Positions of New Sally. The investment agreement provides that, following completion of the transactions, the President of Sally Holdings, Mr. Winterhalter, will become the President and Chief Executive Officer of New Sally and a member of the board of directors of New Sally. In addition, it is currently contemplated that most of the senior management of Sally Holdings will become the senior management of New Sally.

Acceleration of Vesting/Change in Control Payments to Executive Officers and Directors. Alberto-Culver is treating the transactions as though they constitute a change in control for all employees and directors under its equity and incentive compensation plans and as a change in control for Sally employees under its deferred compensation plan. Accordingly, options to purchase Alberto-Culver common stock issued under Alberto-Culver equity compensation plans, outstanding as of the completion of the distributions and held by Alberto-Culver employees (including Mr. Renzulli) and non-employee directors (other than those who will become directors of New Sally) would ultimately become fully exercisable options to purchase New Alberto-Culver common stock, and options to purchase Alberto-Culver common stock issued under Alberto-Culver equity compensation plans, outstanding as of the completion of the distributions and held by Sally employees and non-employee directors

who will become directors of New Sally would become fully exercisable options to purchase New Sally common stock. Restrictions for restricted stock issued under Alberto-Culver equity compensation plans prior to completion of the transactions, including restricted stock held by executive officers of Alberto-Culver, would lapse not later than the first business day after the record date for the distributions. In addition, all participants in the Alberto-Culver 1994 Shareholder Value Incentive Plan, including executive officers of Alberto-Culver, will receive a cash payout for their respective outstanding units if the total shareholder return of Alberto-Culver common stock for the respective performance periods through the date of completion of the transactions ranks at or above the 40th percentile among the companies comprising the S&P 500 Index. Participant balances under the Alberto-Culver Executive Deferred Compensation Plan will become fully vested upon completion of the transactions and Sally Holdings participants will receive a full distribution of their plan balances following completion of the transactions. Due to restrictions under Section 409A of the Internal Revenue Code, participants who will be employed by New Alberto-Culver will not be entitled to a full distribution due to the completion of the transactions.

The following table sets forth the number of unexercisable options to purchase Alberto-Culver common stock held by each director and executive officer of Alberto-Culver as of September 30, 2006, which will be converted into fully exercisable options to purchase either New Sally common stock or New Alberto-Culver common stock, if the transactions were to be completed on September 30, 2006, together with the weighted-average exercise price of such options. The options to purchase Alberto-Culver common stock will be converted in connection with the transactions into options to purchase New Sally common stock and, in the case of New Alberto-Culver employees and directors, will be further converted into options to purchase New Alberto-Culver common stock, and the number of shares subject to such options and the per share exercise price of such options will be adjusted in connection with the transactions. The number of such options are set forth in the table below. Each director and executive officer of Alberto-Culver may hold additional stock options that are already exercisable. Such stock options are not reflected in the table below.

STOCK OPTIONS SUBJECT TO ACCELERATION

Director or Executive Officer	Number of Stock Options to Become Exercisable	Weighted Average Exercise Price
A.G. Atwater, Jr.	9,376	$ 45.58
Carol L. Bernick	141,750	$ 42.82
Howard B. Bernick	276,250	$ 43.33
John R. Berschied, Jr.	23,063	$ 43.31
James G. Brocksmith, Jr.	11,251	$ 43.06
William J. Cernugel	34,688	$ 43.35
Jim Edgar	11,251	$ 43.06
King Harris	9,376	$ 45.58
Leonard H. Lavin		$
V. James Marino	67,250	$ 43.62
John A. Miller	9,376	$ 45.58
Michael H. Renzulli	100,750	$ 43.08
Robert H. Rock	9,376	$ 45.58
Gary P. Schmidt	29,900	$ 43.36
Sam J. Susser	9,376	$ 45.58
Gary G. Winterhalter	67,300	$ 43.48
William W. Wirtz	9,376	$ 45.58
Total	**819,709**	**$ 43.40**

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The following table sets forth the number of shares of restricted stock held by executive officers of Alberto-Culver the vesting of which will accelerate in connection with the transactions, if the transactions were to be completed on September 30, 2006. No shares of restricted stock have been granted to directors in their capacity as such.

RESTRICTED STOCK SUBJECT TO ACCELERATION

Executive Officer	Number of Shares to Vest
Carol L. Bernick	
Howard B. Bernick	
John R. Berschied, Jr.	
William J. Cernugel	
V. James Marino	1,500
Michael H. Renzulli	
Gary P. Schmidt	
Gary G. Winterhalter	1,500
Total	**3,000**

The following chart sets forth the number of outstanding performance units under the Alberto-Culver 1994 Shareholder Value Incentive Plan, which we refer to as the Alberto-Culver SVIP. If the total shareholder return of Alberto-Culver common stock were to rank at the 40th percentile or higher compared to the total shareholder return of companies comprising the S&P 500 for performance through the date of completion of the transaction, outstanding performance units could have a payout as low as $250 per performance unit (starting at the 40th percentile) and as high as $2,000 per performance unit (at the 80th percentile or higher), prorated for the number of years outstanding over three. All performance units were granted on October 1st of the applicable fiscal year. Under the Alberto-Culver SVIP, if the transactions were to close as of September 30, 2006, participants would be entitled to 1/3 of the payout for the fiscal 2006 grants and 2/3 of the payout for the fiscal 2005 grants. No payout will be made with respect to fiscal 2004 grants because Alberto-Culver s total shareholder return ranked below the 40th percentile.

SHAREHOLDER VALUE INCENTIVE PLAN PERFORMANCE UNITS

Executive Officer	Fiscal 2006 Grant	Fiscal 2005 Grant
Carol L. Bernick	325	325
Howard B. Bernick	775	775
John R. Berschied, Jr.	65	65
William J. Cernugel	115	115
V. James Marino	250	200
Michael H. Renzulli	250	400
Gary P. Schmidt	90	90
Gary G. Winterhalter	250	200
Total	**2,120**	**2,170**

Severance Agreement Amendments. Alberto-Culver has entered into amendments to the severance agreements of Mrs. Bernick, John R. Berschied, Jr., the Group Vice President, Global Research and Development of Alberto-Culver, William J. Cernugel, the Senior Vice President and Chief Financial Officer of Alberto-Culver, Mr. Marino and Gary P. Schmidt, the Senior Vice President, General Counsel and Secretary of Alberto-Culver. Under each of these severance agreement amendments, the executive acknowledges that the transactions under the investment agreement and other transaction agreements are not a change in control for

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purposes of his or her severance agreement. The amendments to the agreements with Messrs. Cernugel, Berschied, Marino and Schmidt also provide that if during the period from June 19, 2006 to the date two years after completion of the transactions, the executive is terminated by Alberto-Culver without cause or leaves the employment of Alberto-Culver for good reason, the executive will be entitled to the following:

- a lump sum payment equal to two times the executive s annual base salary with Alberto-Culver in effect at the date of termination (except for Mr. Berschied who would receive 1.5 times);
- a lump sum payment equal to two times the average of the dollar amount of the executive s actual or annualized annual bonus paid or payable by Alberto-Culver in respect of the five fiscal years immediately preceding the fiscal year in which the date of termination occurs (except for Mr. Berschied, who would receive 1.5 times);
- continued health care benefits, at the rate paid by the executive while actively employed, for a period beginning on the date of termination and ending on the earlier of 18 months after the date of termination and the date on which the executive becomes entitled to receive similar benefits from a subsequent employer; and
- outplacement services to the extent such services do not exceed $12,000 and are not provided for more than one year following the executive s termination.

Under the severance agreements, cause is defined as either of the following:

- a material breach by the executive of the duties and responsibilities of the executive which do not differ in any material respect from the duties and responsibilities of the executive, as in effect prior to execution of the severance agreement amendments, which is demonstrably willful and deliberate and which is committed in bad faith or without reasonable belief that such breach is in the best interests of Alberto-Culver and which is not remedied in a reasonable period of time after receipt of written notice from Alberto-Culver; or
- the commission by the executive of a felony involving moral turpitude;

and, good reason means the occurrence of any of the following, without the consent of the executive, during the period beginning on the date of the severance agreement amendment and ending on the second anniversary after completion of the transactions unless such circumstances are corrected within the 15-day period following delivery to Alberto-Culver of such executive s notice of intention to terminate his employment for good reason :

- certain material adverse changes in the executive s duties, responsibilities or status;
- changes in the executive s reporting responsibilities, titles or offices;
- a reduction in the executive s annual base salary, or the failure by Alberto-Culver to increase the base salary by an amount which at least equals, on a percentage basis, the average percentage increase in the base salary for the executive during the two full fiscal years of Alberto-Culver immediately preceding completion of the transactions;
- any requirement that the executive be transferred to another facility or a substantial increase in his travel obligations;

the failure of Alberto-Culver to continue in effect any employee benefit plan or compensation plan covering the executive, unless the executive is permitted to participate in other comparable plans, or the taking of any action by Alberto-Culver which would adversely affect the executive s participation in or materially reduce the executive s benefits under any such plan;

the failure of Alberto-Culver to (i) provide fringe benefits, (ii) provide welfare benefits, (iii) provide paid vacation or (iv) reimburse the executive promptly for all reasonable employment expenses, in accordance with, in each case, the most favorable plans, practices, programs and policies of Alberto-

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- Culver and its affiliates in effect for the executive immediately prior to the change in control or, if more favorable to the executive, as in effect generally at any time after the completion of the transactions with respect to other peer executives of Alberto-Culver and its affiliates; or

- the failure of Alberto-Culver to provide an equivalent office and secretarial assistance.

The severance agreement amendments will terminate if the investment agreement and other transaction documents are terminated prior to completion of the transactions that they contemplate. As of September 30, 2006, if their employment were terminated by Alberto-Culver without cause or by them with good reason, Mrs. Bernick would not be entitled to a payment, Mr. Berschied would be entitled to a payment of $895,800, Mr. Cernugel would be entitled to a payment of $1,478,000, Mr. Marino would be entitled to a payment of $1,987,600 and Mr. Schmidt would be entitled to a payment of $1,192,000.

In addition, Alberto-Culver entered into similar amendments with certain other officers of Alberto-Culver, which provide that, if during the period from June 19, 2006 to the date two years after completion of the transactions, the executive is terminated by Alberto-Culver without cause or leaves the employment of Alberto-Culver for good reason, the officer will be entitled to specified severance benefits described therein, in exchange for the officer s acknowledgement that the transactions under the investment agreement and other transaction agreements are not a change in control for purposes of their severance agreements. The terms cause and good reason are the same under these agreements as described above for Mrs. Bernick and Messrs. Berschied, Cernugel, Marino and Schmidt.

The foregoing descriptions of the severance agreements and the severance agreement amendments of Mrs. Bernick and Messrs. Berschied, Cernugel, Marino and Schmidt and the other officers are subject to, and qualified in their entirety by reference to, the complete text of the amendments. The severance agreement amendments of Mrs. Bernick, and Messrs. Berschied, Cernugel, Marino and Schmidt and the form of severance agreement amendment for the other officers are attached as exhibits to the Registration Statement of which this proxy statement/prospectus-information statement is a part and are incorporated herein by reference.

Termination Agreements. In connection with the transactions described above, on June 18, 2006, (i) Alberto-Culver entered into a termination agreement with Mr. Bernick and (ii) Alberto-Culver and Sally Holdings entered into a termination and consulting agreement with Mr. Renzulli. The description of these agreements below is subject to, and qualified by reference to, the agreements filed herewith and incorporated herein by reference.

The termination agreement with Mr. Bernick provides that at the time of the distributions, Mr. Bernick will cease being Chief Executive Officer and a director of Alberto-Culver (and, if the time of the distributions occurs after December 31, 2006, will cease being an employee of Alberto-Culver). The termination agreement also provides that Mr. Bernick acknowledges that the transactions under the investment agreement and other transaction agreements are not a change in control for purposes of his severance agreement and that his severance agreement will terminate immediately prior to the time of the distributions. Following the time of the distributions, Mr. Bernick will receive pursuant to the termination agreement,

- a lump sum payment of $6,723,200 in respect of his waiver of his severance agreement; and

- a lump sum payment of $2,660,000 as a retirement bonus.

The termination agreement also provides that Alberto-Culver will:

- for 36 months after the time of the distributions, continue to provide Mr. Bernick with certain medical benefits (and thereafter permit Mr. Bernick to continue for his lifetime certain medical benefits with Alberto-Culver at his cost);

- reimburse Mr. Bernick for up to $25,000 of legal fees and expenses incurred in connection with the negotiation and execution of his termination agreement.

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Finally, the termination agreement provides that if the time of the distributions occurs prior to December 31, 2006, Mr. Bernick will

- remain an employee of Alberto-Culver until such date, with salary and bonus opportunities consistent to those in place for him prior to the time of the distributions and other benefits; and

- receive, following December 31, 2006, a payment equal to any additional amounts that would have been allocated to his account under Alberto-Culver s Executive Deferred Compensation Plan had he remained an employee through January 31, 2007.

The termination and consulting agreement with Mr. Renzulli provides that at the time of the distributions, Mr. Renzulli s employment with Alberto-Culver will terminate. The termination agreement also provides that Mr. Renzulli acknowledges that the transactions under the investment agreement and other transaction agreements are not a Change in Control for purposes of his severance agreement and that his severance agreement will terminate immediately prior to the time of the distributions. Following the time of the distributions, Mr. Renzulli will receive pursuant to the termination and consulting agreement:

- from Sally Holdings a lump sum payment of $3,641,034 in respect of his waiver of his severance agreement; and

- from Alberto-Culver a lump sum payment approximately equal to the amount he would have received in salary, bonus and additional contributions to the Alberto-Culver Executive Deferred Compensation Plan had he remained employed through January 31, 2007.

The termination and consulting agreement also provides that for 36 months after the time of the distributions, Sally Holdings will continue to provide Mr. Renzulli with certain medical benefits (and thereafter permit Mr. Renzulli to continue for his lifetime certain medical benefits with Sally Holdings at his cost). Finally, the termination and consulting agreement provides that Mr. Renzulli will, for a period of three years following the time of the distributions, be available to provide consulting services to the executive management of Sally Holdings and its affiliates for up to a total of 20 days per calendar year. Sally Holdings shall pay Mr. Renzulli $500,000 per year for providing these services.

In addition, Alberto-Culver and Sally Holdings entered into a termination agreement with Mr. Winterhalter, President of Sally Holdings. The termination agreement with Mr. Winterhalter acknowledges that the transactions under the investment agreement and other transaction agreements are not a change in control for purposes of his severance agreement. In consideration for Mr. Winterhalter entering into the agreement, he will be entitled to specified benefits if between June 19, 2006 and the second anniversary of the transactions his employment is terminated by Sally Holdings without cause or by Mr. Winterhalter for good reason . In the event of an eligible termination, Sally Holdings will:

- pay to Mr. Winterhalter a lump sum payment equal to two times his current salary plus two times the average dollar amount of his actual or annualized annual bonus, paid or payable, to Mr. Winterhalter in respect of the five fiscal years of Alberto-Culver or Sally Holdings immediately preceding the fiscal year in which the date of termination occurs provided that the multiple will be increased to 2.99 times these amounts if the termination occurs after the effective time of the distributions, which payments as of September 30, 2006, would be an amount equal to $2,096,000 and $3,133,520, respectively;

- for 18 months subsequent to the termination of employment, continue to provide Mr. Winterhalter with specified medical benefits, subject to specified conditions; and

- provide outplacement services to the extent such services do not exceed $12,000 and are not provided more than one year following the termination of his employment.

Under Mr. Winterhalter s termination agreement, cause is defined as either of the following:

a material breach of his duties and responsibilities which do not differ in any material respect from duties and responsibilities in effect prior to the date of the agreement, which is demonstrably willful and

deliberate and which is committed in bad faith or without reasonable belief that such breach is in the best interests of Alberto-Culver or Sally Holdings, and which is not remedied in a reasonable period of time after receipt of written notice specifying such breach; or

the commission by the executive of a felony involving moral turpitude.

and good reason means the occurrence of any of the following, without Mr. Winterhalter s consent, during the period beginning on the date of the termination agreement and ending on the second anniversary of completion of the transactions unless such circumstances are corrected within the 15-day period following delivery to Sally Holdings and its parent company of Mr. Winterhalter s notice of intention to terminate his employment for good reason :

certain material adverse changes in Mr. Winterhalter s duties, responsibilities, positions or status;

a change in Mr. Winterhalter s reporting responsibilities;

a reduction in Mr. Winterhalter s annual base salary;

any requirement that Mr. Winterhalter relocate by more than 20 miles; or

the failure of Sally Holdings or its affiliates to (i) provide welfare benefits, (ii) provide fringe benefits, (iii) provide paid vacation or (iv) reimburse Mr. Winterhalter promptly for all reasonable employment expenses incurred by him, in accordance with, in each case, the plans, practices, programs and policies as in effect generally at any time with respect to other peer executives of Sally Holdings.

In addition, under Mr. Winterhalter s termination agreement, Sally Holdings and New Sally are obligated to enter into a new severance agreement with Mr. Winterhalter upon completion of the transactions which provides for certain severance benefits if within two years after a change in control of New Sally, he is terminated by New Sally without cause or terminates his employment for good reason. Upon such termination, Mr. Winterhalter would be entitled (subject to reduction to the extent necessary to avoid imposition of the Internal Revenue Code Section 4999 golden parachute excise tax) to:

accrued base salary and a prorated annual bonus through the date of termination, and any compensation previously deferred;

a lump sum payment equal to 2.99 times Mr. Winterhalter s current salary plus 2.99 times the average dollar amount of his actual or annualized annual bonus, paid or payable, to Mr. Winterhalter in respect of the five fiscal years of Alberto-Culver or Sally Holdings immediately preceding the fiscal year in which the date of termination occurs, which payment as of September 30, 2006 would be an amount equal to $3,133,520; and

continued coverage under all medical, accident, disability and life insurance plans for a period of 24 months, with the same level of coverage as is in effect prior to the date of termination or as is in effect for other peer executives, and with the same cost allocation between Mr. Winterhalter and Sally Holdings as in effect prior to the date of termination.

In addition, Alberto-Culver entered into similar termination agreements with certain other officers of Sally Holdings and its subsidiaries, which provide that if, during the period from June 19, 2006 to the date two years after completion of the transactions, the executive is terminated without cause or the executive terminates his employment for good reason, the executive will be entitled to specified severance benefits described therein, in exchange for the officer s acknowledgement that the transactions under the investment agreement and other transaction agreements are not a change in control for purposes of their severance agreements. Under these agreements, good reason is limited to a reduction in base salary or a relocation of principal office location by more than 20 miles and cause is as defined in Mr. Winterhalter s agreement. These termination agreements also obligate New Sally to enter into new severance agreements with these officers that would provide benefits on a

future change in control of New Sally. The severance agreements are similar to the severance agreement described above for Mr. Winterhalter, except that the severance amounts range from 1.49 to 2.49 times each

officer s current salary and average annual bonus over the last five years and the benefit plan coverage continues for a period of 24 months, depending on the officer.

The foregoing descriptions of the termination agreements with Messrs. Bernick, Renzulli and Winterhalter are subject to, and qualified in their entirety by reference to, the complete text of the agreements. The termination agreements with Messrs. Renzulli, Bernick, and Winterhalter as well as the form of termination agreements described above are attached as exhibits to the Registration Statement of which this proxy statement/prospectus-information statement is a part and are incorporated herein by reference.

Each of the termination agreements (including Mr. Renzulli s termination and consulting agreement) described above will terminate if the investment agreement and other transaction documents are terminated prior to completion of the transactions that they contemplate.

Key Executive Deferred Compensation Agreements

Alberto-Culver is a party to key executive deferred compensation agreements with Messrs. Bernick, Cernugel and Renzulli and Mrs. Bernick. As described above, Messrs. Bernick and Renzulli will be retiring in accordance with the terms of their respective termination agreements. Upon retirement, Mr. Bernick will receive $300,000 per year for 15 years and Mr. Renzulli will receive $150,000 per year for 15 years under the terms of their key executive deferred compensation agreements.

Interests of Certain Alberto-Culver Stockholders

In considering the recommendation of the Alberto-Culver board of directors to approve the transactions contemplated by the investment agreement, Alberto-Culver stockholders should be aware that the Lavin family stockholders have interests in the transactions that differ from, or are in addition to, the interests of Alberto-Culver stockholders generally. These interests are summarized below.

Stockholders Agreement. The stockholders agreement among New Sally, Investor, the Fund and the Lavin family stockholders is to be entered prior to the closing date. The stockholders agreement will provide for, among other things, two demand registration rights that will permit the Lavin family stockholders to sell their shares of New Sally in registered public offerings.

Payment of Certain Expenses. In addition, Alberto-Culver agreed to reimburse the Lavin family stockholders for up to $100,000 of specified expenses and fees incurred by the Lavin family stockholders in connection with the transactions.

See Additional Agreements Relating to the Transactions Stockholders Agreement beginning on page 133.

Federal Securities Law Consequences; Resale Restrictions

New Sally and New Alberto-Culver common stock issued in the transactions will not be subject to any restrictions on transfer arising under the Securities Act of 1933, except for shares issued to any Alberto-Culver stockholder who may be deemed to be an affiliate of Alberto-Culver for purposes of Rule 145 under the Securities Act. It is expected that each affiliate will enter into an agreement with New Sally not to transfer any New Sally common stock received pursuant to the transactions except in compliance with the resale provisions of Rule 145 under the Securities Act or as otherwise permitted under the Securities Act. The investment agreement requires Alberto-Culver to use its reasonable best efforts to cause its affiliates to enter into these agreements.

New York Stock Exchange Trading

Alberto-Culver common stock, which currently trades on the New York Stock Exchange under the symbol ACV, will cease trading on the New York Stock Exchange as of the closing date.

New Alberto-Culver intends to apply to have its common stock authorized for listing on the New York Stock Exchange under the symbol ACV and New Sally intends to apply to have its common stock authorized for listing on the New York Stock Exchange under the symbol SBH. It is expected that New Alberto-Culver s common stock and New Sally s common stock would begin trading on the day following the closing date. In addition, a when-issued trading market for New Alberto-Culver common stock and New Sally common stock may develop following the effectiveness of the registration statements registering the shares of New Alberto-Culver common stock and New Sally common stock under the Exchange Act. We refer to that date as the Exchange Act registration statements date.

When-issued trading refers to conditional purchase or sale transactions with respect to a security that has been authorized but is not yet issued and available. The when-issued trading market would be a market that develops prior to the completion of the transactions. If when-issued markets develop, we understand that the shares of New Alberto-Culver common stock and New Sally common stock would trade without the value of the $25.00 per share special cash dividend. If when-issued markets develop, we expect that any when-issued trades of New Alberto-Culver common stock and New Sally common stock would settle within four trading days after the closing date. On the first trading day following the closing date, any when-issued trading with respect to New Alberto-Culver common stock and New Sally common stock will end and regular way trading will begin. If the transactions do not close, all when-issued trading would be null and void.

No Dissent or Appraisal Rights

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

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 following discusses the 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 discussion which follows is based on the Internal Revenue Code, Treasury regulations promulgated under the Internal Revenue Code, and judicial and administrative interpretations thereof, all as in effect as of the date of this proxy statement/prospectus information statement, all of which are subject to change at any time, possibly with retroactive effect. The discussion assumes that the holding company merger, the special cash dividend, the New Alberto-Culver share distribution and related transactions will be consummated in accordance with the separation agreement and the investment agreement and as further described in this proxy statement/prospectus information statement. This is not a complete description of all of the consequences of the holding company merger, the special cash dividend, the New Alberto-Culver share distribution or related transactions and, in particular, may not address U.S. federal income tax considerations applicable to Alberto-Culver stockholders subject to special treatment under U.S. federal income tax law. Stockholders subject to special treatment include, for example, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, partnerships and other pass-through entities, and holders who hold Alberto-Culver common stock as part of a hedge, straddle, conversion or constructive sale transaction. For purposes of this proxy statement/prospectus information statement, a U.S. holder means a stockholder of Alberto-Culver, New Alberto-Culver or New Sally, as the case may be, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that for U.S. federal income tax purposes is

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) was in existence on August 20, 1996 and has properly elected under applicable United States Treasury Regulations to be treated as a United States person.

A non-U.S. holder means a stockholder of Alberto-Culver, New Alberto-Culver or New Sally, as the case may be, other than a U.S. holder or a partnership. In addition, except where specifically indicated, this discussion does not address the U.S. federal income tax consequences to Alberto-Culver stockholders who are not U.S. holders or who do not hold Alberto-Culver common stock, New Alberto-Culver common stock or New Sally common stock as a capital asset. No information is provided in this proxy statement/prospectus information statement with respect to the tax consequences of the holding company merger, the special cash dividend, the New Alberto-Culver share distribution or related transactions under applicable foreign or state or local laws.

Alberto-Culver stockholders are urged to consult with their tax advisors regarding the tax consequences of the holding company merger, the special cash dividend, the New Alberto-Culver share distribution and related transactions to them, as applicable, including the effects of U.S. federal, state, local, foreign and other tax laws.

The Holding Company Merger

The completion of the transactions is conditioned upon the receipt by Alberto-Culver and New Sally of an opinion of Sidley Austin LLP, counsel to Alberto-Culver (or another law firm of national standing), to the effect that the holding company merger and the Alberto-Culver LLC conversion, taken together, will constitute a

reorganization under Section 368(a)(1)(F) of the Internal Revenue Code. None of Alberto-Culver, Sally Holdings or New Sally intends to waive this condition. New Sally and Alberto-Culver have requested a private letter ruling from the Internal Revenue Service to similar effect.

Assuming the receipt and continued validity of the private letter ruling from the Internal Revenue Service in the form requested from the Internal Revenue Service, Sidley Austin LLP, counsel to Alberto-Culver, is of the opinion that the material U.S. federal income tax consequences of the holding company merger and Alberto-Culver LLC conversion will be as follows:

- no gain or loss will be recognized by an Alberto-Culver stockholder solely as the result of the receipt of New Sally common stock in the holding company merger;

- the aggregate tax basis of the New Sally common stock that an Alberto-Culver stockholder receives in the holding company merger will be the same as the aggregate tax basis of the shares of Alberto-Culver common stock converted into shares of New Sally common stock;

- the holding period of the New Sally common stock received by an Alberto-Culver stockholder in the holding company merger will include the holding period of the stockholder s Alberto-Culver common stock, provided that the Alberto-Culver common stock is held as a capital asset on the date of the holding company merger; and

- none of Alberto-Culver, Merger Sub, or New Sally will recognize any gain or loss as the result of the holding company merger and Alberto-Culver LLC conversion.

In addition, Sidley Austin LLP, counsel to Alberto-Culver is of the opinion that the distribution by Alberto-Culver LLC of the equity interests of Sally Holdings to New Sally will be disregarded (and therefore tax free) for U.S. federal income tax purposes.

The opinion described above is based, in part, on assumptions and representations that have been received from Alberto-Culver and New Sally, including those contained in the investment agreement and in certificates of officers of Alberto-Culver and New Sally, each of which must be accurate as of the effective time of the holding company merger. If any of those assumptions or representations is inaccurate as of the effective time of the holding company merger, the tax consequences of the holding company merger could differ materially from those described in this proxy statement/prospectus information statement.

Opinions of counsel neither bind the Internal Revenue Service or any court, nor preclude the Internal Revenue Service from adopting a contrary position. No assurance can be given that the Internal Revenue Service will not take, or that a court will not sustain, a position contrary to any of the U.S. federal income tax consequences of the holding company merger set forth above.

The Special Cash Dividend

Immediately prior to the New Alberto-Culver share distribution, New Sally will pay a $25.00 per share special cash dividend to holders of record of New Sally common stock. Alberto-Culver is requesting a ruling from the Internal Revenue Service to the effect that such dividend will constitute a distribution taxable under Sections 301 and 356(b) of the Internal Revenue Code. Completion of the transactions is not conditioned on receipt of such a ruling, and it is possible that the Internal Revenue Service may decline to so rule. The remainder of this discussion assumes that the special cash dividend constitutes a distribution taxable under Sections 301 and 356(b) of the Internal Revenue Code.

Based on this assumption, the special cash dividend will be

- taxable as a dividend to holders of New Sally common stock at the time the special cash dividend is actually or constructively received to the extent of New Sally s current and accumulated earnings and profits as determined for U.S. federal income tax purposes;

thereafter, a tax-free return of capital that reduces a stockholder s tax basis in its New Sally common stock to the extent of such tax basis; and

thereafter, taxable as a capital gain from the sale or exchange of the New Sally common stock.

Because 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), 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. See Risk Factors Risks Relating to the Transactions beginning on page 27.

Further, 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 as described above, and such basis will be allocated among a stockholder s New Sally common stock and the New Alberto-Culver common stock received in the Alberto-Culver share distribution as described below. 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 which the special cash dividend is paid are determined. However, it is currently expected that this determination may not be made until calender 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 in 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 calender 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.

An individual U.S. holder of New Sally common stock will be eligible for a reduced rate of U.S. federal income taxation (not exceeding 15%) on the portion of the special cash dividend taxable as a dividend as described above, provided that

- such U.S. holder has held his or her shares of Alberto-Culver common stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date;

- such U.S. holder is not obligated to make related payments with respect to substantially similar or related property (e.g., pursuant to a short sale of such stock); and

- certain other conditions are met.

Payments received in lieu of the special cash dividend from stock lending transactions will not be eligible for the reduced rate.

Any amount taxable as a dividend under the foregoing rules is expected to constitute an extraordinary dividend under the Internal Revenue Code. As a result, 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 treated as a long-term capital loss (even if it would be otherwise considered short-term under the general rules).

A corporate U.S. holder of New Sally common stock may be eligible for the 70% dividends received deduction with respect to the special cash dividend. Corporate U.S. holders are urged to consult their own tax advisors regarding the limitations on the availability of the dividends received deduction, including the holding period rules of Section 246 of the Internal Revenue Code and the rules of Section 246A of the Internal Revenue Code regarding debt-financed portfolio stock. In addition, corporate U.S. holders who have held their shares for two years or less prior to the date on which New Sally first announced the special cash dividend (which may be as early as June 19, 2006 for these purposes) are urged to consult their own tax advisors about the possible application of the extraordinary dividend rules of Section 1059 of the Internal Revenue Code and special elections that may be available in connection therewith.

In the case of a non-U.S. holder, the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will generally be subject to U.S. federal income tax at a rate of 30%, or a lower rate specified in any applicable income tax treaty. The amount of the special cash dividend not constituting a dividend generally will not be subject to U.S. federal income tax unless such amount is in excess of a non-U.S. holder s tax basis and is effectively connected with the non-U.S. holder s conduct of a trade or business within the United States or the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the special dividend and certain other conditions are met.

The 30% income tax referenced above is generally collected by way of withholding. Because the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will not be known at the time the special cash dividend is paid it is expected that New Sally or another U.S. withholding agent will withhold 30% from the gross amount of the special cash dividend paid to any non-U.S. holder, or such lower amount as is specified in an applicable income tax treaty. As a result, non-U.S. holders can expect that amounts withheld will exceed the taxes for which they are ultimately responsible. Non-U.S. holders may generally obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service. As noted above, however, the amount of the special cash dividend constituting a dividend may not be known until calendar year 2008, after New Sally s federal income tax return for its fiscal year ended September 30, 2007 is completed. Thus, non-U.S. holders may face significant delays in recovering any excess withheld amounts.

If the special cash dividend is effectively connected with a non-U.S. holder s trade or business conducted within the United States (or, if certain tax treaties apply, is attributable to a permanent establishment maintained in the United States), the non-U.S. holder will not be subject to the 30% withholding tax, but instead will be subject to U.S. federal income tax on a net income basis at the applicable graduated individual or corporate income tax rates. Special certification and disclosure requirements must be satisfied in order for effectively connected income to be exempt from withholding. In the case of a non-U.S. holder that is a corporation, any such effectively connected income may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Non-U.S. holders who wish to claim the benefit of an applicable treaty rate for the special cash dividend must provide the withholding agent with a properly executed Internal Revenue Service Form W-8BEN, claiming an exemption from or reduction in withholding under the applicable income tax treaty. In the case of New Sally common stock held by a foreign intermediary (other than a qualified intermediary), the intermediary generally must provide an Internal Revenue Service Form W-8IMY and attach thereto an appropriate certification by each beneficial owner for which it is receiving the special cash dividend.

The New Alberto-Culver Share Distribution

The completion of the transactions is conditioned upon the receipt of a private letter ruling from the Internal Revenue Service and an opinion from Sidley Austin LLP, counsel to Alberto-Culver (or another law firm of national standing), to the effect that, on the basis of (i) the facts, representations and assumptions set forth in the written request for the ruling or the opinion, respectively, in each case consistent with the state of facts existing at the effective time of the New Alberto-Culver share distribution and (ii) certain additional factual representations made by, among others, Investor, Alberto-Culver, New Sally and the Lavin family stockholders, as requested by the Internal Revenue Service or counsel, as the case may be, 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. None of Alberto-Culver or New Sally intends to waive these conditions.

Assuming (i) the receipt and continued validity of the private letter ruling from the Internal Revenue Service in the form requested from the Internal Revenue Service and (ii) that the distribution of the New Alberto-Culver common stock to New Sally stockholders in connection with the New Alberto-Culver share distribution is not otherwise disqualified as tax-free (see Effect of Certain Acquisitions of the Stock of New Alberto-Culver or New Sally), Sidley Austin LLP, counsel to Alberto-Culver, is of the opinion that the material U.S. federal income tax consequences of the Alberto-Culver contribution and New Alberto-Culver share distribution will be as follows:

- no gain or loss will be recognized by New Alberto-Culver or New Sally in the Alberto-Culver contribution;

- no gain or loss will be recognized by and no amount will be included in the income of the New Sally stockholders upon the receipt of the New Alberto-Culver common stock;

- no gain or loss will be recognized by New Alberto-Culver or New Sally on the distribution of all of the New Alberto-Culver common stock to the New Sally stockholders;

- the aggregate tax basis of the New Alberto-Culver common stock and New Sally common stock in the hands of the New Sally stockholders will be the same as the aggregate tax basis of the New Sally common stock held by such holders immediately before the New Alberto-Culver share distribution (as adjusted to take into account the special cash dividend) allocated in proportion to the fair market value of each (if a New Sally stockholder that purchased or acquired shares of New Sally common stock on different dates or at different prices is not able to identify which particular share of New Alberto-Culver common stock is received with respect to a particular share of New Sally common stock, the stockholder may designate which share of New Alberto-Culver common stock is received with respect

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to a particular share of New Sally common stock, provided the terms of the designation are consistent with the terms of the New Alberto-Culver share distribution); and

assuming that the shares of New Sally common stock held by the New Sally stockholders are capital assets in the hands of such stockholders, the holding period of the New Alberto-Culver common stock received by the New Sally stockholders will include their holding period for the New Sally common stock (*i.e.*, their holding period for the Alberto-Culver common stock from which their shares of New Sally common stock were converted in the holding company merger).

As described above, the private letter ruling and the opinion described above are or will be based, in part, on assumptions and representations as to factual matters that have been or will be received from, among others, Investor, New Alberto-Culver, New Sally and the Lavin Family stockholders, as requested by the Internal Revenue Service or counsel. If any of those assumptions or representations is inaccurate as of the effective time of the New Alberto-Culver share distribution, the tax consequences of the New Alberto-Culver share distribution could differ materially from those described above. 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 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 dividend in an amount equal to the fair market value of the New Alberto-Culver common stock received to the extent of the earnings and profits of New Sally.

Effect of Certain Acquisitions of the Stock of New Alberto-Culver or New Sally

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 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 these rules, 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.

Effect of Certain Lavin Family Stockholders or Investor s Actions

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 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.

Subject to certain restrictions set forth in the support agreements, none of the Lavin family stockholders is contractually restricted from selling its shares of New Sally common stock or New Alberto-Culver common stock after completion of the New Alberto-Culver share distribution. However, the Lavin family stockholders will make written representations to Alberto-Culver s outside counsel in order for such counsel to deliver its opinion regarding the tax treatment of the transactions, which representations would need to state, as applicable, that with certain limited exceptions, as of the date of such representations the Lavin family stockholders had no intention to sell their shares of New Alberto-Culver common stock or New Sally common stock to be received by them as a result of completion of the holding company merger and New Alberto-Culver share distribution.

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. However, Investor is generally contractually restricted from effecting such transactions for the two-year period following the transactions.

Information Reporting and Backup Withholding

Current Treasury regulations require New Sally stockholders who own at least 5 percent of the total outstanding stock of New Sally and who receive New Alberto-Culver common stock pursuant to the New Alberto-Culver share distribution to attach to his, her or its federal income tax return for the year in which the New Alberto-Culver share distribution occurs, a detailed statement setting forth the data that may be appropriate in order to show the applicability of Section 355 of the Internal Revenue Code to the New Alberto-Culver share distribution. New Sally will provide the appropriate information to each such stockholder upon request.

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In addition, non-corporate holders of New Sally common stock may be subject to information reporting and backup withholding with respect to the special cash dividend. Any non-corporate holder of Sally Holdings common stock will not be subject to backup withholding, however, if the stockholder:

- furnishes a correct taxpayer identification number and certifies that the stockholder is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to the holder following completion of the holding company merger; or

- is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the stockholder s U.S. federal income tax liability, provided the stockholder furnishes the required information to the Internal Revenue Service.

The foregoing sets forth the 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 under current law. This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the holding company merger, the special cash dividend, the New Alberto-Culver share distribution and related transactions. Each Alberto-Culver stockholder is encouraged to consult his, her or its tax advisor as to the particular consequences of the holding company merger, the special cash dividend, the New Alberto-Culver share distribution and related transactions to the stockholder, including the application of state, local and foreign tax laws, and as to possible prospective or retroactive changes in tax law that may affect the tax consequences described above.

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THE INVESTMENT AGREEMENT

The following is a summary of the material terms and provisions of the investment agreement, as amended. All references to the investment agreement are to the investment agreement, as amended. The following summary is qualified in its entirety by reference to the complete text of the investment agreement. The full text of the investment agreement and its amendment are included in this proxy statement/prospectus information statement as Annexes A-1 and A-2, respectively, and are incorporated herein by reference. We encourage you to read the entire investment agreement.

The Internal Transactions

Upon the terms and subject to the conditions of the investment agreement, the parties will effect the transactions described below in the order set forth below.

The Holding Company Merger

Under the investment agreement and in accordance with the DGCL, 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. 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.

Exchange of Shares

In connection with the holding company merger, on or prior to the closing date, New Sally will deposit, or cause to be deposited, with the exchange agent, the shares of New Sally common stock to be issued and delivered in exchange for shares of Alberto-Culver common stock. New Sally will instruct the exchange agent to deliver to each holder of record of shares of Alberto-Culver common stock upon surrender of such shares to the exchange agent a certificate representing an equal number of shares of New Sally common stock into which such shares of Alberto-Culver common stock were converted in the holding company merger.

After the effective time of the holding company merger, there will be no transfers on the stock transfer books of Alberto-Culver of shares of Alberto-Culver common stock. Alberto-Culver and New Sally will instruct the exchange agent for the holding company merger not to permit any transfers of New Sally common stock from the effective time of the holding company merger up to and including the record date for the distributions. Accordingly, 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 a portion of the special cash dividend and shares of New Alberto-Culver in the New Alberto-Culver share distribution.

Treatment of Stock Options and Restricted Stock

Each option to purchase shares of Alberto-Culver common stock outstanding immediately prior to the effective time of the holding company merger will be converted in the holding company merger into an option to purchase shares of New Sally common stock. Each New Sally option will have the same terms and conditions as the corresponding Alberto-Culver option to which it relates and will continue to be subject to the same terms and conditions as the applicable Alberto-Culver option plan.

The employee matters agreement provides for (i) the conversion of Alberto-Culver options held by employees of the Sally Group and nonemployee directors of Alberto-Culver who will become directors of New Sally into fully exercisable New Sally options and the adjustment of such options to reflect the distributions and (ii) the conversion of Alberto-Culver options held by employees of the Alberto-Culver Group and Alberto-Culver (including Mr. Renzulli) and nonemployee directors (other than those who will become directors of New Sally) into New Alberto-Culver options that reflect the distributions.

Each outstanding share of restricted stock will become vested in full not later than the first business day after the record date for the distributions. All shares of Alberto-Culver restricted stock will be treated the same as all other outstanding shares of Alberto-Culver common stock in the holding company merger and the distributions.

Effective Time

The effective time of the holding company merger will be the time and date on which the parties will file a certificate of merger with the Secretary of State of the State of Delaware.

New Sally Certificate of Incorporation and By-laws

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.

Alberto-Culver LLC Conversion and Other LLC Conversions

Under the investment agreement and in accordance with the DLLCA, immediately following the effective time of the holding company merger, Alberto-Culver will convert from a Delaware corporation into a Delaware limited liability company. The amendment to the investment agreement provides that upon Investor s notice certain subsidiaries of New Sally will convert from Delaware corporations into Delaware limited liability companies. The effective time of the Alberto-Culver LLC conversion and the other conversions, if applicable, will be the time and date on which the certificate of conversion(s) and certificate(s) of formation are duly filed with the Secretary of State of the State of Delaware.

Sally Holdings Distribution

Under the investment agreement, immediately following the effective time of the Alberto-Culver LLC conversion and other conversions, if applicable, Alberto-Culver will distribute the outstanding shares of Sally Holdings capital stock to New Sally.

Alberto-Culver Contribution

Under the investment agreement, immediately following the completion of the Sally Holdings distribution, New Sally will contribute all of the outstanding membership interests of Alberto-Culver to New Alberto-Culver. Following these transactions, 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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Investment by Investor

Under the investment agreement, immediately following the Alberto-Culver contribution and contemporaneous with the debt financing, Investor will pay New Sally $575 million for shares of New Sally Class A common stock that 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, 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. 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.

Special Cash Dividend Amount

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. Based on 93,232,804 Alberto-Culver common shares outstanding as of the record date for the special meeting, New Sally would be required to pay Alberto-Culver approximately $18.2 million.

Covenants

Each party has undertaken certain covenants in the investment agreement concerning the transactions and the conduct of its business from the date of the investment agreement generally until the date of completion of the transactions or termination of the investment agreement. The following summarizes the more significant of these covenants:

No Solicitation of Acquisition Proposals; Recommendation of Alberto-Culver Board of Directors

No Solicitation of Acquisition Proposals. Alberto-Culver has agreed that it will not and will not permit any of its subsidiaries to, and it and its subsidiaries will not permit their respective officers, directors, employees, agents and representatives to, directly or indirectly:

- solicit, initiate or knowingly encourage any inquiries regarding, or the making of any proposal or offer which constitutes or that would reasonably be expected to lead to, any acquisition proposal, as described below;

- enter into any letter of intent, agreement in principle, investment agreement, acquisition agreement, option agreement or other agreement related to any acquisition proposal; or

- participate in any discussions or negotiations regarding, or take any other action knowingly to facilitate any inquiries or the making of any offer or proposal that constitutes, or that would reasonably be expected to lead to any acquisition proposal.

In addition, Alberto-Culver agreed that it and its subsidiaries would, and that it would direct its and its subsidiaries respective officers, directors, employees, representatives and agents to, cease and cause to be terminated any activities, discussions or negotiations being conducted on the date of the investment agreement with any persons with respect to any acquisition proposal. Alberto-Culver further agreed that it will notify Investor promptly (but no more than 48 hours later) if, to the knowledge of Alberto-Culver, any acquisition proposal is received by or any discussions or negotiations relating to an acquisition proposal are sought to be initiated or continued with, Alberto-Culver, its subsidiaries, or their officers, directors, employees, representatives or agents. The notice must indicate the name of the person making the acquisition proposal and the material terms and conditions of the acquisition proposal. Alberto-Culver, as a recipient of the acquisition proposal, must also keep Investor informed of the status of the discussions and negotiations. Alberto-Culver also agreed, subject to the fiduciary duties of its directors, to enforce any standstill agreements to which it or any of its subsidiaries is a party.

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However, if, at any time prior to obtaining the approval of the Alberto-Culver stockholders and without any breach of the non solicitation provisions, Alberto-Culver receives an unsolicited bona fide written acquisition proposal from a person that in the good faith judgment of the board of directors of Alberto-Culver constitutes or is reasonably likely to lead to a superior proposal, as described below, Alberto-Culver may furnish information (including non-public information) with respect to Alberto-Culver and it subsidiaries to the person making the acquisition proposal pursuant to a confidentiality agreement and may participate in negotiations with such person regarding the acquisition proposal.

Additionally, the provision described above does not restrict Alberto-Culver from complying with Rules 14d-9 or 14e-2 under the Exchange Act. However, compliance with such rules will not limit or modify the effect that any action taken pursuant to such rules has under the investment agreement.

Under the investment agreement the term acquisition proposal means any inquiry, proposal or offer from any person with respect to:

- a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Alberto-Culver or any of its subsidiaries that, if consummated, would result in any person beneficially owning securities representing 25% or more of the total voting power of Alberto-Culver then outstanding;

- any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of 20% or more of the consolidated assets (including stock of its subsidiaries) of Alberto-Culver and its subsidiaries, taken as a whole; or

- any direct or indirect purchase or sale of, or tender or exchange offer for, or similar transaction with respect to, the equity securities of Alberto-Culver that, if consummated, would result in any person beneficially owning securities representing 25% or more of the total voting power of Alberto-Culver (or of the surviving parent entity in such transaction) then outstanding.

Under the investment agreement the term superior proposal means an unsolicited, bona fide written proposal or offer described in the definition of acquisition proposal (except that for purposes of a superior proposal, references to 25% in the definition of acquisition proposal are deemed to be references to 50%) made by a person other than a party to the investment agreement that is on terms which the board of directors of Alberto-Culver in good faith concludes, after consultation with its outside legal counsel and financial advisors, taking into account, among other things, all legal, financial, regulatory and other aspects of the proposal and the person making the proposal, would, if consummated, result in a transaction more favorable to its stockholders than the transactions contemplated by the investment agreement and is reasonably likely to be completed.

Alberto-Culver Covenant to Recommend. Alberto-Culver has agreed that its board of directors will recommend the adoption of the investment agreement and the approval of the transactions contemplated by the investment agreement, including the holding company merger and the New Sally share issuance, to Alberto-Culver s stockholders and that except as described below neither such board of directors nor any committee thereof will:

- withdraw, modify or qualify its recommendation,

- approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, any acquisition proposal; or

- authorize or permit Alberto-Culver or any of its subsidiaries to enter into any acquisition agreement with respect to an acquisition proposal.

However, at any time prior to obtaining the approval of the Alberto-Culver stockholders, the Alberto-Culver board of directors may make a change in its recommendation if Alberto-Culver has complied with the no acquisition proposal solicitation provisions of the investment agreement and the Alberto-Culver board of

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directors, after consultation with outside legal counsel, determines in good faith, the making of the change in its recommendation is reasonably necessary to comply with the fiduciary duties of the Alberto-Culver board of directors to Alberto-Culver stockholders. Alberto-Culver agreed to verbally notify the President of Investor that a change in the Alberto-Culver recommendation has occurred no later than four hours after such change (which will be followed by written notice to Investor which written notice shall be delivered the same day that a change in the Alberto-Culver recommendation occurs). Investor agreed that no later than five business days after Investor receives such notice, Investor will provide written notice to Alberto-Culver as to whether it desires that the transactions (including the share issuance and the holding company merger) be submitted to the stockholders of Alberto-Culver.

New Sally Organizational Documents; Governance Matters

New Sally and Alberto-Culver agreed to take all actions necessary to cause, effective at the distributions time, the board of directors of New Sally to consist of twelve individuals in three staggered classes of four persons each with: (i) the President of Sally Holdings immediately prior to the closing date and five additional directors designated by Alberto-Culver prior to the closing date, at least four of whom qualify as independent directors under the rules of the New York Stock Exchange, or if the President of Sally Holdings is unable or unwilling to serve as a director of New Sally, such other individual selected by Alberto-Culver and reasonably acceptable to Investor and (ii) six directors designated by Investor prior to the closing date, at least three of whom qualify as independent directors under the rules of the New York Stock Exchange and one of whom will be appointed as Chairman of the New Sally board of directors, provided that if any of the individuals described above is unable to begin serving as a director of New Sally at the distributions time, the New Sally board of directors shall not include such individual until he is able to serve as a director, and provided further that if such individual is unable to serve as a director of New Sally at the distributions time, he shall have agreed to begin to serve within a reasonable period of time thereafter.

The investment agreement also provides that the President of Sally Holdings immediately prior to the closing date will be the President and Chief Executive Officer of New Sally at the distributions time and thereafter until duly changed in accordance with the organizational documents of New Sally and applicable law.

Covenants Relating to Conduct of Business

In general, except as required or expressly permitted or contemplated by agreements relating to the transactions, Alberto-Culver, New Sally and Sally Holdings are required to conduct their business in the ordinary course, to use reasonable best efforts to preserve their business organizations, to maintain their material rights, licenses and permits, to keep available the services of the current officers and other key employees and preserve their relationships with customers, franchises and others having business dealings with them with the intention that the ongoing businesses shall not be materially impaired. Each of Alberto-Culver and Sally Holdings has agreed to specific restrictions with respect to itself and its subsidiaries, subject to certain exceptions, including as required or expressly permitted or contemplated by agreements relating to the transactions, relating to the following:

- declaring or paying dividends in respect of its capital stock other than, in the case of Alberto-Culver, normal quarterly dividends;

- splitting, combining or reclassifying its capital stock;

- amending the terms or repurchasing, redeeming or otherwise acquiring its capital stock;

- issuing, delivering, selling, pledging, disposing of or otherwise encumbering any shares of its capital stock or its voting debt or any securities convertible into or exercisable or exchangeable for, or any right to acquire its capital stock or its voting debt;

- amending its certificate of incorporation, by-laws or other governing documents (other than pursuant to the investment agreement and other agreements related to the transactions);

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with respect to Sally Holdings:

- acquisitions of other entities or assets of other entities that are not wholly-owned subsidiaries of Sally Holdings in excess of specified amounts or disposing of material assets, other than the acquisition of assets that do not constitute business units in the ordinary course of business or otherwise permitted by the investment agreement;
- entering into any new material line of business or incurring any capital expenditures other than in the ordinary course of business consistent with past practice;
- the disposition of its material assets;
- making loans, advances, capital contributions to or investments in, any other person that is not a direct or indirect wholly-owned subsidiary of Sally Holdings or its parent;
- incurring debt, other than under existing agreements or in the ordinary course of business which is not in excess of specified amounts or with respect to certain intercompany loans or incurred in connection with the debt financing;
- compensation and benefit matters with respect to directors, officers, consultants and employees;
- changing its accounting methods, except as may be required by a governmental authority or changes in generally accepted accounting principles;
- entering into contracts that limit or restrict the ability to engage or compete in any line of business or in any geographic area other than the entry into franchise agreements in the ordinary course of business consistent with past practice;
- modifying, amending or terminating any material contract or waiving, releasing or assigning any material rights under any such material contract other than in the ordinary course of business consistent with past practice;
- settling any material litigation, investigation, arbitration, proceeding or other claim;
- entering into or amending certain types of agreements or arrangements with Alberto-Culver and its subsidiaries (other than Sally Holdings and its subsidiaries); and
- making any material tax elections, making a request for a material tax ruling or entering into a material closing agreement, settling or compromising any material tax liabilities or claims, filing any material amendments to any previously filed material tax returns or surrendering any right to claim any material amount or refund of any taxes.

Reasonable Best Efforts

The investment agreement provides that each party to the investment agreement, subject to specified limitations, will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing or

causing to be done, all things necessary, proper or advisable under the investment agreement and applicable laws to consummate the transactions as soon as reasonably practicable. However, nothing in this covenant requires Investor, Alberto-Culver or Sally Holdings or any of their subsidiaries to take any action or enter into any settlement or other agreement or binding arrangement that limits such person s freedom of action to sell, hold, separate or otherwise dispose of any business, product lines or assets of Alberto-Culver, Investor or any of their subsidiaries including the capital stock of any such subsidiary.

Private Letter Ruling; Tax-Free Reorganization Treatment

Alberto-Culver agreed to use its reasonable best efforts to obtain, as soon as practicable after the execution of the investment agreement, a private letter ruling from the Internal Revenue Service 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.

Alberto-Culver further agreed that neither it nor any of its subsidiaries will take (or cause to be taken) any action before the closing date, that:

- would result in any failure to obtain the private letter ruling above; or
- could reasonably be expected to prevent the transactions contemplated under the investment agreement from having the intended tax consequences described in the investment agreement.

Investor agreed that it will not, and will cause its affiliates not to, (i) acquire any shares of Alberto-Culver common stock prior to the completion of the transactions or (ii) acquire any shares of capital stock of New Sally or any of its subsidiaries until the second anniversary of the closing date, other than shares of New Sally Class A common stock acquired in the New Sally share issuance and other than shares acquired in transactions that comply with the provisions of the tax allocation agreement.

Alberto-Culver further agreed that it would cause to be prepared specified tax studies with respect to Sally Holdings. The parties agreed that New Sally or Sally Holdings, on the one hand, and Alberto-Culver, on the other hand, would each pay 50% of the costs of obtaining such studies, which 50% has been estimated to be approximately $123,000.

Employee Benefits Matters

For a period of at least 12 months after the effective time of the distributions, New Sally will or will cause Sally Holdings or its successor to provide employees of Sally Holdings and its subsidiaries with benefits that are substantially comparable, in the aggregate, to those provided under Alberto-Culver s or Sally Holdings employee benefit plans covering current and former employees of Sally Holdings immediately prior to the distributions (excluding any plan providing for equity-based compensation).

Non-Competition

For a period of 30 months following closing date, Alberto-Culver and its subsidiaries may not engage in any business of operating or franchising retail stores within the United States, Canada, Mexico, Puerto Rico, the United Kingdom, Ireland, Germany and/or Japan that sell beauty care products of Alberto-Culver or any third person, or distributing to salons and salon professionals within those territories professional beauty care products of any unaffiliated third person.

However, Alberto-Culver and its subsidiaries are not restricted from, among other things:

- owning less than 5% in the aggregate of any class of capital stock of a person engaged, directly or indirectly, in the restricted activities described above, provided that such stock is listed on a national securities exchange or the Nasdaq National Market;
- owning less than 15% in value of any instrument of indebtedness of a person engaged, directly or indirectly, in the restricted activities described above;
- acquiring control of any person or business that for the fiscal year immediately preceding the acquisition derived less than 10% of its revenues from the restricted activities described above;
- acquiring control of any person or business that for the fiscal year immediately preceding the acquisition derived more than 10% of its revenues but less than 35% of its revenues from the restricted activities described above, so long as it uses its reasonable best efforts to divest the operations as promptly as practicable and in any event within 12 months after the consummation of the acquisition of

control;

owning an interest acquired as a creditor in bankruptcy or otherwise than by a voluntary investment decision in a person or business that for the fiscal year immediately preceding the acquisition of the interest derived 10% or more of its revenues from the restricted activities described above, so long as Alberto-Culver or its subsidiary uses its reasonable best efforts to divest the interest as promptly as practicable and in any event within 12 months after the acquisition of the interest, subject to specified conditions;

operating up to ten retail stores that sell branded beauty care products;

selling or distributing their branded professional beauty care products directly or through distributors to salons and salon professionals;

selling or distributing professional beauty care products of any third person directly to salons and salon professionals within the restricted territories above if any member of Alberto-Culver and its subsidiaries (other than Sally Holdings and its subsidiaries) as of the date of the investment agreement sells and distributes the products and which sales will not exceed 2% of the consolidated net sales of Alberto-Culver in any fiscal year; or

operating a company store in any office, plant or warehouse owned or leased by Alberto-Culver or any of its subsidiaries.

Non-Solicitation; Non-Hire

For a period of 30 months following the closing date, Alberto-Culver will not solicit, employ or retain (or attempt to employ or retain) any employee of Sally Holdings or any of its subsidiaries that holds the position of officer or field supervisor or higher. Also New Sally agreed, for a period of 30 months following the closing date, it will not solicit, employ or retain (or attempt to employ or retain) any employee of Alberto-Culver and any of its subsidiaries that holds the position of officer or field supervisor or higher. The non-solicitation restrictions do not apply to recruiting efforts carried out through a general solicitation or through recruiting or employment agencies not directed to those employees.

Debt Financing

The investment agreement provides that:

Investor will use its reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt commitment letter, including drawing on the interim loan facility described under Anticipated Terms of Financing Debt Financing Interim Loan Facility ;

if any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt commitment letter, Investor will use its reasonable best efforts to arrange to obtain alternative financing from alternative sources as promptly as practicable following the occurrence of such event, on terms no less favorable (including cost of capital) than the terms described in the debt commitment letter in an amount sufficient (when taken together with the aggregate proceeds contemplated by the equity commitment letter and the portion, if any, of the debt financing that remains available under the debt commitment letter on the terms and conditions contemplated therein) to consummate the transactions; and

Alberto-Culver and its subsidiaries will use their reasonable best efforts to provide all timely cooperation reasonably requested by Investor in connection with the arrangement of the debt financing.

See Anticipated Terms of Financing beginning on page 136.

Surplus and Solvency Opinions

Alberto-Culver agreed to engage a valuation firm of national reputation that is reasonably acceptable to Investor and use its reasonable best efforts to obtain from the valuation firm:

- if Alberto-Culver requests, an opinion dated the date the board of directors (or similar body) of Alberto-Culver declares and effects the Sally Holdings distribution in form and substance reasonably satisfactory to the board of directors (or similar body) of Alberto-Culver and addressed to the members of the board of directors (or similar body) of Alberto-Culver as to the surplus (or similar concept under the DLLCA) of Alberto-Culver in connection with the declaration of the Sally Holdings distribution;

- an opinion dated the date the board of directors of New Sally declares the New Alberto-Culver share distribution and the special cash dividend and an opinion dated the date or dates on which the New Alberto-Culver share distribution and the special cash dividend are paid in form and substance reasonably satisfactory to the board of directors of New Sally and addressed to the members of the board of directors of New Sally as to the surplus of New Sally in connection with the declaration of the New Alberto-Culver share distribution and the special cash dividend;

- an opinion dated the date the board of directors (or similar body) of Sally Holdings declares and effects any cash dividends to New Sally that may be made in order for New Sally to pay the special cash dividend in form and substance reasonably satisfactory to the board of directors (or similar body) of Sally Holdings and addressed to the members of the board of directors (or similar body) of Sally Holdings as to the surplus (or similar concept under the DLLCA) of Sally Holdings in connection with the declaration of such dividends;

- an opinion dated the date the board of directors (or similar body) of Beauty Systems Group, Inc. declares and effects any cash dividends to Sally Holdings that may be made in order for New Sally to pay the special cash dividend in form and substance reasonably satisfactory to the board of directors (or similar body) of Beauty Systems Group, Inc. and addressed to the members of the board of directors (or similar body) of Beauty Systems Group, Inc. as to the surplus (or similar concept under the DLLCA) of Beauty Systems Group, Inc. in connection with the declaration of such dividends;

- an opinion dated the date the board of directors (or similar body) of Sally Beauty Company, Inc. declares and effects any cash dividends to Sally Holdings that may be made in order for Sally to pay the special cash dividend in form and substance reasonably satisfactory to the board of directors (or similar body) of Sally Beauty Company, Inc. and addressed to the members of the board of directors (or similar body) of Sally Beauty Company, Inc. as to the surplus (or similar concept under the DLLCA) of Sally Beauty Company, Inc. in connection with the declaration of such dividends; and

- an opinion dated the date the board of directors of New Sally declares the New Alberto-Culver share distribution and the special cash dividend and opinion dated the date or dates on which the New Alberto-Culver share distribution and the special cash dividend are paid in form and substance reasonably satisfactory to the board of directors of New Sally and addressed to the members of the board of directors of New Sally as to the solvency of New Sally and its subsidiaries immediately after giving effect to the transactions.

Stockholders Agreement

Prior to the closing, New Sally and Investor will take all necessary actions to execute and deliver to each other and to the Lavin family stockholders the stockholders agreement. See Additional Agreements Relating to the Transactions Stockholders Agreement beginning on page 133.

Representations and Warranties

The investment agreement contains representations and warranties made by Investor to Alberto-Culver, New Sally and Sally Holdings. The investment agreement also contains representations and warranties made by each of Alberto-Culver and Sally Holdings to Investor with respect

to Sally Holdings.

Representations and warranties of Alberto-Culver and Sally Holdings with respect to Sally Holdings relate to, among other things:

- corporate existence, qualification to conduct business and corporate power;
- ownership of subsidiaries;
- capital structure;
- corporate authority to enter into, and perform the obligations under the investment agreement and enforceability of the investment agreement;
- absence of a breach of organizational documents and absence of a material breach of laws or agreements as a result of the investment;
- required governmental approvals;
- financial statements;
- information supplied for use in this proxy statement/prospectus information statement;
- board of directors approval;
- litigation;
- compliance with laws;
- absence of certain changes or events;
- environmental matters;
- intellectual property;
- title to properties;
- tax matters;

- certain contracts;
- employee benefits;
- labor relations;
- insurance;
- sufficiency of assets;
- absence of material liens; and
- franchises.

Alberto-Culver has also made customary representations and warranties to Investor relating to the required vote of Alberto-Culver stockholders to approve the transactions contemplated by the investment agreement, the receipt of the opinion of Alberto-Culver s financial advisor and payment of fees to finders or brokers in connection with the merger.

In addition, each of Alberto-Culver and New Sally made the following representations and warranties to Investor with respect to itself:

- corporate existence, qualification to conduct business and corporate power;
- capital structure;
- corporate authority to enter into, and perform the obligations under, the investment agreement and enforceability of the investment agreement;

- absence of a breach of organizational documents and absence of a material breach of laws or agreements as a result of the transactions;
- required governmental approvals; and
- board of directors approval.

Investor has made representations and warranties to Alberto-Culver, New Sally and Sally Holdings with respect to:

- limited liability company existence, qualification to conduct business and limited liability company power;
- limited liability company authority to enter into, and perform the obligations under, the investment agreement and enforceability of the investment agreement;
- absence of a breach of organizational documents and absence of a material breach of laws or agreements as a result of the transactions;
- required governmental approvals;
- information supplied for use in this proxy statement/prospectus information statement;
- payment of fees to finders or brokers in connection with the transactions;
- the debt financing and the financing for the investment by Investor; and
- investment company status.

Most of the representations and warranties contained in the investment agreement are subject to materiality or material adverse effect qualifications and/or knowledge qualifications, and none of the representations and warranties survive the closing date.

A material adverse effect is defined as, with respect to any person, any effect, change, circumstance or development that, individually or in the aggregate with other effects, changes, circumstances or developments, is both material and adverse to (i) the ability of the person to consummate the transactions contemplated by the investment agreement or (ii) the business, financial condition, operations, results of operations, properties, assets or liabilities of such person and its subsidiaries, taken as a whole, other than, in the case of clause (ii), any effect, change, circumstance or development:

- resulting from the announcement of the execution of the investment agreement or any of the transaction agreements or of the transactions contemplated by the investment agreement or, except with respect to certain specified representations and warranties of Investor, Alberto-Culver, New Sally and Sally Holdings, any action taken in connection with the transactions contemplated by the investment agreement pursuant to the terms of the investment agreement;

relating to any actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship of the person or any of its subsidiaries with any supplier or group of suppliers;

relating to state, national or international political, social, general business or economic conditions (but only if the person and its subsidiaries, taken as a whole, are not disproportionately affected in any material respect as compared to other comparable companies in their industry);

relating in general to the industries in which the person and its subsidiaries operate (but only if the person and its subsidiaries, taken as a whole, are not disproportionately affected in any material respect as compared to other comparable companies in their industry);

relating to any action or omission of New Sally, Alberto-Culver, Sally Holdings, Investor or any of their respective subsidiaries taken with the express prior written consent of each of the other parties to the investment agreement;

- relating to the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism involving or affecting the United States or any other jurisdiction in which the party or any of its subsidiaries operates (but only if the person and its subsidiaries, taken as a whole, are not disproportionately affected in any material respect as compared to other comparable companies in their industry);

- relating to financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index);

- relating to changes after the date of the investment agreement in United States generally accepted accounting principles or the accounting rules and regulations of the SEC; or

- relating to changes in applicable laws.

Conditions to the Completion of the Transactions

Conditions to Obligations of the Parties to Effect the Transactions

The respective obligations of Investor, Alberto-Culver, New Sally and Sally Holdings to effect the transactions under the investment agreement that are to occur on the closing date are subject to the satisfaction or waiver of various conditions, including:

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

- the absence of any law, order or injunction having the effect of making the transactions under the investment agreement illegal or otherwise prohibiting consummation of such transactions;

- the absence of any proceeding initiated by any governmental entity seeking, and which is reasonably likely to result in the granting of, an injunction having the effect of making the transactions under the investment agreement illegal or otherwise prohibiting consummation of such transactions;

- the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the transactions under the investment agreement having expired or been terminated (which period was terminated on July 14, 2006);

- all notifications and filings required under non-U.S. competition laws having been made; all consents, approvals and authorizations required under non-U.S. competition laws to be made or obtained prior to the closing in order to complete the transactions under the investment agreement having been made or obtained and all applicable waiting periods under non-U.S. competition laws having been terminated or expired other than those the failure of which to obtain or make would not, individually or in the aggregate, have a material adverse effect on New Alberto-Culver or New Sally;

- the approval for listing on the New York Stock Exchange of (i) the shares of New Sally common stock to be issued in the holding company merger or subject to options to purchase shares of New Sally common stock that will be outstanding after the distributions and (ii) the shares of New Alberto-Culver common stock to be distributed in the New Alberto-Culver share distribution;

the effectiveness of the registration statements of which this proxy statement/prospectus information statement is a part and the absence of any stop order or proceeding seeking a stop order with respect to any order of effectiveness;

the receipt of an opinion from the valuation firm by:

the Alberto-Culver board of directors or similar body in form and substance reasonably acceptable to such board or body with respect to the surplus or similar concept under the DLLCA, if such board or similar body request such opinion;

the New Sally board of directors in form and substance reasonably acceptable to such board with respect to the surplus of New Sally and the solvency of New Sally and its subsidiaries;

the Sally Holdings board of directors in form and substance reasonably acceptable to such board with respect to the surplus of Sally Holdings; and

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 (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.

Conditions to Obligations of Investor to Effect the Transactions

Investor s obligation to complete the transactions under the investment agreement that are to occur on the closing date is also subject to the satisfaction or waiver of the following additional conditions:

certain specified representations and warranties of Alberto-Culver, Sally Holdings and New Sally regarding organization, capital structure, authority, brokers or finders and assets/services, must be true and correct as of the date of completion of the transactions as though made on and as of the date of completion of the transactions, except to the extent such representations and warranties speak solely as of the date of the investment agreement or as of another date (in which case such representations and warranties will be true and correct only as of such date(s));

all other representations and warranties of Alberto-Culver, Sally Holdings and New Sally, disregarding qualifications as to materiality or material adverse effect, must be true and correct as of the date of completion of the transactions as though made on the date of completion of the transactions, except to the extent such representations and warranties speak solely as of the date of the investment agreement or as of another date (in which case such representations and warranties will be true and correct only as of such date(s)), other than such failures to be true and correct that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Sally Holdings;

except with respect to the agreements and covenants to use reasonable best efforts to maintain relationships with suppliers and to obtain the consent of any suppliers under contracts with such suppliers with respect to the transactions, the performance or compliance of each of Alberto-Culver, Sally Holdings and New Sally with all agreements and covenants required to be performed by it under the investment agreement that are qualified as to materiality or material adverse effect and the performance or compliance in all material respects with all other agreements and covenants required to be performed by it under the investment agreement that are not so qualified;

the authorization of the payment by New Sally to CD&R of the $30 million transaction fee;

the continued full force and effect of the transaction agreements (other than the investment agreement) and the full performance and compliance in all material respects by each of Alberto-Culver, New Sally and Sally Holdings with all its obligations under the transaction agreements (other than the investment agreement) at or prior to the closing date; and

the absence of any material adverse effect on Sally Holdings since the execution of the investment agreement.

Conditions to Obligations of Alberto-Culver, Sally Holdings and New Sally to Effect the Transactions

Alberto-Culver s, Sally Holdings and New Sally s obligations to complete the transactions under the investment agreement that are to occur on the closing date is also subject to the satisfaction or waiver of the following additional conditions:

certain specified representations and warranties of Investor regarding organization, authority, financing and brokers or finders, disregarding qualifications as to materiality or material adverse effect, must be

true and correct in all material respects as of the date of completion of the transactions as though made on and as of the date of completion of the transactions, except to the extent such representations and warranties speak only as of the date of the investment agreement or as of another date (in which case such representations and warranties will be true and correct only as of such date(s));

all other representations and warranties of Investor, disregarding qualifications as to materiality or material adverse effect, must be true and correct as of the date of completion of the transactions as though made on the date of completion of the transactions, except to the extent such representations and warranties speak only as of the date of the investment agreement or as of another date (in which case such representations and warranties, disregarding qualifications as to materiality or material adverse effect, will be true and correct only as of such date(s)), other than such failures to be true and correct that, individually or in the aggregate, have not had a material adverse effect on Investor;

the performance or compliance of Investor with all agreements and covenants required to be performed by it under the investment agreement that are qualified as to materiality or material adverse effect and the performance or compliance in all material respects with all other agreements and covenants required to be performed by it under the investment agreement that are not so qualified;

the continued full force and effect of the transaction agreements (other than the investment agreement) and the full performance and compliance in all material respects by Investor with all its obligations under the transaction agreements (other than the investment agreement) at or prior to the closing date; and

Alberto-Culver having been advised in a manner reasonably acceptable to it by (i) the lead agent and underwriters with respect to the debt financing, that all conditions to closing of the debt financing have been satisfied and the lead agent and underwriters with respect to the debt financing are prepared to close the debt financing and (ii) Investor and the Fund that all conditions to closing of the equity financing have been satisfied and Investor and the Fund are prepared to close the equity financing.

Termination of the Investment Agreement

Termination by Alberto-Culver or Investor

Either Alberto-Culver or Investor, by action of its respective board of directors, may terminate the investment agreement at any time prior to the closing if:

Alberto-Culver and Investor agree to terminate the agreement by mutual written consent;

the transactions have not been completed by April 30, 2007, provided that the terminating party s breach of any obligation in any material respect under the investment agreement is not the cause of the transactions not being completed by April 30, 2007;

an order or ruling of a court or other governmental entity permanently prohibiting completion of the transactions becomes final and non-appealable, provided that the terminating party has used its reasonable best efforts to resist, resolve or lift the prohibition to the extent required in accordance with the terms of the investment agreement;

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

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 performance of covenants of such other party is not capable of being

satisfied on or before April 30, 2007.

Termination by Alberto-Culver

Alberto-Culver, by action of its board of directors, also may terminate the investment agreement at any time prior to the closing 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

- prior to the Albert-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, provided that, as conditions to such termination:

  - Alberto-Culver notifies Investor;

  - Alberto-Culver does not enter into a definitive agreement until at least five business days after notice to Investor;

  - the proposal remains a superior proposal in light of any proposed written amendments to the investment agreement made by Investor; and

  - prior to or concurrently with termination Alberto-Culver pays to Investor the $60 million termination fee required by the investment agreement.

Termination by Investor

Investor, by action of its board of directors, also may terminate the investment agreement at any time prior to the closing if:

- the Alberto-Culver board of directors fails to recommend that the Alberto-Culver stockholders approve the transactions contemplated by the investment agreement (other than as a result of the Alberto-Culver board of directors in good faith concluding (after consultation with its outside counsel and the valuation firm) that the surplus and solvency opinions condition 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);

- the Alberto-Culver board of directors or a committee thereof withdraws (or publicly proposes not to make or to withdraw, modify or qualify) such recommendation (other than as a result of the Alberto-Culver board of directors in good faith concluding (after consultation with its outside counsel and the valuation firm) that the surplus and solvency opinions condition 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);

- Alberto-Culver breaches its obligations to call and hold the Alberto-Culver special meeting pursuant to the investment agreement;

- the Alberto-Culver board of directors or a committee thereof recommends or accepts an acquisition proposal; or

a tender offer is made by a third party for the stock of Alberto-Culver and Alberto-Culver does not send a statement to its stockholders within 10 business days that it recommends the rejection of the tender offer.

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Effect of Termination; Termination Fees

The investment agreement provides that in the event of termination of the investment agreement by either Alberto-Culver or Investor pursuant to the termination provisions described above, the agreement shall forthwith become void and there shall be no liability or obligation on the part of Investor, Alberto-Culver, Merger Sub, New Sally or Sally or their respective subsidiaries, officers or directors under the agreement other than with respect to the payment of the termination fees described below, the payment of fees and expenses pursuant to the investment agreement and other specified provisions of the investment agreement. The parties to the investment agreement agreed that the termination fees described below are their sole and exclusive remedy as a result of a failure to complete the transactions contemplated by the investment agreement.

Termination Fee to be Paid by Alberto-Culver

Alberto-Culver has agreed to pay Investor a termination fee in the following circumstances, subject to specified conditions:

- if (A) the investment agreement has been terminated (1) by either Alberto-Culver or Investor because the transactions have not been completed by April 30, 2007 and the Alberto-Culver special meeting has not occurred, (2) by Investor because of Alberto-Culver s intentional breach or failure to perform any of its representations, warranties, covenants or other agreements contained in the investment agreement or (3) by either Alberto-Culver or Investor because Alberto-Culver s stockholders fail to adopt the investment agreement and approve the transactions contemplated by the investment agreement and (B) at any time after the date of the investment agreement and before any termination, an acquisition proposal with respect to Alberto-Culver has been publicly announced, become publicly known or otherwise been publicly communicated to the senior management, board of directors or shareholders of Alberto-Culver, which acquisition proposal is pending at (i) April 30, 2007 in the case of a termination under clause (A)(1), (ii) the time of the breach in the case of a termination under clause (A)(2) or (iii) the time of the Alberto-Culver special meeting in the case of clause (A)(3) or any person has publicly announced or it has become publicly known or otherwise publicly communicated to the senior management, board of directors or shareholders of Alberto-Culver that the person, subject to certain conditions, would make an acquisition proposal with respect to Alberto-Culver, then:

  - if within 12 months of the termination of the investment agreement, Alberto-Culver or any of its subsidiaries consummates any acquisition proposal without entering into a definitive agreement with respect to the acquisition proposal, Alberto-Culver will pay Investor $60 million; or

  - if Alberto-Culver or any of its subsidiaries enters into a definitive agreement with respect to an acquisition proposal within 12 months after the termination of the investment agreement, Alberto-Culver will pay Investor $30 million no later than the date of the entry by Alberto-Culver or any of its subsidiaries into a definitive agreement and will pay Investor an additional $30 million on the date of the consummation of the acquisition proposal; for the purposes of this termination event, references to 25% in the definition of an acquisition proposal with respect to Alberto-Culver are deemed to be references to 50%;

- Alberto-Culver will pay Investor $60 million if Investor terminates the investment agreement pursuant to the termination provision described in the first bullet point under Termination of the Investment Agreement Termination by Investor and Investor has not notified Alberto-Culver that Investor desires Alberto-Culver to submit the investment agreement and the transactions contemplated by the investment agreement to the Alberto-Culver stockholders for consideration;

- Alberto-Culver will pay Investor $60 million if Investor terminates the investment agreement as a result of Alberto-Culver breaching its obligation to call and hold the Alberto-Culver special meeting or a failure to prepare and mail to its stockholders this proxy statement/prospectus information statement;

- Alberto-Culver will pay Investor $60 million if Investor terminates the investment agreement as a result of the Alberto-Culver board of directors approving, recommending or accepting an acquisition proposal;

- Alberto-Culver will pay Investor $60 million if Investor terminates the investment agreement as a result of a tender or exchange offer relating to securities of Alberto-Culver having been commenced by a person unaffiliated with Investor, and Alberto-Culver having failed to send to its stockholders within ten business days after the tender or exchange offer is first published, sent or given, a statement that Alberto-Culver recommends rejection of the tender or exchange offer;

- Alberto-Culver will pay Investor $60 million if Investor terminates the investment agreement on the basis of an intentional breach by Alberto-Culver of the representations, warranties or agreements of Alberto-Culver, New Sally or Sally Holdings such that the closing conditions relating to the accuracy of the representations and warranties and performance of covenants of Alberto-Culver, New Sally or Sally Holdings are not capable of being satisfied on or before April 30, 2007; and

- Alberto-Culver will pay Investor promptly, but in no event later than the date of such termination, $60 million if Alberto-Culver terminates the investment agreement as a result of the Alberto-Culver board authorizing Alberto-Culver to enter into a definitive agreement concerning a transaction that constitutes a superior proposal and Alberto-Culver notifies Investor in writing that it intends to enter into an agreement.

Other than payments due as a result of the first and last bullet points, any termination fee to be paid by Alberto-Culver will be payable as promptly as practicable but in any event no later than the third business day following the date of termination.

Termination Fee to be paid by Investor

Investor has agreed to pay Alberto-Culver a termination fee in the following circumstances, subject to specified conditions:

- if (i)(A) the closing conditions described under The Investment Agreement Conditions to the Completion of the Transactions Conditions to Obligations of the Parties to Effect the Transactions other than in respect of the failure to have received the surplus opinion with respect to Sally Holdings if such failure relates solely to one or more of the effects, changes, circumstances or developments described in the exceptions to the definition of material adverse effect, are satisfied or waived, and the other closing conditions of Investor other than those conditions that by their nature cannot be satisfied until closing and/or cannot be satisfied because the proceeds of the debt financing or any alternative debt financing have not been obtained and (B) the proceeds of the debt financing or any alternative debt financing have not been obtained and (ii) the investment agreement is terminated (1) by Alberto-Culver because Investor has breached or failed to perform its obligations under the investment agreement, such that the closing conditions relating to the accuracy of the representations and performance of covenants of Investor are not capable of being satisfied on or before April 30, 2007 or (2) by either Alberto-Culver or Investor because the transactions have not been completed by April 30, 2007, Investor will pay Alberto-Culver $60 million; or

- Investor will pay Alberto-Culver $60 million if Alberto-Culver terminates the investment agreement on the basis of an intentional breach by Investor of the representations, warranties or agreements of Investor such that the closing conditions relating to the accuracy of the representations and performance of covenants of Investor are not capable of being satisfied on or before April 30, 2007.

Any termination fee to be paid by Investor will be payable as promptly as practicable but in any event no later than the third business day following the date of termination.

Amendments to the Investment Agreement

Subject to applicable law, the investment agreement may be amended by authorization of the boards of directors of the parties to the investment agreement at any time before or after approval of the proposals by Alberto-Culver stockholders, but, after the approval, no amendment which by law or in accordance with the rules

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of any relevant stock exchange requires further stockholder approval may be made to the investment agreement without obtaining further approval. All amendments to the investment agreement must be in writing and signed by each party. As of October 3, 2006, the parties entered into an amendment to the investment agreement, the full text of which is included as Annex A-2 to this proxy statement/prospectus information statement.

Fees and Expenses

The investment agreement provides that upon the closing of the transactions, New Sally or Sally Holdings will pay to:

- Investor an amount equal to all of the expenses incurred by Investor related to the transactions, which Investor has estimated to be approximately $27.1 million;

- CD&R the transaction fee in the amount of $30 million;

- Alberto-Culver an amount equal to expenses incurred by Alberto-Culver and its subsidiaries (including New Sally and Sally Holdings) relating to the transactions (except for certain expenses of trademark registration in connection with the Alberto-Culver LLC conversion described in The Transactions), up to a maximum of $20 million; and

- Alberto-Culver 50% of the expenses related to specified tax studies to be prepared pursuant to the investment agreement, which 50% has been estimated to be approximately $123,000.

The investment agreement also provides that Sally Holdings or New Sally will bear any costs or expenses incurred in relation to the financing, including the reasonable and documented expenses of Alberto-Culver, New Sally, Sally Holdings and their subsidiaries.

Restrictions on Resales by Affiliates

The issuance of New Sally common stock to Alberto-Culver stockholders in the holding company merger will be registered under the Securities Act. Accordingly, the shares of New Sally common stock issued in the holding company merger may be traded freely and without restriction by stockholders who are not deemed to be affiliates of New Sally. Any subsequent transfer of these shares by any affiliate of New Sally at the time that Alberto-Culver s stockholders adopt the investment agreement must:

- be registered under the Securities Act;

- comply with Rule 145 promulgated under the Securities Act (permitting limited sales under specified circumstances); or

- otherwise be exempt from registration under the Securities Act.

An affiliate of New Sally is a person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, New Sally. These restrictions are expected to apply to the directors and executive officers of Alberto-Culver and New Sally and any holder of 10% or more of Alberto-Culver common stock (and to certain relatives or the spouse of those persons and any trusts, estates, corporations or other entities in which those persons have a 10% or greater beneficial or equity interest, including the Lavin family stockholders).

Alberto-Culver has agreed to use its reasonable best efforts to cause each person who is an affiliate of New Sally (for the purposes of Rule 145 under the Securities Act) to deliver to New Sally an executed, written agreement concerning compliance with the Securities Act at least 15 days prior to the closing date.

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THE SEPARATION AGREEMENT

The following is a summary of the material terms and provisions of the separation agreement, as amended. All references to the separation agreement are to the separation agreement, as amended. The following summary is qualified in its entirety by reference to the complete text of the separation agreement. The full text of the separation agreement and its amendment are included in this proxy statement/prospectus information statement as Annexes B-1 and B-2, respectively, and are incorporated herein by reference. We urge you to read the entire separation agreement.

General

The separation agreement among Alberto-Culver, Sally Holdings, New Alberto-Culver and New Sally provides for, among other things, the principal corporate transactions required to effect the special cash dividend and the New Alberto-Culver share distribution and other specified terms governing the relationship between Alberto-Culver and New Alberto-Culver, on the one hand, and Sally Holdings and New Sally, on the other hand, with respect to or in consequence of the special cash dividend and the New Alberto-Culver share distribution.

We refer to Alberto-Culver and New Alberto-Culver as the Alberto-Culver Parties and Sally Holdings and New Sally as the Sally Parties. We refer to the Alberto-Culver Parties and their subsidiaries (excluding the Sally Group) as the Alberto-Culver Group and the Sally Parties and their subsidiaries as the Sally Group.

Actions Prior to the Distributions

A number of days prior to the closing date, the New Sally board of directors (which, at that time, will be comprised of the then-current directors of Alberto-Culver) will declare the distributions and set the record date for the distributions, subject to the satisfaction or waiver of the conditions set forth in the separation agreement. The record date for each of these distributions is expected to be 5:00 p.m. Eastern time on the closing date.

Prior to the distributions, Sally and Alberto-Culver will cause the number of authorized shares of New Alberto-Culver common stock to equal or exceed the number of shares of New Sally common stock issued and will cause the number of shares of New Alberto-Culver common stock outstanding to be increased to equal the number of shares of New Sally common stock issued and outstanding as of the date set by the New Sally board to determine holders of record of New Sally common stock entitled to receive the special cash dividend and shares of New Alberto-Culver common stock in the New Alberto-Culver share distribution.

Prior to the distributions, New Sally will enter into an agreement with a distribution agent (which will also be the exchange agent for the holding company merger) with respect to the distributions. At or prior to the time of the distributions, New Sally will deliver to the distribution agent cash to be distributed to effect the special cash dividend and shares of New Alberto-Culver common stock sufficient to effect the New Alberto-Culver share distribution.

The Distributions

Subject to the terms and conditions of the separation agreement, 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 New Sally Class A common stock) as of the record date for the distributions, the $25.00 per share special cash dividend.

Immediately following the time of 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.

Timing

The distributions will be effected after 5:00 p.m. Eastern time on the closing date.

Covenants

Each of Alberto-Culver and Sally Holdings has agreed to take specified actions after the signing of the separation agreement. These actions include the following, among others:

- all intercompany receivables, payables and loans between the Sally Group, on the one hand, and the Alberto-Culver Group, on the other hand, will be cancelled immediately prior to the time of the distributions; and
- all intercompany agreements between the Sally Group, on the one hand, and the Alberto-Culver Group, on the other hand, will terminate, other than those specifically designated to survive following the distributions.

Treatment of Sally Holdings Cash

The transaction agreements permit Alberto-Culver to cause Sally Holdings to make distributions of cash and cash equivalents to Alberto-Culver prior to the closing date. It is expected that Alberto-Culver will sweep all cash from Sally Holdings prior to the closing date except as described below.

Alberto-Culver and New Alberto-Culver agreed that immediately following the time of the New Alberto-Culver share distribution, New Sally and its subsidiaries will retain in the aggregate an amount of cash equal to $52.7 million plus an amount equal to:

- an estimate for accrued and unpaid pre-closing income taxes of New Sally, which have been estimated to be approximately $28.2 million as of June 30, 2006; plus
- specified unpaid liabilities of Sally Holdings, which have been estimated to be approximately $9.4 million as of June 30, 2006; plus
- 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 (no adjustment is estimated to be necessary as of June 30, 2006); minus
- 50% of the costs of obtaining the surplus and solvency opinions contemplated by the investment agreement, which 50% has been been estimated to be approximately $275,000.

On a pro forma basis it is estimated that New Sally would have had approximately $46 million in cash and cash equivalents following these 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.

Conditions to the Completion of the Distributions

The separation agreement provides that the obligation of New Sally to consummate the distributions and the other transactions contemplated by the separation agreement is subject to specified conditions, including:

- all consents, approvals and authorizations of governmental entities required under applicable laws for the consummation of the distributions having been obtained and being in full force and effect;

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- the absence of any law, order or injunction having the effect of making the distributions or any material provision of the separation agreement illegal or otherwise prohibiting completion of the distributions or the performance of any material provision of the separation agreement;

- the absence of any proceeding initiated by any governmental entity seeking, and which is reasonably likely to result in, that type of a law, order or injunction;

- each condition to the investment agreement having been fulfilled or waived by the party for whose benefit that condition exists; and

- the financings having been completed.

None of the foregoing conditions may be waived by the New Sally board of directors without the prior written consent of Alberto-Culver and none of the conditions in the first four bullet points may 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.

Mutual Release; Indemnification

Mutual Release of Pre-Closing Liabilities

The Alberto-Culver Parties and the Sally Parties, on behalf of themselves and each of the other members of their group, have each agreed to release the other group and its officers, directors and employees from any and all liabilities and claims that it may have or ever will have against the other group which arise out of, result from or relate to events, circumstances or actions taken by the other group occurring or failing to occur or any conditions existing at or prior to the time of the distributions.

The mutual release does not impair the rights of any person under any of the transaction agreements that does not terminate as of the closing date. In addition, the mutual release does not release or discharge any person from:

- any liability or obligation under or resulting from any contract between any member of the Sally Group and any member of the Alberto-Culver Group that does not terminate as of the consummation of the distributions;

- any liability or obligation assumed, transferred, assigned or allocated to New Alberto-Culver, New Sally or any member of their group in accordance with, or any other liability of either of them under, the separation agreement, any other transactions agreement or the investment agreement;

- any liability arising from or related to the sale, lease, manufacture, construction, provision, or receipt of goods, payment for goods, property or services purchased, obtained or used in the ordinary course of business by any member of a group from any member of the other group prior to the time of the distributions, or any related refund claims; and

- any liability the release of which would result in the release of any person other than a member of either group or their respective directors, officers or employees; provided, however, that each party agrees not to bring suit against the other party or its members of its group or its or their directors, officers or employees with respect to such liability.

Indemnification by Alberto-Culver

Under the terms of the separation agreement, the Alberto-Culver Parties will and will cause the other members of the Alberto-Culver Group to indemnify the Sally Group members and each of their respective representatives from and against any and all losses relating to any of the following:

all Alberto-Culver Group liabilities whether such losses are based upon, arise out of or relate to events, occurrences, actions, omissions, facts, circumstances or conditions occurring, existing or asserted before, at or after the distributions;

- the enforcement by members of the Sally Group and each of their respective representatives of their rights to be indemnified, defended and held harmless under the separation agreement; and

- the use by any member of the Alberto-Culver Group of any trademarks or other source identifiers owned by any member of the Sally Group.

Indemnification by Sally Holdings

Under the terms of the separation agreement, the Sally Parties will and will cause the other members of the Sally Group to indemnify the Alberto-Culver Group members and each of their respective representatives from and against all losses relating to any of the following:

- all Sally Group liabilities whether such losses are based upon, arise out of or relate to events, occurrences, actions, omissions, facts, circumstances or conditions occurring, existing or asserted before, at or after the distributions;

- the enforcement by members of the Alberto-Culver Group and each of their respective representatives of their rights to be indemnified, defended and held harmless; and

- the use by any member of the Sally Group of any trademarks or other source identifiers owned by any member of the Alberto-Culver Group.

The indemnification provisions set forth in the separation agreement do not apply to any indemnification or other claims relating to taxes. Instead, these indemnification obligations are covered in the tax allocation agreement. See Additional Agreements Relating to the New Alberto-Culver Share Distribution Tax Allocation Agreement on page 131.

Under the separation agreement, Alberto-Culver Group liabilities means:

- all liabilities of any member of the Alberto-Culver Group under, or for which any member of the Alberto-Culver Group is expressly made responsible pursuant to, any transaction agreement;

- all liabilities of any member of the Alberto-Culver Group to the extent based upon, arising out of or resulting from the consumer products business or businesses disposed of by any member of the Alberto-Culver Group;

- all liabilities of any member of the Alberto-Culver Group or the Sally Group with respect to indebtedness for borrowed money (other than, in the case of the Sally Group, letters of credit and capital leases, in each case entered into in the ordinary course of business consistent with past practice) outstanding immediately prior to the time of the distributions, including under the $120 million aggregate principal amount of 6.375% debentures due 2028 and Alberto-Culver s revolving credit facility, but excluding any indebtedness with respect to the debt financing; and

- all liabilities of any member of the Sally Group to the extent based upon, arising out of or resulting from the consumer products business or businesses disposed of by any member of the Alberto-Culver Group,

in each case, regardless of whether such liability existed prior to, at or after the time of the distributions.

Under the separation agreement, Sally Group liabilities means:

all liabilities of any member of the Sally Group under, or for which any member of the Sally Group is expressly made responsible pursuant to, any transaction agreement;

all liabilities of any member of the Sally Group to the extent based upon, arising out of or resulting from the Sally/BSG distribution business or businesses disposed of by any member of the Sally Group;

- all liabilities of any member of the Alberto-Culver Group to the extent based upon, arising out of or resulting from the Sally/BSG distribution business or businesses disposed of by any member of the Sally Group; and

- all liabilities of any member of the Sally Group to the extent based upon, arising out of or resulting from the conversion of certain subsidiaries of New Sally into Delaware limited liability companies,

in each case, regardless of whether such liability existed prior to, at or after the time of the distributions.

Termination

If the investment agreement is terminated, Alberto-Culver may terminate the separation agreement.

Amendments

The separation agreement cannot be amended except by a written agreement executed by the parties to the separation agreement, except that, unless the investment agreement has been terminated, any such amendment will be subject to the prior written consent of Investor, which consent may not be unreasonably withheld, delayed or conditioned. As of October 3, 2006, the parties entered into an amendment to the separation agreement, the full text of which is included as Annex B-2 to this proxy statement/prospectus information statement.

Fees and Expenses

All costs and expenses of Alberto-Culver and Sally Holdings related to the negotiation, preparation, execution and delivery of the separation agreement, the investment agreement and the other agreements related to the transactions will be paid in accordance with the provisions regarding fees and expenses set forth in the investment agreement.

ADDITIONAL AGREEMENTS

RELATING TO THE NEW ALBERTO-CULVER SHARE DISTRIBUTION

The Alberto-Culver Parties and the Sally Parties have entered into an employee matters agreement and a tax allocation agreement, as amended, in connection with the transactions contemplated by the investment agreement and separation agreement. All references to the employee matters agreement and the tax allocation agreement are to such agreements, as amended. The material terms of the employee matters and tax allocation agreements are summarized below. The descriptions of the employee matters agreement and the tax allocation agreement are qualified in their entirety by reference to the complete text of these agreements and their respective amendments, which are incorporated by reference into this document. The employee matters agreement and its amendment are filed as exhibits to the Registration Statement of which this proxy statement/prospectus information statement is a part. The tax allocation agreement and its amendment are included in this proxy statement/prospectus information statement as Annexes C-1 and C-2, respectively. We urge you to read the employee matters agreement and the tax allocation agreement.

Employee Matters Agreement

The employee matters agreement generally provides that at the time of the New Alberto-Culver share distribution, New Sally and Sally Holdings will assume the liabilities and obligations of Alberto-Culver with respect to employees of the Sally Group and New Alberto-Culver and Alberto-Culver will retain the liabilities and obligations with respect to the employees of the Alberto-Culver Group. In addition, the employee matters agreement provides for (i) the conversion of Alberto-Culver options held by employees of the Sally Group and nonemployee directors of Alberto-Culver who will become directors of New Sally into fully exercisable New Sally options and the adjustment of such options to reflect the distributions and (ii) the conversion of Alberto-Culver options held by employees of the Alberto-Culver Group and Alberto-Culver (including Mr. Renzulli) and nonemployee directors (other than those who will become directors of New Sally) into New Alberto-Culver options that reflect the distributions.

Employee Matters

The employee matters agreement provides that each Sally Group employee will remain an employee of the Sally Group and each Alberto-Culver Group employee will remain an employee of the Alberto-Culver Group immediately following the time of the distributions. None of the transactions contemplated by the employee matters agreement, the separation agreement or the investment agreement is intended to entitle any current or former Sally Group or Alberto-Culver Group employee to termination or severance benefits other than payments or benefits with respect to employees who separate from service in connection with the transactions and are entitled to a termination or separation benefits on account of such termination. Under the employee matters agreement, Alberto-Culver agreed to indemnify Sally Holdings in the event that any current or former Sally Group employee obtains a final non-appealable judgment (as determined by Alberto-Culver) entitling that employee to severance benefits solely as a result of the distributions or any of the other transactions contemplated by the employee matters agreement, the separation agreement or the investment agreement, provided that Alberto-Culver will be under no such obligation for any Sally Group employee whose employment is terminated after the time of the distributions. Alberto-Culver also agreed to reimburse Sally Holdings for its reasonable expenses in connection with any appeal of a nonfinal judgment.

Welfare Plans

Pursuant to the employee matters agreement, Sally Holdings and its subsidiaries will no longer be participating employers in the welfare plans sponsored by Alberto-Culver effective as of the time of the distributions. Participation in the welfare plans sponsored by Alberto-Culver will cease for current and former Sally Group employees. With respect to any Sally Holdings welfare plans in which current or former Sally Group employees participate after the distributions that provide benefits similar to those provided under the Alberto-Culver welfare plans prior to the distributions, Sally Holdings will cause those welfare plans to recognize all pre-distribution coverage and contribution elections made by its current and former employees under those Alberto-Culver welfare plans. Sally Holdings agreed to retain sole responsibility for all liabilities incurred under

Sally Holdings welfare plans after the distributions. Alberto-Culver agreed to retain sole responsibility for all claims for welfare benefits, other than severance plan benefits, incurred by any current or former Sally Group employee at or prior to the distributions. New Sally and Sally Holdings agreed that from and after the distributions, they will assume, and be solely responsible for, all liabilities under the Consolidated Omnibus Budget Reconciliation Act and the Health Insurance Portability and Accountability Act for current and former Sally Group employees and their qualified beneficiaries, all liabilities incurred by current or former employees under Sally Holdings flexible spending account plan, and short-term disability benefits payable to Sally Group employees. Alberto-Culver agreed that it will be solely responsible for all long-term disability benefits payable, at or after the distributions, to current Sally Group employees receiving long-term disability benefits prior to the distributions and to former Sally Group employees.

Compensation Matters

Non-ERISA Benefit Arrangements. Pursuant to the employee matters agreement, as of the distributions, each of Sally Holdings and its subsidiaries will cease to be a participating employer in the non-Employee Retirement Income Security Act of 1974 benefit arrangements, which we refer to as non-ERISA benefit arrangements, sponsored by Alberto-Culver. In addition, the employee matters agreement provides that as of the time of the distributions, no current or former Sally Holdings employee will continue to participate in the non-ERISA benefit arrangements sponsored by Alberto-Culver for Sally Holdings employees and former Sally Holdings employees.

Assumption of Employee-Related Obligations. Under the employee matters agreement, New Sally and Sally Holdings will assume or retain, from and after the distributions, all liabilities related to:

- agreements entered into between Alberto-Culver or any of its subsidiaries and current or former Sally Group employees (except that Alberto-Culver will retain liability under a key executive deferred compensation agreement entered into and consulting with Mr. Renzulli and for certain payments in lieu of future salary and bonuses set forth in the termination agreement among Alberto-Culver, Sally Holdings and Mr. Renzulli);
- agreements between Alberto-Culver or any of its subsidiaries and independent contractors providing services to the extent they are related to Sally Holdings business;
- all confidentiality and non-compete agreements between Alberto-Culver or any of its subsidiaries and current or former Sally Group employees, and independent contractors (provided that both Alberto-Culver and Sally Holdings will enjoy the rights and benefits thereunder);
- all wages, salaries, ordinary compensation and commissions payable to current or former Sally Group employees after the distributions, whether earned before or after the distributions, other than amounts earned for services as an employee of Alberto-Culver or any of its subsidiaries;
- all bonus and incentive compensation payment obligations, if any, payable after the distributions to Sally Group employees; and
- all liabilities and obligations of Sally Holdings with respect to claims made by or with respect to current or former Sally Group employees relating to non-ERISA benefit arrangements and not specifically assumed or retained by Alberto-Culver.

Under the employee matters agreement, New Alberto-Culver and Alberto-Culver will assume or retain, from and after the distributions, all liabilities related to:

- agreements entered into between Sally Holdings or any of its subsidiaries and current or former Alberto-Culver Group employees, a key executive deferred compensation agreement entered into with Mr. Renzulli and certain payments in lieu of future salary and

bonuses set forth in the termination agreement among Alberto-Culver, Sally Holdings and Mr. Renzulli;

agreements between Sally Holdings or any of its subsidiaries and independent contractors providing services to the extent they are related to Alberto-Culver s business;

- all confidentiality and non-compete agreements between Sally Holdings or any of its subsidiaries and current or former Alberto-Culver Group employees, and independent contractors (provided that Alberto-Culver, New Alberto-Culver, Sally Holdings and New Sally will enjoy the rights and benefits thereunder);

- all wages, salaries, ordinary compensation and commissions payable to current or former Alberto-Culver Group employees after the distributions, whether earned before or after the distributions, other than amounts earned for services as an employee of Sally Holdings or any of its subsidiaries;

- all bonus and incentive compensation payment obligations, if any, payable after the distributions to Alberto-Culver Group employees; and

- all liabilities and obligations of Alberto-Culver with respect to claims made by or with respect to current or former Alberto-Culver Group employees relating to non-ERISA benefit arrangements and not specifically assumed or retained by Sally Holdings.

Incentive Plans. Sally Holdings agreed to assume sole responsibility for all bonus and incentive compensation payment obligations earned by current and former Sally Group employees as of completion of the distributions under the Alberto-Culver 1994 Shareholder Value Incentive Plan, the Alberto-Culver Management Incentive Plan and the Alberto-Culver Executive Deferred Compensation Plan. Alberto-Culver agreed that it will remit cash equal to the after-tax costs of all payment obligations with respect to the acceleration of awards under these plans to Sally Holdings after the distributions.

Equity Compensation Plans. Under the employee matters agreement, each Alberto-Culver option held by a current or former Sally Group or Alberto-Culver Group employee or a current or former member of the Alberto-Culver board of directors that is outstanding as of the time of the holding company merger will convert into a New Sally option. Each New Sally option will have the same terms and conditions as the corresponding Alberto-Culver option from which it was converted, provided that all references to Alberto-Culver Company will be changed to New Sally Holdings, Inc. As described below, each New Sally option will then be either adjusted to reflect the distributions or converted into a New Alberto-Culver option.

Pursuant to the employee matters agreement, each New Sally option held by a current or former Alberto-Culver Group employee, Mr. Renzulli or a current or former member of the Alberto-Culver board of directors (other than non-employee directors who will serve as independent directors of New Sally after the distributions) will convert into a fully exercisable New Alberto-Culver option and the number of shares of New Alberto-Culver common stock subject to such option and the per share exercise price of such option will be fixed in a way that maintains the intrinsic value of the related New Sally option and does not increase the ratio of the per share exercise price of the related New Sally option to the value of one share of Alberto-Culver common stock on the closing date. Pursuant to the employee matters agreement, each New Alberto-Culver option will have the same terms and conditions as the corresponding New Sally option from which it was converted, provided that all references to New Sally Holdings, Inc., after the time of the distributions, will be changed to Alberto-Culver Company.

The employee matters agreement provides that each New Sally option held by a current or former New Sally employee (other than Mr. Renzulli) or a person who will serve as an independent director of New Sally after the distributions will become fully exercisable and will be adjusted to reflect the distributions. The number of shares of New Sally common stock subject to such adjusted option and the per share exercise price of such adjusted option will be fixed in a way that maintains the intrinsic value of the New Sally option and does not increase the ratio of the per share exercise price of the New Sally option to the value of one share of Alberto-Culver common stock on the closing date.

Alberto-Culver agreed to take actions to ensure that any restricted stock held by Alberto-Culver and Sally employees will become fully vested no later than the first business day after the record date of the distributions.

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Vacation, Leaves of Absence Programs. Sally Holdings agreed to recognize and assume all liabilities for vacation, holiday, flex days, personal days and extended leaves to the extent accrued by Sally Holdings employees before the time of the distributions.

Qualified Retirement Plans. New Sally and Sally Holdings agreed that from and after the time of the distributions, Sally Holdings will retain all existing and future employer liabilities related to the Sally Beauty Company, Inc. 401(k) Savings Plan and the administration thereof. As soon as administratively practicable after the distributions, Sally Holdings employees will be eligible to participate in a tax-qualified defined contribution plan maintained by Sally Holdings, which we refer to as the Sally Holdings qualified plan. Alberto-Culver will transfer assets from the Alberto-Culver Company Employees profit sharing plan to the Sally Holdings qualified plan that are equal to the account balances of all Sally Holdings employees and former Sally Holdings employees with an account balance under the Alberto-Culver Profit Sharing Plan. The Sally Holdings qualified plan will recognize all service, compensation, and other determinations that, at the time of the distributions, were recognized under the Alberto-Culver profit sharing plan. The Sally Holdings qualified plan will retain the same vesting schedules as applied under the Alberto-Culver profit sharing plan.

Foreign Plans. The employee matters agreement provides that Alberto-Culver will have no liabilities for any benefit plan maintained by a member of the Sally Holdings group that covers only Sally Holdings employees outside the U.S. and Sally Holdings will have no liabilities for any benefit plan maintained by a member of the Alberto-Culver group that covers only Alberto-Culver employees outside the U.S.

Tax Allocation Agreement

The tax allocation agreement allocates liability for taxes, including any taxes that may arise in connection with separating Alberto-Culver from New Sally. Under the tax allocation agreement, in general, New Sally and Alberto-Culver will each be liable for taxes attributable to its respective business. New Sally is responsible for its foreign, local, municipal and separate company state taxes as of the date of the New Alberto-Culver share distribution; however, New Sally is entitled to retain an amount of cash sufficient to pay any taxes due with respect to the original filings by New Sally of income tax returns for fiscal year 2006 and the pre-New Alberto-Culver share distribution period of fiscal year 2007 (plus an additional agreed upon amount). Except for certain taxes arising from the contemplated transactions, New Sally is responsible for all tax liabilities of New Sally and its subsidiaries arising from tax audits concluding after the New Alberto-Culver share distribution and attributable to the business of New Sally.

The tax allocation agreement also provides the extent to which, and the circumstances under which, the parties would be liable if the New Alberto-Culver share distribution were not to constitute a tax-free distribution under section 355 and section 368(a)(1)(D) of the Internal Revenue Code. In general, New Alberto-Culver is required to indemnify New Sally for any taxes resulting from a failure of the New Alberto-Culver share distribution to so qualify, unless such failure results solely from specified acts of New Sally or its affiliates (including Investor) after the New Alberto-Culver share distribution. These acts include any redemption or repurchase by New Sally or its affiliates (including Investor) of New Sally common stock for two years following the New Alberto-Culver share distribution (other than pursuant to certain repurchases meeting the requirements of Internal Revenue Service guidance or pursuant to any agreement or arrangement entered into on or prior to the date of the New Alberto-Culver share distribution). However, these acts do not include any sale of New Sally common stock by Investor or its affiliates (other than New Sally and its subsidiaries) after specified time periods; any actions contemplated by the transaction agreements; and any action by the Lavin family stockholders. As a result, New Alberto-Culver will be liable for any taxes resulting from these actions.

The tax allocation agreement is not binding on the Internal Revenue Service or any other governmental entity and does not affect the liability of each of New Alberto-Culver, New Sally, and their respective subsidiaries and affiliates to the Internal Revenue Service or any other governmental authority for all federal, foreign, state or local taxes of the consolidated group relating to periods through the date of the New Alberto-Culver share distribution.

ADDITIONAL AGREEMENTS RELATING TO THE TRANSACTIONS

The Lavin family stockholders and Mr. Bernick have each entered into an agreement that governs their voting of Alberto-Culver common stock in connection with the transactions. The Fund and Alberto-Culver entered into a limited guarantee agreement pursuant to which the Fund guarantees specified obligations of Investor. At the time of the completion of the transactions, New Sally, Investor and the Lavin family stockholders will enter into a stockholders agreement that sets forth certain matters regarding Investor s and the Lavin family stockholders ongoing relationship with New Sally. The material terms of these agreements are summarized below. The descriptions of these agreements are qualified in their entirety by reference to the complete text of these agreements, which are incorporated by reference into this document and filed as exhibits to the Registration Statement of which this proxy statement/prospectus information statement is a part. We urge you to read the support agreement, the limited guarantee and the stockholders agreement.

Lavin Family Support Agreement

Under the Lavin family support agreement, the Lavin family stockholders 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 and against any action or transactions that would reasonably be expected to impede or prevent the investment agreement or the transactions contemplated by the investment agreement.

The Lavin family stockholders also agreed to certain restrictions on their ability to transfer or acquire shares of Alberto-Culver common stock prior to closing of the transactions contemplated by the investment agreement and certain restrictions on their ability to transfer or acquire shares of New Sally common stock, which restrictions terminate as of the earliest of (i) one year after such closing, (ii) termination of the investment agreement and (iii) the earliest time that no stockholder party to the support agreement or certain related persons is a controlling shareholder or ten percent shareholder of New Sally for U.S. federal income tax purposes.

Bernick Support Agreement

Under the Bernick support agreement, Mr. Bernick 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, he will vote his shares of Alberto-Culver common stock covered by the support agreement for adoption of the investment agreement and approval of the transactions contemplated by the investment agreement and against any action or transactions that would reasonably be expected to impede or prevent the investment agreement or the transactions contemplated by the investment agreement.

Mr. Bernick also agreed to certain restrictions on his ability to transfer or acquire shares of Alberto-Culver common stock prior to closing of the transactions contemplated by the investment agreement and certain restrictions on his ability to transfer or acquire shares of New Sally common stock, which restrictions terminate as of the earliest of (i) one year after such closing, (ii) termination of the investment agreement and (iii) the earliest time that no stockholder party to the support agreement or certain related persons is a controlling shareholder or ten percent shareholder of New Sally for U.S. federal income tax purposes.

Limited Guarantee

Pursuant to a limited guarantee, dated as of June 19, 2006, the Fund guarantees to Alberto-Culver the payment by Investor of a termination fee of $60 million in connection with the termination of the investment agreement after the occurrence of, or failure of, certain specified events and all reasonable out-of-pocket fees and

expenses up to $1 million incurred by Alberto-Culver in enforcing the limited guarantee. The limited guarantee will terminate at the earlier of (i) the closing of the transactions and (ii) the first anniversary of the termination of the investment agreement if, as of such date, Alberto-Culver has not presented a claim for payment under the limited guarantee.

Stockholders Agreement

Prior to the closing, New Sally, Investor, Parallel Fund and the Lavin family stockholders will enter into the stockholders agreement. The stockholders agreement contains, among other things, provisions with respect to:

- the governance of New Sally;
- restrictions on the ability of Investor and Parallel Fund to dispose of their shares of New Sally common stock prior to the second anniversary of the closing date;
- restrictions on the ability of the Lavin Family stockholders to dispose of their shares of New Sally common stock prior to the first anniversary of the closing date; and
- registration rights for Investor, Parallel Fund and the Lavin family stockholders.

Governance Matters

The stockholders agreement provides that:

- initially the New Sally board of directors will be evenly divided into three classes, each composed of two Investor designees and non-Investor designees (initially the directors designated by Alberto-Culver pursuant to the investment agreement);
- New Sally will take all actions necessary to provide that the initial Investor designees and the initial non-Investor designees included in Class I of the New Sally board of directors on the closing date are nominated for reelection to the New Sally board of directors at the 2007 annual meeting of stockholders of New Sally;
- following the 2007 annual meeting of stockholders of New Sally until the earlier of the tenth anniversary of the closing date and the termination of the stockholders agreement, so long as the ownership percentage of Investors and its affiliates and their permitted transferees shares of New Sally common stock in the aggregate equals or exceeds the percentages set forth in the table below, Investor will have the right to designate for nomination to the New Sally board of directors, a number of individuals set forth opposite the applicable percentage:

Ownership Percentage	Number of Investor Designees
45% or greater	six individuals
less than 45% but equal to or greater than 35%	four individuals
less than 35% but equal to	three individuals

or greater than 25%	
less than 25% but equal to or greater than 15%	two individuals
less than 15% but equal to or greater than 5%	one individual

until the earlier of the tenth anniversary of the closing date and the termination of the stockholders agreement, the Investor designees will have the right to designate for nomination or appointment to the

New Sally board of directors the individual to replace any Investor designee upon his retirement, disqualification or removal (other than removal for cause) so long as Investor has the right to designate such a member of the New Sally board of directors under the ownership percentages described above;

until the 2007 annual meeting of stockholders of New Sally, the non-Investor designees will have the right to designate for appointment to the New Sally board of directors the individual to replace any non-Investor designee upon his retirement, disqualification or removal (other than removal for cause);

the New Sally board of directors will have an audit committee, compensation committee, nominating and corporate governance committee, executive committee and finance committee, each of which will have four members at least two of whom will be Investor designees;

that all of the members of the New Sally audit committee, compensation committee and nominating and corporate governance committee will be independent of New Sally under the rules of the New York Stock Exchange; and

an Investor designee will chair the compensation committee, nominating and corporate governance committee and finance committee and all other committees will be chaired by a non-Investor designee.

The governance provisions of the stockholders agreement will terminate upon the earlier to occur of the tenth anniversary of the closing date and the date of termination of the stockholders agreement.

Restrictions on Investor s Ability to Dispose of New Sally Stock

The stockholders agreement provides that prior to the first anniversary of the closing date, none of Investor, Parallel Fund or any of their transferees will, directly or indirectly, transfer or dispose of any shares of New Sally common stock, except:

to the Fund (including the Fund s beneficial owners) under specified circumstances or to an affiliate of Investor (including its beneficial owners);

in connection with the registration of New Sally common stock pursuant to a request by the designated representative of the Lavin family stockholders under the stockholders agreement;

in connection with specified change in control transactions with respect to New Sally; or

in any transaction approved by a majority of the directors that are independent directors under the rules of the New York Stock Exchange.

The stockholders agreement provides that following the first anniversary of the closing date and prior to the second anniversary of the closing date, none of Investor, Parallel Fund or any of their transferees will, directly or indirectly, dispose of any shares of New Sally common stock, except:

if such disposition is permitted under any of the exceptions described above; or

following such disposition, Investor, the Fund or any of their transferees in the aggregate has at least 35% of the combined voting power of New Sally common stock entitled to vote in the election of directors.

The stockholders agreement also contains certain restrictions on the ability of the Lavin family stockholders to dispose of their shares of New Sally common stock.

Registration Rights

The stockholders agreement provides for five demand registration rights for Investor and two demand registration rights for the Lavin family stockholders that will permit Investor, Parallel Fund and their transferees or the Lavin family stockholders, as applicable, to register the sale of their shares of New Sally common stock

with the SEC, subject to specified conditions. Furthermore, pursuant to the stockholders agreement, if New Sally proposes to register any of its securities, other than securities pursuant to a demand registration, on a form that may include registerable shares of Investor or the Lavin family stockholders, Investor and the Lavin family stockholders will have the right to request that all or any part of its or their registerable shares be included in the registration, subject to specified conditions.

Termination

The stockholders agreement will terminate upon the earlier of:

- its termination by the consent of all the parties to the stockholders agreement (with the consent of a majority of the independent directors of New Sally);

- the date that Investor, its affiliates or any of their transferees cease to hold registerable shares of New Sally common stock (except that if any of the Lavin family stockholders continue to hold registerable securities after such date, then the registration rights provisions and other provisions applicable to the Lavin family stockholders will remain in effect until another ground for termination arises); and

- the dissolution, liquidation or winding up of New Sally.

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ANTICIPATED TERMS OF FINANCING

The investment agreement provides that all or a substantial portion of the special cash dividend and all of Investor s, and a portion of Alberto-Culver s and its subsidiaries , fees and expenses incurred in connection with the transactions will be funded with proceeds of the equity and debt financings contemplated by the investment agreement. A portion of the debt financing will also be used to meet ongoing business needs of New Sally following the closing date. The principal terms of the debt financing are anticipated to be as summarized below. However, the relative principal amounts, applicable interest rates and other terms of the several financings involved in the debt financing will not be definitively determined until shortly before the closing date and may differ significantly from those described below, depending on market conditions and other factors.

Equity Financing

Pursuant to an equity commitment letter from the Fund, dated as of June 19, 2006, the Fund has committed to contribute $575 million to Investor, solely for the purpose of funding Investor s acquisition of shares of New Sally Class A common stock in the New Sally share issuance, as further described under The Transactions, beginning on page 57.

The equity financing is subject to the satisfaction or waiver of the conditions to Investor s obligations set forth in the investment agreement and the substantially contemporaneous funding of the debt financings described below.

The Fund s obligation to make the equity contribution to Investor described above will terminate upon the earlier to occur of:

- the termination of the investment agreement; and
- Alberto-Culver or any of its affiliates asserting in any litigation or other proceeding any claim under the Fund s limited guarantee of certain obligations of Investor under the investment agreement.

Debt Financing

Pursuant to a commitment letter dated as of June 19, 2006 and amended and restated as of July 18, 2006, Merrill Lynch Capital Corporation, Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc., JPMorgan Chase Bank, N.A., Bank of America, N.A, Morgan Stanley Senior Funding Inc. and certain of their affiliates have committed to provide the credit facilities described below. In this summary description of the proposed financings, the credit facilities, the senior notes and the senior subordinated notes described below are collectively referred to as the debt financing.

The debt financing is expected to consist of the following financings:

- a senior secured term loan facility, which we refer to as the term loan facility, in a maximum aggregate principal amount of $1.14 billion (approximately $1.07 billion of which is expected to be borrowed);
- an asset-based senior secured revolving credit facility, which we refer to as the ABL facility, in an aggregate principal amount of up to $400 million, subject to borrowing base limitations (approximately $70 million of which is expected to be borrowed as of the closing date); and
- either:
  - a combination of up to $430 million aggregate principal amount of senior unsecured notes, which we refer to as the senior notes, and up to $280 million aggregate principal amount of senior subordinated unsecured notes, which we refer to as the senior

subordinated notes ;

if the senior notes and/or the senior subordinated notes are not issued, unsecured senior interim loans, which we refer to as the interim loan facility, in an aggregate principal amount of up to $710 million; or

a combination of notes and borrowings under the interim loan facility.

For purposes of this summary description of the proposed financings, the term loan facility, the ABL facility and the interim loan facility are collectively referred to as the credit facilities, and the senior notes and senior subordinated notes are collectively referred to as the notes.

Conditions Precedent

The availability of the credit facilities is subject to various conditions precedent, including, but not limited to:

- the transactions shall be consummated substantially concurrently with or prior to any funding of the debt financing and all material conditions precedent to the consummation or the transactions shall have been satisfied or waived with the prior approval of the lenders;
- Sally Investment Holdings LLC, the entity to which Sally Holdings is expected to be contributed following completion of the transactions to occur on the closing date, and the subsidiaries thereof, shall not have any outstanding preferred stock or indebtedness for borrowed money other than indebtedness under the debt financing, subject to certain exceptions;
- since the date of the investment agreement, there shall not have been any material adverse effect (as defined in the investment agreement) on Sally Holdings; and
- other specified conditions precedent customary for credit facilities.

The investment agreement provides that, if any portion of the debt financing becomes unavailable, Investor will be required to use its reasonable best efforts to obtain alternative financing as promptly as practicable on terms and conditions no less favorable than those set forth in the credit facilities commitment letter referred to above, unless the debt financing has become unavailable as a result of Alberto-Culver s failure to comply in any material respect with its obligations in connection with the debt financing under the investment agreement and such failure is not cured within twenty days following written notice to Alberto-Culver.

Market Flex

At any time before or within 90 days after the closing date, the lead arrangers of the credit facilities will be entitled to make certain specified changes to the terms and conditions, interest rates, relative principal amounts and structure of the financings involved in the debt financing as necessary in their judgment to ensure the successful syndication of the credit facilities. These changes could, among other things, materially increase the cost of the debt financing or make its terms materially more restrictive than those outlined below. See Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally beginning on page 249.

Term Loan Facility

Overview

The term loan facility is expected to provide for senior secured term loans up to a maximum aggregate principal amount of $1.14 billion (which may be denominated in U.S. dollars or euros or both), subject to the following:

- if availability under the ABL facility on the closing date exceeds a specified amount, the lead arrangers of the credit facilities may, at their option, reduce the aggregate principal amount of the term loans by up to $100 million and increase the aggregate principal amount of loans funded on the closing date under the ABL facility by an equal amount; and
- if availability under the ABL facility on the closing date is less than that specified amount, the borrowers may, at Investor s option, incur additional term loans in an aggregate principal amount equal to that shortfall.

Borrowings under the term loan facility may only be incurred on the closing date and approximately $1.07 billion is expected to be borrowed.

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Maturity; Prepayments

The term loan facility is expected to mature seven years from the closing date. The term loan facility will amortize in nominal quarterly installments (not exceeding one percent of the original aggregate principal amount thereof per annum) until the maturity date. The term loan facility is expected to be subject to mandatory prepayment and reduction in an amount equal to 50% of annual excess cash flow (to be defined in the definitive documentation for the term loan facility) for any fiscal year unless a specified leverage ratio is met.

Guarantees; Security

Sally Holdings and/or one or more of its subsidiaries are expected to be the borrowers under the term loan facility. The direct parent of each borrower and each domestic subsidiary of Sally Holdings (other than any subsidiary that is a borrower or a foreign subsidiary holding company) are expected to guarantee the borrowers obligations under the term loan facility and certain interest rate protection or other hedging arrangements. The term loan facility and the guarantees thereof are expected to be secured by all of the capital stock of each borrower and the domestic subsidiaries owned by Sally Holdings and the guarantors and substantially all other tangible and intangible assets owned by each borrower and each guarantor, subject to certain exceptions. The term loan facility is expected to be secured on a first priority basis in these assets other than with respect to specified collateral, which we refer to as the ABL priority collateral, which will secure the ABL facility on a first priority basis and the term loan facility on a second priority basis. ABL priority collateral is expected to include accounts receivable, inventory and other current assets.

Interest

The interest rates applicable to the loans under the term loan facility are expected to be based on a fluctuating rate of interest measured by reference to either, at the borrowers option, (i) an adjusted London inter-bank offered rate (adjusted for maximum reserves), plus a borrowing margin or (ii) an alternate base rate plus a borrowing margin. Overdue amounts will bear interest at a rate that is 2% higher than the rate otherwise applicable.

Fees

The borrowers are expected to pay customary fees in respect of the term loan facility, including an underwriting fee.

Covenants

The term loan facility is expected to contain a number of covenants that, among other things, will limit or restrict the ability of the borrowers and their subsidiaries to:

- incur additional indebtedness (including guarantees of other indebtedness);
- pay dividends or make other restricted payments, including investments;
- prepay or amend the terms of the notes or the interim loan facility;
- enter into certain types of transactions with affiliates;
- sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- create liens; and

enter into agreements restricting dividends or other distributions by subsidiaries to the borrowers.

The term loan facility is expected to also contain certain affirmative covenants, including financing and other reporting requirements.

Events of Default

The term loan facility is expected to provide for customary events of default, including non-payment of principal, interest or fees, violation of covenants, material inaccuracy of representations or warranties, specified cross defaults to other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of guarantees or security interests, material judgments and change of control (to be defined in the definitive documentation for the term loan facility).

Asset-Based Loan Facility

Overview

The ABL facility is expected to provide for senior secured revolving loans up to a maximum aggregate principal amount of $400 million (which may be denominated in U.S. dollars, pounds, sterling, euros and other currencies to be mutually agreed), subject to borrowing base limitations. Extensions of credit under the ABL facility are limited by a borrowing base calculated periodically based on specified percentages of the value of eligible inventory and eligible accounts receivables, subject to certain reserves and other adjustments.

Proceeds of loans under the ABL facility are expected to be used (i) on the closing date, in an amount of $70 million with the right to borrow an additional $50 million on the closing date (which additional $50 million may be increased under certain circumstances), to pay certain amounts owed in connection with the transactions, including fees and expenses relating thereto, and (ii) thereafter for working capital, capital expenditures and general corporate purposes. A portion of the ABL facility in an amount to be determined will be available for letters of credit and swingline loans.

Maturity; Prepayments

The final maturity date of the ABL facility is expected to be five years from the closing date. The ABL facility is expected to be subject to mandatory prepayment in amounts equal to (i) the amount by which certain outstanding extensions of credit exceed the lesser of the borrowing base and the commitments then in effect and (ii) the net proceeds of certain asset sales or debt offerings by Sally Holdings and certain of its subsidiaries, and certain insurance recovery and condemnation events, in each case subject to certain exceptions and only if, and to the extent that, availability under the ABL facility is below a specified amount.

Guarantees; Security

Sally Holdings and/or one or more of its subsidiaries are expected to be the borrowers under the ABL facility. The direct parent of each borrower and each domestic subsidiary of Sally Holdings (other than any subsidiary that is a borrower or a foreign subsidiary holding company) are expected to guarantee the borrowers obligations under the ABL facility and certain interest rate protection or other hedging arrangements. The ABL facility and the guarantees thereof are expected to be secured by the same collateral securing the term loan facility, on a first priority basis with respect to the ABL priority collateral and on a second priority basis with respect to all other collateral.

Interest

The interest rates applicable to the loans under the ABL facility are expected to be based on a fluctuating rate of interest measured by reference to either, at the borrowers option, (1) an adjusted London inter-bank offered rate (adjusted for maximum reserves), plus a borrowing margin or (2) an alternate base rate plus a borrowing margin. Overdue amounts will bear interest at a rate of 2% higher than the rate otherwise applicable.

Fees

The borrowers are expected to pay (i) fees on the unutilized portion of commitments under the ABL facility, which are expected to vary depending on utilization level, (ii) a letter of credit fee on the stated amount of issued and undrawn letters of credit and a facing fee to the issuing lender, and (iii) other customary fees, including an underwriting fee.

Covenants

The ABL facility is expected to contain a number of covenants that, among other things, will limit or restrict the ability of the borrowers and their subsidiaries to make acquisitions, mergers, consolidations, recapitalizations, dividends, distributions and stock repurchases, in each case to the extent any such transaction would reduce availability under the ABL facility below a specified amount, and to amend specified debt agreements. If availability under the ABL facility falls below $40 million, the borrowers will also be required to comply with a minimum fixed charge coverage ratio of 1.0 to 1, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations of Sally Holdings Liquidity and Capital Resources Post-Transaction Liquidity beginning on page 241. The ABL facility is expected to also contain certain affirmative covenants, including financial and other reporting requirements.

Events of Default

The ABL facility is expected to provide for customary events of default, including non-payment of principal, interest or fees, violation of covenants, material inaccuracy of representations or warranties, specified cross defaults to other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of guarantees or security interest, material judgments and change of control (to be defined in the definitive documentation for the ABL facility).

Senior Notes and Senior Subordinated Notes

Overview

The following summary description of certain terms of the notes and the indentures under which the notes are expected to be issued may differ significantly from the definitive terms of the notes and indentures as a result of negotiations with the initial purchasers in light of market conditions at the time of the offering of the notes. The notes are expected to be offered in a private placement with registration rights.

Sally Holdings and/or one or more subsidiaries of Sally Holdings, which we refer to in this section as the issuers, are expected to issue the notes. The issuers are expected to issue up to $710 million aggregate principal amount of notes, subject to market conditions at the time of the offering of the notes.

Maturity; Interest

The notes are expected to mature after the maturity of the credit facilities and will bear interest at a rate to be determined, not exceeding a specified interest rate that will vary depending on the credit ratings for the interim loan facility or senior subordinated notes, and may increase if the closing of the transactions occurs after December 31, 2006. The provisions under which this rate will be determined are referred to in this summary description of the proposed debt financing as the backstop terms. The senior notes are expected to mature approximately eight or ten years from the date of issuance and the senior subordinated notes are expected to mature approximately ten years from the date of issuance.

Optional Redemption

With the expected maturities described above, the issuers are expected to have the right, after the fourth anniversary of the issue date, in the case of eight-year senior notes, and the fifth anniversary of the issue date, in the case of ten-year senior notes and the senior subordinated notes, to redeem the notes at their option, in whole or in part, at specified redemption prices to be determined at the time of their offering, together with accrued and unpaid interest, if any, to the date of redemption. These redemption prices will be calculated at a premium over the principal amount of the notes being redeemed, which will decline ratably to zero on the sixth anniversary of the date of issuance with respect to the senior notes and the eighth anniversary of the date of issuance with respect to the senior subordinated notes. Prior to the fourth anniversary of the issue date, in the case of eight-year senior notes, and the fifth anniversary of the issue date, in the case of the ten-year senior notes and the senior

subordinated notes, the issuers may also redeem the relevant series of notes at their option, in whole or in part, at redemption prices based upon the yield of U.S. Treasury securities plus 0.50% as of the first fixed redemption date, plus accrued and unpaid interest. In addition, at any time during the first three years that the notes are outstanding, the issuers will have the right, subject to certain requirements, to redeem a portion of the relevant series of notes with an amount equal to the proceeds of certain equity offerings by the issuers or their parent companies. Such a redemption will be at a redemption price calculated at a premium, expected to equal the interest rate on the relevant series of notes, over the principal amount of notes to be redeemed.

Change of Control

The indentures are expected to provide that, upon the occurrence of certain events constituting a change of control (to be defined in the indentures governing the notes), unless the issuers have exercised any right to redeem the notes, the issuers will be required to offer to purchase the notes from their holders at a price equal to 101% of the principal amount of notes to be purchased.

Guarantees; Security

The notes are expected to be guaranteed by Sally Holdings (if Sally Holdings is not an issuer) and each material domestic subsidiary of Sally Holdings that is not an issuer on an unsecured basis (and in the case of the senior subordinated notes, on a subordinated basis), to the extent such subsidiary guarantees all or a portion of the indebtedness of any borrower under the credit facilities.

The senior notes will be unsecured, general obligations of the issuers and will rank pari passu with all senior indebtedness of the issuers. The senior subordinated notes will be unsecured, general obligations of the issuers and will be subordinated to all indebtedness under the credit facilities and all other senior indebtedness (to be defined in the indenture for the senior subordinated notes) of the issuers.

Covenants

The indentures governing the notes are expected to contain certain negative covenants, including limitations on:

- additional indebtedness (including guarantees of other indebtedness);
- dividends and other restricted payments, including investments;
- certain types of transactions with affiliates;
- sales of certain assets, consolidations, mergers, sales or otherwise dispositions of all or substantially all of their assets;
- liens securing indebtedness (which, in the case of the senior subordinated notes, would be limited in applicability to liens securing other subordinated indebtedness); and
- restrictions on dividends or other distributions by subsidiaries to the issuers.

The indentures are expected to also contain certain affirmative covenants, including financial and other reporting requirements.

Events of Default

The indentures are expected to provide for customary events of default, including non-payment of principal or interest, breach of other provisions of the indentures, cross acceleration to other material indebtedness, certain bankruptcy events and invalidity of any material guarantee of the notes.

Interim Loan Facility

Overview

If Sally Holdings and/or one or more of its subsidiaries, which we refer to in this section as the interim loan borrowers, are unable to complete an offering of the notes, or an offering of a sufficient aggregate principal amount of notes, they are required under the investment agreement to borrow up to $710 million under the interim loan facility, alone or in combination with an offering of notes. In addition, Sally Holdings and/or one or more of its subsidiaries (at the option of Investor) may choose to borrow under the interim loan facility in lieu of issuing the notes.

Maturity; Conversion to Permanent Financing

The interim loan facility is expected to mature 365 days from the date of initial funding, which we refer to as the refinancing date. Any outstanding amounts under the interim loan facility on the refinancing date are expected to be required to be repaid in full on such date with proceeds of a permanent financing. In lieu of such repayment, if the interim loan borrowers have not raised permanent financing before the refinancing date or, at the election of Sally Holdings, following the completion of a standard high yield roadshow after which no notes were issued, the interim loans are expected to be converted into a permanent financing, consisting of notes up to an aggregate principal amount equal to the aggregate principal amount of the interim loans converted and bearing a fixed rate of interest to be determined pursuant to the backstop terms. In addition, from time to time following the 60th day after the closing date and prior to the refinancing date, the lead arrangers of the credit facilities can require that the interim loan borrowers issue notes in a registered offering or private placement to refinance the interim loan facility, at interest rates not exceeding the backstop terms, and on other specified terms and subject to specified conditions.

The terms and conditions of any such notes issued by the interim loan borrowers are expected to be similar to the anticipated terms and conditions of the senior notes and senior subordinated notes described above, subject to any differences arising from market conditions, which could result in materially higher debt service obligations or more restrictive covenants than originally anticipated.

It is expected that the interim loan borrowers will be required to (i) file, within 90 days after the refinancing date, a shelf registration statement with respect to any notes issued as a permanent financing upon conversion of the interim loans, or, at the election of Sally Holdings, an exchange offer registration statement for new notes substantially identical to the notes issued on the refinancing date, or (ii) pay specified liquidated damages to the holders of such notes.

Guarantees; Security

The interim loan facility is expected to be guaranteed by the direct parent of each borrower and each domestic subsidiary of Sally Holdings that is a guarantor under the other credit facilities. The interim loan facility is expected to be unsecured.

Interest

The interest rates applicable to the loans under the interim loan facility are expected to be based on a fluctuating rate of interest measured by reference to an adjusted London inter-bank offered rate (adjusted for maximum reserves), plus a borrowing margin. It is expected that if any loans under the interim loan facility remain outstanding after the six-month anniversary of the closing date, the borrowing margin applicable to such loans will increase by 0.50% per annum on such date and by an additional 0.50% per annum at the end of each three-month period thereafter until but excluding the refinancing date, provided that such borrowing margin will not exceed the backstop terms.

Fees

The interim loan borrowers are expected to pay customary fees in respect of the interim loan facility, including an underwriting fee, a commitment fee and, if the interim loan facility is not repaid in full on the refinancing date, a conversion fee. The interim loan borrowers may receive specified rebates of the commitment and conversion fees if the interim loan facility is repaid in full prior to specified dates.

Covenants

The interim loan facility is expected to contain a number of covenants that, among other things, will limit or restrict the ability of the interim loan borrowers and their subsidiaries to:

- incur additional indebtedness (including guarantees of other indebtedness);
- pay dividends or make other restricted payments, including investments;
- enter into certain types of transactions with affiliates;
- sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;
- create liens; and
- enter into agreements restricting dividends or other distributions by subsidiaries to the interim loan borrowers.

Events of Default

The interim loan facility is expected to contain customary events of default, including non-payment of principal and interest, violation of covenants, cross payment default and cross acceleration to other material indebtedness, certain bankruptcy events, invalidity of material guarantees, material judgments and change of control (to be defined in the definitive documentation for the interim loan facility).

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DESCRIPTION OF NEW ALBERTO-CULVER

Description of Business

New Alberto-Culver operates two consumer products divisions: (i) Alberto-Culver Consumer Products Worldwide, which develops, manufactures, distributes and markets branded beauty care products as well as branded food and household products in the United States and more than 100 other countries, and (ii) Cederroth International, which manufactures, markets and distributes beauty and health care products throughout Scandinavia and in Europe. For financial reporting purposes, these two divisions are included as one segment, Global Consumer Products.

New Alberto-Culver s major beauty and health care products marketed in the United States include the *Alberto VO5*, *TRESemmé*, *Nexxus* and *Consort* lines of hair care products, the *St. Ives* line of skin care products, *FDS* feminine deodorant sprays and the *Soft & Beautiful*, *Just For Me*, *Comb-Thru*, *Motions* and *TCB* lines of ethnic hair care products. Food and household products sold in the United States include *Mrs. Dash* salt-free seasoning blends, *Molly McButter* butter flavored sprinkles, *SugarTwin* sugar substitute, *Static Guard* anti-static spray and *Kleen Guard* furniture polish.

In Canada, New Alberto-Culver sells most of the products marketed in the United States along with the Alberto European and Alberto Balsam lines of hair care products.

In the United Kingdom and Europe, New Alberto-Culver sells products such as the *Alberto VO5*, *Advanced Alberto VO5*, *Alberto Balsam* and *TRESemmé* lines of hair care products and the *St. Ives* line of skin care products.

In Latin America, the significant products sold by New Alberto-Culver include the *Alberto VO5*, *Alberto Get Set*, *Antiall* and *Folicure* lines of hair care products, the *St. Ives* line of skin care products, *Veritas* soap and deodorant body powder products and *Farmaco* soap products. New Alberto-Culver s principal markets in Latin America are Mexico, Puerto Rico and the Caribbean, Argentina and Chile.

Cederroth International, a subsidiary of New Alberto-Culver headquartered in Sweden, manufactures, markets and distributes beauty and health care products throughout Scandinavia and in parts of Europe. Such products include *Salve* adhesive bandages, *Samarin* antacids, *Seltin* salt substitute, *Topz* cotton buds, *Savette* wet wipes, *Bliw* liquid soaps, *Date* anti-perspirants and cologne for women, *Alberto Family Fresh* shampoo and shower products, *Suketter* artificial sweetener, *Alberto VO5* hair care products, the *St. Ives* line of skin care products, *HTH* and *L300* skin care products, *Grumme Tvattsapa* detergents, *Pharbio* natural pharmaceuticals and *LongoVital* herbal multivitamin products. Cederroth also distributes *Jordan* toothbrushes in Scandinavia. *Soraya* skin care products are sold in Poland and Eastern Europe.

New Alberto-Culver s products are also sold in Australia, Asia and Africa.

New Alberto-Culver also performs custom label manufacturing of other companies beauty and health care products in the United States and Scandinavia.

For the year ended September 30, 2005, approximately 48.7% of New Alberto-Culver s net sales were from international operations. As of September 30, 2005, approximately 39.9% of New Alberto-Culver s identifiable assets were located in international locations.

Product Development and Marketing

Many of New Alberto-Culver s consumer products are developed in its laboratories. New Alberto-Culver has established global structures for operations and research and development, which are designed to enable it to implement cost-savings initiatives more quickly on a broad scale and to shorten the time that it takes to develop an idea into a market-ready product. New products introduced by New Alberto-Culver are assigned product managers, who guide the products from development to the consumer. The product managers are responsible for the overall marketing plans for the products and coordinate advertising and marketing activities.

New Alberto-Culver allocates a large portion of its revenues to the advertising and marketing of consumer beauty products. Net earnings are materially affected by these expenditures, which are charged against income in the period incurred. New Alberto-Culver regards television as a primary medium for advertising and uses it to conduct extensive network, spot and cable television advertising campaigns. New Alberto-Culver also advertises through other media such as newspapers, magazines, radio and internet, as well as through direct mailings by retailers to their customers. Extensive advertising and marketing are required to build and protect a branded consumer product s market position. New Alberto-Culver believes there is significant consumer awareness of its major brands and that such awareness is an important factor in its operating results.

Suppliers

New Alberto-Culver manufactures and packages almost all of its products. New Alberto-Culver purchases the raw materials for these products from various suppliers, none of which are individually significant to the business.

Competition

The domestic and international markets for New Alberto-Culver s branded consumer products are highly competitive and sensitive to changes in consumer preferences and demands. New Alberto-Culver s competitors range in size from large, highly diversified companies (some of which have substantially greater financial resources than the company) to small, specialized producers. New Alberto-Culver competes primarily on the basis of providing specific benefits to consumers, marketing (including advertising, promotion, merchandising, packaging and trade customer relations), product quality and price and believes that brand loyalty and consumer acceptance are also important factors to the company s success.

New Alberto-Culver attempts to differentiate itself from competing brands with innovative product offerings, attractive packaging and focused advertising and promotional efforts. New Alberto-Culver utilizes research and consumer testing to optimize product performance and improve consumer satisfaction with its products. While New Alberto-Culver s products are often subject to significant price competition, many of New Alberto-Culver s products are designed to provide consumers with better value for the price compared to competitive brands. In addition, New Alberto-Culver at times uses promotions that effectively reduce the price for some of its products to attract consumers to its brands and products and also to respond to competitive pressures that could harm New Alberto-Culver s sales and profits.

Distribution

New Alberto-Culver s sales force and independent brokers sell its retail beauty and health care products and food and household products by calling on retail outlets such as mass merchandisers, supermarkets, drug stores, dollar stores, wholesalers and variety stores. New Alberto-Culver s sales representatives and brokers sell its ethnic professional hair care products in the United States to mass merchandisers, drug stores and supermarkets and to beauty supply outlets and beauty distributors, who in turn sell to beauty salons, barber shops and beauty schools.

New Alberto-Culver s consumer products are sold internationally in more than 100 countries, primarily through direct sales by its subsidiaries, independent distributors and licensees. New Alberto-Culver s foreign operations are subject to risks inherent in transactions involving foreign currencies and political uncertainties.

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 five largest customers of New Alberto-Culver accounted for approximately 28%, 27% and 26% of its net sales, respectively.

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Employees

In its domestic and foreign operations, New Alberto-Culver had approximately 4,000 full-time equivalent employees as of September 30, 2005 consisting of about 1,400 hourly personnel and 2,600 salaried employees. Certain subsidiaries of New Alberto-Culver have union contracts covering production, warehouse, shipping and maintenance personnel. New Alberto-Culver considers relations with its employees to be satisfactory.

Regulation

New Alberto-Culver is subject to the regulations of a number of governmental agencies in the United States and certain foreign countries, including the Food and Drug Administration and the Federal Trade Commission. These regulations have not historically had a material effect on the business of New Alberto-Culver.

Trademarks and Patents

New Alberto-Culver s trademarks, certain of which are material to its business, are registered or legally protected in the United States, Canada and other countries throughout the world in which products of the company are sold. Although New Alberto-Culver owns patents and has other patent applications pending, its business is not materially dependent upon patents or patent protection.

Properties

New Alberto-Culver s properties, plants and equipment are maintained in good condition and are suitable and adequate to support the business. The principal properties and their general characteristics are described below:

Location	**Type of Facility**
Company-Owned Properties:	
Melrose Park, Illinois	Corporate Office, Manufacturing, Warehouse
Basingstoke, Hampshire, England	Office
Buenos Aires, Argentina	Office, Manufacturing, Warehouse
Dallas, Texas	Office, Manufacturing, Warehouse
Falun, Sweden	Office, Manufacturing, Warehouse
Minooka, Illinois	Warehouse
Naguabo, Puerto Rico	Manufacturing, Warehouse
Naucalpan de Juarez, Mexico	Office, Manufacturing, Warehouse
Radzymin, Poland	Office, Manufacturing, Warehouse
Swansea, Wales, England	Office, Manufacturing, Warehouse
Toronto, Ontario, Canada	Office, Manufacturing, Warehouse
Leased Properties:	
Atlanta, Georgia	Warehouse
Auckland, New Zealand	Office, Warehouse
Carlisle, Pennsylvania	Warehouse
Chatsworth, California	Office, Manufacturing, Warehouse
Goleta, California	Office, Warehouse
Ontario, California	Warehouse
Stockholm, Sweden	Office, Manufacturing, Warehouse

Legal Proceedings

New Alberto-Culver is the subject of various pending or threatened legal actions in the ordinary course of its business. There are no legal proceedings pending as of June 30, 2006 that New Alberto-Culver believes could have a material adverse effect on its business.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF ALBERTO-CULVER (ACCOUNTING PREDECESSOR OF 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.

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	Nine Months Ended June 30,		Fiscal Year Ended September 30,				
	2006	2005	2005	2004	2003	2002	2001
	(unaudited)						
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 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.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ALBERTO-CULVER (ACCOUNTING PREDECESSOR

TO NEW ALBERTO-CULVER)

As noted under The Transactions Accounting Treatment on 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 spinnee for financial reporting purposes in accordance with EITF Issue No. 02-11, Accounting for Reverse Spinoffs. 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 following Management s Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) appeared in Alberto-Culver s Annual Report on Form 10-K for the fiscal year ended September 30, 2005 and its Quarterly Report on Form 10-Q for the fiscal quarter and the nine months ended June 30, 2006 and it therefore discusses Alberto-Culver s historical financial condition and results of operations, including the Sally/BSG distribution business, rather than just the consumer products business. It also contains certain statements regarding events that have already occurred but at the time the reports were filed had not yet occurred.

This section should be read in conjunction with the audited consolidated financial statements and the unaudited interim financial statements of Alberto-Culver and the related notes included elsewhere in this proxy statement/prospectus information statement. This Management s Discussion and Analysis of Financial Condition and Results of Operations of Alberto-Culver (Accounting Predecessor to New Alberto-Culver) contains forward-looking statements. See Risk Factors beginning on page 27 and Special Note Regarding Forward-Looking Statements beginning on page 52 for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements that could cause results to differ materially from those reflected in such forward-looking statements.

Description of Business

Alberto-Culver Company and its subsidiaries (the company) operate two businesses: Global Consumer Products and Beauty Supply Distribution. The Global Consumer Products business consists of two divisions: (1) Alberto-Culver Consumer Products Worldwide, which develops, manufactures, distributes and markets branded beauty care products as well as branded food and household products in the United States and more than 100 other countries, and (2) Cederroth International, which manufactures, markets and distributes beauty and health care products throughout Scandinavia and in Europe. For reporting purposes, these two divisions are included in the Global Consumer Products segment. The company s Beauty Supply Distribution business includes two segments: (1) Sally Beauty Supply, a domestic and international chain of cash-and-carry stores offering professional beauty supplies to both salon professionals and retail consumers, and (2) Beauty Systems Group (BSG), a full-service beauty supply distributor offering professional brands directly to salons through its own sales force and professional-only stores in exclusive geographical territories in North America and Europe.

Overview

Three and Nine Months Ended June 30, 2006 and 2005

Non-GAAP Financial Measures

The company s financial results in the third quarter and first nine months of fiscal year 2006 were affected by three non-core items: stock option expense recorded in accordance with Statement of Financial Accounting Standards (SFAS) No. 123 (R), Share-Based Payment; fees and expenses related to the terminated spin/merge of Sally Holdings, Inc. (Sally Holdings) with Regis Corporation (Regis) and the proposed seperation of the

consumer products and the beauty supply distribution businesses involving Clayton, Dubilier & Rice, Inc.; and a non-cash charge related to the company s conversion to one class of common stock. In addition, the non-cash charge from the conversion to one class of common stock also affected the third quarter and first nine months of fiscal year 2005. In the first quarter of fiscal year 2006, the company began recording stock option expense in accordance with SFAS No. 123 (R). As allowed by the statement, the company elected not to restate its previously issued financial statements; therefore, the company s fiscal year 2006 results are not directly comparable to the results of prior year periods. In addition, the stock option expense had no effect on the operating profits or cash flows of the company s business segments or the consolidated cash flows of the company. The Sally Holdings transaction costs relate to transactions contemplated by the company rather than the normal ongoing operations of the company s businesses and had no effect on the operating profits of the company s business segments. The non-cash charges relate to a change in the capital structure of the company rather than the normal operations of the company s core businesses and had no effect on the operating profits or cash flows of the company s business segments or the consolidated cash flows of the company.

To supplement the company s financial results presented in accordance with U.S. generally accepted accounting principles (GAAP), net earnings excluding non-core items, basic net earnings per share excluding non-core items and diluted net earnings per share excluding non-core items are disclosed in the Results of Operations section of Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). In addition, the company discloses organic sales growth which measures the growth in net sales excluding the effects of foreign exchange rates, acquisitions and a divestiture. These measures are non-GAAP financial measures as defined by Regulation G of the Securities and Exchange Commission (SEC). The non-GAAP financial measures are not intended to be, and should not be, considered separately from or as alternatives to the most directly comparable GAAP financial measures of net earnings, basic net earnings per share, diluted net earnings per share and net sales growth. These specific non-GAAP financial measures, including the per share measures, are presented in MD&A with the intent of providing greater transparency to supplemental financial information used by management and the company s Board of Directors in their financial and operational decision-making. These non-GAAP financial measures are among the primary indicators that management and the Board of Directors use as a basis for budgeting, making operating and strategic decisions and evaluating performance of the company and management as they provide meaningful supplemental information regarding the normal ongoing operations of the company and its core businesses. In addition, these non-GAAP financial measures are used by management and the Board of Directors to facilitate internal comparisons to the company s historical operating results. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to the company s historical operating results and analyzing the underlying performance of the company s normal ongoing operations for the periods presented. Management believes that the presentation of these non-GAAP financial measures, when considered along with the company s GAAP financial measures and the reconciliations to the corresponding GAAP financial measures, provides the reader with a more complete understanding of the factors and trends affecting the company than could be obtained absent these disclosures. It is important for the reader to note that the non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Reconciliations of these measures to their most directly comparable GAAP financial measures are provided in the Reconciliation of Non-GAAP Financial Measures section of MD&A and should be carefully evaluated by the reader.

Accounting for Stock-Based Compensation

Effective October 1, 2005, the company 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). The company recognizes compensation expense on a straight-line basis over the vesting period or to the date a participant becomes eligible for retirement, if earlier. In accordance with the modified prospective method, the financial statements for prior periods have not been restated. In the third quarter of fiscal year 2006, the company recorded stock option expense that reduced earnings before provision for income taxes by $2.9

million, provision for income taxes by $1.0 million, net earnings by $1.9 million and basic and diluted net earnings per share by two cents. In the first nine months of fiscal year 2006, the company recorded stock option expense 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. The expense recorded in the first quarter of fiscal year 2006 included the immediate expensing of the fair value of stock options granted during the quarter to participants who had already met the definition of retirement under the stock option plans. The net balance sheet effect of recognizing stock option expense increased total stockholders equity by $4.5 million in the first nine months of fiscal year 2006 and resulted in the recognition of deferred tax assets of the same amount. The company s consolidated statement of cash flows for the nine months ended June 30, 2006 reflects $1.0 million of excess tax benefits from employee stock option exercises as a financing cash inflow in accordance with the provisions of SFAS No. 123 (R).

As of June 30, 2006, the company had $16.4 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted average period of 2.3 years and $3.8 million of unearned compensation related to restricted shares that will be amortized to expense over a weighted average period of 3.4 years. The unamortized balance of restricted shares was included in unearned compensation, a separate component of stockholders equity, as of September 30, 2005 and was reclassified to additional paid-in capital upon the adoption of SFAS No. 123 (R).

Sally Holdings Transactions

On January 10, 2006, the company entered into an agreement with Regis to merge Sally Holdings, a wholly-owned subsidiary of the company, with Regis in a tax-free transaction. Sally Holdings is comprised of the company s Sally Beauty Supply and Beauty Systems Group business segments. Pursuant to the terms and conditions of the merger agreement, Sally Holdings was to be spun off to the company s stockholders by way of a tax-free distribution and, immediately thereafter, combined with Regis in a tax-free stock-for-stock merger.

On April 5, 2006, the company provided notice to Regis that its Board of Directors had withdrawn its recommendation for shareholders to approve the transaction. Following the company s notice to Regis, also on April 5, 2006, Regis provided notice to the company that it was terminating the merger agreement effective immediately. In connection with the termination of the merger agreement, the company paid Regis a $50.0 million termination fee on April 10, 2006.

On June 19, 2006, the company announced a plan to split Sally Holdings from the consumer products business. Pursuant to an Investment Agreement, CDRS Acquisition LLC (Investor), a limited liability company organized by Clayton, Dubilier & Rice Fund VII, L.P., will invest $575 million to obtain an equity ownership of approximately 47.5% of Sally Holdings and Sally Holdings will incur approximately $1.85 billion of new debt. Upon closing of the transaction, the company s shareholders will receive, for each share of common stock then owned, (i) one share of common stock of New Alberto-Culver, which will own and operate the company s consumer products business, (ii) one share of common stock of New Sally Holdings, which will own and operate Sally Holdings beauty supply distribution business and (iii) a $25.00 per share special cash dividend.

In connection with these transactions, the company incurred transaction expenses, primarily the termination fee paid to Regis and legal and investment banking fees during the fourth quarter of fiscal year 2005 and the first nine months of fiscal year 2006. The total amount of transaction expenses, including the termination fee, was $58.0 million ($37.0 million after tax). Approximately $56.6 million ($36.1 million after tax) of that amount was expensed by the company during the first nine months of fiscal year 2006, with the third quarter amount totaling $50.9 million ($32.6 million after tax). All expenses incurred related to the Regis transaction, including the termination fee, are expected to be deductible for tax purposes, while most expenses related to the transaction involving Clayton, Dubilier & Rice, Inc. are not expected to be deductible for tax purposes.

The company intends to treat the transaction involving Clayton, Dubilier & Rice, Inc. as though it constitutes a change in control for purposes of the company s stock option and restricted stock plans. As a result,

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in accordance with the terms of these plans, all outstanding stock options and restricted shares of the company will become fully vested upon completion of the transaction. The company expects to record a charge at that time equal to the amount of future compensation expense that would have been recognized in subsequent periods as the stock options and restricted shares vested over the original vesting periods. Upon completion of the transaction, all outstanding stock options held by employees of Sally Holdings will become options to purchase shares of New Sally Holdings common stock. All other outstanding stock options will become options to purchase New Alberto-Culver common stock.

The Investment Agreement provides that (i) upon the closing of the transaction, New Sally Holdings or Sally Holdings will pay all of Investor s transaction expenses and a transaction fee in the amount of $30 million to Clayton, Dubilier & Rice, Inc. and (ii) New Sally Holdings or Sally Holdings will pay certain of the combined transaction expenses of Sally Holdings and the company, up to a maximum of $20 million if the transaction closes, and certain other expenses of the company not subject to the $20 million cap. The transaction expenses of the company including Sally Holdings portion, will be expensed by the company as incurred through the date of completion of the transaction.

In addition, following the completion of the transaction, Howard B. Bernick, Chief Executive Officer and President of Alberto-Culver Company, and Michael H. Renzulli, Chairman of Sally Holdings, will terminate their employment with the company and receive certain benefits primarily consisting of combined lump sum cash payments totaling $13.0 million. The company will expense the $13.0 million related to these cash payments at the time of completion of the transaction.

Non-Cash Charge

As discussed in note 2 to the Consolidated Financial Statements, on October 22, 2003, the Board of Directors approved the conversion of all of the issued shares of Class A common stock into Class B common stock on a one share-for-one share basis in accordance with the terms of the company s certificate of incorporation. The conversion became effective after the close of business on November 5, 2003. Following the conversion, all outstanding options to purchase shares of Class A common stock became options to purchase an equal number of shares of Class B common stock. On January 22, 2004, all shares of Class B common stock were redesignated as common stock. The single class of common stock continues to trade on the New York Stock Exchange under the symbol ACV.

Prior to the adoption of SFAS No. 123 (R), the company accounted for stock compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, which required the company to recognize a non-cash charge from the remeasurement of the intrinsic value of all Class A stock options outstanding on the conversion date. A portion of this non-cash charge was recognized on the conversion date for vested stock options and the remaining non-cash charges related to unvested stock options and restricted shares was being recognized over the remaining vesting periods. In the first nine months of fiscal year 2005, the company recorded non-cash charges against pre-tax earnings of $11.1 million ($7.2 million after tax) with $3.7 million ($2.4 million after tax) recognized in the third quarter. The non-cash charges reduced earnings before provision for income taxes, provision for income taxes, net earnings and basic and diluted net earnings per share. The net balance sheet effect of the options remeasurement increased total stockholders equity by $3.9 million in the first nine months of fiscal year 2005, and resulted in the recognition of deferred tax assets of the same amount. Due to the adoption of SFAS No. 123 (R) effective October 1, 2005, the amount of the non-cash charge affecting the third quarter and first nine months of fiscal year 2006 was approximately $1,000 and $3,000, respectively. The non-cash charge had no effect on the operating profits or cash flows of the company s business segments or the consolidated cash flows of the company.

Reclassification

During the second quarter of fiscal year 2006, the company determined that certain of the Beauty Supply Distribution business warehousing and distribution costs previously classified in the consolidated statements of

earnings as components of advertising, marketing, selling and administrative expenses should be classified as cost of products sold to be consistent with the company s policy of capitalizing these costs in inventory. As a result, the company has reclassified expenses related to purchasing costs, freight from distribution centers to the stores and handling costs in the distribution centers for all periods presented. These costs amounted to $67.6 million for the first nine months of fiscal year 2006 (with $23.1 million of that amount related to the third quarter) and $63.5 million for the first nine months of fiscal year 2005 (with $21.8 million of that amount related to the third quarter). The reclassifications had no effect on earnings.

Lease Accounting Adjustment

In February, 2005, the SEC issued a letter expressing its interpretations of certain lease accounting issues relating to the amortization of leasehold improvements, the recognition of rent expense when leases have rent holidays and allowances received by tenants for leasehold improvements. As a result of a review of its historical lease accounting practices, the company found some deviations to these interpretations and recorded a pre-tax, non-cash charge in the second quarter of fiscal year 2005 of $2.5 million ($1.6 million after tax) which reduced basic and diluted net earnings per share by two cents. In addition, net fixed assets were increased by $2.0 million and other liabilities were increased by $4.5 million.

Years Ended September 30, 2005, 2004 and 2003

Non-GAAP Financial Measures

The company s financial results in fiscal years 2005 and 2004 were impacted by non-cash charges related to the company s conversion to one class of common stock, which is considered a non-core item. The company had three additional non-core items affecting its financial results in fiscal year 2004: a gain from the sale of its Indola European professional hair care business; a tax benefit from the liquidation of certain Indola foreign legal entities and a charge related to the early redemption of its $200 million of 8.25% senior notes. Net earnings excluding non-core items, basic net earnings per share excluding non-core items and diluted net earnings per share excluding non-core items are used in the Results of Operations section of Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). These measures are non-GAAP financial measures as defined by Regulation G of the Securities and Exchange Commission (SEC). The non-cash charges and the charge related to the redemption of senior notes relate to changes in the capital structure of the company rather than the normal operations of the company s core businesses. The gain on the sale of Indola and the subsequent tax benefit from the liquidation of certain Indola foreign legal entities represent the effects of a specific divestiture transaction rather than the normal ongoing operations of the company s businesses. Management uses these non-GAAP financial measures to evaluate the performance of the company and believes the presentation of these amounts provides the reader with information necessary to analyze the company s normal operations for the periods presented. Reconciliations of these measures to their most directly comparable financial measures under U.S. generally accepted accounting principles (GAAP) are provided in the Reconciliation of Non-GAAP Financial Measures section of MD&A.

Non-Cash Charge

On October 22, 2003, the Board of Directors approved the conversion of all of the issued shares of Class A common stock into Class B common stock on a one share-for-one share basis in accordance with the terms of the company s certificate of incorporation. The conversion became effective after the close of business on November 5, 2003. Following the conversion, all outstanding options to purchase shares of Class A common stock became options to purchase an equal number of shares of Class B common stock. On January 22, 2004, all shares of Class B common stock were redesignated as common stock. The single class of common stock continues to trade on the New York Stock Exchange under the symbol ACV.

The company accounts for stock compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Under these rules, the conversion to one

class of common stock requires the company to recognize non-cash charges from the remeasurement of the intrinsic value of all Class A stock options outstanding on the conversion date. A portion of the non-cash charges was recognized on the conversion date for vested stock options and the remaining non-cash charges related to unvested stock options and restricted shares are being recognized over the remaining vesting periods. As a result, the company has recorded non-cash charges against pre-tax earnings of $100.1 million, of which $85.6 million ($55.6 million after taxes) or 62 cents and 61 cents per basic and diluted net earnings per share, respectively, was recognized in fiscal year 2004 and $14.5 million ($9.4 million after taxes) or ten cents per basic and diluted net earnings per share was recognized in fiscal year 2005. The non-cash charges reduced operating earnings, provision for income taxes, net earnings and basic and diluted net earnings per share. The balance sheet effect of the options remeasurement increased total stockholders equity by $30.0 million in fiscal year 2004 and $5.1 million in fiscal year 2005, and resulted in the recognition of deferred tax assets of the same amounts. Effective October 1, 2005, the company will adopt Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, pertaining to the expensing of stock options and, accordingly, the amount of the non-cash charge impacting future periods will be reduced to nearly zero.

Sale of Indola

In June, 2004, the company sold its Indola European professional hair care business. As a result of the sale, the company recorded a $10.1 million gain ($5.7 million after taxes) or six cents per basic and diluted net earnings per share in fiscal year 2004. In September, 2004, the company completed the liquidation of two foreign legal entities related to the divested Indola business and, as a result, recognized a tax benefit of $4.4 million or five cents per basic and diluted net earnings per share in fiscal year 2004.

Redemption of Senior Notes

In September, 2004, the company redeemed its $200 million of 8.25% senior notes due November 1, 2005 under the redemption provisions of the notes. In connection with the buyback, the company recorded a pre-tax charge in fiscal year 2004 of $12.6 million ($8.2 million after taxes) or nine cents per basic and diluted net earnings per share consisting primarily of a make-whole premium. As part of the redemption, the company also paid $6.1 million of interest accrued through the redemption date that was originally scheduled to be paid in fiscal year 2005.

Stock Split

On January 21, 2004, the Board of Directors approved a 3-for-2 stock split in the form of a 50% stock dividend. The additional shares were distributed February 20, 2004 to shareholders of record at the close of business on February 2, 2004. The stock dividend was distributed on outstanding shares and not on shares held in the treasury. All share and per share information in this report, except for treasury shares, has been restated to reflect the 50% stock dividend.

Lease Accounting Adjustment

In February, 2005, the SEC issued a letter expressing its interpretations of certain lease accounting issues relating to the amortization of leasehold improvements, the recognition of rent expense when leases have rent holidays and allowances received by tenants for leasehold improvements. As a result of a review of its historical lease accounting practices, the company found some deviations to these interpretations and recorded a pre-tax, non-cash charge in the second quarter of fiscal year 2005 of $2.45 million ($1.6 million after taxes) which reduced basic and diluted net earnings per share by two cents. In addition, net leasehold improvements were increased by $2.0 million and other liabilities were increased by $4.5 million.

Auction Rate Securities

The company regularly invests in auction rate securities (ARS) which typically are bonds with 20 to 30 year maturities that have interest rates which reset at short intervals through an auction process. Prior to March 31,

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2005, the company had consistently classified these investments as cash equivalents. As a result of interpretations on the balance sheet classification of ARS that were released during the second quarter of fiscal year 2005, the company has changed its previous practice and has classified $64.8 million and $102.9 million of ARS as available for sale short-term investments at September 30, 2005 and 2004, respectively. In addition, Proceeds from sales (payments for purchases) of short-term investments is included in the consolidated statements of cash flows to reflect the purchase and sale of ARS during the periods presented.

Results of Operations

Comparison of the Three and Nine Months Ended June 30, 2006 and 2005

The company achieved record third quarter net sales of $952.7 million in fiscal year 2006, up $53.8 million or 6.0% over the comparable period of the prior year. For the nine months ended June 30, 2006, net sales reached a new high of $2.8 billion, representing a 6.4% increase compared to last year s nine-month period. The effect of foreign exchange rates increased sales by 0.2% in the third quarter and decreased sales by 0.6% in the first nine months of fiscal year 2006. Organic sales, which exclude the effects of foreign exchange rates, acquisitions and a divestiture, grew 5.3% during the third quarter and 5.7% during the first nine months of fiscal year 2006. Organic sales growth for the third quarter and first nine months of fiscal year 2006 includes the effect of sales related to the launch of Nexxus into retail channels in the U.S.

Net earnings were $30.5 million for the three months ended June 30, 2006 versus $53.4 million for the same period of the prior year. Net earnings for the third quarter of fiscal years 2006 and 2005 were reduced by $34.5 million and $2.4 million, net of income taxes, respectively, as a result of the non-core items discussed in the Overview section of MD&A. Basic net earnings per share were 33 cents in the third quarter of fiscal year 2006 versus 58 cents in the same period of fiscal year 2005. Diluted net earnings per share for the current quarter were 33 cents compared to 57 cents in the same period of the prior year. In the third quarter of fiscal year 2006, non-core items decreased basic net earnings per share by 37 cents and diluted net earnings per share by 36 cents. In the third quarter of fiscal year 2005, the non-core item reduced basic and diluted net earnings per share by three cents.

Excluding non-core items, net earnings were $65.0 million for the three months ended June 30, 2006 or 16.4% higher than net earnings of $55.8 million in the third quarter of fiscal year 2005. Basic net earnings per share excluding non-core items were 70 cents in the third quarter of fiscal year 2006, which was nine cents or 14.8% higher than the same period of fiscal year 2005. Diluted net earnings per share excluding non-core items increased 15.0% to 69 cents from 60 cents in the same period of the prior year.

Net earnings for the nine months ended June 30, 2006 were $139.5 million versus $151.9 million in the prior year. Net earnings were lowered by $44.5 million and $7.2 million, net of income taxes, in the first nine months of fiscal years 2006 and 2005, respectively, as a result of the non-core items discussed in the Overview section of MD&A. Basic net earnings per share were $1.51 in the first nine months of fiscal year 2006 versus $1.66 in the same period of fiscal year 2005. Diluted net earnings per share were $1.50 for the first nine months of fiscal year 2006 compared to $1.63 in the prior year. In the first nine months of fiscal year 2006, non-core items reduced basic net earnings per share by 48 cents and diluted net earnings per share by 47 cents. In the first nine months of fiscal year 2005, the non-core item reduced basic and diluted net earnings per share by eight cents.

Excluding non-core items, net earnings were $184.0 million for the nine months ended June 30, 2006 or 15.6% higher than the prior year s first nine months net earnings of $159.1 million. Basic net earnings per share excluding non-core items were $1.99 in the first nine months of fiscal year 2006, which was 25 cents or 14.4% higher than the same period of fiscal year 2005. Diluted net earnings per share excluding non-core items for the first nine months of fiscal year 2006 increased 15.2% to $1.97 from $1.71 in the same period of the prior year.

Compared to the same periods of the prior year, sales of Global Consumer Products increased 9.2% in the third quarter and first nine months of fiscal year 2006. The third quarter and first nine months sales increases

were primarily due to the launch of Nexxus into retail channels and higher sales of TRESemmé shampoos, conditioners and styling products in the U.S. The sales increase in the first nine months was partially offset by the effect of foreign exchange rates, which decreased sales by 1.6%. The effect of foreign exchange rates on the net sales increase for the three months ended June 30, 2006 was not significant.

Sales of the Beauty Supply Distribution business, composed of Sally Beauty Supply and BSG, were $599.5 million in the third quarter and $1.8 billion for the first nine months of fiscal year 2006, representing an increase of 4.0% for the third quarter and 4.7% for the nine-month period versus the prior year.

Sales of Sally Beauty Supply increased to $357.0 million in the third quarter of fiscal year 2006 and $1.1 billion for the first nine months of fiscal year 2006, compared to $346.2 million and $1.0 billion for the prior year periods. The sales increases of 3.1% for the third quarter and 3.9% for the first nine months of fiscal year 2006 were primarily attributable to the opening of new stores, including 105 net new stores during the last twelve months (2.2% for the third quarter and the first nine months) and the growth of its existing business which primarily represents same store sales. These increases were partially offset by the effect of foreign exchange rates (0.2% for the third quarter and 0.5% for the first nine months).

Sales of BSG were $242.6 million in the third quarter and $707.0 million for the first nine months of fiscal year 2006 compared to $230.4 million in the third quarter and $667.9 million for the first nine months of the prior year. The sales increase of 5.3% for the third quarter of fiscal year 2006 was primarily attributable to acquisitions (0.9%), the opening of new stores, including seven net new stores during the last twelve months (0.2%), the impact of foreign exchange rates (1.1%) and the growth of its existing business which primarily represents same store sales. The sales increase of 5.9% for the first nine months of fiscal year 2006 was mainly attributable to acquisitions (4.1%), the opening of new stores, including seven net new stores during the last twelve months (0.8%), the impact of foreign exchange rates (0.7%) and the growth of its existing business which primarily represents same store sales. These increases for the third quarter and first nine months of fiscal year 2006 were partially offset by lower sales by BSG s professional distributor sales consultants as salon professionals shifted some of their purchases from sales consultants to BSG stores.

Cost of products sold as a percentage of net sales was 51.3% for the third quarter and first nine months of fiscal year 2006 compared to 52.4% for the third quarter and 52.2% for the first nine months of the prior year. The lower cost of products sold percentages in the third quarter and first nine months of fiscal year 2006 were primarily attributable to the launch of Nexxus into retail channels, as Nexxus products have a lower cost of goods sold percentage, and improved vendor pricing and lower store inventory shrinkage for the Beauty Supply Distribution business.

Compared to the prior year, advertising, marketing, selling and administrative expenses in fiscal year 2006 increased $31.5 million or 9.3% for the third quarter and $87.2 million or 8.7% for the first nine months. The increases primarily resulted from higher expenditures for advertising and marketing (4.5% for the third quarter and 3.7% for the first nine months), the recording of stock option expense resulting from the adoption of SFAS No. 123 (R) (0.9% for the third quarter and 1.3% for the first nine months) and higher selling costs associated with the launch of Nexxus into retail channels and the growth of the Sally Beauty Supply and BSG businesses (2.3% for the third quarter and 2.4% for the first nine months).

Advertising and marketing expenditures were $82.0 million in the third quarter of fiscal year 2006, an increase of 23.2% from $66.6 million in the prior year, and $240.6 million for the first nine months of fiscal year 2006, which was 18.3% higher than the $203.3 million for the first nine months of fiscal year 2005. These increases were primarily due to higher advertising and marketing expenditures in the U.S. for Nexxus (27.6% for the third quarter and 20.1% for the first nine months) and TRESemmé (4.7% for the third quarter and 5.2% for the first nine months), partially offset by the decreased expenditures in the U.S. for Alberto VO5 (7.2% for the third quarter and 3.4% for the first nine months).

Interest expense, net of interest income, was $834,000 in the third quarter and $3.6 million for the first nine months of fiscal year 2006 compared to $2.0 million for the third quarter and $6.0 million for the first nine months of fiscal year 2005. Interest expense was $2.5 million in the third quarter and $7.7 million for the first nine months of fiscal year 2006 versus $2.6 million for the third quarter and $8.0 million for the first nine months of fiscal year 2005. Interest income was $1.7 million in the third quarter of fiscal year 2006 and $4.1 million for the first nine months of fiscal year 2006 compared to $626,000 for the third quarter and $2.0 million for the first nine months of the prior year. The increase in interest income in the current year was primarily due to higher interest rates and higher cash and short-term investment balances.

The provision for income taxes as a percentage of earnings before income taxes was 25.5% for the third quarter and 32.7% for the first nine months of fiscal year 2006, as compared to 35.0% for the third quarter and first nine months of fiscal year 2005. The lower effective tax rates in the third quarter and first nine months of fiscal year 2006 were mainly due to the favorable resolutions of certain tax audits, a reduction in an income tax accrual for certain foreign entities following the expiration of the statute of limitations and the expected utilization of additional foreign tax credits, partially offset by higher state income taxes.

Comparison of the Years Ended September 30, 2005, 2004 and 2003

Fiscal year 2005 marked the company s fourteenth consecutive year of record sales and record net earnings excluding non-core items. Net sales for the year ended September 30, 2005 were $3.53 billion, an increase of 8.4% over the prior year. Fiscal year 2004 net sales of $3.26 billion increased 12.7% from $2.89 billion in 2003. Foreign exchange rates increased fiscal year 2005 and 2004 sales by 1.2% and 2.5%, respectively. Organic sales, which exclude the effects of foreign exchange rates, acquisitions and divestitures, grew 4.6% and 5.0% in fiscal years 2005 and 2004, respectively. Management uses organic sales growth, a non-GAAP financial measure, to evaluate the operating results of the company and believes the presentation of organic sales growth provides the reader with information necessary to analyze the company s operations for the periods presented. See the Reconciliation of Non-GAAP Financial Measures section of MD&A for a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures under GAAP.

Net earnings of $210.9 million in 2005 increased 48.8% from the prior year s net earnings of $141.8 million. Basic net earnings per share of $2.31 in fiscal year 2005 were 74 cents or 47.1% higher than 2004. Diluted net earnings per share increased 47.4% to $2.27 in fiscal year 2005 from $1.54 in fiscal year 2004. Fiscal year 2004 net earnings decreased 12.6% from net earnings of $162.2 million in 2003. Basic net earnings per share of $1.57 in fiscal year 2004 were 28 cents or 15.1% lower than 2003. Diluted net earnings per share decreased 14.4% in fiscal year 2004 from $1.80 in 2003. Non-core items reduced net earnings by $9.4 million and basic and diluted net earnings per share by ten cents in fiscal year 2005 and reduced net earnings by $53.7 million, basic net earnings per share by 60 cents and diluted net earnings per share by 59 cents in fiscal year 2004.

Net earnings excluding non-core items were $220.3 million in 2005 or 12.7% higher than the prior year s net earnings of $195.4 million. Basic net earnings per share excluding non-core items were $2.41 in fiscal year 2005, which was 24 cents or 11.1% higher than fiscal year 2004. Diluted net earnings per share excluding non-core items increased 11.3% to $2.37 from $2.13 in fiscal year 2004. Net earnings excluding non-core items in 2004 were 20.5% higher than fiscal year 2003 net earnings of $162.2 million. Basic net earnings per share excluding non-core items were $2.17 in fiscal year 2004, which was 32 cents or 17.3% higher than fiscal year 2003. Diluted net earnings per share excluding non-core items of $2.13 in fiscal year 2004 increased 18.3% from $1.80 in the prior year.

Sales of Global Consumer Products in fiscal year 2005 increased 10.2% to $1.31 billion from $1.19 billion in 2004. The effect of foreign exchange rates increased sales by 2.4% compared to the prior year. The remaining 2005 sales increase was primarily due to higher sales of: TRESemmé shampoos, conditioners and styling products (8.0%), principally due to its launch in the United Kingdom during the fourth quarter of fiscal year 2004 and continued growth in the United States; and Alberto VO5 shampoos and conditioners (1.1%), mainly resulting

from the launch of the red styling line in the U.S. In addition, acquisitions, including Nexxus in May, 2005, added approximately 1.2% to sales for fiscal year 2005. These increases were partially offset by the loss of sales resulting from the divestiture of the Indola European professional hair care business in June, 2004 (3.2%). Sales of Global Consumer Products in fiscal year 2004 increased 8.0% from $1.10 billion in 2003. The effect of foreign exchange rates increased sales by 4.6%. The remaining 2004 sales increase was primarily due to higher sales of: TRESemmé shampoos, conditioners and styling products (2.3%), principally due to the launch of TRESemmé in the U.K. and increased advertising and improved shelf presence at major customers; Alberto VO5 shampoos and conditioners (1.0%), mainly due to the introduction of new products; and St. Ives Apricot Scrubs, lotions and body washes (0.8%), primarily due to the launch of new products and increased advertising.

Sales of the Beauty Supply Distribution business, composed of Sally Beauty Supply and BSG, were $2.25 billion in 2005, $2.10 billion in 2004 and $1.82 billion in 2003, representing increases of 7.5% in fiscal year 2005 and 15.0% in fiscal year 2004.

Sales of Sally Beauty Supply increased to $1.36 billion in fiscal year 2005 compared to $1.30 billion in 2004. The sales increase of 4.8% in 2005 was attributable to the opening of new stores including 62 net new stores during the current year (2.2%), the impact of foreign exchange rates (0.3%) and the growth of its existing business which primarily represents same store sales. Sales of Sally Beauty Supply in fiscal year 2004 increased 7.3% from $1.21 billion in 2003. The increase was attributable to the opening of new stores including 83 net new stores during 2004 (3.2%), the impact of foreign exchange rates (1.1%) and the growth of its existing business. The number of Sally Beauty stores totaled 2,419 at September 30, 2005 compared to 2,355 and 2,272 at the end of fiscal years 2004 and 2003, respectively.

Sales of BSG increased to $895 million in fiscal year 2005 compared to $802 million in 2004. The sales increase of 11.7% in 2005 was attributable to acquisitions (13.6%), the opening of new stores including 37 net new stores during the current year (1.3%) and the impact of foreign exchange rates (0.9%). These increases were partially offset by a decrease in sales for existing BSG store business and lower sales by its professional distributor sales consultants, principally resulting from certain suppliers decisions to begin selling their products directly to salons. Sales of BSG in fiscal year 2004 increased 30.1% from $616 million in 2003. The increase was attributable to acquisitions (25.6%), the opening of new stores including 26 net new stores during 2004 (1.5%), the impact of foreign exchange rates (1.2%) and the growth of its existing business which primarily represents same store sales. The number of BSG stores was 822, including 155 franchise stores, at September 30, 2005 compared to 692 and 543 at the end of fiscal years 2004 and 2003, respectively.

Cost of products sold as a percentage of sales was 49.8% in fiscal year 2005 compared to 49.4% in 2004 and 50.1% in 2003. The higher cost of products sold percentage in fiscal year 2005 was primarily attributable to higher material costs, increased use of special packs, increased trade spending (which reduced net sales) and product mix for Global Consumer Products, partially offset by improved vendor pricing and lower store inventory shrinkage for Sally Beauty Supply and BSG. The lower cost of products sold percentage in fiscal year 2004 was primarily due to improved vendor pricing for Sally Beauty Supply and BSG and cost reductions for Global Consumer Products, principally attributable to cost savings programs including savings from such areas as vendor price reductions and manufacturing efficiencies.

Advertising, marketing, selling and administrative expenses increased 7.7% in fiscal year 2005 and 13.4% in 2004. The increases in fiscal years 2005 and 2004 primarily resulted from the higher selling and administrative costs associated with the growth of the Sally Beauty Supply and BSG businesses, including the acquisition of CosmoProf in December, 2004 and West Coast Beauty Supply in December, 2003, and higher expenditures for advertising and marketing as discussed below. In addition, a portion of the increase in fiscal year 2005 relates to the $2.45 million lease accounting adjustment discussed in the Overview section of MD&A.

Advertising and marketing expenditures were $260.6 million, $254.1 million and $212.4 million in fiscal years 2005, 2004 and 2003, respectively. The 2.5% increase in fiscal year 2005 was mainly attributable to

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Alberto-Culver Consumer Products Worldwide s increased advertising in the U.K. (3.5%), primarily related to television advertising for TRESemmé hair care products, increased advertising in North America for Mrs. Dash (0.8%) and the effect of foreign exchange rates (1.6%). These increases were partially offset by decreased advertising in North America for St. Ives (2.5%) and lower advertising due to the divestiture of the Indola European professional hair care business (1.3%). The fiscal year 2004 increase of 19.6% was mainly attributable to Alberto-Culver Consumer Products Worldwide s increased advertising in North America (5.5%), mainly due to the launch of the Alberto VO5 Nourishing Oasis line of shampoos and conditioners, and in the U.K. (4.3%), primarily related to the launch of TRESemmé hair care products, higher retail advertising by Sally Beauty Supply (4.1%) and the effect of foreign exchange rates (3.1%).

Interest expense, net of interest income, was $7.7 million, $21.4 million and $22.4 million in fiscal years 2005, 2004 and 2003, respectively. Interest expense was $10.6 million in fiscal year 2005 and $25.7 million in fiscal years 2004 and 2003. Interest income was $2.9 million in fiscal year 2005, $4.3 million in fiscal year 2004 and $3.4 million in fiscal year 2003. The reduction in interest expense in fiscal year 2005 was primarily due to the redemption of the $200 million, 8.25% senior notes in September, 2004. The reduction in interest income in 2005 was principally due to lower cash and investment balances in fiscal year 2005.

The provision for income taxes as a percentage of earnings before income taxes was 35.0% in 2005, 33.3% in 2004 and 35.5% in 2003. In fiscal year 2004, the liquidation of two foreign legal entities related to the divested Indola business reduced the effective income tax rate by 2.1%. Other factors which influenced the effective tax rates for those years are described in note 10 to the consolidated financial statements.

Financial Condition

June 30, 2006 Compared to September 30, 2005

Working capital at June 30, 2006 was $770.6 million, an increase of $116.9 million from $653.7 million at September 30, 2005. The resulting ratio of current assets to current liabilities was 2.41 to 1.00 at June 30, 2006 compared to 2.22 to 1.00 at September 30, 2005. The increase in working capital was primarily due to working capital generated from operations, partially offset by cash outlays for capital expenditures and cash dividends, as well as for the purchase of Salon Success in June, 2006.

Cash, cash equivalents and short-term investments increased $51.9 million to $220.4 million during the first nine months of fiscal year 2006 primarily due to cash flows provided by operating activities ($144.6 million) and cash received from exercises of employee stock options ($21.6 million), partially offset by cash outlays for capital expenditures ($61.7 million), dividends ($33.3 million) and for acquisitions ($22.0 million).

Accounts receivable decreased $8.3 million to $294.3 million in the first nine months of fiscal year 2006. Trade receivables increased $7.7 million in the first nine months of fiscal year 2006 primarily due to receivables resulting from the launch of Nexxus into retail channels, the acquisition of Salon Success, an increase in Mexico as a result of increased sales during the third quarter of fiscal year 2006 and the effect of foreign exchange rates, partially offset by a decrease in the U.K. as a result of focused cash collection efforts in June, 2006.

Inventories increased $58.0 million during the first nine months of fiscal year 2006 to $747.7 million. Sally Beauty Supply and BSG inventories were $32.9 million higher primarily due to new stores, expanded product lines, strategic inventory purchases related to favorable pricing from vendors and the acquisition of Salon Success. Inventories for Global Consumer Products were $25.4 million higher principally due to increased finished goods inventories associated with the launch of Nexxus into retail channels.

Other current assets increased $9.4 million to $54.9 million in the first nine months of fiscal year 2006, primarily due to the acquisition of Salon Success and increases in deferred income taxes and prepaid advertising and marketing expenses.

Net property, plant and equipment rose $16.6 million during the first nine months of fiscal year 2006 to $352.0 million at June 30, 2006. The increase resulted primarily from expenditures for additional Sally Beauty

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Supply and BSG stores, and office facilities and warehouse expansions, partially offset by depreciation during the nine-month period.

Goodwill increased $22.3 million during the first nine months of fiscal year 2006 to $573.4 million mainly due to the acquisition of Salon Success in June, 2006 and additional purchase price related to the Nexxus acquisition.

Accounts payable increased $9.4 million during the first nine months of fiscal year 2006 to $270.8 million mainly due to higher advertising payables related to the launch of Nexxus into retail channels and the timing of vendor payments.

Stock options subject to redemption of $33.6 million as of June 30, 2006 represent the intrinsic value as of November 5, 2003 of currently outstanding stock options which were modified on that date as a result of the company s conversion to one class of common stock. This amount was reclassified from additional paid-in capital because the company s stock option plans contain a contingent cash settlement provision upon the occurrence of certain change in control events which are not solely in the control of the company. While the company believes the possibility of occurrence of any such change in control events is remote, the reclassification was required because the company does not have sole control over such events. See note 5 to the Consolidated Financial Statements for further discussion.

Additional paid-in capital decreased $17.5 million during the first nine months of fiscal year 2006, primarily due to the reclassification to stock options subject to redemption discussed in the preceding paragraph, partially offset by paid-in capital recorded for stock option expense and the issuance of common stock related to the exercise of stock options and other employee incentive plans.

Unearned compensation, a separate component of stockholders equity, decreased $3.0 million during the first nine months of fiscal year 2006. The unamortized balance of restricted shares was included in unearned compensation as of September 30, 2005 and was reclassified to additional paid-in capital in fiscal year 2006 in accordance with SFAS No. 123 (R).

Accumulated other comprehensive loss - foreign currency translation decreased $13.1 million during the first nine months of fiscal year 2006. The decrease was primarily due to the weakening of the U.S. dollar versus certain foreign currencies, primarily the Swedish krona, British pound and Canadian dollar.

September 30, 2005 Compared to September 30, 2004

Working capital at September 30, 2005 was $653.7 million, an increase of $67.7 million from the prior year s working capital of $586.0 million. The resulting current ratio was 2.22 to 1.00 at September 30, 2005 compared to 2.10 to 1.00 last year. The increase in working capital in fiscal year 2005 was primarily related to working capital generated from operations, partially offset by cash outlays for acquisitions, capital expenditures and cash dividends.

Cash, cash equivalents and short-term investments decreased $33.4 million during fiscal year 2005 primarily due to cash outlays for acquisitions ($157.2 million), capital expenditures ($91.0 million) and cash dividends ($40.8 million), partially offset by cash inflows from operating activities ($209.4 million) and cash received from exercises of employee stock options ($26.3 million).

Receivables, less allowance for doubtful accounts, increased 14.4% to $285.9 million from $250.0 million last year primarily due to a $19.8 million increase in gross trade receivables resulting from higher sales in the fourth quarter of fiscal year 2005, the timing of customer payments and receivables related to acquired businesses. Other receivables increased $9.4 million in fiscal year 2005 principally due to the timing of collections from vendors under various advertising and volume purchase programs for Beauty Supply

Distribution and the transfer of all raw materials and packaging in Australia to a co-packer following the closure of the company s Australian manufacturing facility. The allowance for doubtful accounts decreased $6.7 million in fiscal year 2005 primarily due to the write-off of fully reserved receivable balances in Asia and lower bad debt provisions for Global Consumer Products.

Inventories increased $62.9 million to $689.7 million at September 30, 2005. Sally Beauty Supply and BSG inventories increased $41.6 million primarily due to the acquisition of CosmoProf, inventories related to new stores and strategic inventory purchases related to favorable pricing from vendors. Inventories for Global Consumer Products were $19.6 million higher principally due to higher finished goods inventories to support product launches and promotions and the acquisition of Nexxus.

Other current assets increased $5.8 million to $45.5 million at September 30, 2005 primarily due to higher deferred income taxes.

Net property, plant and equipment increased $41.5 million to $335.4 million at September 30, 2005. The increase resulted primarily from expenditures for additional Sally Beauty Supply and BSG stores, office facilities, warehouse expansions, fixed assets of acquired companies and additional leasehold improvements resulting from the lease accounting adjustment discussed in the Overview section of MD&A, partially offset by depreciation during fiscal year 2005.

Goodwill increased $83.3 million during fiscal year 2005 mainly due to the acquisitions of CosmoProf and Nexxus.

Trade names increased $38.4 million to $136.4 million at September 30, 2005 primarily due to the acquisitions of CosmoProf and Nexxus and the finalization of the purchase price allocation related to the acquisition of West Coast Beauty Supply, partially offset by the effects of foreign exchange rates.

Other assets were $89.6 million at September 30, 2005, an increase of $8.9 million compared to last year. The increase was mainly due to intangible assets related to acquisitions.

Long-term debt increased $2.8 million in fiscal year 2005 mainly due to long-term debt assumed by the company as a result of an acquisition.

Income taxes payable and deferred income taxes increased $9.7 million to $54.4 million at September 30, 2005 mainly due to higher taxable earnings, partially offset by the deferred tax asset recognized on the non-cash charge related to the conversion to one class of common stock and tax benefits realized from the exercise of employee stock options.

Other liabilities were $77.4 million at September 30, 2005, an increase of $9.7 million compared to last year. The increase was primarily due to obligations related to the Nexxus acquisition, deferred compensation and deferred rent recorded as part of the lease accounting adjustment discussed in the Overview section of MD&A.

Additional paid-in capital increased $22.2 million to $346.8 million at September 30, 2005 primarily due to $14.5 million of additional paid-in capital associated with the conversion to a single class of common stock and additional paid-in capital from the exercise of employee stock options.

Accumulated other comprehensive loss foreign currency translation decreased $3.0 million to $15.1 million from $18.1 million last year. The decrease was attributable to the weakening of the U.S. dollar versus certain foreign currencies, primarily the Canadian dollar, Australian dollar and Mexican peso.

Liquidity and Capital Resources

Three and Nine Months Ended June 30, 2006 and 2005

On April 28, 2005, the Board of Directors authorized the company to purchase up to 5,000,000 shares of common stock. No shares have been purchased under this authorization as of June 30, 2006. Purchases of the

company s common stock may be made through the open market and/or private transactions depending on various factors including market conditions, share price and other alternative uses of cash such as acquisitions.

The company has a $300 million revolving credit facility which expires August 31, 2009. There were no borrowings outstanding on the revolving credit facility as of June 30, 2006. The proposed separation of the consumer products and beauty supply distribution businesses involving Clayton, Dubilier & Rice, Inc. would result in a default under the revolving credit facility unless (i) the terms of the credit facility are renegotiated or (ii) the facility is terminated by the company. The company intends to negotiate an amendment to the existing credit facility or enter into a new credit facility prior to completion of the transaction.

Years Ended September 30, 2005, 2004 and 2003

The company s primary source of cash over the past three years has been from funds provided by operating activities which provided cash of $209.4 million, $249.5 million and $224.8 million in fiscal years 2005, 2004 and 2003, respectively.

The company has obtained long-term financing as needed to fund acquisitions and other growth opportunities. Funds also may be obtained prior to their actual need in order to take advantage of opportunities in the debt markets. In August, 2004, the company amended its existing $300 million revolving credit facility and extended it for five years until August 31, 2009. The facility, which had no borrowings outstanding at September 30, 2005 or 2004, may be drawn in U.S. dollars or certain foreign currencies. Under debt covenants, the company has sufficient flexibility to incur additional borrowings as needed.

In September, 2004, the company redeemed its $200 million of 8.25% senior notes due November 1, 2005 under the redemption provisions of the notes. In connection with the buyback, the company recorded a charge in fiscal year 2004 of $12.6 million ($8.2 million after taxes).

The primary uses of cash during the three-year period ended September 30, 2005 were $317.2 million for acquisitions, $213.3 million for the redemption of the $200 million of 8.25% senior notes including the make-whole premium, $227.1 million for capital expenditures and $98.0 million for cash dividends.

Compared to 2002, cash dividends per share increased 89.4% over the three-year period ended September 30, 2005. Cash dividends paid on common stock were $.445 per share in 2005, $.37 per share in 2004 and $.27 per share in 2003.

The company anticipates that cash flows from operations and available credit will be sufficient to fund operating requirements in future years. During fiscal year 2006, the company expects that cash will continue to be used for acquisitions, capital expenditures, new product development, market expansion and dividend payments. The company may also purchase shares of its common stock depending on market conditions.

On April 28, 2005, the Board of Directors authorized the company to purchase up to 5,000,000 shares of common stock. This authorization increased the previous share repurchase program that had 2,052,450 remaining authorized shares. No shares have been purchased under the new program as of September 30, 2005. Purchases of the company s common stock may be made through the open market and/or private transactions depending on various factors including market conditions, share price and other alternative uses of cash such as acquisitions. During fiscal year 2003, the company purchased $7.8 million of its common stock under previous programs authorized by its Board of Directors. No shares of common stock were purchased in fiscal years 2005 and 2004. During fiscal years 2005, 2004 and 2003, the company also acquired $2.6 million, $40.1 million and $2.9 million, respectively, of common stock surrendered by employees in connection with the exercises of stock options and the payment of withholding taxes as provided under the terms of certain incentive plans. Shares acquired under these plans are not subject to the company s stock repurchase program.

The company s primary contractual cash obligations are operating leases, long-term debt and purchase obligations. A major portion of the operating leases are for Sally Beauty Supply and BSG stores, which typically

are located in strip shopping centers. The operating leases allow the company to expand its business to new locations without making significant up-front cash outlays for land and buildings.

The following table is a summary of contractual cash obligations and commitments outstanding by future payment dates at September 30, 2005:

	Payments Due by Period				
(In thousands)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt, including capital lease and interest obligations (1)	$ 8,596	134,463	672	3,279	147,010
Operating leases (2)	103,540	152,468	78,312	55,353	389,673
Purchase obligations (3)	29,664	31,474	31,474	30,163	122,775
Other long-term obligations (4)	11,397	12,947	6,737	22,909	53,990
Total	$ 153,197	331,352	117,195	111,704	713,448

(1) The company s $120.0 million of 6.375% debentures are due in June, 2028, but are subject to repayment, at the option of the holders, in June, 2008. In the above amounts, the timing of the principal and interest payments on the $120.0 million debentures assumes the holders will require repayment of the debentures in June, 2008.

(2) In accordance with GAAP, these obligations are not reflected in the accompanying consolidated balance sheets.

(3) Purchase obligations include capital expenditures and other legally binding agreements entered into by the company to purchase goods or services that specify fixed or minimum quantities to be purchased or fixed, minimum or variable price provisions.

(4) Other long-term obligations principally represent commitments under various acquisition-related agreements including non-compete, consulting and severance agreements and deferred compensation arrangements. These obligations are included in accrued expenses and other liabilities in the accompanying consolidated balance sheets. The above amounts do not include additional consideration of up to $55.0 million that may be paid over the next ten years based on a percentage of sales of Nexxus branded products in accordance with the Nexxus purchase agreement.

The company is in compliance with the covenants and other requirements of its revolving credit agreement and 6.375% debentures. Additionally, the revolving credit agreement and the 6.375% debentures do not include credit rating triggers or subjective clauses that would accelerate maturity dates.

Off-Balance Sheet Financing Arrangements

At September 30, 2005 and 2004, the company had no off-balance sheet financing arrangements other than operating leases incurred in the ordinary course of business as disclosed in note 9 to the consolidated financial statements and outstanding standby letters of credit related to various insurance programs which totaled $29.1 million and $23.9 million, respectively, at September 30, 2005 and 2004. The company does not have other unconditional purchase obligations or significant other commercial commitments.

Inflation

The company was not significantly affected by inflation during the past three years. Management attempts to resist cost increases and counteract the effects of inflation through productivity improvements, cost reduction programs, price increases and the introduction of higher margin products within the constraints of the highly competitive markets in which the company operates.

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Market Risk

As a multinational corporation that manufactures and markets products in countries throughout the world, the company is subject to certain market risks including foreign currency fluctuations, interest rates and government actions. The company considers a variety of practices to manage these market risks, including, when deemed appropriate, the occasional use of derivative financial instruments. The company uses derivative financial instruments only for risk management and does not use them for trading or speculative purposes. At September 30, 2005, the company had no material derivative financial instruments outstanding.

The company is exposed to potential gains or losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. The company s primary exposures are to changes in exchange rates for the U.S. dollar versus the Swedish krona, British pound sterling, Canadian dollar, Euro, Australian dollar, Argentine peso and Mexican peso.

The company s various currency exposures often offset each other providing a natural hedge against currency risk. Periodically, specific foreign currency transactions (e.g., inventory purchases, intercompany transactions, etc.) are hedged with forward contracts to reduce the foreign currency risk. Gains and losses on these foreign currency hedges are included in the basis of the underlying hedged transactions. At September 30, 2005, the company had no material outstanding foreign currency contracts.

The company considers combinations of fixed rate and variable rate debt, along with varying maturities, in its management of interest rate risk. At September 30, 2005, the company had no variable rate long-term debt outstanding.

The company has periodically used interest rate swaps to manage interest rate risk on debt securities. These instruments allow the company to exchange fixed rate debt into variable rate or variable rate debt into fixed rate. Interest rate differentials paid or received on these arrangements are recognized as adjustments to interest expense over the life of the agreement. At September 30, 2005, the company had no interest rate swaps outstanding.

The company s quantitative information on market risk at September 30, 2005 is as follows (in thousands):

Expected Maturities	Long-Term Fixed Rate Debt*
2006	$ 809
2007	658
2008	120,490
2009	273
Thereafter	2,663
Total**	$ 124,893
Fair value	$ 125,438

* The company s $120.0 million of 6.375% debentures are due in June, 2028, but are subject to repayment, at the option of the holders, in June, 2008. In the above amounts, the timing of the principal payments on the $120.0 million debentures assumes the holders will require repayment of the debentures in June, 2008.

** The average interest rate for total debt of $124.9 million was 6.36%. The company had no short-term borrowings outstanding at September 30, 2005.

The company is exposed to credit risk on certain assets, primarily cash equivalents, short-term investments and accounts receivable. The credit risk associated with cash equivalents and short-term investments is mitigated by the company s policy of investing in a diversified portfolio of securities with high credit ratings.

The company provides credit to customers in the ordinary course of business and performs ongoing credit evaluations. The company s exposure to concentrations of credit risk with respect to trade receivables is

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mitigated by the company s broad customer base. Although Wal-Mart is a significant customer of the company s Global Consumer Products segment, sales to Wal-Mart were less than 10% of the company s consolidated net sales in fiscal year 2005. The company believes its allowance for doubtful accounts is sufficient to cover customer credit risks.

New Accounting Standards

In December, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25. The Statement requires that the cost resulting from all share-based compensation arrangements, such as the company s stock option and restricted stock plans, be recognized in the financial statements based on their fair value. The provisions of SFAS No. 123(R), as amended by the SEC on April 15, 2005, are effective for the company at the beginning of fiscal year 2006. SFAS No. 123(R) requires companies to adopt its provisions prospectively by recognizing compensation expense for the unvested portion of previously granted awards and all new awards granted after the adoption date over the respective vesting periods. SFAS No. 123(R) also allows companies the alternative to restate previously issued financial statements for all years beginning after December 15, 1994. The company adopted SFAS No. 123(R) prospectively effective October 1, 2005. The adoption of SFAS No. 123(R) will not affect the company s net cash flows.

In July, 2006, the FASB issued Interpretation No. 48 (FIN No. 48), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109. FIN No. 48 clarifies the recognition threshold and measurement requirements for tax positions taken or expected to be taken in tax returns and provides guidance on the related classification and disclosure. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. Accordingly, the company will adopt FIN No. 48 no later than the beginning of fiscal year 2008. The company is currently evaluating the effects that the adoption of FIN No. 48 will have on its consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Actual results may differ from these estimates. Management believes these estimates and assumptions are reasonable.

Accounting policies are considered critical when they require management to make assumptions about matters that are highly uncertain at the time the accounting estimate is made and when different estimates that management reasonably could have used have a material impact on the presentation of the company s financial condition, changes in financial condition or results of operations.

The company s critical accounting policies relate to the calculation and treatment of sales incentives, allowance for doubtful accounts, valuation of inventories, income taxes and stock-based compensation.

Sales Incentives Sales incentives primarily include consumer coupons and trade promotion activities such as advertising allowances, off-shelf displays, customer specific coupons, new item distribution allowances, listing fees and temporary price reductions. The company records accruals for sales incentives based on estimates of the ultimate cost of each program. The company tracks its commitments for sales incentive programs and, using historical experience, records an accrual at the end of each period for the estimated incurred, but unpaid costs of these programs. Actual costs differing from estimated costs could significantly affect these estimates and the related accruals.

Allowance for Doubtful Accounts The allowance for doubtful accounts requires management to estimate future collections of trade accounts receivable. Management records allowances for doubtful accounts based on

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historical collection statistics and current customer credit information. These estimates could be significantly affected as a result of actual collections differing from historical statistics or changes in a customer s credit status.

Valuation of Inventories When necessary, the company provides allowances to adjust the carrying value of inventories to the lower of cost or market, including costs to sell or dispose, and for estimated inventory shrinkage. Estimates of the future demand for the company s products, anticipated product re-launches, changes in formulas and packaging and reductions in stock-keeping units are key factors used by management in assessing the net realizable value of inventories. The company estimates inventory shrinkage based on historical experience. Actual results differing from these estimates could significantly affect the company s inventories and cost of products sold.

Income Taxes The company records tax provisions in its consolidated financial statements based on an estimation of current income tax liabilities. The development of these provisions requires judgments about tax issues, potential outcomes and timing. If the company prevails in tax matters for which provisions have been established or is required to settle matters in excess of established provisions, the company s effective tax rate for a particular period could be significantly affected.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are estimated to be recovered or settled. Management believes that it is more likely than not that results of future operations will generate sufficient taxable income to realize the company s deferred tax assets, net of the valuation allowance currently recorded. In the future, if the company determines that certain deferred tax assets will not be realizable, the related adjustments could significantly affect the company s effective tax rate at that time.

Stock-Based Compensation Effective October 1, 2005, the company 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). The company recognizes compensation expense on a straight-line basis over the vesting period or to the date a participant becomes eligible for retirement, if earlier.

The amount of stock option expense is determined based on the fair value of each stock option grant, which is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected life, volatility, risk-free interest rate and dividend yield. The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding. The company estimates the expected life based on historical exercise trends. The company estimates expected volatility based on the historical volatility of the company s common stock. The estimate of the risk-free interest rate is based on the U.S. Treasury bill rate for the expected life of the stock options.

The dividend yield represents the company s anticipated cash dividend over the expected life of the stock options. The amount of stock option expense recorded is significantly affected by these estimates. In addition, the company records stock option expense based on an estimate of the total number of stock options expected to vest, which requires the company to estimate future forfeitures. The company uses historical forfeiture experience as a basis for this estimate. Actual forfeitures differing from these estimates could significantly affect the timing of the recognition of stock option expense.

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Reconciliation of Non-GAAP Financial Measures

Three and Nine Months Ended June 30, 2006 and 2005

Reconciliations of non-GAAP financial measures to their most directly comparable financial measures under GAAP for the three and nine months ended June 30, 2006 and 2005 are as follows (in thousands, except per share data):

	Three Months Ended June 30		Nine Months Ended June 30	
	2006	**2005**	**2006**	**2005**
Net earnings, as reported	$ 30,524	53,437	139,478	151,933
Stock option expense, net of income taxes	1,885		8,381	
Sally transaction expenses, net of income taxes	32,568		36,093	
Non-cash charge related to conversion to one class of common stock, net of income taxes		2,392	2	7,188
Net earnings excluding non-core items	$ 64,977	55,829	183,954	159,121
Basic net earnings per share, as reported	$ .33	.58	1.51	1.66
Stock option expense, net of income taxes	.02		.09	
Sally transaction expenses, net of income taxes	.35		.39	
Non-cash charge related to conversion to one class of common stock, net of income taxes		.03		.08
Basic net earnings per share excluding non-core items	$ .70	.61	1.99	1.74
Diluted net earnings per share, as reported	$ .33	.57	1.50	1.63
Stock option expense, net of income taxes	.02		.09	
Sally transaction expenses, net of income taxes	.34		.38	
Non-cash charge related to conversion to one class of common stock, net of income taxes		.03		.08
Diluted net earnings per share excluding non-core items	$ .69	.60	1.97	1.71

A reconciliation of organic sales growth, a non-GAAP financial measure, to its most directly comparable financial measure under GAAP for the three and nine months ended June 30, 2006 and 2005 is as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2006	**2005**	**2006**	**2005**
Net sales growth, as reported	6.0%	9.2%	6.4%	9.3%
Effect of foreign exchange	(0.2)	(1.2)	0.6	(1.4)
Effect of acquisitions	(0.5)	(3.5)	(1.4)	(3.8)
Effect of divestiture		1.3	0.1	1.5
Organic sales growth*	5.3%	5.8%	5.7%	5.6%

* Organic sales growth includes sales related to the retail launch of Nexxus.

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Fiscal Years Ended September 30, 2005, 2004 and 2003

Reconciliations of net earnings excluding non-core items, basic net earnings per share excluding non-core items and diluted net earnings per share excluding non-core items to their most directly comparable financial measures under GAAP for the fiscal years ended September 30, 2005, 2004 and 2003 are as follows:

(In thousands, except per share data)	**2005**	**2004**	**2003**
Net earnings, as reported	$ 210,901	141,770	162,153
Non-cash charge related to conversion to one class of common stock, net of income taxes	9,429	55,641	
Gain on the sale of Indola, net of income taxes		(5,745)	
Charge related to redemption of senior notes, net of income taxes		8,183	
Tax benefit from liquidation of certain Indola foreign legal entities		(4,402)	
Net earnings excluding non-core items	$ 220,330	195,447	162,153
Basic net earnings per share, as reported	$ 2.31	1.57	1.85
Non-cash charge related to conversion to one class of common stock, net of income taxes	.10	.62	
Gain on the sale of Indola, net of income taxes		(.06)	
Charge related to redemption of senior notes, net of income taxes		.09	
Tax benefit from liquidation of certain Indola foreign legal entities		(.05)	
Basic net earnings per share excluding non-core items	$ 2.41	2.17	1.85
Diluted net earnings per share, as reported	$ 2.27	1.54	1.80
Non-cash charge related to conversion to one class of common stock, net of income taxes	.10	.61	
Gain on the sale of Indola, net of income taxes		(.06)	
Charge related to redemption of senior notes, net of income taxes		.09	
Tax benefit from liquidation of certain Indola foreign legal entities		(.05)	
Diluted net earnings per share excluding non-core items	$ 2.37	2.13	1.80

A reconciliation of organic sales growth to its most directly comparable financial measure under GAAP for the fiscal years ended September 30, 2005 and 2004 is as follows:

	2005	**2004**
Net sales growth, as reported	8.4%	12.7%
Impact of foreign exchange rates	(1.2)	(2.5)
Impact of acquisitions	(3.8)	(5.7)
Impact of divestiture	1.2	0.5
Organic sales growth	4.6%	5.0%

Management uses these non-GAAP financial measures to evaluate the performance of the company and believes the presentation of these amounts provides the reader with information necessary to analyze the company s normal operations for the periods presented.

Relationships With Suppliers

Most of the net sales of the company s Sally Beauty Supply and BSG business segments (Sally/BSG) are generated through retail stores with respect to the Sally Beauty Supply business and both professional only stores and professional distribution sales consultants with respect to the BSG business. In addition, BSG has a number

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of franchisees located primarily in the south and southwestern portions of the United States and in Mexico, which buy products directly from BSG for resale in their assigned territories. A very small percentage of sales are generated through subdistributors (primarily in Europe), which also buy products directly from BSG for resale in their assigned territories. Sally/BSG and its suppliers are dependent on each other for the distribution of beauty products. As is typical in distribution businesses, these relationships are subject to change from time to time (including the expansion or loss of distribution rights in various geographies and the addition or loss of products lines). Changes in Sally/BSG s relationships with suppliers occur often, and could positively or negatively impact the net sales and operating profits of Sally/BSG. For example, as previously disclosed, net sales and operating profits of Sally/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/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. While the company cannot predict what changes to the relationship between BSG and this supplier may eventually occur, such changes are expected to have little or no impact on Sally/BSG s net sales or operating profits for fiscal year 2006. At this time, the company cannot predict what effect, if any, these discussions will have on the operating results of Sally/BSG after fiscal year 2006, though if such negotiations are not resolved favorably to the company, there could be a negative effect on operating results for fiscal year 2007 and possibly beyond.

The company believes that Sally/BSG can be successful in mitigating negative effects resulting from unfavorable changes in the relationships between Sally/BSG and its suppliers through the development of new or expanded supplier relationships. For example, BSG is currently in the process of opening stores in certain areas of Florida for the first time as the result of acquiring a company in June, 2006 which holds the rights to sell an important supplier s products in portions of Florida. In addition, Sally/BSG is (i) negotiating with various suppliers to add new product lines or expand existing product lines, (ii) adding additional product lines to the planned new BSG stores in Florida and (iii) planning to begin selling certain product lines in Michigan for the first time for its BSG operations.

UNAUDITED CONDENSED PRO FORMA CONSOLIDATED

FINANCIAL STATEMENTS OF NEW ALBERTO-CULVER

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 100% owned by 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 financing 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.

See The Transactions Description of the Transactions beginning on page 57.

The unaudited condensed pro forma consolidated balance sheet of New Alberto-Culver reflects the unaudited condensed consolidated historical balance sheet of Alberto-Culver as of June 30, 2006 as if the transactions had occurred on that date. The unaudited condensed pro forma consolidated statements of earnings of New Alberto-Culver reflect the operations of Alberto-Culver for the nine months ended June 30, 2006 and the operations of Alberto-Culver for the year ended September 30, 2005 as if the transactions had occurred on October 1, 2004. Certain reclassifications have been made to the historical presentation of Alberto-Culver to conform to the presentation used in the unaudited condensed

pro forma consolidated financial statements.

The unaudited condensed pro forma consolidated financial statements of New Alberto-Culver presented below are derived from the historical consolidated financial statements of Alberto-Culver and adjusted to give effect to, among other things:

- 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.

Regardless of the exact legal order of the various transactions, items that impact New Sally are reflected in the unaudited condensed pro forma consolidated financial statements of New Sally and items that impact New Alberto-Culver are reflected in the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver.

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.

The unaudited condensed pro forma consolidated statements of earnings presented below do not reflect any one-time charges or changes in certain costs expected to result from the transactions. 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. The estimated pre-tax, one-time charges that have been excluded include $14.1 million related to the accelerated vesting of equity-based awards, $9.4 million of severance benefits for Mr. Bernick and $3.0 million of transaction expenses. In addition, the unaudited condensed pro forma consolidated statements of earnings do not give effect to reductions in certain costs New Alberto-Culver expects to occur associated with operating as a stand-alone company.

The unaudited condensed pro forma consolidated financial statements are for illustrative purposes only and do not reflect what New Alberto-Culver s consolidated financial position or results of operations would have been had the transactions occurred on the dates indicated and are not indicative of New Alberto-Culver s future financial position and future results of operations. The consolidated financial statements of New Alberto-Culver will reflect the effects of the transactions only from the date of completion of the transactions.

The unaudited condensed pro forma consolidated financial statements should be read in conjunction with the accompanying notes and the other financial information included or incorporated by reference elsewhere in this proxy statement/prospectus information statement.

Unaudited Condensed Pro Forma Consolidated Balance Sheet of New Alberto-Culver

As of June 30, 2006

(In thousands, except share data)

	Historical Alberto-Culver	Historical Sally Holdings (1)	Sub-Total	Pro Forma Adjustments	Pro Forma New Alberto-Culver
Assets					
Current Assets:					
Cash and cash equivalents	$ 158,142	$ (77,028)	$ 81,114	$ 10,470(2)	$ 91,584
Short-term investments	62,215		62,215		62,215
Receivables, net	294,265	(65,384)	228,881	2,682(3)	231,563
Inventories	747,652	(557,998)	189,654	4,665(4)	194,319
Other current assets	54,909	(23,995)	30,914		30,914
Total current assets	1,317,183	(724,405)	592,778	17,817	610,595
Property and equipment, net	351,958	(144,235)	207,723		207,723
Goodwill	573,435	(369,775)	203,660		203,660
Trade names	138,616	(30,713)	107,903		107,903
Other assets	87,093	(23,007)	64,086	3,607(5)	67,693
Total Assets	$ 2,468,285	$ (1,292,135)	$ 1,176,150	$ 21,424	$ 1,197,574
Liabilities and Stockholders Equity					
Current Liabilities:					
Current maturities of long-term debt	$ 1,130	$ (664)	$ 466	$	$ 466
Accounts payable	270,762	(147,781)	122,981		122,981
Accrued expenses	253,128	(104,995)	148,133	9,383(6)	157,516
Income taxes	21,539		21,539	(12,915)(7)	8,624
Due from Sally Holdings		(18,637)	(18,637)	18,637(8)	
Total current liabilities	546,559	(272,077)	274,482	15,105	289,587
Long-term debt	122,284	(844)	121,440		121,440
Other liabilities	112,877	(35,769)	77,108	(17,936)(9)	59,172
Total liabilities	781,720	(308,690)	473,030	(2,831)	470,199
Stock options subject to redemption	33,608	(8,561)	25,047		25,047
Total stockholders equity	1,652,957	(974,884)	678,073	24,255(10)	702,328
Total Liabilities and Stockholders Equity	$ 2,468,285	$ (1,292,135)	$ 1,176,150	$ 21,424	$ 1,197,574

Notes to Unaudited Condensed Pro Forma Consolidated Balance Sheet of New Alberto-Culver as of June 30, 2006

(1) Represents the removal of historical Sally Holdings from the historical financial statements of Alberto-Culver. Certain reclassifications have been made to the historical presentation of Sally Holdings to conform to the presentation used in the unaudited condensed pro forma consolidated financial statements.

(2)

Represents the following pro forma adjustments that adjust New Alberto-Culver s cash in accordance with the various transaction agreements (in thousands):

Estimated payment to New Sally to adjust its cash balance to the estimated amount that will remain with New Sally after the New Alberto-Culver share distribution in accordance with the terms of the separation agreement	$ (12,890)
Estimated payment from New Sally under the cash dividend true-up provision in the investment agreement	26,360
Payment of portion of Alberto-Culver estimated transaction expenses in excess of the $20 million to be paid by New Sally under the terms of the investment agreement	(3,000)
	$ 10,470

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(3) Represents the trade accounts receivable balance owed to New Alberto-Culver by Sally Holdings for inventory purchases. This balance was netted against the payable recorded by Sally Holdings on the historical consolidated balance sheet of Alberto-Culver.

(4) Represents the reversal of an elimination of intercompany profit in inventory that was recorded on the historical Alberto-Culver consolidated financial statements.

(5) Represents the reclassification of the net asset balance of pro forma deferred taxes to other assets from other liabilities.

(6) Represents the accrual of severance benefits for Mr. Bernick under his termination agreement.

(7) Represents the following pro forma adjustments that adjust New Alberto-Culver s income tax payable (in thousands):

Income tax benefit related to the accrual of severance benefits for Mr. Bernick under the terms of his termination agreement	$ (3,284)
Elimination of income taxes payable that become the responsibility of New Sally in accordance with the tax allocation agreement	(9,631)
	$ (12,915)

(8) Represents the reclassification of New Alberto-Culver s trade accounts receivable from Sally Holdings of $2.7 million and the elimination of the remaining net intercompany receivable from Sally Holdings of $15.9 million which will be canceled upon completion of the transactions in accordance with the separation agreement.

(9) Represents the following pro forma adjustments that adjust New Alberto-Culver s deferred taxes (in thousands)

Reversal of previously recorded deferred taxes associated with a deferred gain that will be recognized by New Sally for federal and state income tax purposes as a result of the transactions	$ (16,625)
Recognition of deferred taxes associated with the accelerated vesting of New Alberto-Culver stock options and restricted shares upon completion of the transactions	(4,918)
Reclassification of the net asset balance of pro forma deferred taxes from other liabilities to other assets	3,607
	$ (17,936)

(10) Represents the following pro forma adjustments that adjust New Alberto-Culver s stockholders equity in accordance with the various transaction agreements (in thousands):

Increase in New Alberto-Culver s equity for the estimated payment from New Sally under the cash dividend true-up provision in the investment agreement	$ 26,360
Increase in New Alberto-Culver s equity representing the amount of the receivable due from New Sally that will be canceled in accordance with the terms of the separation agreement in excess of the adjustment to New Sally s cash balance	(2,589)

Impact on New Alberto-Culver s equity of non-recurring items recorded upon completion of the transactions:	
Payment of portion of Alberto-Culver estimated transaction expenses in excess of $20 million to be paid by New Sally	(3,000)
Reversal of historical elimination of intercompany profit in inventory	4,665
Accelerated vesting of New Alberto-Culver stock options and restricted shares	4,918
Accrual of severance benefits for Mr. Bernick	(6,099)
	$ 24,255

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Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Alberto-Culver

for the Nine Months Ended June 30, 2006

(In thousands, except per share data)

	Historical Alberto-Culver	Historical Sally Holdings (1)	Eliminate Sales-Based Service Fee (2)	Sub-Total	Pro Forma Adjustments	Pro Forma New Alberto-Culver
Net sales	$ 2,797,750	$ (1,766,990)	$	$ 1,030,760	$ 21,373(3)	$ 1,052,133
Cost of products sold	1,436,000	(953,756)		482,244	21,373(3)	503,617
Gross profit	1,361,750	(813,234)		548,516		548,516
Advertising, marketing, selling and administrative expenses	1,094,406	(645,012)	21,567	470,961	8,089(4)	479,050
Transaction expenses	56,556	(39,275)		17,281		17,281
Non-cash charge	3			3		3
Operating earnings	210,785	(128,947)	(21,567)	60,271	(8,089)	52,182
Interest expense, net of interest income	3,600	(295)		3,305		3,305
Earnings from continuing operations before provision for income taxes	207,185	(128,652)	(21,567)	56,966	(8,089)	48,877
Provision for income taxes	67,707	(49,122)	(8,239)	10,346	(2,831)(5)	7,515
Net earnings from continuing operations	$ 139,478	$ (79,530)	$ (13,328)	$ 46,620	$ (5,258)	$ 41,362
Net earnings from continuing operations per share:						
Basic	$ 1.51	NA	NA	$ 0.51	NA	$ 0.45
Diluted	$ 1.50	NA	NA	$ 0.50	NA	$ 0.44
Weighted average shares outstanding:						
Basic	92,262	NA	NA	92,262	213(6)	92,475
Diluted	93,273	NA	NA	93,273	1,554(6)	94,827

Notes to Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Alberto-Culver for the Nine Months Ended June 30, 2006

(1) Represents the removal of historical Sally Holdings from the historical financial statements of Alberto-Culver. Certain reclassifications have been made to the historical presentation of Sally Holdings to conform to the presentation used in the unaudited condensed pro forma consolidated financial statements.

(2)

Represents an adjustment to eliminate the sales-based service fee from the historical financial statements of Sally Holdings. Alberto-Culver charged Sally Holdings a sales-based service fee of $21.6 million for the nine months ended June 30, 2006. This intercompany charge was eliminated from the historical consolidated financial statements of Alberto-Culver but is included in the historical financial statements of Sally Holdings. As a result, a separate adjustment is necessary to eliminate this sales-based service fee in the pro forma financial statements of New Alberto-Culver.

(3) Represents a pro forma adjustment to add back intercompany sales by New Alberto-Culver to Sally Holdings that were eliminated in the historical Alberto-Culver financial statements.

(4) Represents a pro forma adjustment to add back Alberto-Culver corporate expenses which were allocated to Sally Holdings in the historical financial statements. These corporate expenses will not be automatically eliminated as a result of the transactions.

(5) Represents the income tax effect of the preceding pro forma adjustments using an estimated average statutory rate of 35%.

(6) The pro forma adjustment for basic weighted average shares outstanding represents restricted shares that will automatically vest upon completion of the transactions. The pro forma adjustment for diluted weighted average shares outstanding represents the dilutive impact of outstanding Alberto-Culver stock options held by employees of New Alberto-Culver as of June 30, 2006 that are to be converted into New Alberto-Culver stock options upon completion of the transactions. The basic and diluted weighted average shares outstanding consist of the following (in thousands):

Basic weighted average shares outstanding	92,475
Dilutive impact of New Alberto-Culver stock options	2,352
Diluted weighted average shares outstanding	94,827

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Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Alberto-Culver

for the Year Ended September 30, 2005

(In thousands, except per share data)

	Historical Alberto-Culver	Historical Sally Holdings (1)	Eliminate Sales-Based Service Fee (2)	Sub-Total	Pro Forma Adjustments	Pro Forma New Alberto-Culver
Net sales	$ 3,531,231	$ (2,254,307)	$	$ 1,276,924	$ 29,381(3)	$ 1,306,305
Cost of products sold	1,757,734	(1,140,658)		617,076	29,381(3)	646,457
Gross profit	1,773,497	(1,113,649)		659,848		659,848
Advertising, marketing, selling and administrative expenses	1,426,788	(917,017)	27,615	537,386	10,332(4)	547,718
Non-cash charge	14,507	(4,051)		10,456		10,456
Operating earnings	332,202	(192,581)	(27,615)	112,006	(10,332)	101,674
Interest expense, net of interest income	7,739	(2,966)		4,773		4,773
Earnings from continuing operations before provision for income taxes	324,463	(189,615)	(27,615)	107,233	(10,332)	96,901
Provision for income taxes	113,562	(73,154)	(10,659)	29,749	(3,616)(5)	26,133
Net earnings from continuing operations	$ 210,901	$ (116,461)	$ (16,956)	$ 77,484	$ (6,716)	$ 70,768
Net earnings from continuing operations per share:						
Basic	$ 2.31	NA	NA	$ 0.85	NA	$ 0.77
Diluted	$ 2.27	NA	NA	$ 0.83	NA	$ 0.75
Weighted average shares outstanding:						
Basic	91,451	NA	NA	91,451	177(6)	91,628
Diluted	92,838	NA	NA	92,838	1,548(6)	94,386

Notes to Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Alberto-Culver for the Year Ended September 30, 2005

(1) Represents the removal of historical Sally Holdings from the historical financial statements of Alberto-Culver. Certain reclassifications have been made to the historical presentation of Sally Holdings to conform to the presentation used in the unaudited condensed pro forma consolidated financial statements. In addition, certain warehousing and distribution costs of Sally Holdings totaling $86.6 million for the year ended September 30, 2005 have been reclassified from cost of products sold to advertising, marketing, selling and administrative expenses to be consistent with their classification in the historical financial statements of Alberto-Culver.

(2) Represents an adjustment to eliminate the sales-based service fee from the historical financial statements of Sally Holdings. Alberto-Culver charged Sally Holdings a sales-based service fee of $27.6 million for the year ended September 30, 2005. This intercompany charge was eliminated from the historical consolidated financial statements of Alberto-Culver but is included in the historical financial statements of Sally Holdings. As a result, a separate adjustment is necessary to eliminate this sales-based service fee in

the pro forma financial statements of New Alberto-Culver.

(3) Represents a pro forma adjustment to add back intercompany sales by New Alberto-Culver to Sally Holdings that were eliminated in the historical Alberto-Culver financial statements.

(4) Represents a pro forma adjustment to add back Alberto-Culver corporate expenses which were allocated to Sally Holdings in the historical financial statements. These corporate expenses will not be automatically eliminated as a result of the transactions.

(5) Represents the income tax effect of the preceding pro forma adjustments using an estimated average statutory rate of 35%.

(6) The pro forma adjustment for basic weighted average shares outstanding represents restricted shares that will automatically vest upon completion of the transactions. The pro forma adjustment for diluted weighted average shares outstanding represents the dilutive impact of outstanding Alberto-Culver stock options held by employees of New Alberto-Culver as of September 30, 2005 that are to be converted into New Alberto-Culver stock options upon completion of the transactions. The basic and diluted weighted average shares outstanding consist of the following (in thousands):

Basic weighted average shares outstanding	91,628
Dilutive impact of New Alberto-Culver stock options	2,758
Diluted weighted average shares outstanding	94,386

MANAGEMENT OF NEW ALBERTO-CULVER

Directors and Executive Officers

New Alberto-Culver expects that its board of directors following the transactions will be comprised of at least 10 directors, at least a majority of whom will be considered independent under the independence requirements of the New York Stock Exchange.

Set forth below is information concerning those persons that New Alberto-Culver expects to become its directors and executive officers as of the closing date. New Alberto-Culver expects that its board of directors will be divided into three classes as nearly equal in number as possible. For more information, see Certain Anti-Takeover Effects of Provisions of New Alberto-Culver s Certificate of Incorporation and By-Laws and of Delaware Law beginning on page 201.

Name	Age	Position
Carol L. Bernick	54	Chairman of the Board of Directors
V. James Marino	56	President, Chief Executive Officer and Director
John R. Berschied, Jr.	63	Group Vice President, Global Research and Development
William J. Cernugel	63	Senior Vice President and Chief Financial Officer
Richard Gerstein	41	Chief Marketing Officer
Richard J. Hynes	58	Senior Vice President
Richard Mewborn	47	Vice President, Worldwide Operations
Gary P. Schmidt	55	Senior Vice President, General Counsel and Secretary
A.G. Atwater, Jr.	63	Director
James G. Brocksmith, Jr.	65	Director
Governor Jim Edgar	60	Director
King Harris	63	Director
Leonard H. Lavin	86	Director
Robert H. Rock, D.B.A.	56	Director
Sam J. Susser	66	Director
William W. Wirtz	77	Director

Carol L. Bernick will be the executive Chairman of the Board of Directors of New Alberto-Culver. Prior to the transactions, she served as Chairman of the Alberto-Culver board of directors since October 2004 and has served as the director of Alberto-Culver since 1984. She served as President of Alberto-Culver USA, Inc., a wholly-owned subsidiary of Alberto-Culver, from 1994 to October 2004; as Vice Chairman of Alberto-Culver from 1998 to October 2004; as President of Alberto-Culver Consumer Products Worldwide, a division of Alberto-Culver, from June 2002 to October 2004; as Assistant Secretary of Alberto-Culver from 1990 to October 2004; and as President of Alberto-Culver North America, formerly a division of Alberto-Culver, from 1998 to June 2002. Mrs. Bernick is the wife of Howard B. Bernick and the daughter of Leonard H. Lavin.

V. James Marino will be New Alberto-Culver s President and Chief Executive Officer, as well as a director of New Alberto-Culver. Prior to the transactions, Mr. Marino served as the President of Alberto-Culver Consumer Products Worldwide since October 2004. From July 2002 to October 2004, Mr. Marino served as the President of Alberto Personal Care Worldwide, a division of Alberto-Culver. From 2000 to July 2002, he served as Group Vice President of Marketing, Alberto-Culver North America.

John R. Berschied, Jr., will be New Alberto-Culver s Group Vice President, Global Research and Development. Prior to the transactions, Mr. Berschied served as the Group Vice President, Global Research and Development of Alberto-Culver since May 2000.

William J. Cernugel will be New Alberto-Culver s Senior Vice President and Chief Financial Officer. Prior to the transactions, Mr. Cernugel served as the Senior Vice President and Chief Financial Officer of Alberto-Culver since May 2000. From 1993 to May 2000, he served as Senior Vice President, Finance.

Richard Gerstein will be New Alberto-Culver s Chief Marketing Officer. Prior to the transactions, Mr. Gerstein served as the Chief Marketing Officer of Alberto Personal Care Worldwide since April 2005. From 2001 to April 2005, he served as Chief Executive Officer of reflect.com.

Richard J. Hynes will be New Alberto-Culver s Senior Vice President. Prior to the transactions, Mr. Hynes served as Senior Vice President of Alberto Personal Care Worldwide, a division of Alberto-Culver since October 2002. From September 2001 to October 2002, he served as Group Vice President of Alberto Personal Care.

Richard Mewborn will be New Alberto-Culver s Vice President, Worldwide Operations. Prior to the transactions, Mr. Mewborn served as Vice President of Worldwide Operations since August 2003. From December 2001 to August 2003, he served as Latin American Regional Supply Director for Reckitt Benckiser. Prior to that, Mr. Mewborn served as North American Manufacturing Vice President for Reckitt Benckiser since December 1999.

Gary P. Schmidt will be New Alberto-Culver s Senior Vice President, General Counsel and Secretary. Prior to the transactions, Mr. Schmidt served as the Senior Vice President, General Counsel and Secretary of Alberto-Culver, since January 2005. From January 2004 to January 2005, he served as the Senior Vice President, General Counsel and Assistant Secretary of Alberto-Culver. Prior to that, Mr. Schmidt served as the Vice President, General Counsel and Assistant Secretary of Alberto-Culver since 1997.

A. G. Atwater, Jr., will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since 1995. In June 2002, Mr. Atwater retired as President and Chief Executive Officer of Amurol Confections, a specialty confections manufacturer and a wholly-owned associated company of the Wm. Wrigley Jr. Company, in which position he served for longer than five years prior to June 2002.

James G. Brocksmith, Jr., will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since October 2002. Mr. Brocksmith has been an independent business consultant for longer than the past five years. From 1990 to 1996, Mr. Brocksmith was the Deputy Chairman and Chief Operating Officer for the U.S. Operations of KPMG Peat Marwick LLP, a predecessor of KPMG LLP. Mr. Brocksmith is also a director of AAR Corp., Nationwide Financial Services, Inc. and Sempra Energy.

Governor Jim Edgar will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since October 2002. He has served as a Distinguished Fellow at the University of Illinois Institute of Government and Public Affairs where he is a teacher and lecturer since 1999. Governor Edgar served as the Governor of Illinois from 1991 through 1999. Governor Edgar is also a director of Horizon Group Properties, Inc., DWS Scudder (Chicago Board), John B. Sanfilippo & Son, Inc. and Youbet.com, Inc. Governor Edgar is a member of the Economic Club of Chicago and the Commercial Club. He is also a member of the Board of the Chicago Council on Global Affairs.

King Harris will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since July 2002. Mr. Harris has served as the Chairman of Harris Holdings, Inc., a private investment firm since 2000 and is a consultant to Honeywell International. From 1987 through 2000, he served as the President and Chief Executive Officer of Pittway Corporation (now the Automation and Control Products Business of Honeywell International). Mr. Harris is the Non-Executive Chairman of the Board of AptarGroup, Inc.

Leonard H. Lavin will be Chairman Emeritus and a director of New Alberto-Culver. Mr. Lavin is a founder of Alberto-Culver and was Chairman Emeritus of Alberto-Culver since October 2004. He has served as a

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director of Alberto-Culver since 1955 and served as Chairman of Alberto-Culver from 1955 to October 2004. Mr. Lavin is the father of Carol L. Bernick and the father-in-law of Howard B. Bernick.

Robert H. Rock, D.B.A., will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since 1995. Dr. Rock served as the President of MLR Holdings, LLC, an investment company with holdings in publishing and information businesses, for longer than the past five years. Dr. Rock has also served as Chairman of Metroweek Corporation, a publisher of weekly newspapers and specialty publications, for more than the past five years. Dr. Rock is also a director of Quaker Chemical Corporation, Advanta Corp. and Penn Mutual Life Insurance company.

Sam J. Susser will be a director of New Alberto. Prior to the transactions, Mr. Susser served as a director of Alberto-Culver since January 2001. Mr. Susser is currently Chairman of SSP Partners, an operator of convenience stores under the brand name Circle K since 1995.

William W. Wirtz will be a director of New Alberto-Culver. Prior to the transactions, he served as a director of Alberto-Culver since 1978. Mr. Wirtz has served as President and a director of Wirtz Corporation, a diversified operations and investment company, for longer than the past five years.

Annual Meeting

New Alberto-Culver s amended and restated by-laws will provide that an annual meeting of stockholders will be held each year on a date specified by the New Alberto-Culver board of directors. New Alberto-Culver expects the first annual meeting of its stockholders following the transactions to be held in January 2008.

Committees of the Board of Directors

Pursuant to New Alberto-Culver s amended and restated certificate of incorporation, the New Alberto-Culver board of directors will be permitted to establish committees from time to time as it deems appropriate. Initially, to facilitate independent director review and to make the most effective use of the directors time and capabilities, it is expected that the New Alberto-Culver board of directors will establish the following committees:

- audit committee;
- executive committee
- compensation and leadership development committee; and
- nominating/governance committee.

The membership and function of each committee are described below.

Audit Committee

The New Alberto-Culver audit committee is expected to be composed of at least three members, including James G. Brocksmith, Jr., Chairman, A. G. Atwater, Jr. and King Harris, each of whom New Alberto-Culver expects will be considered independent under the independence requirements of the New York Stock Exchange and the Exchange Act, and financially literate as required by the New York Stock Exchange. New Alberto-Culver expects that the New Alberto-Culver board of directors will determine that Mr. Brocksmith qualifies as an audit committee financial expert, as such term is defined by the SEC. In addition, New Alberto-Culver expects that the New Alberto-Culver board of directors will determine that the simultaneous service by Mr. Brocksmith on the audit committee of more than three public companies does not impair his ability to effectively serve on the audit committee of the New Alberto-Culver board of directors.

The New Alberto-Culver audit committee will assist the New Alberto-Culver board of directors in fulfilling its oversight responsibilities for:

- the integrity of New Alberto-Culver s financial statements;
- New Alberto-Culver s compliance with legal and regulatory requirements;
- the independent auditor s qualifications and independence; and
- the performance of New Alberto-Culver s internal audit function and independent auditors.

New Alberto-Culver expects that the New Alberto-Culver audit committee will establish a pre-approval policy to pre-approve all permissible audit and non-audit services provided by New Alberto-Culver s independent auditors. New Alberto-Culver expects that on an annual basis, the New Alberto-Culver audit committee will review and provide pre-approval for certain types of services that may be rendered by the independent auditors, together with a budget for the applicable fiscal year. The pre-approval policy is also expected to require the pre-approval of any fees that are in excess of the amount budgeted by the audit committee. The pre-approved policy is expected to contain a provision delegating pre-approval authority to the chairman of the New Alberto-Culver audit committee in instances when pre-approval is needed prior to a scheduled audit committee meeting. The chairman of the New Alberto-Culver audit committee would be required to report on such pre-approvals at the next scheduled audit committee meeting.

The New Alberto-Culver audit committee will be governed by the New Alberto-Culver audit committee charter, which will be adopted by the New Alberto-Culver board of directors and will be available at New Alberto-Culver s website at *www.alberto.com*.

Executive Committee

The New Alberto-Culver executive committee is expected to be composed of at least three members, including Carol L. Bernick, Chairman and V. James Marino. The New Alberto-Culver executive committee is expected to have many of the powers of the New Alberto-Culver board of directors and is expected to be authorized to act when the New Alberto-Culver board of directors is not in session.

Compensation and Leadership Development Committee

The New Alberto-Culver compensation and leadership development committee is expected to be composed of at least four members, including Robert H. Rock, Chairman, A. G. Atwater, Jr., James G. Brocksmith, Jr. and Governor Jim Edgar, each of whom New Alberto-Culver expects will be considered independent under the independence requirements of the New York Stock Exchange. The function of the New Alberto-Culver compensation and leadership development committee will be to, among other things:

- review and approve corporate goals and objectives relevant to chief executive officer compensation and evaluate the chief executive officer s performance in light of those goals and objectives;
- determine and approve the chief executive officer s compensation level based on this evaluation;
- approve compensation of other executive officers;
- review and recommend to the New Alberto-Culver board of directors equity based incentive compensation plans in which executive officers will participate;

prepare reports and analysis on executive compensation, which will be required to be included in New Alberto-Culver s annual proxy statement; and

review matters relating to management development and succession planning for New Alberto-Culver s executive officers.

The New Alberto-Culver compensation and leadership committee will be governed by the New Alberto-Culver compensation and leadership development committee charter, which will be adopted by the New Alberto-Culver board of directors and will be available at New Alberto-Culver s website at *www.alberto.com.*

Nominating/Governance Committee

The New Alberto-Culver nominating/governance committee is expected to be composed of at least three members, including Governor Jim Edgar, Chairman, King Harris and Robert H. Rock, each of whom New Alberto-Culver expects will be considered independent under the independence requirements of the New York Stock Exchange. The function of the New Alberto-Culver nominating/governance committee will be to, among other things:

- identify and recommend to the New Alberto-Culver board of directors, individuals qualified to be directors of New Alberto-Culver, consistent with criteria approved by the New Alberto-Culver board of directors, for either appointment to the board or to stand for election at a meeting of stockholders;
- develop and recommend to the New Alberto-Culver board of directors corporate governance guidelines for New Alberto-Culver; and
- oversee the evaluation of the New Alberto-Culver board of directors and management.

The New Alberto-Culver nominating/governance committee will be governed by the New Alberto-Culver nominating/governance committee charter, which will be adopted by the New Alberto-Culver board of directors and will be available on New Alberto-Culver s website at *www.alberto.com*.

Corporate Governance

Communications with the Board of Directors

After the transactions, any holder of New Alberto-Culver stock who desires to contact the New Alberto-Culver board of directors may do so by mailing any communications directly to the attention of the presiding director at New Alberto-Culver s headquarters in Melrose Park, Illinois. The presiding director will determine what, if any, actions need be taken with respect to each communication including discussing such matters with only the non-management directors, a specific committee or the full board of directors. A new presiding director (i) will be appointed automatically at each meeting of the New Alberto-Culver board of directors in alphabetical order among all non-employee directors, and (ii) will act as chairman during such meeting during the time in which employee directors are not present, and will remain as the presiding director until the next meeting of the New Alberto-Culver board of directors.

Nomination of Directors

The New Alberto-Culver board of directors is responsible for nominating directors for election by the New Alberto-Culver stockholders and filling any vacancies on the New Alberto-Culver board of directors that may occur. The New Alberto-Culver nominating/governance committee will be responsible for identifying individuals the committee believes are qualified to become New Alberto-Culver board members. New Alberto-Culver anticipates that the nominating/governance committee will consider recommendations for director nominees from a wide variety of sources, including other members of the board, management, stockholders, and, if deemed appropriate, from professional search firms. The nominating/governance committee will take into account the applicable requirements for directors under the Exchange Act and the listing standards of the New York Stock Exchange. In addition, New Alberto-Culver anticipates that the nominating/governance committee may take into consideration such other factors and criteria as it deems appropriate in evaluating a candidate, including such candidate s judgment, skill, integrity, and business and other experience.

Director Qualifications

In order to be recommended by the New Alberto-Culver nominating/governance committee, New Alberto-Culver expects that the New Alberto-Culver nominating/governance committee will adopt a policy providing that

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the candidate for director must, at a minimum, have integrity, be committed to act in the best interest of all of New Alberto-Culver s stockholders, and be able and willing to devote the required amount of time to New Alberto-Culver s affairs, including attendance at New Alberto-Culver board of director meetings. In addition, the candidate cannot jeopardize the independence of a majority of the New Alberto-Culver board of directors.

New Alberto-Culver also expects that the New Alberto-Culver nominating/governance committee will adopt a policy providing that the candidate should preferably also have the following qualifications: business experience, demonstrated leadership skills, experience on other boards and skill sets which add to the value of New Alberto-Culver s businesses.

Director Independence

New Alberto-Culver expects that, to assist the New Alberto-Culver board of directors in making the determination of whether a director is independent under the independence requirements of the New York Stock Exchange, the New Alberto-Culver board of directors will adopt categorical independence standards, which are expected to include and will state a director will not be independent if:

- The director is, or has been within the last three years, an employee of Alberto-Culver or New Alberto-Culver, or an immediate family member is, or has been within the last three years, an executive officer of Alberto-Culver or New Alberto-Culver.

- The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from Alberto-Culver or New Alberto-Culver, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

- The director:

  - or an immediate family member is a current partner of a firm that is New Alberto-Culver s internal or external auditor;

  - is a current employee of such a firm;

  - has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or

  - or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Alberto-Culver or New Alberto-Culver s audit within that time.

- The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of New Alberto-Culver s present executive officers at the same time serves or served on that company s compensation committee.

- The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payment to, or received payments from, Alberto-Culver or New Alberto-Culver for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1.0 million, or 2% of such other company s consolidated gross revenues.

New Alberto-Culver may add one or more categorical standards.

Code of Ethics, Code of Business Conduct and Ethics and Governance Guidelines

New Alberto-Culver expects that it will adopt a code of ethics that will apply to the Chief Executive Officer, Chief Financial Officer and Corporate Controller. Upon adoption, New Alberto-Culver will provide copies of such code of ethics to any person, without charge, upon written request to the Corporate Secretary.

New Alberto-Culver also expects that it will adopt (i) a Code of Business Conduct and Ethics that will apply to directors, officers and employees and (ii) Governance Guidelines. Copies of these documents will be available on New Alberto-Culver s website at www.alberto.com and will be available in print to any person, without charge, upon written request to the Corporate Secretary.

Compensation of Directors

Cash Compensation

New Alberto-Culver expects that each non-employee director will receive the following cash compensation for service on the New Alberto-Culver board of directors and committees of the New Alberto-Culver board of directors:

- an annual retainer of $40,000;
- $1,500 for each meeting of the New Alberto-Culver board of directors and each meeting of the New Alberto-Culver audit committee, compensation and leadership development committee and nominating/governance committee attended; and
- $750 for each such committee conference call meeting attended.

Additionally, New Alberto-Culver expects that the chairman of each of the New Alberto-Culver audit committee, compensation and leadership development committee and nominating/governance committee will receive an additional annual retainer of $7,500.

Employee directors will receive no additional compensation for serving on the New Alberto-Culver board of directors or its committees.

Equity Compensation

New Alberto-Culver expects that each non-employee director will participate in the 2006 Stock Option Plan For Non-Employee Directors (the 2006 Director Plan), which it intends to adopt prior to completion of the transactions and which it expects will have the terms as described below. Under the 2006 Director Plan, New Alberto-Culver expects that each non-employee director will receive an automatic grant of a non-qualified option (i) upon his initial election to the New Alberto-Culver board of directors (other than those directors who have previously served as directors of Alberto-Culver) (Initial Grant) and (ii) as of the day of each regularly scheduled annual meeting of the stockholders of New Alberto-Culver (Subsequent Grant). The exercise price of options granted under the 2006 Director Plan will be the fair market value of a share of New Alberto-Culver common stock on the date options are granted. Options will be granted for a ten-year term and become exercisable in four equal annual installments commencing one year after the date of grant. If the director leaves the New Alberto-Culver board of directors for any reason other than death, disability, retirement or a change-in-control, the option will terminate upon such termination. If the director dies, the options will terminate one year following his death, but may only be exercised to the extent such option could be exercised on the date of death. If the director resigns due to retirement or disability, the options will terminate one year following such event, but may only be exercised to the extent such options could be exercised as of the last day of the month of such resignation. No director who has received an Initial Grant shall be entitled to receive a Subsequent Grant in the same fiscal year.

Deferred Compensation

New Alberto-Culver expects that non-employee directors will also be able to participate in the Deferred Compensation Plan for Non-Employee Directors, which we refer to as the DCP, New Alberto-Culver expects to adopt prior to completion of the transactions and which it anticipates will have the terms described below. Under the DCP, each non-employee director will be permitted to elect to defer his annual retainer and meeting fees, which fees we refer to as Director Fees, receive shares of New Alberto-Culver common stock on a quarterly basis equal to the Director Fees payable during such period or receive cash payable under the regular

payment system. With respect to deferrals, non-employee directors will be able to defer their Director Fees in unfunded company accounts which are equivalent to a company common stock fund or other investment funds.

Employment Agreement

On December 6, 2004, Alberto-Culver, which will be a subsidiary of New Alberto-Culver following completion of the transactions, entered into an employment agreement with Mr. Lavin, which agreement was amended on April 27, 2005 (as amended, the Employment Agreement). Pursuant to the Employment Agreement, Mr. Lavin is paid an annual salary of one dollar. As an employee, Mr. Lavin is entitled to elect health, dental, life and short-term disability insurance, has an office and secretary and will be paid for his outstanding fiscal year 2004 SVIP units at the time such payouts, if any, are made. He will have access to the corporate airplane during times that it is not being used for business and will not be required to reimburse Alberto-Culver for such use. Mr. Lavin is entitled to receive a full-time security person at no expense and will be reimbursed for all approved, reasonable business expenses. In addition, Alberto-Culver and Mr. Lavin agreed to cancel his severance agreement dated December 4, 1996, as amended. Furthermore, Mr. Lavin received a lump sum payment on December 8, 2004 of $4.0 million, less applicable withholding taxes, under his key executive deferred compensation agreement dated January 30, 1987. This lump sum payment was fully accrued by Alberto-Culver in prior years. The Employment Agreement was effective as of October 1, 2004 and expires five years thereafter, unless renewed by the mutual agreement of the parties. In fiscal 2006, Mr. Lavin s personal use of Alberto-Culver s airplane totaled $141,107, calculated based on the incremental cost to Alberto-Culver of such use. In addition, there will be no payouts for his outstanding fiscal year 2004 SVIP units. See Compensation of Executive Officers of New Alberto-Culver beginning on page 186.

Between October 1, 2004 and November 15, 2005, Bernice E. Lavin, formerly a director and Vice Chairman and a founder of Alberto-Culver and the wife of Mr. Lavin, received $731,225, less applicable withholding taxes, under her key executive deferred compensation agreement dated January 30, 1987. Under her key executive deferred compensation agreement, she was entitled to receive, as a final lump sum payment, the amount of $1,131,269, less applicable withholding taxes, upon reaching her 80th birthday in November 2005. This balance, net of applicable withholding taxes which Alberto-Culver paid on November 30, 2005, is currently being paid to Mrs. Lavin in the amount of $25,667 semi-monthly with the last payment expected to be made on January 31, 2007.

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COMPENSATION OF EXECUTIVE OFFICERS OF NEW ALBERTO-CULVER

Historical Compensation of Executive Officers

The following table contains compensation information for the person to be named New Alberto-Culver s Chief Executive Officer and four other most highly compensated persons who New Alberto-Culver currently believes will be named executive officers of New Alberto-Culver upon completion of the transactions. The determination of the four most highly compensated persons was based on employment with Alberto-Culver for the year ended September 30, 2006. New Alberto-Culver will refer to these executive officers as the New Alberto-Culver named executive officers. All of the information included in this table reflects compensation earned by the New Alberto-Culver named executive officers for services rendered to Alberto-Culver and its subsidiaries. Unless the context suggests otherwise, references to restricted stock and stock options mean shares of Alberto-Culver common stock and options to purchase Alberto-Culver common stock, respectively. Amounts shown are for individuals in their last position with Alberto-Culver and do not necessarily reflect the compensation which these individuals will earn in their new capacities as executive officers of New Alberto-Culver.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation(2) ($)	Restricted Stock Awards(3) ($)	Securities Underlying Options(4) (#)	LTIP Payouts(5) ($)	All other Compensation ($)
Carol L. Bernick	2006	650,000	(1)	132,089	0	80,000	0	73,049(6)
	2005	650,000	657,000	147,240	0	79,000	0	354,919
Chairman	2004	1,000,000	1,256,000	123,779	0	90,000	640,000	374,807
V. James Marino	2006	531,250	(1)	0	0	50,000	0	40,825(7)
President and Chief Executive Officer	2005	475,000	650,000	0	0	43,000	0	184,901
	2004	357,750	550,000	0	0	33,000	140,000	134,971
John Berschied, Jr.	2006	332,500	(1)	0	0	15,000	0	25,501(8)
	2005	325,000	325,000	0	0	15,000	0	63,150
Group Vice President, Global Research and Development	2004	322,750	258,000	0	0	17,250	110,000	90,081
William J. Cernugel	2006	399,000	(1)	0	0	23,000	0	40,023(9)
	2005	386,250	274,000	0	0	22,500	0	141,941
Senior Vice President and Chief Financial Officer	2004	371,250	407,000	0	0	24,750	180,000	123,443
Richard J. Hynes	2006	356,500	(1)	0	0	22,000	0	32,108(10)
	2005	342,750	600,000	0	0	21,500	0	57,566
Senior Vice President	2004	330,250	455,000	0	0	23,700	150,000	94,360

(1) At the time of the mailing of this proxy statement/prospectus information statement, the annual bonuses for the persons to be named executive officers of New Alberto-Culver had not yet been determined for fiscal year 2006.

(2) In 2006, 2005 and 2004, the amount includes $112,089, $132,240 and $117,356, respectively, for the personal use of Alberto-Culver s airplane.

(3) On September 30, 2006, Messrs. Hynes and Marino held 2,625 and 1,500 shares of restricted stock, respectively, with a market value of $132,799 and $75,885, respectively. Dividends are paid on shares of restricted stock.

(4) The number of securities underlying the options granted has been adjusted to reflect the 50% stock dividend paid on February 20, 2004.

(5) Represents long-term incentive plan payments under the Alberto-Culver 1994 Shareholder Value Incentive Plan, which we refer to as the Alberto-Culver SVIP. For the three-year performance period ended September 30, 2006, the total stockholder return on Alberto-Culver s common stock, which we refer to as the Alberto-Culver s TSR, was 32.16% placing it in the 37.8th percentile of the Standard & Poor s 500

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Index with no corresponding payout per unit. For the three-year performance period ended September 30, 2005, Alberto-Culver s TSR was 37.01%, placing it in the 31.7th percentile of the Standard & Poor s 500 Index with no corresponding payout per unit. For the three-year performance period ended September 30, 2004, Alberto-Culver s TSR was 104.07%, placing it in the 87th percentile of the Standard & Poor s 500 Index with a corresponding payout per unit of $2,000 under the Alberto-Culver SVIP.

(6) The amount includes $4,140 of imputed income from life insurance; $6,263 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and $62,646 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. As of the time of the mailing of this proxy statement/prospectus-information statement, the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mrs. Bernick will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $158,572 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

(7) The amount includes $6,854 of imputed income from life insurance; $6,263 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and $27,708 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. As of the time of the mailing of this proxy statement/prospectus-information statement, the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mr. Marino will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $70,197 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

(8) The amount includes $6,588 of imputed income from life insurance; $6,263 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and $12,650 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. As of the time of the mailing of this proxy statement/prospectus-information statement, the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mr. Berschied will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $32,343 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

(9) The amount includes $7,569 of imputed income from life insurance; $6,263 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and $26,191 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. As of the time of the mailing of this proxy statement/prospectus-information statement, the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mr. Cernugel will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $66,927 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

(10) The amount includes $4,599 of imputed income from life insurance; $6,263 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and $21,246 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. As of the time of the mailing of this proxy statement/prospectus-information statement, the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mr. Hynes will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $53,954 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

Stock Option Grants

The following table contains information relating to the Alberto-Culver stock option grants made during the fiscal year ended September 30, 2006 to the New Alberto-Culver named executive officers. The options are subject to the terms of the Alberto-Culver Employee Stock Option Plan of 2003. In connection with the transaction, New Alberto-Culver intends to adopt the Alberto-Culver Employee Stock Option Plan of 2006 and options to purchase Alberto-Culver common stock that are outstanding immediately prior to the holding company merger will be converted into fully exercisable options to purchase New Sally common stock and such options that are held by the New Alberto-Culver employees, including the New Alberto-Culver named executive officers, will be converted into options to purchase New Alberto-Culver common stock and will be adjusted in connection with the transactions.

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OPTION GRANTS IN FISCAL YEAR 2006

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
Name	**Number of Securities Underlying Options Granted(1) (#)**	**Percent of Total Options Granted to Employees in Fiscal Year(2)**	**Exercise price ($/sh)**	**Expiration Date**	**5%($)**	**10%($)**
Carol L. Bernick	80,000	5.1%	$ 44.40	9/30/2015	$ 2,233,834	$ 5,660,973
V. James Marino	50,000	3.2%	$ 44.40	9/30/2015	$ 1,396,146	$ 3,538,108
John Berschied, Jr.	15,000	1.0%	$ 44.40	9/30/2015	$ 418,844	$ 1,061,432
William J. Cernugel	23,000	1.5%	$ 44.40	9/30/2015	$ 642,227	$ 1,627,530
Richard J. Hynes	22,000	1.4%	$ 44.40	9/30/2015	$ 614,304	$ 1,556,768

(1) All of these options were granted on October 1, 2005. Options are non-qualified and granted under the Alberto-Culver Employee Stock Option Plan of 2003, which we refer to as the 2003 ACSOP. All options have a maximum term of ten years from the date of grant and an exercise price per share equal to the fair market value of a share of common stock on the date of grant. Generally, options become exercisable on a cumulative basis in four equal annual increments, commencing one year after the date of grant. The Alberto-Culver compensation and leadership development committee may accelerate the exercisability of any options subject to such terms and conditions as it deems necessary and appropriate. If a participant retires, all options (a) vested at the time of retirement may be exercised for a period of two years following retirement and (b) unvested at the time of retirement may be exercised as they become vested under the regular vesting schedule for a period of five years from the date of grant, but in each case not after their stated expiration date. Retirement will be reached when a participant s employment terminates and at the time of such termination the sum of the participant s age and years of service with the company equals or exceeds 75 years. In the event of a change in control, as defined in the 2003 ACSOP and summarized below under Employment Contracts, Termination of Employment and Change in Control Arrangements, all outstanding options will immediately become fully vested. In certain circumstances, outstanding stock option awards may become options to purchase shares of the acquiring corporation, and in certain other circumstances, outstanding stock option awards may be cancelled in exchange for a cash payment.

(2) The percentages were calculated by taking the number of options granted to the New Alberto-Culver named executive officer and dividing that number by the total number of options granted to all employees of Alberto-Culver.

(3) The dollar amounts in these columns assume that the market price per share of common stock appreciates in value from the date of grant to the expiration date of the option at the annualized rates indicated. These rates are set by the SEC and are not intended to forecast possible future appreciation, if any, of the price of common stock.

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Stock Option Exercises

The following table contains information relating to the exercise of options to purchase Alberto-Culver common stock by the New Alberto-Culver named executive officers during the fiscal year ended September 30, 2006, as well as the number and value of their unexercised, in-the-money options to purchase Alberto-Culver common stock as of September 30, 2006.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR

AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at Fiscal Year-End (1) ($) Exercisable/ Unexercisable
Carol L. Bernick	0	$ 0	313,500/141,750	$5,842,970/1,103,071
V. James Marino	0	$ 0	103,750/67,250	$ 1,326,932/469,273
John Berschied, Jr.	51,000	$ 1,262,949	43,687/23,063	$ 536,345/168,213
William J. Cernugel	31,125	$ 581,527	42,687/34,688	$ 433,707/251,531
Richard J. Hynes	26,300	$ 324,657	23,550/33,175	$ 246,519/240,588

(1) Based on the respective average of the high and low trading price of Alberto-Culver common stock ($50.60 per share) on September 29, 2006, the last trading day of the fiscal year.

Long-Term Incentive Awards

The following table contains information relating to the grant of performance units under the Alberto-Culver SVIP during the fiscal year ended September 30, 2006 to the New Alberto-Culver named executive officers.

LONG-TERM INCENTIVE PLAN

AWARDS IN LAST FISCAL YEAR

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold ($)	Target ($)	Maximum ($)

	(#) (1)				
Carol L. Bernick	325	3 years	$ 81,250	$ 325,000	$ 650,000
V. James Marino	250	3 years	$ 62,500	$ 250,000	$ 500,000
John Berschied, Jr.	65	3 years	$ 16,250	$ 65,000	$ 130,000
William J. Cernugel	115	3 years	$ 28,750	$ 115,000	$ 230,000
Richard J. Hynes	100	3 years	$ 25,000	$ 100,000	$ 200,000

(1) Awards under the Alberto-Culver SVIP are made in the form of performance units, each unit having a payout value of $250 if the threshold performance level is attained, $1,000 if the target performance level is attained and $2,000 if the maximum performance level is attained. Units will have no value if the threshold performance level is not attained. In the event of a change in control, payouts of awards may be reduced (but not below zero) under certain circumstances, so as not to constitute excess parachute payments within the meaning of the Internal Revenue Code.

Performance units were granted at the beginning of fiscal year 2006 for the three-year performance period ending September 30, 2008. At the time the performance units were granted, the Alberto-Culver

compensation and leadership development committee established objectives for such three-year performance period based on the percentile ranking of the total stockholder return of the Alberto-Culver common stock among the total stockholder returns of the companies comprising the Standard & Poor s 500 Index. Participants may elect to receive cash or all or a portion of their award, less applicable withholding taxes, in common stock. Participants owning shares of Alberto-Culver common stock having a dollar value below the ownership guidelines established by the Alberto-Culver compensation and leadership development committee will be required to take at least 50% of their award, less applicable withholding taxes, in common stock. For grants made after April 28, 2005, participants owning shares of Alberto-Culver common stock having a dollar value below the ownership guidelines established by the Alberto-Culver compensation and leadership development committee will be required to take 100% of their award, less applicable withholding taxes, in common stock. In the event of a change in control, as defined in the Alberto-Culver SVIP and summarized below under Employment Contracts, Termination of Employment and Change in Control Arrangements, all or a pro-rata portion of the outstanding performance units, based on the number of fiscal years of each performance period that have elapsed and the total Alberto-Culver stockholder return for the Alberto-Culver common stock as of the date of the change in control compared to the total stockholder return of the companies comprising the index chosen for each such performance period by the Alberto-Culver compensation and leadership development committee from among those indexes specified in the Alberto-Culver SVIP (Applicable Index) as of the end of the last quarter for which such information is available, will become payable in cash within 30 days following such change in control, subject to any reduction of such payment pursuant to the preceding paragraph. If at least six full calendar months of any fiscal year have elapsed, the entire fiscal year shall be deemed to have elapsed.

No payout will be made if Alberto-Culver s total stockholder return compared to the total stockholder return of companies comprising the Applicable Index would rank it at less than the 40th percentile. The Alberto-Culver compensation and leadership development committee may reduce or eliminate any award otherwise payable if Alberto-Culver s total stockholder return for the applicable performance period is negative.

Contracts and Arrangements with New Alberto-Culver Named Executive Officers

The following describes certain existing contracts and arrangements of Alberto-Culver with the anticipated directors of New Alberto-Culver and the New Alberto-Culver named executive officers as well as certain contracts and arrangements New Alberto-Culver expects to enter into with such directors and officers in connection with the transactions.

Certain Existing Contracts and Arrangements

Alberto-Culver (i) is party to severance agreements with each of the named executive officers and deferred compensation agreements with certain of such officers, (ii) has granted stock options to the named executive officers under the stock option plans described above and (iii) provides other benefits under the Management Incentive Plan and Shareholder Value Incentive Plan described above. Alberto-Culver also has a deferred compensation plan in which the New Alberto-Culver named executive officers are participants.

Following completion of the transactions Alberto-Culver will continue to be bound by the severance agreements, as amended, and the deferred compensation agreements. As noted below, Alberto-Culver is treating the transactions as a change in control for the stock option and incentive plans and therefore the awards under those plans will accelerate in connection with the transactions. The severance agreements with New Alberto-Culver s named executive officers were amended so that the transactions are not treated as a change in control under those agreements. See The Transactions Interests of Certain Persons in the Transactions beginning on page 88.

New Alberto-Culver expects that following completion of the transactions the New Alberto-Culver named executive officers will be eligible to participate in a deferred compensation plan similar to the one described below.

Employment Contracts, Termination of Employment and Change in Control Arrangements

New Alberto-Culver s named executive officers are parties to severance agreements with Alberto-Culver which provide payments and benefits if such officer s employment terminates under the circumstances set forth in their severance agreement within two years after a change in control, as defined in the agreement and summarized below. The severance agreement for each named executive officer provides for a payment in the amount which, when added to any other payments subject to the limitation set forth in section 280G of the Internal Revenue Code, is 2.99 or 2.49 times such officer s base amount as such term is defined in section 280G(b)(3) of the Internal Revenue Code. Such payment will be in lieu of any other amount of severance relating to salary or bonus continuation to be received by such officer upon termination of employment under any other severance plan or arrangement. The severance agreements provide for continuation of such officer s health, life, disability and similar insurance benefits for up to a three-year period. These agreements also provide for payment to the named executive officer of accrued salary and vacation pay, and of all amounts which he or she would otherwise be eligible to receive under other incentive plans applicable to the fiscal year in which the termination occurs. The amounts payable to such an officer under each severance agreement may be reduced so as to not exceed the limitation on tax deductibility of such payments set forth in Section 280G of the Internal Revenue Code. These agreements were amended in connection with the execution of the investment agreement, which amendments provided that the transactions will not be treated as a change in control under those agreements. See The Transactions Interests of Certain Persons in the Transactions beginning on page 88.

All outstanding options granted to named executive officers under the 2003 ACSOP and Alberto-Culver Employee Stock Option Plan of 1988, which collectively we refer to as the Alberto-Culver employee option plans, will immediately become fully vested upon the occurrence of a change in control, as defined in those option plans and summarized below. In certain circumstances, outstanding stock option awards may become options to purchase shares of the acquiring corporation and in certain other circumstances, outstanding stock option awards may be canceled in exchange for a cash payment. In addition, the payment of awards under the Management Incentive Plan, which we refer to as the Alberto-Culver MIP, and the Alberto-Culver SVIP will be accelerated, and all or a pro-rata portion of each such award will become payable as provided in such plans, upon the occurrence of a change in control, as defined in such plans and summarized below. Under certain circumstances, awards paid pursuant to grants made under the Alberto-Culver SVIP may be reduced. Alberto-Culver is treating the transactions as a change in control for purposes of the Alberto-Culver employee stock option plans and the Alberto-Culver MIP and Alberto-Culver SVIP. See The Transactions Interests of Certain Persons in the Transactions beginning on page 88.

The definition of a change in control is the same for the Alberto-Culver employee option plans, Alberto-Culver SVIP, Alberto-Culver MIP, Alberto-Culver option plans for non-employee directors, Alberto-Culver restricted stock plan and, except as provided in the third bullet point of the following paragraph, the severance agreements.

Generally, a change in control is defined as the occurrence of any of the following:

- the acquisition by any individual, entity or group of both 20% or more of the combined voting power of the outstanding voting securities of Alberto-Culver and combined voting power in excess of the combined voting power held by the Exempt Persons, as defined below;

- the cessation of the individuals who comprise the Incumbent Board, as defined below, to constitute a majority of the board of directors of Alberto-Culver;

- except as provided in the next sentence, the consummation (but in the case of the severance agreements, upon approval by stockholders) of any merger, reorganization, consolidation or sale or other disposition (other than a tax-free spin-off of a subsidiary or other business unit of Alberto-Culver) of all or substantially all of the assets of Alberto-Culver, which collectively we refer to as a Fundamental Change ; or

- the approval by the stockholders of Alberto-Culver of the complete liquidation or dissolution of Alberto-Culver.

A Fundamental Change will not be a change in control if:

- immediately after such Fundamental Change more than 60% of the combined voting power of the then outstanding voting securities of the resulting corporation or Alberto-Culver, as the case may be, is then owned by all or substantially all of the individuals and entities who were the owners of the combined voting power of the outstanding voting securities of Alberto-Culver immediately prior to such Fundamental Change; and

- a majority of the members of the board of directors of the resulting or acquiring corporation, as the case may be, were members of the Incumbent Board at the time of the execution of the initial agreement or action of the board of directors of Alberto-Culver providing for such Fundamental Change.

A change in control will not be deemed to occur through the acquisition of voting securities of Alberto-Culver if they were acquired:

- by an Exempt Person, an employee benefit plan or trust sponsored or maintained by Alberto-Culver or any corporation controlled by Alberto-Culver; or

- through an exercise, conversion or exchange privilege acquired directly from Alberto-Culver.

In addition, a change in control will not be deemed to occur if such change in control resulted from Alberto-Culver acquiring its own voting securities. Exempt Persons are defined as:

- Mr. and Mrs. Lavin, their descendants and spouses of their descendants; and

- any estate of any such individuals or any trust or similar arrangement or charitable organization established by or for the benefit of any such individuals.

Incumbent Board is defined as those individuals who comprised the Alberto-Culver board of directors as of October 24, 2002 and any individual who becomes a director subsequent to such date whose election or nomination was approved by either a majority of the Incumbent Board or at least a majority of the combined voting power held by the Exempt Persons.

Key Executive Deferred Compensation Agreements

Alberto-Culver is party to key executive deferred compensation agreements with Mrs. Bernick and Mr. Cernugel, which agreements provide that upon retiring on or after reaching retirement age, Mrs. Bernick and Mr. Cernugel will be entitled to receive the amount of compensation as set forth in his or her key executive deferred compensation agreement payable in equal monthly installments. These agreements are expected to remain in full force and effect following the transactions. On January 13, 2005, these agreements were amended so that the retirement age will be reached when the sum of such executive officer s years of service as an employee of Alberto-Culver and such executive officer s age equals or exceeds 75. Under this revised definition of retirement, Mrs. Bernick and Mr. Cernugel have reached their retirement age. Upon retirement, Mrs. Bernick and Mr. Cernugel will be entitled to receive $200,000 and $75,000 per year, respectively, over a 15-year period. In the event the executive dies after reaching his retirement age but before termination of employment with Alberto-Culver, the individual(s) designated by such executive will be entitled to 100% of the deceased executive s deferred benefit.

Such payments will be conditioned upon each executive rendering such reasonable business consulting and advisory services to Alberto-Culver or any subsidiary as the chief executive officer deems desirable. The executive will not be obligated to provide more than eight hours of consulting and advisory services a month without additional compensation. If the executive commits an act of disloyalty, as defined in the key executive deferred compensation agreements, to Alberto-Culver or any of its subsidiaries, the executive shall have no right to receive any payments under these agreements. The obligations of Alberto-Culver under these agreements are unfunded and unsecured promises to pay. Alberto-Culver has purchased insurance policies in the name of Alberto-Culver covering the life of each officer who has a key executive

deferred compensation agreement.

Executive Deferred Compensation Plan

The New Alberto-Culver named executive officers are expected to also be able to participate in a deferred compensation plan similar to the Executive Deferred Compensation Plan, which we refer to as EDCP. The existing EDCP is described below. Under the existing EDCP, eligible employees are permitted to elect to defer all or a portion of their salary and commissions, less amounts withheld therefrom. Such compensation can be deferred for any period of time, but not less than three years, and can be paid out to the employee in a lump sum payment or annually over any period not to exceed ten years. Alberto-Culver s compensation and leadership development committee determines the rate of interest earned on money deferred under the plan, and may change that rate as it deems appropriate. Such rate is currently 5% per annum. Under certain circumstances, employees who are unable to receive the maximum company matching contribution they would have otherwise received, which we refer to as the Maximum Match, under the New Alberto-Culver 401(k) Savings Plans because of limitations under the Internal Revenue Code, will be credited in this plan with an amount equal to the difference between the Maximum Match and the amount of the matching contribution such employee actually received in such 401(k) plan. The obligations of Alberto-Culver under the EDCP are unfunded and unsecured promises to pay.

In addition, starting with bonuses payable after January 1, 2007, the EDCP will permit the deferral of bonuses, in addition to salary and commissions, less amounts withheld therefrom. In addition, as provided in the following sentence, Alberto-Culver credits the EDCP for compensation, including bonuses, that cannot be taken into account under the Internal Revenue Code, because such compensation exceeds the limit established under Section 401(a)(17) of the Internal Revenue Code, which we refer to as the Non-Qualified Compensation. For those employees who receive Non-Qualified Compensation, such employees are credited in the EDCP with an amount equal to the matching contributions and employer contributions such employee would have received under the applicable 401(k) Plan and Employee Profit Sharing Plan, respectively, had such Non-Qualified Compensation been taken into account, over the amounts actually contributed by Alberto-Culver in those plans. In addition, each named executive officer may receive an additional annual credit equal to the amount of the credit received in the preceding sentence. These additional credits, which commenced in 2004, will be made each year for every three full years of employment with the company as of December 31, 2003, for up to a maximum of five credits.

Certain Anticipated Arrangements

New Alberto-Culver expects that in connection with the transactions, it will adopt the following incentive plans:

- a stock option plan;
- a restricted stock plan;
- a management incentive plan; and
- a long-term incentive plan.

The terms of each of these plans as currently contemplated are described below.

Stock Option Plan

New Alberto-Culver expects to adopt, prior to completion of the transactions, a stock option plan, the Alberto-Culver Employee Stock Option Plan of 2006, pursuant to which the New Alberto-Culver compensation and leadership development committee will be permitted to grant non-qualified options to purchase shares of New Alberto-Culver common stock to eligible key employees of New Alberto-Culver and its subsidiaries whose services materially contribute to the management, operation and development of New Alberto-Culver s business. Some of the more significant terms are expected to be as follows. The New Alberto-Culver compensation and leadership development committee will determine the price at which shares of New Alberto-Culver common

stock may be purchased under the stock option plan, but such amount will not be less than the fair market value of a share of New Alberto-Culver common stock at the time the option is granted. After the date of grant, the New Alberto-Culver compensation and leadership development committee generally would not be authorized to reduce the exercise price of any option granted under the stock option plan (except in the case of adjustments in certain circumstances), without the approval of its stockholders.

Options are anticipated to be granted for a term of ten years (or such shorter period as the New Alberto-Culver compensation and leadership development committee determines) and are expected generally to become exercisable with respect to 25% of the optioned shares one year after the date of grant and with respect to an additional 25% at the end of each of the three years thereafter, although the New Alberto-Culver compensation and leadership development committee may provide at the date of grant for another time or times of exercise, accelerate the exercisability of any option subject to any terms and conditions that it deems necessary and appropriate, or extend the term of any option previously granted.

New Alberto-Culver anticipates that shares subject to options which terminate, are surrendered or expire unexercised, in whole or in part, may be subsequently used to grant additional options. In addition, any shares withheld to pay, in whole or in part, the minimum amount required to be withheld from taxable compensation under applicable tax laws related to option exercises may be subsequently used to grant additional options.

Options may be exercised (subject to receipt of payment) by giving written notice to New Alberto-Culver, specifying the number of shares to be purchased. The full purchase price for such shares may be paid either in cash, by check, by delivery of shares of common stock or by a combination of these methods. In addition, when an optionee is required to pay to New Alberto-Culver the minimum amount required to be withheld under applicable tax laws in connection with the exercise of an option, the optionee may satisfy this obligation in cash, by check, by delivery of shares of common stock, by making an election to have New Alberto-Culver withhold shares of common stock or by a combination thereof, having a value equal to the amount required to be withheld. Common stock delivered or withheld will be valued at its fair market value on the date of exercise.

The vesting of all outstanding stock option awards would be accelerated upon the occurrence of a change in control. In certain circumstances, outstanding stock option awards may become options to purchase shares of the acquiring corporation, and in certain other circumstances, outstanding stock option awards may be canceled in exchange for a cash payment.

Restricted Stock Plan

New Alberto-Culver expects to adopt, prior to completion of the transactions, a restricted stock plan pursuant to which the New Alberto-Culver compensation and leadership development committee will be permitted to grant restricted stock awards to key employees of New Alberto-Culver and its subsidiaries who perform services which have a direct impact on the performance of New Alberto-Culver. Some of the more significant terms are expected to be as described below. The New Alberto-Culver compensation and leadership development committee will administer the restricted stock plan and designate the key employees to receive restricted stock awards, the time or times, and the size and terms of each individual grant of restricted stock under the plan.

New Alberto-Culver currently anticipates that restricted stock granted under the plan will vest on a cumulative basis in equal annual increments of one-fourth of the shares granted commencing two years after the date of grant and ending five years after the date of grant. The New Alberto-Culver compensation and leadership development committee would be authorized to (i) accelerate the vesting of any shares of restricted stock as the committee deems necessary or desirable to effectuate the purpose of the plan or (ii) specifically provide at the date of grant for a vesting schedule other than as described above.

New Alberto-Culver anticipates that if, at any time, shares of common stock issued pursuant to the restricted stock plan are forfeited to New Alberto-Culver in connection with the restrictions imposed on such shares, such

forfeited shares will become available for issuance under the restricted stock plan for further grants at any time prior to its termination. In addition, any shares withheld to pay, in whole or in part, the minimum amount required to be withheld from taxable compensation under applicable tax laws shall become available under the restricted stock plan for further grants at any time prior to its termination.

In the event of the occurrence of a change in control, all outstanding shares of restricted stock would immediately become fully vested.

A participant granted restricted stock under the plan would have full voting and, unless otherwise determined by the New Alberto-Culver compensation and leadership development committee, dividend rights with respect to such shares of restricted stock. Any stock dividends will be subject to the same restrictions on transferability as the shares of restricted stock.

Management Incentive Plan

New Alberto-Culver expects to adopt, prior to completion of the transactions, an annual bonus plan that key salaried employees of the New Alberto will be eligible to participate at the discretion of the compensation and leadership development committee.

New Alberto-Culver currently anticipates that a participant s bonus award opportunity will be allocated among a number of potential criteria, which may include the following: (i) sales of New Alberto-Culver, a subsidiary or a division; (ii) operating earnings of New Alberto-Culver, a subsidiary or a division; (iii) pre-tax earnings of New Alberto-Culver, a subsidiary or a division; (iv) operating margin of New Alberto-Culver, a subsidiary or a division; (v) pre-tax margin of New Alberto-Culver, a subsidiary or a division; (vi) net earnings of New Alberto-Culver, a subsidiary or a division; (vii) earnings per share for New Alberto-Culver; (viii) return on stockholders equity of New Alberto-Culver, a subsidiary or a division; and (ix) individual business objectives. New Alberto-Culver expects that operating earnings will be defined to mean pre-tax earnings before non-recurring and other unusual items reported separately in New Alberto s income statement.

New Alberto-Culver currently anticipates that actual awards will range from 0% to 200% of a participant s base salary depending on the level of performance achieved. The New Alberto-Culver compensation and leadership development committee is expected to have discretion to adjust bonuses based upon such factors and circumstances as it deems appropriate. Upon the occurrence of a change in control, the payment of awards will be accelerated, and all or a pro rata portion of such awards will become payable.

Long-Term Incentive Plan

New Alberto-Culver expects to adopt, prior to completion of the transactions, a long-term incentive plan that key salaried employees of New Alberto-Culver will be eligible to participate in at the discretion of the compensation and leadership development committee.

New Alberto-Culver currently anticipates that eligible participants will be granted units that will have payouts based upon the achievement of specified targets over a performance period, which is expected to cover three consecutive fiscal years. New Alberto-Culver anticipates that the maximum award per unit will be $2,000.

New Alberto-Culver expects that at the time the performance units are granted, the New Alberto-Culver compensation and leadership development committee will establish objectives for the performance period based on one or more specific financial measures which may include measures such as: (i) total shareholder return, (ii) operating earnings or operating earnings margin, (iii) pre-tax earnings or pre-tax earnings margin, (iv) net earnings or net earnings margin, (v) net earnings per share, (vi) sales, (vii) return on shareholders equity, (viii) return on assets, (ix) return on invested capital and (x) working capital.

In the event of a change in control of New Alberto-Culver, all or a pro-rata portion of the outstanding performance units, based on the portion of the each performance period that has elapsed and the achievement of the specified targets through the date of the change in control, will become payable in cash.

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RELATED PARTY TRANSACTIONS OF NEW ALBERTO-CULVER

A son of Mrs. Bernick and Mr. Bernick is a former employee of Alberto-Culver and while an employee received cash compensation during fiscal year 2006 in the amount of $49,922 and a grant of stock options to purchase 1,000 shares of Alberto-Culver common stock. All of the options terminated when he left Alberto-Culver. As an employee, he also received benefits that are available generally to employees and which provide for the same allocation of benefits between management and non-management participants.

In addition, Alberto-Culver agreed to reimburse the Lavin family stockholders for up to $100,000 of specified expenses and fees incurred by the Lavin family stockholders in connection with the transactions. Alberto-Culver made a similar agreement with the Lavin family stockholders with respect to the terminated transaction with Regis, pursuant to which Alberto-Culver paid $587,123 of fees and expenses incurred by the Lavin family stockholders in connection with the terminated transaction with Regis.

In addition, Alberto-Culver agreed to reimburse Mr. Bernick for up to $25,000 of legal fees and expenses incurred in connection with the negotiation and execution of his termination agreement. Alberto-Culver made a similar agreement with Mr. Bernick with respect to the terminated transaction with Regis, pursuant to which Alberto-Culver paid $70,789 of fees and expenses of Mr. Bernick.

For fiscal year 2006, Mr. Bernick (i) received a salary of $1,550,000, (ii) was granted 180,000 options to purchase Alberto-Culver common stock and 775 units under the Alberto-Culver SVIP, (iii) had $4,140 of imputed income from life insurance, (iv) matching contributions under the Alberto-Culver 401(k) savings plan of $6,263 and (v) $157,809 of contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan. In addition, in fiscal year 2006, Mr. Bernick s personal use of Alberto-Culver s airplane totaled $177,023, calculated based on the incremental cost to Alberto-Culver of such use. At the time of the mailing of this proxy statement/prospectus information statement, annual bonuses under the Alberto-Culver MIP, of which Mr. Bernick is a participant, had not yet been determined and the amount of the fiscal year 2006 profit sharing contribution had not yet been determined. If the fiscal year 2006 profit sharing contribution as a percentage of salary is the same as fiscal year 2005, Mr. Bernick will receive a contribution to the Alberto-Culver Profit Sharing Plan of $15,178 and $397,804 of additional contributions pursuant to the Alberto-Culver Executive Deferred Compensation Plan.

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OWNERSHIP OF COMMON STOCK OF NEW ALBERTO-CULVER

The following table sets forth the anticipated beneficial ownership of New Alberto-Culver common stock immediately following the transactions by each of New Alberto-Culver s directors and named executive officers, each person who will be a beneficial owner of 5% or more of New Alberto-Culver s outstanding shares of common stock and all directors and executive officers as a group, based upon information available to New Alberto-Culver concerning ownership of Alberto-Culver common stock on September 30, 2006 (unless another date is indicated). Unless otherwise indicated, the mailing address of each of these persons is New Aristotle Holdings, Inc., c/o Alberto-Culver Company, 2525 Armitage Avenue, Melrose Park, Illinois 60160, (708) 450-3000. As used in this proxy statement/prospectus information statement, beneficial ownership means that a person has, or may have within 60 days, the sole or shared power to vote or direct the voting of a security and/or the sole or shared investment power with respect to a security (i.e., the power to dispose or direct the disposition of a security). The number of shares of Alberto-Culver common stock covered by options subject to conversion will not equal the number of shares of New Alberto-Culver common stock covered by options to be issued to each individual upon completion of the transactions. Pursuant to the employee matters agreement, each Alberto-Culver option held by a current or former Sally Group or Alberto-Culver Group employee or a current or former member of the Alberto-Culver board of directors that is outstanding as of the time of the distributions will convert into an option to purchase New Sally common stock. Each such option will then, in the case of current or former Alberto-Culver Group employees, Mr. Renzulli or a member of the Alberto-Culver board of directors (other than non-employee directors who will serve as independent directors of New Sally after the distributions), be converted into an option to purchase New Alberto-Culver common stock. The number of shares of New Alberto-Culver common stock subject to such option and the per share exercise price of such option will be fixed in a way that maintains the intrinsic value of the related New Sally option and does not increase the ratio of the per share exercise price of the related New Sally option to the value of one share of Alberto-Culver common stock on the closing date. For the number of shares of restricted stock held by executive officers and which will become fully vested in connection with the consummation of the transaction see The Transactions Interests of Certain Persons in the Transactions beginning on page 88.

Name	Shares to be Owned(1)	Alberto-Culver Options Beneficially Owned Subject to Conversion(1)	Percent of Class(2)
Carol L. Bernick	4,566,634(3)	455,250(12)	5.36%
V. James Marino	36,901(4)	171,000	*
William J. Cernugel	78,856(5)	77,375	*
Richard J. Hynes	26,695(6)	56,725	*
John R. Berschied, Jr.	13,546(7)	66,750	*
A.G. Atwater, Jr.	15,756	18,750	*
James G. Brocksmith		22,500	*
Governor Jim Edgar		22,500	*
King Harris	7,500	26,250	*
Leonard H. Lavin	7,771,211(8)		8.34%
Robert H. Rock, D.B.A.	3,022(9)	18,750	*
Sam Susser	3,037	30,000	*
William W. Wirtz	903,937(10)	10,313	*
Neuberger Berman, LLC	6,644,877(11)		7.13%
All directors and executive officers as a group (16 persons)	13,459,444(13)	1,115,838	15.45%

(1) Except as otherwise noted, the directors and named executive officers, and all directors and executive officers as a group, have sole voting power and sole investment power over the shares listed. As all outstanding options will become fully exercisable in connection with the transactions all outstanding options are listed in the second column without regard to their vesting schedules.

(2) An asterisk indicates that the percentage of common stock projected to be beneficially owned by the named individual does not exceed one percent of our common stock.

(3) Includes 1,357,331 shares held as trustee of a trust for the benefit of Mrs. Bernick s sister; 609,859 shares held as co-trustee of a trust for the benefit of herself and her children; 1,972,568 shares held as trustee or co-trustee of trusts for the benefit of Mrs. Bernick; 320,040 shares held as trustee of trusts for the benefit of certain of Mrs. Bernick s relatives; 150,300 shares held as co-trustee of a trust for the benefit of Mrs. Bernick for which she shares voting and investment power with Bernice E. Lavin; 4,386 shares held as general partner of a partnership, in her capacity as trustee of a trust for her benefit, for which she shares voting power with Mr. Lavin and Mrs. Lavin, 13,050 shares held as a participant in the Alberto-Culver Company Employees Profit Sharing Plan (the Profit Sharing Plan) and 139,100 shares held by the Bernick Family Foundation of which Mrs. Bernick is a director and the President. Does not include 5,758,144 shares held as limited partner of a partnership and 1,000,000 shares held in trusts, in each case in her capacity as co-trustee of trusts for the benefit of Mr. and Mrs. Lavin; and 1,013,067 shares owned by the Lavin Family Foundation of which Mrs. Bernick is a director and an officer. In addition, does not include shares reported as owned by Mr. Lavin. Does not include 638,004 shares owned by Mr. Bernick. Of the shares reported as beneficially owned by Mrs. Bernick, 4,414,484 shares are subject to the Support Agreement.

(4) Includes 900 shares held jointly with Mr. Marino s wife and 1,500 shares of restricted stock that will vest in connection with the transactions.

(5) Includes 23,758 shares held as a participant in the Profit Sharing Plan.

(6) Includes 270 shares held as a participant in the Alberto-Culver 401(k) Savings Plan and 2,625 shares of restricted stock that will vest in connection with the transactions.

(7) Includes 1,393 shares held as a participant in the Profit Sharing Plan and 3,322 shares held as a participant in the Alberto-Culver 401(k) Savings Plan.

(8) Includes 1,013,067 shares owned by the Lavin Family Foundation of which Mr. Lavin is a director and the president and shares voting and investment power with Mrs. Lavin and Mrs. Bernick; 5,758,144 shares held as limited partner of a partnership, in his capacity as co-trustee of trusts with Mrs. Lavin and Mrs. Bernick for the benefit of Mr. Lavin and Mrs. Lavin, for which Mr. Lavin shares voting power with Mrs. Lavin and Mrs. Bernick and has no investment power; 500,000 shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mrs. Lavin for which Mr. Lavin shares voting and investment power with Mrs. Lavin and Mrs. Bernick; 500,000 shares held as co-trustee of a trust with Mrs. Bernick for the benefit of Mr. Lavin for which Mr. Lavin shares voting and investment power with Mrs. Bernick. Does not include 4,386 shares held as limited partner of a partnership, in his capacity as co-trustee of a trust for his benefit. In addition, does not include shares reported as owned by Mrs. Bernick. Of the shares reported as beneficially owned by Mr. Lavin, 6,758,144 shares are subject to the Support Agreement.

(9) Includes 1,050 shares held jointly with Mr. Rock s wife.

(10) Includes 873,000 shares owned by Wirtz Corporation, of which Mr. Wirtz is President and a director.

(11) This information is based on a Schedule 13G filed by Neuberger Berman, LLC (NB) and reflects NB s holdings as of December 31, 2005. NB s address is 605 Third Avenue, New York, NY 10158-0180.

(12) Does not include 1,047,500 shares subject to employee stock options held by Mr. Bernick.

(13) Includes 40,998 shares held as participants in the Profit Sharing Plan; and 13,493 shares held as participants in the Alberto-Culver 401(k) Savings Plan. Such persons have shared voting power as to 8,078,241 shares and shared investment power as to 2,320,097 shares. In addition, includes 10,375 shares of restricted stock that will vest in connection with the transactions. Holders of restricted stock have sole voting rights but no dispositive rights with respect to those shares that have not vested.

DESCRIPTION OF NEW ALBERTO-CULVER CAPITAL STOCK

Overview

The following is a description of the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws which will become effective prior to the New Alberto-Culver share distribution. The following descriptions of New Alberto-Culver capital stock and provisions of the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws are summaries of their material terms and provisions and are qualified by reference to the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws, which are attached as Annex G and Annex H, respectively, to this proxy statement/prospectus information statement. The descriptions do not purport to be complete statements of the provisions of New Alberto-Culver s amended and restated certificate of incorporation and amended and restated by-laws. You must read those documents for complete information on the terms of New Alberto-Culver s capital stock. The descriptions reflect changes to the capital structure, certificate of incorporation and by-laws that will be in effect prior to the New Alberto-Culver share distribution.

Authorized Capital Stock

Immediately following the New Alberto-Culver share distribution, New Alberto-Culver s authorized capital stock will consist of 300,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share. On the record date for the Alberto-Culver special meeting, 93,232,804 shares of Alberto-Culver common stock were outstanding. If the same number of shares of Alberto-Culver common stock are outstanding as of the closing date, approximately 93,232,804 shares of New Alberto-Culver common stock will be outstanding immediately following the New Alberto-Culver share distribution.

Common Stock

Holders of New Alberto-Culver common stock will be entitled to one vote for each share held on all matters submitted to a vote of New Alberto-Culver stockholders. Accordingly, holders of a majority of the shares of New Alberto-Culver common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of New Alberto-Culver common stock will not be entitled to cumulative voting rights.

Holders of New Alberto-Culver common stock will be entitled to receive any dividends that may be declared by the New Alberto-Culver board of directors, subject to any preferential dividend rights of outstanding preferred stock. In the event of liquidation, dissolution or winding up, holders of New Alberto-Culver common stock will be entitled to receive proportionately any of the assets remaining after the payment of liabilities and subject to the prior rights of any outstanding New Alberto-Culver preferred stock.

The holders of New Alberto-Culver common stock will have no preemptive rights. The rights, preferences and privileges of holders of New Alberto-Culver common stock will be subject to, and may be adversely affected by, the rights of holders of shares of any outstanding New Alberto-Culver preferred stock.

New Alberto-Culver intends to file an application to have its common stock authorized for listing on the New York Stock Exchange under the symbol ACV.

Computershare will serve as the transfer agent and registrar for New Alberto-Culver s common stock.

Preferred Stock

The New Alberto-Culver amended and restated certificate of incorporation will provide that the New Alberto-Culver board of directors has the authority, without further vote or action by the New Alberto-Culver

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stockholders, to issue up to 50,000,000 shares of New Alberto-Culver preferred stock in one or more series and to fix the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of any such class or series.

The issuance of shares of New Alberto-Culver preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an unsolicited acquisition proposal. See Certain Anti-Takeover Effects of Provisions of New Alberto-Culver s Certificate of Incorporation and By-Laws and of Delaware Law. In addition, under some circumstances, the issuance of preferred stock could adversely affect the voting power of holders of New Alberto-Culver common stock.

Immediately following the New Alberto-Culver share distribution, no shares of New Alberto-Culver preferred stock will be outstanding and New Alberto-Culver has no present plans to issue any shares of its preferred stock.

CERTAIN ANTI-TAKEOVER EFFECTS OF PROVISIONS OF NEW ALBERTO-CULVER S CERTIFICATE OF INCORPORATION AND BY-LAWS AND OF DELAWARE LAW

A number of provisions in the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws and under the DGCL may make it more difficult to acquire control of New Alberto-Culver. These provisions may have the effect of discouraging a future takeover attempt not approved by the New Alberto-Culver board of directors but which individual New Alberto-Culver stockholders may deem to be in their best interests or in which stockholders may receive a substantial premium for their shares over then current market prices. As a result, New Alberto-Culver stockholders who might desire to participate in such a transaction may not have an opportunity to do so. In addition, these provisions may adversely affect the prevailing market price of the common stock. These provisions are intended to:

- enhance the likelihood of continuity and stability in the composition of the New Alberto-Culver board of directors;
- discourage some types of transactions that may involve an actual or threatened change in control of New Alberto-Culver;
- discourage certain tactics that may be used in proxy fights;
- ensure that the New Alberto-Culver board of directors will have sufficient time to act in what the New Alberto-Culver board of directors believes to be in the best interests of New Alberto-Culver and stockholders; and
- encourage persons seeking to acquire control of New Alberto-Culver to consult first with the New Alberto-Culver board of directors to negotiate the terms of any proposed business combination or offer.

New Alberto-Culver believes that the benefits of increased protection give it the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire it and outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement in their terms.

Certificate of Incorporation and By-Laws

The following is a description of the New Alberto-Culver amended and restated certificate of incorporation and amended and restated by-laws, which will become effective prior to the New Alberto-Culver share distribution. The following descriptions of New Alberto-Culver capital stock and provisions of the amended and restated certificate of incorporation and amended and restated by-laws are summaries of their material terms and provisions and are qualified by reference to the amended and restated certificate of incorporation and amended and restated by-laws, which are attached as Annex G and Annex H, respectively, to this proxy statement/prospectus information statement. The descriptions do not purport to be complete statements of the provisions of New Alberto-Culver s amended and restated certificate of incorporation and amended and restated by-laws. You must read those documents for complete information on the terms of New Alberto-Culver s capital stock. The descriptions reflect changes to the capital structure, certificate of incorporation and by-laws that will be in effect prior to the New Alberto-Culver share distribution.

Unissued Shares of Capital Stock

Common Stock. On the record date for the Alberto-Culver special meeting, 93,232,804 shares of Alberto-Culver common stock were outstanding. If the same number of shares of Alberto-Culver common stock are outstanding as of the closing date, approximately 93,232,804 shares of New Alberto-Culver common stock will be outstanding immediately following the New Alberto-Culver share distribution. The remaining shares of authorized and unissued common stock will be available for future issuance without additional New Alberto-Culver stockholder approval, subject to the rules of the New York Stock Exchange. While the additional New Alberto-Culver shares are not designed to deter or prevent a change of control, under some circumstances the additional shares could be used to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with the board of directors in opposing a hostile takeover bid.

Classified board of directors

New Alberto-Culver s amended and restated certificate of incorporation will provide that the New Alberto-Culver board of directors will be divided into three classes as nearly equal in number as possible. Class I will initially be elected for a one-year term, Class II will initially be elected for a two-year term and Class III will initially be elected for a three-year term. At each succeeding annual meeting of stockholders beginning in 2008, successors to the class of directors will serve for a three-year term, with each director to hold office until his successor is duly elected and qualified. This structure of electing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of New Alberto-Culver because the staggered terms, together with the removal and vacancy provisions of the New Alberto-Culver amended and restated certificate of incorporation discussed below, would make it more difficult for a potential acquirer to gain control of the New Alberto-Culver board of directors.

Number of Directors; Filling Vacancies; Removal

The New Alberto-Culver amended and restated certificate of incorporation will provide that the number of directors will be set by a resolution of the New Alberto-Culver board of directors. A director may only be removed from office for cause by the affirmative vote of holders of a majority of shares of common stock entitled to vote at an election of directors. Additionally, the New Alberto-Culver amended and restated certificate of incorporation will provide that only the New Alberto-Culver board of directors will be authorized to fill any vacancies resulting in the New Alberto-Culver board of directors. As discussed above, these provisions, in combination with the classified board of directors, have the effect of making it difficult for a potential acquirer to gain control of the New Alberto-Culver board of directors.

No Stockholder Action by Written Consent; Special Meetings

The New Alberto-Culver amended and restated certificate of incorporation will provide that any action required or permitted to be taken by New Alberto-Culver stockholders must be effected at a vote by such stockholders. Further New Alberto-Culver s certificate of incorporation and by-laws will provide that special meetings may be called only by an officer of New Alberto-Culver at the request of New Alberto-Culver s board of directors pursuant to a resolution adopted by the board of directors or by New Alberto-Culver s chairman of the board of directors, chief executive officer or president. These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by an officer at the request of the New Alberto-Culver board of directors or one of the other persons named above.

Advance Notice of Stockholder Nominations and Stockholder Proposals

The New Alberto-Culver amended and restated by-laws will have advance notice procedures for stockholders to make nominations of candidates for election as directors or to bring other business before a meeting of the stockholders. The business to be conducted at an annual or special meeting will be limited to (i) business brought before such meeting by or at the direction of the New Alberto-Culver board of directors or (ii) by any stockholder that has complied with the procedures set-forth in the by-laws.

Under New Alberto-Culver s by-laws, for business to be properly brought before an annual or special meeting by a stockholder, the business must be a proper subject for action by stockholders and the stockholder must give written notice to the Secretary:

- in the case of an annual meeting of stockholders, not more than 120 days and not less than 90 days in advance of the anniversary date of the immediately preceding annual meeting, provided, however, that (i) in the case of the first annual meeting following the date that the New Sally distributes the common stock of New Alberto-Culver to holders of New Sally common stock (other than the New Sally Class A common stock) or (ii) in the event that the annual meeting is called for a date that is not within 30 days prior to or after that anniversary date, notice by the stockholder must be received by the Secretary not

- later than the close of business on the 15th day following the earlier of the day on which such notice of the date of the annual meeting was mailed or the day of public disclosure of the date of the annual meeting was made;

- in the case of a special meeting of stockholders, not later than the close of business on the 15th day following the earlier of the day on which notice of the meeting was first mailed to stockholders or the day of public disclosure of the date of the special meeting was made; or

- in the case of proposals required to be included in New Alberto-Culver s proxy statement pursuant to Rule 14a-8 under the Exchange Act, in accordance with that rule.

Except for proposals required to be included in New Alberto-Culver s proxy statement pursuant to Rule 14a-8 under the Exchange Act, the notice of a stockholder proposal must contain specified information, including, without limitation:

- a description of the business to be brought before the meeting, the reasons for conducting such business at the meeting and the complete text of any resolutions to be presented at the meeting;

- the name and address of the stockholder, as it appears in New Alberto-Culver s books;

- a representation that the stockholder is a holder of New Alberto-Culver s voting stock and the class or series and number of shares of stock beneficially owned by the stockholder; and

- any material interest of the stockholder in such business.

In the case of nomination for election as a director, in addition to the foregoing, the stockholder s notice must contain:

- the name, age, business and residence addresses of the nominee;

- principal occupation or employment of the nominee;

- the class or series and number of shares of stock owned beneficially or of record by the nominee;

- a description of all arrangements or understandings between the stockholder and the nominee pursuant to which the nomination is to be made by the stockholder;

- written consent of each nominee to serve as director if so elected; and

- such other information relating to the nominee that would be required to be included in a proxy statement or other filings required to be made in connection with the solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act.

If the chairman of the meeting determines that the stockholder nomination or proposal was not properly brought before the meeting in accordance with the provisions of the amended and restated certificate of incorporation or amended and restated by-laws, as the case may be, that person will not be eligible for election as a director or that business will not be conducted at the meeting, as the case may be.

The advance notice provisions may preclude a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed. Additionally, the advance notice provisions may deter a third party from conducting a solicitation to elect its own slate of directors or approve its own proposal, without regard to whether consideration of those nominees or proposals might be harmful or beneficial to New Alberto-Culver and its stockholders.

Preferred Stock

New Alberto-Culver s amended and restated certificate of incorporation will authorize its board of directors, without the approval of the stockholders, to provide for the issuance of all or any shares of preferred stock in one or more classes or series and to fix the voting powers, designations, preferences and relative, participating,

optional or other special rights, and the qualifications, limitations and restrictions of such class or series of preferred stock, which may be greater than those of the common stock. The issuance of shares of the preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an unsolicited acquisition proposal. In addition, under some circumstances, the issuance of preferred stock could adversely affect the voting power of holders of New Alberto-Culver common stock.

Amendment of the Certificate of Incorporation and By-Laws

Under Delaware law, the stockholders of a corporation have the right to adopt, amend or repeal the by-laws. New Alberto-Culver s amended and restated certificate of incorporation will provide that its board of directors may also adopt, amend or repeal the amended and restated by-laws.

Under Delaware law, unless the certificate of incorporation otherwise requires a higher vote, with the approval of the board of directors, the affirmative vote of the holders of a majority of the voting power of all shares of capital stock entitled to vote on the amendment will be required to amend a certificate of incorporation. Under New Alberto-Culver s amended and restated certificate of incorporation, the amendment or repeal of the provisions governing the classified board and no stockholder action without a meeting will require the affirmative vote of two-thirds of the voting power of all shares of capital stock entitled to be cast in the election of directors voting as one class.

Section 203 of the DGCL

Section 203 of the DGCL provides that, subject to the exceptions specified in that section, a corporation may not engage in any business combination with any interested stockholder for a three-year period following the time that such stockholder becomes an interested stockholder unless:

- prior to that time, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares); or
- subsequent to that time, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Except as specified in Section 203 of the Delaware General Corporation Law, an interested stockholder is defined to include:

- any person that is the owner of 15 percent or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15 percent or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the relevant date; and
- the affiliates and associates of any person described in the preceding clause.

Under certain circumstances, Section 203 of the DGCL makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. It is anticipated that the provisions of Section 203 may encourage persons interested in acquiring New Alberto-Culver to negotiate in advance with the New Alberto-Culver board of directors, since those persons could avoid the stockholder approval requirement if a majority of the directors then in office approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

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LIMITATION OF LIABILITY AND INDEMNIFICATION

OF NEW ALBERTO-CULVER S DIRECTORS AND OFFICERS

Limitation of Liability of Directors

New Alberto-Culver s amended and restated certificate of incorporation will provide that directors will not be personally liable to the corporation or its stockholders for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any breach of their duty of loyalty to the corporation or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL relating to unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- for any transaction from which the director derived an improper personal benefit.

The limitation of liability does not apply to liabilities arising under the federal or state securities laws and does not affect the availability of equitable remedies, such as injunctive relief or rescission.

Indemnification of Officers and Directors

New Alberto-Culver s amended and restated by-laws will provide that each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or an officer of New Alberto-Culver or is or was serving at the request of New Alberto-Culver as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving at the request of New Alberto-Culver, as a director, officer, employee or agent, shall be indemnified and held harmless by New Alberto-Culver to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that, with respect to proceedings to enforce rights to indemnification, New Alberto-Culver shall indemnify any such indemnitee in connection with a proceeding initiated by such indemnitee only if such proceeding was authorized by the New Alberto-Culver board of directors, subject to certain exceptions. The New Alberto-Culver amended and restated by-laws will also provide that any person entitled to such indemnification shall have the right to be paid by New Alberto-Culver expenses incurred in defending such proceeding in advance of its final disposition.

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DESCRIPTION OF NEW SALLY

Overview

Sally Holdings is the largest distributor of professional beauty supplies in the United States based on store count. Through its Sally Beauty Supply and Beauty Systems Group (BSG) business units, Sally Holdings operated a multi-channel platform of 3,155 stores and supplied 163 franchised stores in North America as well as selected European countries and Japan, as of June 30, 2006. Within BSG, Sally Holdings has one of the largest networks of professional distributor sales consultants in North America, with approximately 1,200 professional distributor sales consultants who sell directly to salons and salon professionals. Sally Holdings provides its customers with a wide variety of leading third-party branded and private label professional beauty supplies, including hair care products, styling appliances, skin and nail care products and other beauty items. Sally Beauty Supply stores target retail consumers and salon professionals, while Beauty Systems Group exclusively targets salons and salon professionals. Over 90% of Sally Holdings net sales were in the U.S. and Canada for each of the last three fiscal years. For the twelve months ended June 30, 2006, net sales were $2,333.3 million. Since fiscal 2001 through June 30, 2006, Sally Holdings net sales have grown at a compounded annual growth rate (CAGR) of 10.4%. The following charts set forth Sally Holdings net sales and segment operating profit for the twelve months ended June 30, 2006:

Sally Beauty Supply.

Sally Beauty Supply is the largest specialty retailer of professional beauty supplies in the U.S. based on store count. As of June 30, 2006, Sally Beauty Supply operated 2,494 retail stores, 2,172 in the U.S. and the remainder in the United Kingdom, Canada, Puerto Rico, Mexico, Japan, Ireland and Germany. Sally Beauty Supply stores average 1,700 square feet and are primarily located in strip shopping centers. The product selection in Sally Beauty Supply stores ranges between 5,300 and 7,400 stock keeping units (SKUs) of beauty products, including hair care, nail care, beauty sundries and appliances, targeting retail consumers and salon professionals. Sally Beauty Supply stores carry leading third-party brands such as *Clairol, Revlon, Conair* and *L Oreal,* as well as an extensive selection of private label merchandise.

Beauty Systems Group.

BSG is the largest full-service distributor of professional beauty supplies in the U.S. According to Professional Consultants & Resources, a strategic consulting company, in 2005, BSG had twice the net sales of its next largest full-service competitor. As of June 30, 2006, BSG operated 661 company-owned stores, supplied 163 franchised stores and had a sales force of approximately 1,200 professional distributor sales consultants selling exclusively to salons and salon professionals in 43 U.S. states and portions of Canada, Mexico and certain European countries. BSG stores average 2,800 square feet and are primarily located in secondary strip shopping centers. Through BSG s large store base and sales force, BSG is able to access a significant portion of the highly fragmented U.S. salon market. The product selection in BSG stores ranges between 3,700 and 9,500 SKUs of beauty products, including hair care, nail care, beauty sundries and appliances targeting salons and salon professionals. BSG carries leading professional beauty product brands, including *Matrix, Redken, Paul Mitchell, Graham Webb, Rusk* and *TIGI,* intended for use in salons and for resale by the salon to consumers. Many BSG products are sold under exclusive distribution agreements with suppliers, whereby BSG is designated the sole distributor for a product line within certain geographic territories.

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Professional Beauty Supply Industry

Sally Holdings operates within the large and growing U.S. professional beauty supply industry. According to Professional Consultants & Resources, manufacturer sales in the U.S. professional beauty supply market were $3.4 billion in 2005, and Sally Holdings estimates that its potential U.S. market for professional beauty supply products was approximately $9.2 billion in retail sales. According to Professional Consultants & Resources, over the past 15 years, manufacturer sales have grown at a CAGR of 4.9%, without a single year below 3% growth and are expected to grow to $4.2 billion in 2010, which represents a 5 year CAGR of 4.4%. Potential growth in the industry is expected to be driven by demographic and fashion trends, which New Sally expects will lead to increased usage of hair color, hair-loss prevention products and hair styling products.

The chart below summarizes manufacturer sales in the U.S. beauty supply industry for the last 15 years:

The professional beauty supply industry serves end-users through four formats: full-service exclusive distribution, open-line distribution, mega-salon stores and direct. The chart below summarizes the industry structure, distribution channels and market sizes:

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Full Service/Exclusive. This channel serves exclusively salons and salon professionals and distributes professional-only products for use and re-sale to consumers in salons. Many brands are distributed through exclusive arrangements with suppliers by geographic territory. BSG has the largest full-service/exclusive distribution network in the U.S.

Open-Line. This channel serves retail consumers and salon professionals through retail stores and is characterized by a large number of localized retailers and distributors, with only a few having a regional presence and significant market share. Sally Beauty Supply is the only open-line distributor in the U.S. with a national network of retail stores.

Direct. This channel focuses on direct sales to salons and salon professionals by large manufacturers. This is the dominant form of distribution in Europe, but represents a small channel in the U.S. due to the highly fragmented nature of the U.S. market making direct distribution cost prohibitive for manufacturers.

Mega-Salon Stores. In this channel, large-format salons are supplied directly by manufacturers due to their large scale.

New Sally believes the following key industry trends and characteristics will influence the Sally/BSG distribution business, going forward:

High level of customer fragmentation. The U.S. salon market is highly fragmented with over 230,000 salons in the U.S. Of these salons, 92% have fewer than 10 employees according to Professional Consultants & Resources. Given the fragmented and small-scale nature of the salon industry, New Sally believes that salon operators will continue to depend on full service/exclusive distributors and open-line channels for a majority of their beauty supply purchases. The following chart summarizes the breakdown of salons in the U.S. in 2005 by the number of employees:

Growth in booth renting. Many professional stylists are individual operators who rent booth space from salons, which we refer to as booth renters, and are responsible for purchasing their own supplies. Historically, booth renters have significantly increased as a percentage of total salon professionals and New Sally expects this trend to continue. Given their smaller individual purchases and relative lack of financial resources, this segment is likely to be dependent on frequent trips to professional beauty supply stores, like BSG and Sally Beauty Supply.

Frequent re-stocking needs. Salon professionals primarily rely on just-in-time inventory due to capital constraints and a lack of warehouse and shelf space at salons. These factors are key to driving demand for conveniently located professional beauty supply stores.

Continuing consolidation. There is continuing consolidation among professional beauty product distributors and among professional beauty supply manufacturers. New Sally believes that suppliers are increasingly likely to

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focus on larger distributors and retailers with broader scale and retail footprint. New Sally also believes that it is well-positioned to capitalize on this trend as well as participate in the ongoing consolidation at the distributor / retail level. However, changes often occur in Sally Beauty Supply s and BSG s relationships with suppliers that positively or negatively affect the net sales and operating profits of each business segment. Consolidation among suppliers could exacerbate the effects of these relationship changes and could increase pricing pressures.

Favorable demographic and consumer trends. The aging baby-boomer population is expected to drive future growth in professional beauty supply sales through an increase in the usage of hair color and hair-loss products. Additionally, continuously changing fashion-related trends that drive new hair styles are expected to result in continued demand for hair styling products.

Competitive Strengths

New Sally believes the following competitive strengths differentiate Sally Holdings from its competitors and contribute to its success:

The largest professional beauty supply distributor in the U.S. with multi-channel platform. Sally Beauty Supply and Beauty Systems Group together comprise the largest distributor of professional beauty products in the U.S. by store count. Sally Holdings leading market positions and multi-channel platform afford it several advantages, including strong positioning with suppliers, the ability to better service the highly fragmented beauty supply market, superior economies of scale and the ability to capitalize on the ongoing consolidation in its sector. Through its multi-channel platform, the Sally/BSG distribution business is able to generate and grow revenues across broad, diversified geographies, products and customer segments. The Sally/BSG distribution business operates across nine countries and Puerto Rico, offering up to 7,400 and 9,500 SKUs for Sally Beauty Supply and BSG stores, respectively, to a potential customer base that includes millions of retail consumers and more than 230,000 salons in the U.S.

Differentiated customer value proposition. New Sally believes that Sally Beauty Supply and BSG stores and direct sales consultants are differentiated from their competitors through convenient store locations, broad selection of professional beauty products (including leading third-party branded and private label merchandise), high levels of in-stock merchandise, educated salespeople and competitive pricing. Sally Holdings merchandise mix includes a comprehensive ethnic product selection, which is tailored by store based on market demographics and category performance. Ethnic products represent approximately 11% of sales in U.S. Sally Beauty Supply stores, and New Sally believes that the breadth of its selection of these products further differentiates it from its competitors. Sally Beauty Supply also offers a customer loyalty program for Sally Beauty Supply customers. Members, after paying a small annual fee to join, receive a special, discounted price on products and are also eligible for a special Beauty Club e-mail newsletter with additional promotional offerings, beauty tips and new product information. New Sally believes that the differentiated customer value proposition and strong brands of the Sally/BSG distribution business drive customer loyalty and high repeat traffic, contributing to the business strong and consistent historical financial performance.

Attractive store economics. New Sally believes Sally Beauty Supply and BSG stores generate attractive returns on invested capital when compared to their competitors and other specialty retailers. The capital requirements to open a new Sally Beauty Supply or BSG store, excluding inventory, average approximately $66,000 and $68,000, respectively. Sally Beauty Supply and BSG stores are approximately 1,700 and 2,800 square feet, respectively, and are typically located within strip shopping centers that offer attractive lease rates. Strong average sales per square foot combined with minimal staffing requirements, low rent expense and limited initial capital outlay, typically result in positive contribution margins within 3-4 months, and cash payback on investment of less than two years. Due to such attractive investment returns and relatively high operating profit contributions per store, over the past five years Sally Beauty Supply and BSG have opened 409 and 107 net new stores, respectively.

Strong and consistent financial performance. Sally Holdings has a proven track record of strong growth and consistent profitability due to superior operating performance, new store openings and strategic acquisitions. Over the past five fiscal years, Sally Holdings comparable store sales growth has been positive in each year and has averaged 4.1%. Given Sally Holdings strong track record, New Sally believes Sally Holdings is well positioned to sustain and grow its operating earnings.

Highly experienced management team with a proven track record. New Sally s management team, led by President and Chief Executive Officer Gary Winterhalter, has a strong record of net sales growth and profitability improvement. Sally Holdings senior management team has an average tenure of 12 years with the Company and 21 years in the beauty supply industry.

New Sally s Strategy

Historically, Sally Holdings has operated as part of Alberto-Culver, which also has operated a global consumer products business. Following the completion of the transactions, New Sally expects to become a more tightly focused professional beauty supply company. As an independent company focused on the professional beauty supply industry, New Sally believes it will be better positioned to compete in the beauty supply industry and to invest in and grow the Sally/BSG distribution business. New Sally believes there are significant opportunities to increase its sales and profitability through the further implementation of its operating strategy and by growing its store base in existing and contiguous markets both organically and through strategic acquisitions.

Specific elements of New Sally s growth strategy include the following:

Increase sales productivity of stores. New Sally intends to grow comparable store sales by focusing on improving its merchandise mix and introducing new products. In addition, New Sally believes that as an independent company it will be able to more effectively market its products, particularly at Sally Beauty Supply. New Sally also plans to enhance its customer loyalty programs, which allow New Sally to collect point-of-sale customer data and increase its understanding of customers needs.

Open new stores and explore new services and concepts. In fiscal year 2005, Sally Holdings opened 62 and 37 net new stores for Sally Beauty Supply and BSG, respectively. Because of the limited initial capital outlay, rapid payback, and highly attractive return on capital, New Sally intends to continue to expand the Sally Beauty Supply and BSG store base. Sally Holdings is also exploring several new retail and distribution concepts intended to increase its product offering to existing customers and penetrate new customer segments. For example, in the U.K., Sally Beauty Supply is currently testing a format that combines traditional salon services with a retail offering of exclusive salon-only product lines. New Sally expects new store openings and the introduction of new services and concepts to be an important aspect of its future growth opportunities.

Increase sales of private label products. New Sally intends to grow private label sales in both Sally Beauty Supply and BSG. New Sally believes its customers view New Sally s private label products as high-quality, recognizable brands which are competitive with leading third-party branded merchandise across product categories. Private label products are currently sold through Sally Beauty Supply stores, with very limited private label offerings at BSG. Private label products account for a substantial amount of the Sally Beauty Supply segment net sales and generate a gross margin greater than that of the leading third-party brands sold through its stores. Potential growth for such products is believed to be significant. In addition, Sally Holdings broad private label product offering minimizes dependence on any one brand or supplier. New Sally believes private label presents opportunities to grow profits and increase store loyalty.

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Increase operating efficiency profitability. New Sally believes there are numerous opportunities to increase the profitability of operations. For example, New Sally believes there are meaningful opportunities to further streamline the supply chain by consolidating warehouses operating in North America and more effectively managing inbound and outbound freight expenses. Other identified opportunities include (i) improvement of sales force training programs and revision of current compensation structures, (ii) centralization of certain administrative functions and (iii) targeted overhead reductions. In addition, New Sally intends to implement working capital improvement initiatives that are focused on the strict management of receivables, inventory and payables to further maximize its free cash flow. New Sally also intends to undertake a full review of its supplier base and procurement strategy. This initiative is intended to (i) eliminate duplicative product sourcing efforts between Sally Beauty Supply and BSG, and (ii) identify low cost alternative sources of supply in certain product categories from countries with low cost manufacturing operations. New Sally intends to leverage its leading market position to improve its procurement strategy and maximize its margin potential.

Pursue strategic acquisitions. Sally Holdings has completed more than 25 acquisitions over the last 10 years, predominantly in its BSG segment. New Sally believes its experience in identifying attractive acquisition targets, its proven integration process, and highly scalable infrastructure have created a strong platform for future acquisitions, subject to restrictions on the amount of equity that New Sally can issue to make acquisitions for at least two years following completion of the transactions, and on its ability to finance acquisitions by incurring additional debt under its debt agreements. New Sally will continue to identify and evaluate acquisition targets both domestically and internationally, with a focus on expanding exclusive BSG territories.

Company History

Sally Beauty Supply began as one store in New Orleans in 1964. In 1969, Alberto-Culver purchased what had grown to become an 11-store operation. For the next decade, the business model was further refined and an aggressive rollout concept began in the early 1970 s. Through a series of acquisitions and new store openings over the subsequent three decades, Sally Beauty Supply now owns and operates 2,172 stores in the United States and 2,494 stores worldwide. Select key milestones and developments, by fiscal year, include:

1987	Acquired Ogee, a large beauty supply company in the U.K.
1993	Expanded operations into Puerto Rico
1995	Entered the Japanese market through a joint venture
1996	Entered the German market with a small acquisition
2001	Net sales passed the $1 billion mark
2002	Entered Mexico with a small acquisition
2004	Expanded into Canada

Beauty Systems Group began with the acquisition of Victory Beauty Systems in 1985. Victory Beauty Systems was comprised of store operations and a full service sales force selling directly to salons and salon professionals. The store operations were merged into the Sally Beauty Supply organization and the full service sales force was retained as a separate operating unit. After learning the business over the next decade, Beauty Systems Group began a campaign of aggressive expansion through acquisitions in 1996. Key acquisitions, by fiscal year, included:

1996	Acquired the net assets of R.M. Barnum Beauty Supply in Ohio
1997	Acquired the net assets of F.H. Loeffler in the Northeast U.S.
1998	Entered Canada with the acquisitions of Beauticians and Jaguar/Pink Panther
2002	Entered into franchise operations with the acquisition of Armstrong-McCall in the Southern and Southwest U.S.

2004 Expanded into the Western U.S. with the acquisition of West Coast

2005 Entered the Los Angeles and Hawaii markets and further expanded in the Western U.S. with the acquisition of Innovations Successful Salon Services and its CosmoProf store operations

2006 Expanded into the U.K. and certain other European countries with the acquisition of Salon Success

Business Segments

Sally Beauty Supply

Sally Beauty Supply is the largest open-line distributor of professional beauty supplies in the U.S. based on store count. It carries an extensive selection of professional beauty products, including hair care, nail care, beauty sundries and appliances, targeting retail consumers and salon professionals. New Sally believes that Sally Beauty Supply has differentiated itself from its competitors through its attractive customer value proposition, which includes a brand merchandise assortment of up to 7,400 professional beauty SKUs, attractive pricing, extensive selection of leading third-party branded and private label products, broad ethnic product selection, excellent product knowledge of its sales associates and convenient store locations.

Store design and operations

Sally Beauty Supply stores are designed to create an appealing shopping environment that embraces the retail consumer and salon professional and highlights its extensive product offering. Sally Beauty Supply stores average 1,700 square feet and are located primarily in strip shopping centers. Generally, Sally Beauty Supply stores follow a consistent format, allowing customers familiarity between Sally Beauty Supply locations.

Sally Beauty Supply stores are segmented into distinctive areas arranged by product type with large signs allowing its customers to easily navigate through its stores. Sally Beauty Supply seeks to stimulate cross-selling and impulse buying through strategic product placement and use the front of the store to highlight new products and key promotional items.

Sally Beauty Supply stores are typically open seven days a week, generally from 9:00 a.m. to 8:00 p.m. Monday through Saturday, and 11:00 a.m. to 6:00 p.m. on Sunday, varying to some extent based on the region and season.

Merchandise

Sally Beauty Supply stores carry a broad selection of branded and private label beauty supplies. They stock up to 7,400 SKUs, with each store offering a customized merchandise mix based on market demographics and local customer demand and preferences. Sally Beauty Supply manages each category by product and by SKU and uses planograms to ensure a consistent merchandise presentation across its store base. Through its information systems, Sally Beauty Supply actively monitors each store s category performance, allowing maintenance of consistently high levels of in-stock merchandise. Sally Beauty Supply believes its tailored merchandise strategy enables it to meet local demands and helps drive traffic in its stores. Additionally, its information systems track and automatically replenish inventory levels generally on a weekly basis, enabling Sally Beauty Supply to consistently maintain sufficient merchandise.

Sally Beauty Supply offers a comprehensive ethnic product selection with specific appeal to the Hispanic and African-American markets. Its ethnic product offerings are tailored by store based on market demographics and category performance and represent approximately 11% of sales in Sally Beauty Supply s U.S. stores. Sally Beauty Supply believes its breadth of selection of ethnic products is unique and differentiates its stores from its competition. Sally Beauty Supply also positions itself to be competitive in price, but is not a discount leader.

Sally Beauty Supply s pricing strategy is differentiated by customer segment. Products sold to professional salon customers are generally priced lower than those sold to retail customers. Sally Beauty Supply also offers discounts through its customer loyalty program to retail customers.

Leading third-party branded products. Sally Beauty Supply offers an extensive selection of hair care, nail care, beauty sundries and appliances from leading third-party brands such as *Clairol, L Oreal, Revlon* and *Conair.* Sally Beauty Supply believes that carrying a broad selection of the latest premier branded merchandise is critical to driving business with its valued customers. The merchandise Sally Beauty Supply carries includes one or more of the leading manufacturers in each category. Sally Beauty Supply s objective is not only to carry leading brands, but a full range of branded and private label products within each category. As hair trends continue to change, Sally Beauty Supply expects to be prepared to offer the professional beauty products necessary to meet the needs of retail consumers and salon professionals.

Private label products. Sally Beauty Supply offers a broad range of private label products, which provide customers with an attractive alternative to higher-priced leading third-party brands and have become an established alternative to leading third-party branded products. Private label products account for a substantial amount of Sally Beauty Supply s net sales. Generally, the private label brands have higher gross margins than the leading third-party branded products and offer significant potential growth. Sally Beauty Supply maintains private label products in a number of categories including hair care, appliances and salon products. Sally Beauty Supply actively promotes its private label brands through in-store promotions as well as monthly flyers, and believes its customers perceive its private label products to be comparable in quality and name recognition to leading third-party branded products.

The following table sets forth the approximate percentage of sales attributable by merchandise category:

	Twelve Months Ended June 30, 2006
Hair Care	20.8%
Hair Color	20.2%
Skin and Nail Care	16.1%
Electrical Appliances	14.3%
Brushes, Cutlery and Accessories	13.5%
Ethnic Products	10.7%
Other Beauty Items	4.4%
Total	100.0%

Marketing and advertising

Sally Beauty Supply s marketing program is designed to promote its extensive selection of brand name products at competitive prices. The program is currently centered on multi-page, color flyers highlighting promotional products. Separate flyers are created and tailored to Sally Beauty Supply s retail customers and salon professionals. These flyers, which are available in Sally Beauty Supply stores, are also mailed to loyalty program customers on a monthly basis and are supplemented by e-mail newsletters. Additionally, a Sally Beauty magazine that provides customers with beauty trends and product information is sold in Sally Beauty Supply stores.

Sally Beauty Supply s customer loyalty programs allow Sally Beauty Supply to collect point-of-sale customer data and increase understanding of customers needs. The Sally Beauty Club is a loyalty program for customers who are not salon professionals. Beauty Club members, after paying a small annual fee to join, receive a special, discounted price on almost every non-sale item. Members are also eligible for a special Beauty Club

e-mail newsletter that contains additional savings, beauty tips, new product information and coupons. Beauty Club customers are rewarded with additional discounts as their spending increases. The ProCard is a loyalty program for salon professionals. ProCard members receive discounts on all beauty products sold at Sally Beauty Supply stores. Sally Beauty Supply believes these loyalty programs are highly effective in developing and maintaining customer relationships.

Store locations

Sally Beauty Supply selects geographic markets and store sites on the basis of demographic information, quality and nature of neighboring tenants, store visibility and accessibility. Sally Beauty Supply seeks to locate stores primarily in strip malls which are occupied by other high traffic retailers including grocery stores, mass merchants and home centers.

Sally Beauty Supply balances its store expansion between new and existing markets. In its existing markets, Sally Beauty Supply adds stores as necessary to provide additional coverage. In new markets, Sally Beauty Supply generally seeks to expand in geographically contiguous areas to leverage its experience. Sally Beauty Supply believes that knowledge of local markets is an important part of its success.

The following table provides a history of Sally Beauty Supply store openings since the beginning of fiscal year 2003:

	Nine Months Ended	Year Ended September 30,		
	June 30, 2006	**2005**	**2004**	**2003**
Stores open at beginning of period	2,419	2,355	2,272	2,177
Net store openings during period	75	62	83	95
Stores acquired during period	0	2		
Stores open at end of period	2,494	2,419	2,355	2,272

Beauty Systems Group

BSG is the largest full-service distributor of professional beauty supplies in the U.S. According to Professional Consultants & Resources, a strategic consulting company, in 2005, BSG had twice the net sales of its next largest full-service competitor. As of June 30, 2006, BSG operated 661 company-owned stores, supplied 163 franchised stores and had a sales force of approximately 1,200 professional distributor sales consultants selling exclusively to salons and salon professionals in 43 U.S. states and portions of Canada, Mexico and certain European countries.

Store design and operations

BSG stores are designed to create a professional shopping environment that embraces the salon professional and highlights its extensive product offering. Company-owned BSG stores average 2,800 square feet and are located primarily in secondary strip shopping centers. BSG store layout is designed to provide optimal variety and options to the salon professional. Stores are segmented into distinctive areas arranged by product type with certain areas dedicated to leading third-party brands such as *Matrix, Redken, Paul Mitchell, Graham Webb, Rusk* and *TIGI.*

Professional distributor sales consultants

BSG has a network of approximately 1,200 professional distributor sales consultants which exclusively serve salons and salon professionals. In order to encourage a knowledgeable consultant team, BSG actively recruits professional cosmetologists and individuals with sales experience, as BSG believes that new consultants with either broad knowledge about the products or direct sales experience will be more successful.

BSG provides extensive training to new consultants beginning with an intensive two-week training program. The program is designed to develop product knowledge as well as techniques on how best to serve salon professionals. In addition to selling professional beauty products, these sales consultants offer in-store training for professionals and owners in areas such as new styles, techniques and business practices.

An important component of consultants compensation is based on sales commissions. BSG s commission system is designed to ensure that consultants are motivated to drive sales and are also focused on selling products that are well-suited for salon professionals. BSG believes this approach allows it to recruit and retain an educated and professional sales force that differentiates it from other full-service/exclusive channel distributors.

The following tables sets forth the approximate percentage of BSG sales attributable by channel:

	Twelve Months Ended June 30, 2006
Company-owned retail stores	47.5%
Franchise stores	14.7%
Professional sales distributor consultants	37.8%
Total	100.0%

BSG stores are typically open seven days a week, generally from 8:30 a.m. to 6:00 p.m. Monday through Friday, 8:30 a.m. to 4:00 p.m. on Saturday. and 12:00 p.m. to 4:00 p.m. on Sunday, varying to some extent based on the region and season.

Merchandise

BSG stores carry a broad selection of branded beauty supplies. BSG stocks up to 9,500 SKUs with each store offering a customized merchandise mix based on regional distribution agreements and local customer demand and preferences. A portion of the merchandise is available in bulk packaging for higher volume salon needs. Through BSG s information systems, each store s product performance is actively monitored, allowing consistent maintenance of an optimal merchandise mix. Additionally, BSG s information systems track and automatically replenish inventory levels on a weekly basis, enabling BSG to maintain high levels of merchandise in-stock. Although BSG positions itself to be competitive on price, its primary focus is to provide a comprehensive selection of branded products to the salon professional. BSG offers an extensive selection of hair care products, nail care, appliances and other beauty items from leading third-party brands such as *Matrix, Redken, Paul Mitchell, Graham Webb, Rusk* and *TIGI.* Most BSG products are sold under exclusive arrangements with suppliers, whereby BSG is designated the sole distributor for a specific product within certain geographic territories. Additionally, a small number of BSG products are available in Sally Beauty Supply stores. BSG believes that carrying a broad selection of the latest premier branded merchandise is critical to driving business with valued professional customers.

The following table sets forth the approximate percentage of sales attributable by merchandise category:

	Twelve Months Ended June 30, 2006
Hair Care	39.4%
Hair Color	22.9%
Promotional Items	13.9%
Skin and Nail Care	10.2%
Electrical Appliances	5.7%
Brushes, Cutlery and Accessories	3.8%
Other Beauty Items	3.0%

Ethnic Products	1.1%
Total	100.0%

Marketing and advertising

BSG s marketing program is designed to promote its extensive selection of brand name products at competitive prices. BSG distributes at its stores and mails to its salon customers multi-page, color flyers that highlight promotional products. BSG stores also host monthly manufacturer-sponsored classes for customers. These classes are held at BSG stores and led by manufacturer employed educators. Salon professionals, after paying a small fee to attend, are educated on new products and beauty trends. BSG believes these classes increase brand awareness and drive sales in BSG stores.

Store locations

BSG stores are primarily located in secondary strip shopping centers. Although BSG stores are located in visible and convenient locations, salon professionals are less sensitive about store location than Sally Beauty Supply customers.

The following table provides a history of BSG store openings since the beginning of fiscal year 2003:

	Nine Months Ended June 30,	Year Ended September 30,		
	2006	2005	2004	2003
Stores open at beginning of period	822	692	543	535
Net store openings during period	2	37	26	8
Stores acquired during period		93	123	
Stores open at end of period	824	822	692	543

Customer service

Sally Beauty Supply and BSG strive to complement their extensive merchandise selection and innovative store design with superior customer service. Each actively recruits individuals with cosmetology experience because they believe such individuals are more knowledgeable about the products they sell. Additionally, Sally Beauty Supply recruits individuals with retail experience because Sally Beauty Supply believes their general retail knowledge can be leveraged in the beauty supply industry. New Sally believes that employees knowledge of the products and ability to demonstrate and explain the advantages of the products increases sales and that their prompt, knowledgeable service fosters the confidence and loyalty of customers and differentiates the Sally/BSG distribution business from other professional beauty supply distributors.

Sally Beauty Supply and BSG emphasize product knowledge during initial training as well as during ongoing training sessions, providing new associates and managers with one and two weeks of intensive training, respectively. The training program encompasses operational and product training and is designed to increase employee and store productivity. Managers are required to participate in training on an ongoing basis to keep up-to-date on products and operational practices.

Most of Sally Beauty Supply and BSG stores are staffed with a store manager, and two or three full-time or part-time associates. BSG stores are also staffed with an assistant manager. The operations of each store are supervised by a district manager, who reports to a territory manager.

Suppliers

Sally Beauty Supply and BSG purchase their merchandise directly from manufacturers and fillers pursuant to supply contracts and purchase orders. Sally Holdings two largest suppliers are *L Oreal* and *Procter & Gamble*. Sally Beauty Supply s five largest suppliers provided it with approximately 41% of the products Sally Beauty Supply purchased in fiscal year 2005. BSG s five largest suppliers provided it with approximately 60% of the products BSG purchased in fiscal year 2005. In addition, products are purchased from most manufacturers

and fillers on an at-will basis or under contracts which can be terminated without cause upon 90 days notice or less or expire without express rights of renewal and such manufacturers and fillers could discontinue sales to the Sally Beauty Supply or BSG at any time or upon short notice.

As is typical in distribution businesses, relationships with suppliers are subject to change from time to time (including the expansion or loss of distribution rights in various geographies and the addition or loss of products lines). Changes in Sally Holdings relationships with suppliers occur often, and could positively or negatively impact its net sales and operating profits. However, New Sally believes that it can be successful in mitigating negative effects resulting from unfavorable changes in the relationships between Sally Holdings and its suppliers through the development of new or expanded supplier relationships.

Distribution

Sally Beauty Supply and BSG operated 22 distribution centers, as of June 30, 2006, six of which serviced Sally Beauty Supply and 16 of which serviced BSG. The Sally/BSG distribution business purchasing and distribution system is designed to minimize the delivered cost of merchandise and maximize the level of merchandise in-stock in stores. This distribution system also reduces levels of merchandise carried in each store and allows for monitoring of delivery times and maintenance of appropriate inventory levels. Product deliveries are typically made to Sally Beauty Supply and BSG stores on a weekly basis. Each distribution center has a quality control department that monitors products received from suppliers to ensure quality standards. The Sally/BSG distribution business utilizes uniquely designed software systems to provide computerized warehouse locator and inventory support.

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Real Estate

Substantially all store and warehouse locations are leased and the corporate headquarters and four warehouses/distribution centers are owned. The average store lease is for a term of five years with customary renewal options. The following table provides the number of stores by U.S. state and country as of June 30, 2006:

		Beauty Systems Group	
Location	**Sally Beauty Supply**	**Company-Owned**	**Franchise**
U.S.:			
Alaska		1	
Alabama	50	3	2
Arkansas	22	8	
Arizona	63	14	10
California	213	110	12
Colorado	41		
Connecticut	24	19	
Delaware	4	1	
Florida	180	3	2
Georgia	80	19	2
Hawaii		6	
Iowa	21		
Idaho	9	7	
Illinois	89	36	
Indiana	42	27	
Kansas	19		
Kentucky	31	21	
Louisiana	54		15
Massachusetts	39	10	
Maryland	35	17	
Maine	4	1	
Michigan	59		
Minnesota	18	4	
Missouri	44	2	
Mississippi	33	1	6
Montana	5	6	
North Carolina	82	20	
North Dakota	1	3	
Nebraska	14		
New Hampshire	9	2	
New Jersey	38		
New Mexico	18		6
Nevada	21	8	3
New York	61	49	
Ohio	97	49	
Oklahoma	39		
Oregon	20	14	
Pennsylvania	84	13	
Rhode Island	7	3	
South Carolina	45	10	
South Dakota	1	2	
Tennessee	58	19	
Texas	239		74
Utah	20	12	
Virginia	66	32	
Vermont	1	1	
Washington	34	26	
Wisconsin	25	6	
West Virginia	11	6	
Wyoming	2		
Total U.S.	2,172	591	132

International:			
Puerto Rico	31		
United Kingdom	183		
Canada	9	70	
Japan	32		
Germany	30		
Mexico	35		31
Ireland	2		
Total International	322	70	31
Total Store Count	2,494	661	163

The following table provides locations for significant offices and warehouses and the corporate headquarters of the Sally/BSG distribution business, as of June 30, 2006:

Location	Type of Facility	Business Segment
Company-Owned Properties:		
Columbus, Ohio	Warehouse	(1)
Denton, Texas	Corporate Headquarters	(1)(2)
Denton, Texas	Warehouse	(1)(2)
Jacksonville, Florida	Warehouse	(1)
Monterrey, NL Mexico	Office, Warehouse	(1)
Reno, Nevada	Warehouse	(1)
Leased Properties:		
Austin, Texas	Office, Warehouse	(2)
Benicia, California	Office, Warehouse	(2)
Blackburn, Lancashire, England	Warehouse	(1)
Calgary, Alberta, Canada	Office, Warehouse	(2)
Chatsworth, California	Office, Warehouse	(2)
Greenville, Ohio	Office, Warehouse	(2)
Macedonia, Ohio	Office	(2)
Mississauga, Ontario	Office, Warehouse	(2)
Reading, Berkshire, England	Office	(1)
Spartanburg, South Carolina	Office, Warehouse	(2)

(1) Sally Beauty Supply
(2) Beauty Systems Group

Management Information Systems

The management information systems of the Sally/BSG distribution business provide order processing, accounting and management information for the marketing, distribution and store operations functions of the Sally/BSG distribution business, most of which have been developed internally. The information gathered by the management information systems supports automatic replenishment of in-store inventory from the distribution centers and is integrated into all product purchase decisions.

Competition

Although there are a limited number of sizable direct competitors to the Sally/BSG distribution business, the beauty industry is highly competitive. In each area in which the Sally/BSG distribution business operates, it experiences domestic and international competition, including mass merchandisers, drug stores, supermarkets and other chains, offering similar or substitute beauty products at comparable prices. The Sally/BSG distribution business also faces competition from department stores. In addition, the business competes with local and regional cash-and-carry beauty supply stores and full-service distributors selling directly to salons through both professional distributor sales consultants and outlets open only to salon professionals. The Sally/BSG distribution business also faces competition from certain manufacturers that use their own sales forces to distribute their professional beauty products directly to salons. The Sally/BSG distribution business also faces competition from authorized and unauthorized retailers and internet sites offering professional salon-only products.

Employees

In its domestic and foreign operations, the Sally/BSG distribution business had approximately 15,000 full-time equivalent employees as of September 30, 2005, consisting of approximately 9,900 hourly personnel and 5,100 salaried employees. Certain subsidiaries in Mexico have collective bargaining agreements, covering warehouse and store personnel, which expire at various times over the next several years. New Sally considers its relationship with the Sally/BSG distribution business employees to be good.

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Regulation

New Sally is subject to a wide variety of laws and regulations, which historically have not had a material effect on the Sally/BSG distribution business. For example, in the United States, most of the products sold and the content and methods of advertising and marketing utilized are regulated by a host of federal agencies, including, in each case, one of more of the following: the Food and Drug Administration, the Federal Trade Commission and the Consumer Products Safety Commission. The transportation and disposal of many of Sally Beauty Supply and BSG products are also subject to federal regulation. State and local agencies regulate many aspects of the Sally/BSG distribution business. In markets outside of the United States, regulation is also focused and comprehensive.

The franchisor-franchisee relationship poses a specific set of regulatory issues. New Sally is subject to the regulation of offering and sale of franchises in the United States and Mexico. The applicable laws and regulations affect Sally Holdings business practices, as franchisor, in a number of ways, including restrictions placed upon the offering, renewal, termination and disapproval of assignment of franchises. To date, these laws and regulations have not had a material effect upon operations. The FTC is considering major revisions to its regulations governing the offer and sale of franchises in the U.S., although to date, these revisions have not been adopted.

Trademarks

The trademarks of Sally Holdings and its subsidiaries, certain of which are material to the Sally/BSG distribution business, are registered or legally protected in the United States, Canada and other countries throughout the world in which the Sally/BSG distribution business operates. Sally Holdings and its subsidiaries own over 200 trademarks in the United States. Sally Holdings also relies upon trade secrets and know-how to develop and maintain its competitive position. Sally Holdings protects intellectual property rights through a variety of methods, including trademark, patent and trade secret laws, in addition to confidentiality agreements with vendors, employees, consultants and others who have access to its proprietary information. The duration of Sally Holdings trademark registrations is generally 10, 15 or 20 years, depending on the country in which a mark is registered, and generally the registrations can be renewed. The scope and duration of intellectual property protection varies by jurisdiction and by individual product.

Legal Proceedings

Sally Holdings is the subject of various pending or threatened legal actions in the ordinary course of business. There were no material legal proceedings pending against Sally Holdings or its subsidiaries, as of June 30, 2006.

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 the 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.

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Selected Historical Consolidated Financial Information of Sally Holdings

	Nine Months Ended June 30,		Fiscal Year Ended September 30,				
	2006	2005	2005	2004	2003	2002	2001
	(unaudited)						
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(b)	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.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS OF SALLY HOLDINGS

The following section discusses management s view of Sally Holdings operations and financial condition for the fiscal years ended September 30, 2005, 2004 and 2003, and for the nine months ended June 30, 2006 and 2005. This section should be read in conjunction with the audited consolidated financial statements and the unaudited interim financial statements of Sally Holdings and the related notes included elsewhere in this proxy statement/prospectus information statement. This Management s Discussion and Analysis of Financial Condition and Results of Operations of Sally Holdings contains forward-looking statements. See Risk Factors beginning on page 27 and Special Note Regarding Forward-Looking Statements beginning on page 52 for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements that could cause results to differ materially from those reflected in such forward-looking statements.

Overview

Description of Business

Sally Holdings is the largest distributor of professional beauty supplies in the United States based on store count. Through its Sally Beauty Supply and Beauty Systems Group (BSG) business units, Sally Holdings operated a multi-channel platform of 3,155 stores and supplied 163 franchised stores in North America as well as selected European countries and Japan, as of June 30, 2006. Within BSG, Sally Holdings has one of the largest networks of professional distributor sales consultants in North America, with approximately 1,200 professional distributor sales consultants who sell directly to salons and salon professionals. Sally Holdings provides its customers with a wide variety of leading third-party branded and private label professional beauty supplies, including hair care products, styling appliances, skin and nail care products and other beauty items. Sally Beauty Supply stores target retail consumers and salon professionals, while Beauty Systems Group exclusively targets salons and salon professionals. For the year ended September 30, 2005, Sally Holdings net sales and operating earnings were $2,254.3 million and $192.6 million, respectively.

Sally Beauty Supply is the largest specialty retailer of professional beauty supplies in the U.S. based on store count. As of June 30, 2006, Sally Beauty Supply operated 2,494 retail stores, 2,172 in the U.S. and the remainder in the United Kingdom, Canada, Puerto Rico, Mexico, Japan, Ireland and Germany. Sally Beauty Supply stores average 1,700 square feet and are primarily located in strip shopping centers. The product selection in Sally Beauty Supply stores ranges between 5,300 and 7,400 stock keeping units (SKUs) of beauty products, including hair care, nail care, beauty sundries and appliances, targeting retail consumers and salon professionals. Sally Beauty Supply stores carry leading third-party brands such as *Clairol, Revlon, Conair* and *L Oreal,* as well as an extensive selection of private label merchandise. For the year ended September 30, 2005, Sally Beauty Supply s net sales and segment operating profit were $1,358.9 million and $168.7 million, respectively, representing 60.3% and 75.2% of consolidated net sales and segment operating profit, respectively.

BSG is the largest full-service distributor of professional beauty supplies in the U.S. According to Professional Consultants & Resources, a strategic consulting company, in 2005, BSG had twice the net sales of its next largest full-service competitor. As of June 30, 2006, BSG operated 661 company-owned stores, supplied 163 franchised stores and had a sales force of approximately 1,200 professional distributor sales consultants selling exclusively to salons and salon professionals in 43 U.S. states and portions of Canada, Mexico and certain European countries. BSG stores average 2,800 square feet and are primarily located in secondary strip shopping centers. Through BSG s large store base and sales force, BSG is able to access a significant portion of the highly fragmented U.S. salon market. The product selection in BSG stores ranges between 3,700 and 9,500 SKUs of beauty products, including hair care, nail care, beauty sundries and appliances targeting salons and salon professionals. BSG carries leading professional beauty product brands, including *Matrix, Redken, Paul Mitchell, Graham Webb, Rusk* and *TIGI,* intended for use in salons and for resale by the salon to consumers. Many BSG products are sold under exclusive distribution agreements with suppliers, whereby BSG is designated the sole distributor for a product line within certain geographic territories. For the year ended September 30, 2005, BSG s net sales and segment operating profit were $895.4 million and $55.6 million, respectively, representing 39.7% and 24.8% of consolidated net sales and segment operating profit, respectively.

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Market and Industry Trends

Sally Holdings operates within the large and growing U.S. professional beauty supply industry. Potential growth in the industry is expected to be driven by increases in hair color, hair loss prevention and hair styling products. New Sally believes the following key industry trends and characteristics will influence its business going forward:

High level of customer fragmentation. The U.S. salon market is highly fragmented with over 230,000 salons in the U.S. Of these salons, 92% have fewer than 10 employees. Given the fragmented and small-scale nature of the salon industry, New Sally believes that salon operators will continue to depend on full service/exclusive distributors and open-line channels for a majority of their beauty supply purchases.

Growth in booth renting. Booth renters are responsible for purchasing their own supplies. Historically, booth renters have significantly increased as a percentage of total salon professionals and New Sally expects this trend to continue. Given their smaller individual purchases and relative lack of financial resources, this segment is likely to be dependent on frequent trips to professional beauty supply stores, like BSG and Sally Beauty Supply.

Frequent re-stocking needs. Salon professionals primarily rely on just-in-time inventory due to capital constraints and a lack of warehouse and shelf space at salons. These factors are key to driving demand for conveniently located professional beauty supply stores.

Continuing consolidation. There is continuing consolidation among professional beauty product distributors and professional beauty product manufacturers. New Sally believes that suppliers are increasingly likely to focus on larger distributors and retailers with broader scale and retail footprint. New Sally also believes that it is well-positioned to capitalize on this trend as well as participate in the ongoing consolidation at the distributor / retail level. However, changes often occur in Sally Beauty Supply s and BSG s relationships with suppliers that positively or negatively affect the net sales and operating profits of each business segment. Consolidation among suppliers could exacerbate the effects of these relationship changes and could increase pricing pressures.

High level of competition. 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 Sally/BSG distribution business also faces competition from authorized and unauthorized retailers and Internet sites offering professional salon-only products.

Favorable demographic and consumer trends. The aging baby-boomer population is expected to drive future growth in professional beauty supply sales through an increase in the usage of hair color and hair-loss products. Additionally, continuously changing fashion-related trends that drive new hair styles are expected to result in continued demand for hair styling products.

Relationships With Suppliers

Most of the net sales of Sally Beauty Supply and BSG are generated through retail stores with respect to the Sally Beauty Supply business and both professional only stores and professional distribution sales consultants with respect to the BSG business. In addition, BSG has a number of franchisees located primarily in the south and southwestern portions of the United States and in Mexico, which buy products directly from BSG for resale in their assigned territories. A very small percentage of sales are generated through subdistributors (primarily in Europe), which also buy products directly from BSG for resale in their assigned territories. Sally/BSG and its suppliers are dependent on each other for the distribution of beauty products. As is typical in distribution businesses, these relationships are subject to change from time to time (including the expansion or loss of

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distribution rights in various geographies and the addition or loss of products lines). Changes in Sally/BSG s relationships with suppliers occur often, and could positively or negatively impact the net sales and operating profits of Sally/BSG. For example, as previously disclosed, net sales and operating profits of Sally/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/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. While Sally/BSG cannot predict what changes to the relationship between BSG and this supplier may eventually occur, such changes are expected to have little or no impact on Sally/BSG s net sales or operating profits for fiscal year 2006. At this time, Sally/BSG cannot predict what effect, if any, these discussions will have on the operating results of Sally/BSG after fiscal year 2006, though if such negotiations are not resolved favorably to Sally/BSG, there could be a negative effect on operating results for fiscal year 2007 and possibly beyond.

Sally/BSG believes that it can be successful in mitigating negative effects resulting from unfavorable changes in the relationships between Sally/BSG and its suppliers through the development of new or expanded supplier relationships. For example, BSG is currently in the process of opening stores in certain areas of Florida for the first time as the result of acquiring a company in June, 2006 which holds the rights to sell an important supplier s products in portions of Florida. In addition, Sally/BSG is (i) negotiating with various suppliers to add new product lines or expand existing product lines, (ii) adding additional product lines to the planned new BSG stores in Florida and (iii) planning to begin selling certain product lines in Michigan for the first time for its BSG operations.

Recent Acquisitions

Sally Holdings has made three significant acquisitions during the last three fiscal years. In December 2004, Sally Holdings acquired several commonly-owned full-service distributors of professional beauty products doing business under various brand names, including CosmoProf , for an aggregate purchase price of $91.2 million. This acquisition opened the Los Angeles, California and Hawaii markets to BSG, as well as strengthened its position in the Pacific Northwest. In December, 2003, Sally Holdings acquired substantially all of the assets of West Coast Beauty Supply, a full-service distributor of professional beauty products based in Benicia, California, for an aggregate purchase price of $139.3 million. These acquisitions expanded the geographic area served by BSG into the western United States and moved Sally Holdings closer to its goal of making BSG a nationwide full-service distributor.

In addition, during June 2006, Sally Holdings acquired Salon Success, a U.K. based distributor of professional beauty products in order to expand BSG s presence in the U.K. and expand the geographic area served by BSG into other portions of Europe. This acquisition enabled BSG to enter new markets in Europe, including the U.K., Spain and the Netherlands and to expand its operations in Florida. The total estimated purchase price of $21.0 million is subject to adjustment upon finalization of the closing balance sheet. Additional consideration of $2.2 million may be paid over the next three years provided sales to a specific customer exceed a stipulated threshold, as stated in the agreement.

The Transactions

The business operated by Sally Holdings has historically constituted two operating segments within the consolidated financial statements of Alberto-Culver. On June 19, 2006, Alberto-Culver, Sally Holdings and others entered into an investment agreement pursuant to which Alberto-Culver will separate into two publicly traded companies: New Sally, which will own and operate the Sally/BSG distribution business of Alberto-Culver, and New Alberto-Culver, which will own and operate the consumer products business of Alberto-Culver.

Pursuant to the transactions contemplated by the investment agreement,

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.

See The Transactions beginning on page 57.

Alberto-Culver is treating the transactions as though they constitute a change in control for all employees and directors under its equity and incentive compensation plans and as a change in control for Sally employees under its deferred compensation plan. Accordingly, options to purchase Alberto-Culver common stock issued under Alberto-Culver equity compensation plans, outstanding as of the completion of the distributions and held by Alberto-Culver employees (including Mr. Renzulli) and non-employee directors (other than those who will become directors of New Sally) would become fully exercisable options to purchase New Alberto-Culver common stock, and options to purchase Alberto-Culver common stock issued under Alberto-Culver equity compensation plans, outstanding as of the completion of the distributions and held by Sally employees and non-employee directors who will become directors of New Sally would become fully exercisable options to purchase New Sally common stock. Restrictions upon restricted stock issued under Alberto-Culver equity compensation plans prior to completion of the transactions, including restricted stock held by executive officers of Alberto-Culver, would lapse not later than the first business day after the record date for the distributions. Sally Holdings expects to record a charge at that time equal to the amount of future compensation expense that would have been recognized in subsequent periods as the stock options and restricted shares for Sally Group employees vested over the original vesting periods.

The investment agreement provides that (i) upon the closing of the transactions New Sally or Sally Holdings will pay all of Investor s transaction expenses and a transaction fee in the amount of $30 million to Clayton, Dubilier & Rice, Inc. and (ii) New Sally or Sally Holdings will pay certain of the combined transaction expenses

of Sally Holdings and Alberto-Culver, up to a maximum of $20 million if the transactions close, and certain other expenses of Alberto-Culver not subject to the $20 million cap. The combined transaction expenses of Alberto-Culver and Sally Holdings that are allocated to Sally Holdings will be expensed by Sally Holdings as incurred through the date of completion of the transactions.

Pursuant to the terms of the separation agreement, all cash, cash equivalents and short-term investments of Sally Holdings and its subsidiaries will be transferred to Alberto-Culver other than $52.7 million plus an additional amount. The additional amount will equal the sum of (i) an estimate of the amount needed to cover certain income taxes (as specified in the tax allocation agreement), (ii) an amount determined pursuant to a formula intended to reflect the limitations placed on the number of shares of New Sally Holdings that Investor may acquire in order not to jeopardize the intended tax-free nature of the share distribution, and (iii) unpaid balances on certain specified liabilities of Sally Holdings, minus other specified transaction costs. All intercompany receivables, payables and loans between the Sally Group, on the one hand, and the Alberto-Culver Group, on the other hand, other than those specifically designated in the separation agreement to survive following the distributions, will be canceled immediately prior to the time of the distributions. In addition, prior to completion of the transactions contemplated by the investment agreement, all intercompany agreements between the Sally Group and the Alberto-Culver Group will terminate, other than certain agreements specifically designated in the separation agreement to survive following the distributions. See The Separation Agreement beginning on page 123.

In addition, upon completion of the transactions, Michael H. Renzulli, Chairman of Sally Holdings, will terminate his employment with Alberto-Culver and Sally Holdings. Sally Holdings will provide Mr. Renzulli with certain benefits primarily consisting of a lump-sum cash payment of $3.6 million within 30 days after completion of the transactions. Sally Holdings will expense the cash payment at the time of completion of the transactions.

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. See Risk Factors 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 beginning on page 27.

Other Significant Items

Termination of Spin/Merge Transaction with Regis Corporation

On January 10, 2006, Alberto-Culver entered into an agreement with Regis Corporation (Regis) to merge Sally Holdings with a subsidiary of Regis in a tax-free transaction. Pursuant to the terms and conditions of the merger agreement, Sally Holdings was to be spun off to Alberto-Culver s stockholders by way of a tax-free distribution and, immediately thereafter, combined with Regis in a tax-free stock-for-stock merger.

On April 5, 2006, Alberto-Culver provided notice to Regis that its board of directors had withdrawn its recommendation for shareholders to approve the transaction. Following Alberto-Culver s notice to Regis, also on April 5, 2006, Regis provided notice to Alberto-Culver that it was terminating the merger agreement effective immediately. In connection with the termination of the merger agreement, Alberto-Culver paid Regis a $50.0 million termination fee on April 10, 2006.

Transactions

In connection with the terminated spin/merge transaction with Regis and the transactions described in Overview The Transactions Alberto-Culver and Sally Holdings incurred transaction expenses, primarily the

termination fee paid to Regis and legal and investment banking fees, during the fourth quarter of fiscal year 2005 and the first nine months of fiscal year 2006. The total amount of transaction expenses, including the termination fee, incurred by Alberto-Culver and Sally Holdings was $58.0 million ($37.0 million after taxes). Approximately $39.3 million ($25.1 million after taxes) of this amount was expensed by Sally Holdings during the first nine months of fiscal year 2006 in accordance with the terms of those transaction agreements. All expenses incurred related to the Regis transaction, including the termination fee are expected to be deductible for tax purposes while most expenses related to the transactions described in Overview The Transactions are not expected to be deductible for tax purposes.

Alberto-Culver s Conversion to One Class of Common Stock

As a subsidiary of Alberto-Culver, Sally Holdings has no employee stock option or restricted stock plans. However, certain employees of the Sally Group have been granted stock options and restricted shares under stock option plans and restricted stock plans of Alberto-Culver. On October 22, 2003, the Alberto-Culver board of directors approved the conversion of all of Alberto-Culver s issued shares of Class A common stock into Class B common stock on a one share-for-one share basis in accordance with the terms of Alberto-Culver s certificate of incorporation. The conversion became effective after the close of business on November 5, 2003. Following the conversion, all outstanding options to purchase shares of Alberto-Culver Class A common stock became options to purchase an equal number of shares of Alberto-Culver Class B common stock. On January 22, 2004, Alberto-Culver redesignated its Class B common stock to common stock.

Prior to October 1, 2005, Sally Holdings accounted for stock compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under these rules, Alberto-Culver s conversion to one class of common stock required Sally Holdings to recognize non-cash charges from the remeasurement of the intrinsic value of all Alberto-Culver Class A stock options outstanding on the conversion date that were issued to Sally Group employees. A portion of the non-cash charge was recognized on the conversion date for vested stock options and the remaining non-cash charges related to unvested stock options and restricted shares was being recognized over the remaining vesting periods. As a result, Sally Holdings recorded non-cash charges against pre-tax earnings of $31.1 million, of which $27.0 million ($17.6 million after taxes) was recognized in fiscal year 2004 and $4.1 million ($2.6 million after taxes) was recognized in fiscal year 2005. The non-cash charges reduced earnings before provision for income taxes, provision for income taxes and net earnings. No portion of the non-cash charges related to cost of products sold and distribution expenses. The net balance sheet effects of the options remeasurement increased total stockholders equity by $9.4 million in fiscal year 2004 and $1.5 million in fiscal year 2005, and resulted in the recognition of deferred tax assets of the same amounts. Effective October 1, 2005, Sally Holdings adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), *Share-Based Payment,* pertaining to the expensing of stock options. The amount of the non-cash charge related to Alberto-Culver s conversion to one class of common stock affecting the nine months ended June 30, 2006, calculated in accordance with SFAS No. 123 (R), was nearly zero and will be nearly zero in future periods.

Lease Accounting

In February 2005, the Securities and Exchange Commission (SEC) issued a letter expressing its interpretation of certain lease accounting issues relating to the amortization of leasehold improvements, the recognition of rent expense when leases have free rent periods and allowances received by tenants for leasehold improvements. As a result of a review of its historical lease accounting practices, Sally Holdings identified certain deviations to these interpretations and recorded a pre-tax, non-cash charge in the second quarter of fiscal year 2005 of $1.9 million ($1.2 million after taxes). In addition, net leasehold improvements increased by $0.8 million for the unamortized balance of tenant allowances and a deferred liability of $2.7 million was recorded in other liabilities for both of these adjustments.

Stock-Based Compensation

As a subsidiary of Alberto-Culver, Sally Holdings has no employee stock option or restricted stock plans; however, certain Sally Group employees have been granted Alberto-Culver stock options and restricted shares under plans of Alberto-Culver.

Prior to fiscal year 2006, SFAS No. 123, *Accounting for Stock-Based Compensation,* required either the adoption of a fair value based method of accounting for stock-based compensation or the continuance of the intrinsic value method with pro-forma disclosures as if the fair value method was adopted. Sally Holdings had elected to measure stock-based compensation expense using the intrinsic value method prescribed by APB Opinion No. 25, and, accordingly, no compensation cost related to stock options had been recognized in the consolidated statements of earnings, except for the non-cash charge related to Alberto-Culver s conversion to one class of common stock.

Effective October 1, 2005, Sally Holdings adopted SFAS No. 123 (R) using the modified prospective method. Under this method, compensation expense related to Alberto-Culver stock options granted to Sally Group employees 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). Sally Holdings recognizes compensation expense on a straight-line basis over the vesting period or to the date a participant becomes eligible for retirement, if earlier. In accordance with the modified prospective method, the financial statements for prior periods have not been restated.

In the first nine months of fiscal year 2006, Sally Holdings recorded stock option expense 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. The expense recorded in the first quarter of fiscal year 2006 included the immediate expensing of the fair value of stock options granted during the quarter to Sally Group participants who had already met the definition of retirement under the Alberto-Culver stock option plan. Sally Holdings estimates that the adoption of SFAS No. 123 (R) will reduce net earnings for the entire fiscal year 2006 by approximately $3.3 million. The net balance sheet effect of recognizing stock option expense increased total stockholder s equity by $1.4 million in the first nine months of fiscal year 2006 and resulted in the recognition of deferred tax assets of the same amount. The adoption of SFAS No. 123 (R) did not have a material effect on Sally Holdings consolidated statement of cash flows. As of June 30, 2006, Sally Holdings had $5.1 million of unrecognized compensation cost related to Alberto-Culver stock options issued to employees of Sally Group that will be recognized over a weighted average period of 2.3 years and $1.1 million of unearned compensation related to Alberto-Culver restricted shares issued to employees of Sally Group that will be amortized to expense over a weighted average period of 3.8 years.

Results of Operations

The following table shows the results of operations of Sally Holdings for the nine months ended June 30, 2006 and 2005 and the fiscal years ended September 30, 2005, 2004 and 2003, expressed as a percentage of net sales for the respective periods:

	Nine Months Ended June 30,		Year Ended September 30,		
	2006	**2005**	**2005**	**2004**	**2003**
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of products sold and distribution expenses	54.0%	54.4%	54.4%	54.7%	55.8%
Gross profit	46.0%	45.6%	45.6%	45.3%	44.2%
Total other costs and expenses	38.7%	37.0%	37.1%	37.2%	34.9%
Operating earnings	7.3%	8.6%	8.5%	8.1%	9.3%
Interest expense, net	0.0%	0.1%	0.1%	0.1%	0.0%
Earnings before provision for income taxes	7.3%	8.5%	8.4%	8.0%	9.3%
Provision for income taxes	2.8%	3.3%	3.2%	3.0%	3.4%
Net earnings	4.5%	5.2%	5.2%	5.0%	5.9%

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Key Operating Metrics

The following table sets forth, for the periods indicated, information concerning key measures Sally Holdings relies on to gauge its operating performance (dollars in thousands):

	Nine Months Ended		Year Ended		
	June 30,		September 30,		
	2006	2005	2005	2004	2003
Net sales:					
Sally Beauty Supply	$ 1,060,015	$ 1,020,086	$ 1,358,899	$ 1,296,057	$ 1,207,880
Beauty Systems Group	706,975	667,875	895,408	801,610	616,128
	$ 1,766,990	$ 1,687,961	$ 2,254,307	$ 2,097,667	$ 1,824,008
Gross profit	$ 813,234	$ 769,302	$ 1,027,000	$ 950,853	$ 807,067
Gross profit margin	46.0%	45.6%	45.6%	45.3%	44.2%
Selling, general and administrative expenses	$ 612,739	$ 589,883	$ 789,447	$ 711,208	$ 597,175
Operating earnings:					
Sally Beauty Supply	$ 141,827	$ 127,945	$ 168,663	$ 151,811	$ 137,561
Beauty Systems Group	52,059	41,485	55,584	70,895	55,864
Segment operating profit	193,886	169,430	224,247	222,706	193,425
Unallocated expenses	(21,567)	(20,690)	(27,615)	(26,051)	(23,360)
Stock option expense	(4,097)				
Non-cash charge related to Alberto-Culver s conversion to one class of common stock		(3,049)	(4,051)	(27,036)	
Transaction expenses	(39,275)				
	$ 128,947	$ 145,691	$ 192,581	$ 169,619	$ 170,065
Segment operating profit margin:					
Sally Beauty Supply	13.4%	12.5%	12.4%	11.7%	11.4%
Beauty Systems Group	7.4%	6.2%	6.2%	8.8%	9.1%
Consolidated operating profit margin	7.3%	8.6%	8.5%	8.1%	9.3%
Number of stores at end of period (including franchises):					
Sally Beauty Supply	2,494	2,389	2,419	2,355	2,272
Beauty Systems Group	824	817	822	692	543
	3,318	3,206	3,241	3,047	2,815
Comparable store sales growth(1):					
Sally Beauty Supply	2.2%	2.9%	2.4%	3.8%	2.7%
Beauty Systems Group	2.9%	0.3%	(0.6)%	8.5%	4.6%
Consolidated	2.4%	2.4%	1.8%	4.6%	3.8%

(1) Comparable stores are defined as company-owned stores that have been open for at least 14 months as of the last day of a month.

Description of Revenues and Expenses

Net Sales. Sally Holdings net sales consist primarily of the following:

Sally Beauty Supply. Sally Beauty Supply generates net sales primarily by selling products through its stores to both professional and retail customers. Various factors influence Sally Beauty Supply s net sales including local competition, product assortment and availability, price, hours of operation and marketing and promotional activity. Sally Beauty Supply s product assortment and sales are not seasonal in nature.

Beauty Systems Group. BSG generates net sales by selling products to salon professionals and independent stylists through company-owned and franchised stores as well as through its network of professional distributor sales consultants. Various factors influence BSG s net sales, including product breadth and availability, competitive activity, relationships with suppliers, new product introductions and price. BSG s product assortment and sales are not seasonal in nature.

Cost of Products Sold and Distribution Expenses. Cost of products sold and distribution expenses consist of the cost to purchase merchandise from suppliers, less rebates and allowances, and certain overhead expenses including purchasing costs, freight from distribution centers to stores and handling costs in the distribution centers. Cost of products sold and distribution expenses are also affected by store inventory shrinkage, which represents products that are lost, stolen or damaged at the store level.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of store personnel costs, commissions paid to professional distributor sales consultants, benefits, utilities, property maintenance, advertising, rent, insurance, freight and distribution expenses for delivery to customers and administrative costs.

Corporate Charges from Alberto-Culver. Alberto-Culver and its affiliates perform certain administrative services for Sally Holdings. In addition, certain subsidiaries of Sally Holdings have entered into consulting, business development, management and advisory services agreements with Alberto-Culver. Corporate charges from Alberto-Culver represent charges for these services based on an allocation of specific services and a sales-based service fee. Following the closing of the transactions contemplated by the investment agreement, the arrangements giving rise to the corporate charges from Alberto-Culver will be terminated and the related charges will cease.

Comparison of the Nine Months Ended June 30, 2006 and 2005

Net sales

Consolidated net sales increased $79.0 million, or 4.7%, to $1,767.0 million for the nine months ended June 30, 2006 compared to the same period in 2005. This increase was primarily the result of comparable store sales growth of 2.4%, the inclusion of a full reporting period for the CosmoProf business for the nine months ended June 30, 2006, which resulted in a 1.5% increase in net sales, and the opening of new stores, including 112 net new stores opened during the last twelve months. The CosmoProf business was acquired in the first quarter of fiscal 2005.

Sally Beauty Supply. Net sales for Sally Beauty Supply increased $39.9 million, or 3.9%, to $1,060.0 million for the nine months ended June 30, 2006 compared to $1,020.1 million for the same period in 2005. Net sales increased primarily due to a 2.2% increase resulting from the opening of new stores, including 105 net new stores opened during the last twelve months, and comparable store sales growth of 2.2%. These increases were partially offset by the effect of foreign exchange rates, which decreased net sales by 0.5%.

Beauty Systems Group. Net sales for BSG increased $39.1 million, or 5.9%, to $707.0 million for the nine months ended June 30, 2006 compared to $667.9 million for the same period in 2005. This improvement in net sales resulted primarily from the inclusion of a full reporting period for the CosmoProf business for the nine months ended June 30, 2006, which provided 3.8 percentage points of the increase in net sales. The remaining increase was principally due to a 0.8% increase in net sales resulting from the opening of new stores, including 7 net new stores opened during the last twelve months, the acquisition of Salon Success which resulted in a 0.3% increase in net sales, comparable store sales growth of 2.9% and a 0.7% positive impact from foreign exchange rates. These increases for the first nine months of fiscal year 2006 were partially offset by lower sales by BSG s professional distributor sales consultants as salon professionals shifted some of their purchases from sales consultants to BSG stores.

Gross Profit

Consolidated gross profit increased $43.9 million, or 5.7 %, to $813.2 million for the nine months ended June 30, 2006 compared to the same period in 2005. Consolidated gross profit, as a percentage of net sales, was 46.0% for the nine months ended June 30, 2006 compared to 45.6% for the prior year period. The gross profit margin improvement is primarily attributable to improved vendor pricing and lower store inventory shrinkage.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses increased $22.9 million, or 3.9%, to $612.7 million for the nine months ended June 30, 2006 compared to the same period in 2005. These expenses, as a percentage of net sales, were 34.7% for the nine months ended June 30, 2006 compared to 34.9% for the prior year period. The increase is primarily attributable to higher selling and administrative costs associated with the growth of the Sally Beauty Supply and BSG businesses, including $9.0 million of selling and administrative costs from the acquired CosmoProf business, along with $4.1 million of stock option expense recognized pursuant to SFAS No. 123 (R) and costs related to the new Sally Holdings corporate support facility.

Corporate Charges From Alberto-Culver

Corporate charges from Alberto-Culver, which include charges for administrative services and a sales-based service fee, increased $1.6 million, or 5.2%, to $32.3 million for the nine months ended June 30, 2006 compared to $30.7 million for the same period in 2005. Charges for administrative services were $10.7 million for the first nine months of fiscal year 2006 compared to $10.0 million for the first nine months of the prior year. The sales-based service fee amounted to $21.6 million for the first nine months of fiscal year 2006 compared to $20.7 million for the first nine months of the prior year. Following the closing of the transactions contemplated by the investment agreement, the arrangements giving rise to the corporate charges from Alberto-Culver will be terminated and the related charges will cease.

Other Expenses

Other expenses for the nine months ended June 30, 2006 include expenses related to the terminated transaction with Regis and the transactions described in Overview The Transactions . In accordance with the terms of the related transaction agreements, Alberto-Culver allocated to Sally Holdings $39.3 million in transaction expenses in the nine months ended June 30, 2006 representing Sally Holdings share of the termination fee paid to Regis and legal, investment banking and other fees and expenses related to the transactions. Other expenses for the nine months ended June 30, 2005 include $3.0 million in non-cash charges related to Alberto-Culver s conversion to one class of common stock. See Overview Other Significant Items Alberto-Culver s Conversion to One Class of Common Stock.

Operating Earnings

Consolidated operating earnings decreased by $16.7 million, or 11.5%, to $128.9 million for the nine months ended June 30, 2006 compared to the same period in 2005. Operating earnings, as a percentage of net sales, were 7.3% for the nine months ended June 30, 2006 compared to 8.6% for the nine months ended June 30, 2005. The decrease in consolidated operating earnings was primarily due to the allocation by Alberto-Culver of $39.3 million of expenses related to the terminated Regis transaction and the transactions described in Overview The Transactions . These expenses are not allocated by Sally Holdings to its operating segments and are not reflected in the segment operating profit of Sally Beauty Supply and Beauty Systems Group discussed below.

Sally Beauty Supply. As a result of the foregoing, Sally Beauty Supply s segment operating profit increased $13.9 million, or 10.8%, to $141.8 million for the nine months ended June 30, 2006 compared to $127.9 million

for the same period in 2005. Segment operating profit, as a percentage of net sales, was 13.4% for the nine months ended June 30, 2006 compared to 12.5% for the nine months ended June 30, 2005.

Beauty Systems Group. As a result of the foregoing, BSG s segment operating profit increased $10.6 million, or 25.5%, to $52.1 million for the nine months ended June 30, 2006 compared to $41.5 million for the same period in 2005. Segment operating profit, as a percentage of net sales, was 7.4% for the nine months ended June 30, 2006 compared to 6.2% for the nine months ended June 30, 2005.

Net Interest Expense

Interest expense, net of interest income, was $0.3 million and $2.4 million for the nine months ended June 30, 2006 and 2005, respectively. Interest expense decreased $1.9 million to $1.3 million for the nine months ended June 30, 2006 compared to the same period in 2005. The decrease in interest expense was primarily attributable to the repayment of all notes payable to affiliated companies in December, 2005. Interest expense was partially offset by interest income of $1.1 million and $0.9 million for the nine months ended June 30, 2006 and 2005, respectively.

Provision for income taxes

Provision for income taxes was $49.1 million during the nine months ended June 30, 2006 compared to $55.2 million for the same period of 2005. The lower provision for income taxes for the nine months ended June 30, 2006 was principally the result of the transaction expenses allocated by Alberto-Culver in fiscal year 2006. The effective tax rate for the nine months ended June 30, 2006 was 38.2% compared to 38.5% for the nine months ended June 30, 2005.

Net Earnings

As a result of the foregoing, consolidated net earnings decreased $8.6 million, or 9.8%, to $79.5 million for the nine months ended June 30, 2006 compared to the same period in 2005. Net earnings, as a percentage of net sales, were 4.5% for the nine months ended June 30, 2006 compared to 5.2% for the nine months ended June 30, 2005. Net earnings for the nine months ended June 30, 2006 were reduced by $2.7 million as a result of stock option expense recognized pursuant to SFAS No. 123 (R), $25.1 million for transaction expenses related to the terminated spin/merge transaction with Regis and the transactions described in Overview The Transactions . Net earnings for the nine months ended June 30, 2005 were reduced by $2.0 million for the non-cash charge from Alberto-Culver s conversion to one class of common stock and $1.2 million related to the lease accounting adjustment. See Overview Other Significant Items.

Comparison of the Years Ended September 30, 2005 and 2004

Net sales

Consolidated net sales increased $156.6 million, or 7.5%, to $2,254.3 million for the year ended September 30, 2005 compared to $2,097.7 million for the same period in 2004. This increase was primarily due to acquisitions, which accounted for 5.2% of the revenue growth, comparable store sales growth of 1.8% and the opening of new stores, including 99 net new stores opened during the period. In addition, the effect of changes in foreign exchange rates increased net sales for the year ended September 30, 2005 by 0.6%.

Sally Beauty Supply. Net sales for Sally Beauty Supply increased $62.8 million, or 4.8%, to $1,358.9 million for the year ended September 30, 2005 compared to $1,296.1 million for the same period in 2004. The increase in net sales in fiscal year 2005 was attributable to a 2.2% increase in net sales resulting from the opening of new stores, including 62 net new stores opened during the period, comparable store sales growth of 2.4% and a 0.3% positive effect from foreign exchange rates.

Beauty Systems Group. Net sales for Beauty Systems Group increased $93.8 million, or 11.7%, to $895.4 million for the year ended September 30, 2005 compared to $801.6 million for the same period in 2004. This

improvement in net sales resulted primarily from acquisitions, including the acquisition of the CosmoProf business in the first quarter of fiscal year 2005 and the acquisition of West Coast in the first quarter of fiscal year 2004, which increased net sales by 13.6%. In addition, net sales increased 1.3% as the result of the opening of new stores, including 37 net new stores opened during the period, and changes in foreign exchange rates increased net sales by 0.9%. These increases were partially offset by a 0.6% decline in comparable store sales and lower sales by BSG s professional distributor sales consultants. The decrease in sales for existing BSG stores and professional distributor sales consultants principally resulted from certain suppliers decisions to begin selling their products directly to salons.

Gross Profit

Consolidated gross profit increased $76.1 million, or 8.0%, to $1,027.0 million for the year ended September 30, 2005 compared to $950.9 million for the same period in 2004. Consolidated gross profit, as a percentage of net sales, was 45.6% for the year ended September 30, 2005 compared to 45.3% for the prior year period. The gross profit margin improvement is primarily attributable to improved vendor pricing, lower store inventory shrinkage and favorable changes in Sally Beauty Supply s sales mix between retail and professional customers.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses increased $78.2 million, or 11.0%, to $789.4 million for the year ended September 30, 2005 compared to $711.2 million for the same period in 2004. These expenses, as a percentage of net sales, were 35.0% for the year ended September 30, 2005 compared to 33.9% for the prior year period. The increase in fiscal year 2005 primarily resulted from the higher selling and administrative costs associated with the growth of the Sally Beauty Supply and BSG businesses, including $38.6 million resulting from the acquisitions of CosmoProf in December, 2004 and West Coast in December, 2003. In addition, a portion of the increase in fiscal year 2005 relates to the $1.9 million lease accounting adjustment discussed in Overview Other Significant Items Lease Accounting.

Corporate Charges From Alberto-Culver

Corporate charges from Alberto-Culver, which include charges for administrative services and a sales-based service fee, decreased $2.1 million, or 4.8%, to $40.9 million for the year ended September 30, 2005 compared to $43.0 million for the same period in 2004. Charges for administrative services were $13.3 million in fiscal year 2005 versus $16.9 million in fiscal year 2004. The $3.6 million decrease in charges for administrative services in fiscal year 2005 was primarily due to lower incentive compensation costs at Alberto-Culver which, in turn, reduced the charge to Sally Holdings. The sales-based service fee amounted to $27.6 million and $26.1 million in fiscal years 2005 and 2004, respectively. Following the closing of the transactions contemplated by the investment agreement, the arrangements giving rise to the corporate charges from Alberto-Culver will be terminated and the related charges will cease.

Other Expenses

Other expenses include a non-cash charge related to Alberto-Culver s conversion to one class of common stock of $4.1 million for the year ended September 30, 2005 compared to $27.0 million for the same period in 2004. See Overview Other Significant Items Alberto-Culver s Conversion to One Class of Common Stock.

Operating Earnings

As a result of the foregoing, consolidated operating earnings increased by $23.0 million, or 13.5%, to $192.6 million for the year ended September 30, 2005 compared to $169.6 million for the same period in 2004.

Operating earnings, as a percentage of net sales, were 8.5% for the year ended September 30, 2005 compared to 8.1% for the year ended September 30, 2004.

Sally Beauty Supply. As a result of the foregoing, Sally Beauty Supply s segment operating profit increased $16.9 million, or 11.1%, to $168.7 million for the year ended September 30, 2005 compared to $151.8 million for the same period in 2004. Segment operating profit, as a percentage of net sales, was 12.4% for the year ended September 30, 2005 compared to 11.7% for the year ended September 30, 2004.

Beauty Systems Group. BSG s segment operating profit decreased $15.3 million, or 21.6%, to $55.6 million for the year ended September 30, 2005 compared to $70.9 million for the same period in 2004. Segment operating profit, as a percentage of net sales, was 6.2% for the year ended September 30, 2005 compared to 8.8% for the year ended September 30, 2004. The decrease in segment operating profit for BSG during fiscal year 2005 was primarily due to the loss of sales that resulted from certain suppliers decisions to begin selling their products directly to salons.

Net Interest Expense

Interest expense, net of interest income, was $3.0 million and $2.3 million for the years ended September 30, 2005 and 2004, respectively. Interest expense increased $0.7 million to $4.1 million for the year ended September 30, 2005 compared to $3.4 million for the same period in 2004. Interest expense is primarily related to notes payable to affiliated companies which were obtained to finance acquisitions and international operations. The increase in interest expense was primarily due to higher outstanding balances of notes payable to affiliated companies during fiscal year 2005. These expenses were partially offset by interest income of $1.1 million and $1.2 million for the years ended September 30, 2005 and 2004, respectively.

Provision for Income Taxes

Provision for income taxes was $73.2 million during the year ended September 30, 2005 compared to $62.1 million for the same period of 2004. The increased provision for income taxes for the year ended September 30, 2005 was principally the result of higher earnings before provision for income taxes in fiscal year 2005. The effective tax rate was 38.6% in fiscal 2005 and 37.1% in fiscal 2004. The increase in the effective tax rate was primarily related to a change in the mix of earnings from foreign operations and higher state income taxes.

Net Earnings

As a result of the foregoing, consolidated net earnings increased $11.2 million, or 10.6%, to $116.5 million for the year ended September 30, 2005 compared to $105.3 million for the same period in 2004. Net earnings, as a percentage of net sales, were 5.2% for the year ended September 30, 2005 compared to 5.0% for the year ended September 30, 2004. The non-cash charge from Alberto-Culver s conversion to one class of common stock reduced net earnings by $2.6 million in fiscal 2005 and $17.6 million in fiscal 2004. See Overview Other Significant Items Alberto-Culver s Conversion to One Class of Common Stock. Net earnings in fiscal 2005 were also reduced by $1.2 million related to the lease accounting adjustment. See Overview Other Significant Items Lease Accounting.

Comparison of the Years Ended September 30, 2004 and 2003

Net sales

Consolidated net sales increased $273.7 million, or 15.0%, to $2,097.7 million for the year ended September 30, 2004 compared to $1,824.0 million for the same period in 2003. This increase was primarily due to acquisitions, which accounted for 8.7% of the revenue growth, comparable store sales growth of 4.6% and the

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opening of new stores, including 109 net new stores opened during the period. In addition, the effect of changes in foreign exchange rates increased net sales for the year ended September 30, 2004 by 1.2%.

Sally Beauty Supply. Net sales for Sally Beauty Supply increased $88.2 million, or 7.3%, to $1,296.1 million for the year ended September 30, 2004 compared to $1,207.9 million for the same period in 2003. The higher net sales in fiscal year 2004 were attributable to a 3.2% increase resulting from the opening of new stores, including 83 net new stores opened during the period, comparable store sales growth of 3.8% and a 1.1% positive effect of foreign exchange rates.

Beauty Systems Group. Net sales for BSG increased $185.5 million, or 30.1%, to $801.6 million for the year ended September 30, 2004 compared to $616.1 million for the same period in 2003. This improvement in net sales resulted primarily from the acquisition of West Coast in the first quarter of fiscal year 2004 which increased net sales by 25.6%. In addition, net sales increased 1.5% as the result of the opening of new stores, including 26 net new stores opened during the period, comparable store sales growth was 8.5% and changes in foreign exchange rates increased net sales by 1.2%. These increases for fiscal year 2004 were partially offset by lower sales by BSG s professional distributor sales consultants as salon professionals shifted some of their purchases from sales consultants to BSG stores.

Gross Profit

Consolidated gross profit increased $143.8 million, or 17.8%, to $950.9 million for the year ended September 30, 2004 compared to $807.1 million for the same period in 2003. Consolidated gross profit, as a percentage of net sales, was 45.3% for the year ended September 30, 2004 compared to 44.2% for the prior year period. The gross profit margin improvement is primarily attributable to improved vendor pricing and favorable changes in Sally Beauty Supply s sales mix between retail and professional customers.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses increased $114.0 million, or 19.1%, to $711.2 million for the year ended September 30, 2004 compared to $597.2 million for the same period in 2003. These expenses, as a percentage of net sales, were 33.9% for the year ended September 30, 2004 compared to 32.7% for the same period in 2003. The increase in fiscal year 2004 primarily resulted from the higher selling and administrative costs associated with the growth of the Sally Beauty Supply and BSG businesses, including $51.6 million related to West Coast, which was acquired in December, 2003.

Corporate Charges From Alberto-Culver

Corporate charges from Alberto-Culver, which include charges for administrative services and a sales-based service fee, increased $3.2 million, or 7.9%, to $43.0 million for the year ended September 30, 2004 compared to $39.8 million for the same period in 2003. Charges for administrative services were $16.9 million and $16.4 million in fiscal years 2004 and 2003, respectively. The sales-based service fee amounted to $26.1 million and $23.4 million in fiscal years 2004 and 2003, respectively. Following the closing of the transactions contemplated by the investment agreement, the arrangements giving rise to the corporate charges from Alberto-Culver will be terminated and the related charges will cease.

Other Expenses

Other expenses include a non-cash charge related to Alberto-Culver s conversion to one class of common stock of $27.0 million for the year ended September 30, 2004. See Overview Other Significant Items Alberto-Culver s Conversion to One Class of Common Stock beginning on page 228.

Operating Earnings

As a result of the foregoing, consolidated operating earnings decreased by $0.5 million, or 0.3%, to $169.6 million for the year ended September 30, 2004 compared to $170.1 million for the same period in 2003.

Operating earnings, as a percentage of net sales, were 8.1% for the year ended September 30, 2004 compared to 9.3% for the year ended September 30, 2003. The decrease in operating earnings was principally due to the $27.0 million non-cash charge related to Alberto-Culver s conversion to one class of common stock.

Sally Beauty Supply. As a result of the foregoing, Sally Beauty Supply s segment operating profit increased by $14.2 million, or 10.4%, to $151.8 million for the year ended September 30, 2004 compared to $137.6 million for the same period in 2003. Segment operating profit, as a percentage of net sales, was 11.7% for the year ended September 30, 2004 compared to 11.4% for the year ended September 30, 2003.

Beauty Systems Group. As a result of the foregoing, BSG s segment operating profit increased by $15.0 million, or 26.9%, to $70.9 million for the year ended September 30, 2004 compared to $55.9 million for the same period in 2003. Segment operating profit, as a percentage of net sales, was 8.8% for the year ended September 30, 2004 compared to 9.1% for the year ended September 30, 2003.

Net Interest Expense

Interest expense, net of interest income, was $2.3 million and $0.3 million for the years ended September 30, 2004 and 2003, respectively. Interest expense increased $1.9 million to $3.4 million for the year ended September 30, 2004 compared to $1.5 million for the same period in 2003. Interest expense is primarily related to notes payable to affiliated companies which were obtained to finance acquisitions and international operations. The increase was primarily due to higher outstanding balances of notes payable to affiliated companies during fiscal year 2004. These expenses were partially offset by interest income of $1.2 million for each of the years ended September 30, 2004 and 2003.

Provision for Income Taxes

Provision for income taxes was $62.1 million during the year ended September 30, 2004 compared to $62.2 million for the same period of 2003. The effective tax rate was 37.1% in fiscal 2004 and 36.7% in fiscal 2003. The increase in the effective tax rate was primarily related to a change in the mix of earnings from foreign operations.

Net Earnings

As a result of the foregoing, consolidated net earnings decreased $2.2 million, or 2.0%, to $105.3 million for the year ended September 30, 2004 compared to $107.5 million for the same period in 2003. Net earnings, as a percentage of net sales, were 5.0% for the year ended September 30, 2004 compared to 5.9% for the year ended September 30, 2003. The non-cash charge from Alberto-Culver s conversion to one class of common stock reduced net earnings by $17.6 million in fiscal year 2004. See Overview Other Significant Items Alberto-Culver s Conversion to One Class of Common Stock .

Financial Condition

June 30, 2006 Compared to September 30, 2005

Working capital (current assets less current liabilities) at June 30, 2006 was $452.3 million compared to $382.5 million at September 30, 2005, representing an increase of $69.8 million. The resulting ratio of current assets to current liabilities was 2.66 to 1.00 at June 30, 2006 compared to 2.42 to 1.00 at September 30, 2005. The increase in working capital was primarily due to working capital generated from operations, partially offset by capital expenditures, the net repayment of notes with affiliated companies and the acquisition of Salon Success in June 2006.

Cash and cash equivalents at June 30, 2006 was $77.0 million compared to $38.6 million at September 30, 2005, representing an increase of $38.4 million. The increase primarily resulted from cash generated by

operations, partially offset by capital expenditures, the net repayment of notes with affiliated companies and the acquisition of Salon Success in June 2006, an escrow payment related to the West Coast acquisition in fiscal year 2004 and the payment of annual employee performance awards and profit sharing.

Trade accounts receivable increased $5.4 million in the first nine months of fiscal year 2006 primarily due to the acquisition of Salon Success and the timing of collections from increased sales.

Inventories increased $32.9 million to $558.0 million at June 30, 2006 compared to September 30, 2005. The increase was primarily due to an increase in the number of Sally Beauty Supply stores, the introduction of new lines for fragrances, hair color and electrical products, as well as strategic inventory purchases related to favorable pricing from vendors, the acquisition of Salon Success and the effects of changes in foreign exchange rates.

Goodwill increased $16.3 million to $369.8 million at June 30, 2006 compared to $353.5 million at September 30, 2005. The increase was due to the acquisition of Salon Success and the effects of changes in foreign exchange rates.

Notes receivable from affiliated companies and notes payable to affiliated companies, which totaled $15.2 million and $31.8 million, respectively, at September 30, 2005, were fully repaid during the first quarter of fiscal year 2006.

The amount due to Alberto-Culver was $18.6 million at June 30, 2006 compared to an amount due from Alberto-Culver of $11.3 million at September 30, 2005. This change was primarily a result of the transaction expenses paid by Alberto-Culver and allocated to Sally Holdings in connection with the terminated spin/merge transaction with Regis and the transactions described in Overview The Transactions .

Other liabilities at June 30, 2006 were $16.8 million compared to $21.3 million at September 30, 2005, representing a decrease of $4.5 million. The decrease was mainly due to an escrow payment by BSG to the former owners of West Coast.

Stock options subject to redemption of $8.6 million as of June 30, 2006 represent the intrinsic value as of November 5, 2003 of currently outstanding Alberto-Culver stock options held by employees of Sally Holdings which were modified on that date as a result of Alberto-Culver s conversion to one class of common stock. This amount was reclassified from additional paid-in capital because Alberto-Culver s stock option plans, through which certain Sally Holdings employees have been granted stock options, contain a contingent cash settlement provision upon the occurrence of certain change in control events which are not solely in the control of Sally Holdings or Alberto-Culver. While Sally Holdings and Alberto-Culver believe the possibility of occurrence of any such change in control event is remote, the reclassification was required because neither Sally Holdings nor Alberto-Culver has sole control over such events.

Additional paid-in capital decreased $4.1 million to $59.8 million at June 30, 2006 compared to September 30, 2005, primarily due to the reclassification to stock options subject to redemption discussed in the preceding paragraph, partially offset by paid-in capital recorded for stock option expense.

Accumulated other comprehensive income - foreign currency translation increased $4.8 million to $18.2 million at June 30, 2006 compared to $13.4 million at September 30, 2005. The increase was primarily due to the weakening of the U.S. dollar versus certain foreign currencies, primarily the British pound and Canadian dollar.

September 30, 2005 Versus September 30, 2004

Working capital (current assets less current liabilities) at September 30, 2005 was $382.5 million, an increase of $4.8 million compared to working capital of $377.7 million at September 30, 2004. The resulting

ratio of current assets to current liabilities was 2.42 to 1.00 at September 30, 2005 compared to 2.52 to 1.00 at September 30, 2004. The increase in working capital at September 30, 2005 was primarily related to working capital generated from operations, partially offset by cash outlays for acquisitions and capital expenditures.

Cash, cash equivalents and short-term investments at September 30, 2005 were $38.6 million, compared to $68.0 million at September 30, 2004. Cash, cash equivalents and short-term investments decreased $29.4 million during fiscal year 2005 primarily due to cash outlays of $96.9 million for acquisitions and $52.2 million for capital expenditures, partially offset by cash inflows from operating activities of $115.5 million.

Other receivables were $19.3 million at September 30, 2005, an increase of $5.4 million compared to September 30, 2004. This increase was primarily due to the growth and timing of collections related to vendor advertising and volume purchase programs and receivables for insurance proceeds associated with hurricanes Katrina and Rita.

Inventories were $525.1 million at September 30, 2005, an increase of $41.6 million compared to September 30, 2004. This increase was primarily due to the acquisition of CosmoProf, inventories related to new stores and strategic inventory purchases related to favorable pricing from vendors.

Notes receivable from affiliated companies were $15.2 million at September 30, 2005, a decrease of $7.6 million compared to $22.8 million at September 30, 2004. Notes payable to affiliated companies, including current maturities, were $31.8 million at September 30, 2005, a decrease of $6.5 million compared to $38.3 million at September 30, 2004. All notes receivable from affiliated companies and notes payable to affiliated companies were fully repaid in the first quarter of fiscal year 2006.

Net property and equipment was $149.4 million at September 30, 2005, an increase of $23.5 million compared to September 30, 2004. The increase resulted primarily from capital expenditures for additional Sally Beauty Supply and BSG stores and the remodeling of existing stores, a new corporate support facility, warehouse expansions, fixed assets of acquired companies and additional leasehold improvements resulting from the lease accounting adjustment described in Overview Other Significant Items Lease Accounting. These increases were partially offset by depreciation and asset retirements during the year ended September 30, 2005.

Goodwill was $353.5 million at September 30, 2005, an increase of $48.7 million compared to September 30, 2004. This increase was primarily due to the acquisition of CosmoProf, partially offset by a reduction in goodwill related to the finalization of the valuation of certain intangibles related to the acquisition of West Coast.

Net intangible assets were $48.3 million at September 30, 2005, an increase of $30.8 million compared to September 30, 2004. This increase was primarily due to the acquisition of CosmoProf and the recording of trade names and other intangible assets upon the finalization of the purchase price allocation related to the acquisition of West Coast.

Deferred income tax liabilities (net of deferred income tax assets) were $8.4 million at September 30, 2005, an increase of $8.3 million compared to September 30, 2004. This increase was mainly due to the timing of tax deductions related to depreciation and inventory.

Accumulated other comprehensive income foreign currency translation was $13.4 million at September 30, 2005, an increase of $4.2 million compared to September 30, 2004. The increase was primarily attributable to the weakening of the U.S. dollar versus certain foreign currencies, primarily the Canadian dollar and the Mexican peso.

Liquidity and Capital Resources

Sally Holdings broadly defines liquidity as its ability to generate sufficient cash flow from operating activities to meet its obligations and commitments. In addition, liquidity includes the ability to obtain appropriate

debt and equity financing and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service commitments.

Sally Holdings primary source of cash over the past three years has been from funds provided by operating activities. The primary uses of cash during the past three years were for acquisitions and capital expenditures. The following table shows Sally Holdings sources and uses of funds for the nine months ended June 30, 2006 and 2005 and the fiscal years ended September 30, 2005, 2004 and 2003:

	Nine Months Ended		Year Ended		
	June 30,		September 30,		
	2006	2005	2005	2004	2003
Cash provided by operating activities	$ 110,047	$ 82,421	$ 115,455	$ 159,228	$ 101,383
Cash used by investing activities	(43,380)	(115,376)	(126,045)	(139,919)	(56,864)
Cash provided (used) by financing activities	(27,962)	9,790	3,737	(34,000)	(23,124)
Effect of foreign exchange rates	(289)	(11)	12	(570)	1,572
Net increase (decrease) in cash and cash equivalents	$ 38,416	$ (23,176)	$ (6,841)	$ (15,261)	$ 22,967

Cash Provided by Operating Activities

Net cash provided by operating activities during the nine months ended June 30, 2006 increased by $27.6 million to $110.0 million compared to $82.4 million during the nine months ended June 30, 2005. The increase was primarily due to the timing of payments of amounts due to Alberto-Culver, improved collections of other receivable balances and a reduction in amounts paid for inventories, partially offset by lower net earnings adjusted for non-cash items.

Net cash provided by operating activities declined by $43.7 million to $115.5 million in fiscal 2005 from $159.2 million in fiscal 2004 primarily due to the timing of payments to vendors, higher income tax payments to Alberto-Culver in 2005 and an increase in accounts payable and accrued expenses generated by the West Coast business in 2004 subsequent to its acquisition date, partially offset by higher net earnings adjusted for non-cash items.

Net cash provided by operating activities increased by $57.8 million to $159.2 million in fiscal 2004 from $101.4 million in fiscal 2003 mainly due to the timing of payments to vendors and the timing of payments of amounts due to Alberto-Culver as well as higher net earnings excluding the non-cash items, partially offset by a strategic increase in inventories for new product lines and to support increased sales.

Cash Used by Investing Activities

Net cash used by investing activities in the nine months ended June 30, 2006 decreased by $72.0 million to $43.4 million compared to $115.4 million in the nine months ended June 30, 2005, primarily due to higher cash acquisition costs and greater capital expenditures in the nine months ended June 30, 2005. Cash used for the acquisition of Salon Success during the nine months ended June 30, 2006 was substantially less than the cash used for the acquisition of CosmoProf in the prior year period. Capital expenditures were $21.9 million for the nine months ended June 30, 2006 compared to $41.0 million during the nine months ended June 30, 2005 with the higher amount in 2005 principally related to the new corporate support facility in Denton, Texas.

Net cash used by investing activities was $126.0 million, $139.9 million and $56.9 million during fiscal 2005, 2004 and 2003, respectively. The net cash used by investment activities primarily consisted of $96.9 million and $123.7 million spent for acquisitions in fiscal years 2005 and 2004, respectively, principally related to the December 2004 acquisition of CosmoProf and the December 2003 purchase of West Coast. In addition, capital expenditures were $52.2 million and $52.0 million in fiscal years 2005 and 2004, respectively, compared

to $34.2 million in fiscal year 2003, primarily due to a total of $35.0 million spent for the new corporate support facility in Denton, Texas in fiscal years 2005 and 2004.

Cash Provided (Used) by Financing Activities

Net cash used by financing activities was $28.0 million during the nine months ended June 30, 2006 compared to net cash provided by financing activities of $9.8 million during the nine months ended June 30, 2005. Net cash provided (used) by financing activities was negatively impacted in the nine months ended June 30, 2006 by the net repayment of $16.7 million of notes with affiliated companies and the change in the book cash overdraft balance. For the nine months ended June 30, 2005, Sally Holdings borrowed $52.7 million from affiliated companies, which was offset by repayments of $45.7 million, and $40.0 under the revolving credit facility discussed below, which was offset by repayments of $30.0 million.

Net cash provided by financing activities was $3.8 million for the year ended September 30, 2005 while net cash used by financing activities was $34.0 million and $23.1 million for the years ended September 30, 2004 and 2003, respectively. Net cash provided (used) by financing activities was impacted by changes in the book cash overdraft balance, equity distributions to Alberto-Culver pursuant to an intercompany agreement and the proceeds/payments on notes with affiliated companies in each of the years ended September 30, 2005, 2004 and 2003.

Pre-Transaction Liquidity

Two subsidiaries of Sally Holdings are permitted borrowing subsidiaries under Alberto-Culver s $300 million revolving credit facility which expires on August 31, 2009 but from which they will be removed prior to completion of the transactions. BSG borrowed a total of $40.0 million under this credit facility during fiscal year 2005 in connection with the acquisition of CosmoProf and all such borrowings were repaid during the year. No borrowings by these subsidiaries were outstanding as of June 30, 2006, September 30, 2005 and September 30, 2004.

Sally Holdings historically has also had revolving credit facilities as well as notes payable and notes receivable with affiliated companies. Borrowings from affiliated companies of $31.8 million and $38.3 million were outstanding as of September 30, 2005 and 2004, respectively, while notes receivable from affiliated companies totaled $15.2 million and $22.8 million, respectively, at September 30, 2005 and 2004. All notes payable to affiliated companies and notes receivable from affiliated companies were repaid in December, 2005.

Subject to the restrictions set forth in the transaction agreements, prior to the completion of the transactions, Sally Holdings expects that net cash provided by operating activities will continue to be used in fiscal year 2006 for acquisitions, capital expenditures, market expansion and payments to Alberto-Culver under various intercompany agreements.

Post-Transaction Liquidity

In connection with the transactions, Sally Holdings expects to (a) enter into a $1.14 billion term loan facility, of which approximately $1.07 billion is anticipated to be drawn at closing, (b) issue approximately $710 million aggregate principal amount of notes or enter into an unsecured senior interim loan in an aggregate principal amount of up to $710 million and (c) enter into a $400 million asset-based revolving loan facility (ABL facility), subject to borrowing base limitations, of which approximately $70 million is anticipated to be drawn at closing. Sally Holdings and/or one or more of its subsidiaries is expected to incur aggregate indebtedness in connection with the transactions of approximately $1.85 billion. For a detailed description of the financing, see Anticipated Terms of Financing beginning on page 136. All or a substantial portion of the proceeds from this new debt and the $575 million of proceeds from the equity investment by Investor will be used to pay a $25.00 per share cash dividend to holders of record of New Sally common stock (other than New Sally Class A common stock).

Following the completion of the transactions, Sally Holdings will be highly leveraged and a substantial portion of the liquidity needs of the Sally Holdings business will arise from debt service on indebtedness incurred in connection with the transactions and from funding the costs of operations, working capital and capital expenditures. Ongoing liquidity needs are expected to be funded by net cash provided by operating activities and borrowings under the ABL facility. See Contractual Obligations below. Borrowings under the term loan facility may only be incurred on the closing date. In addition, New Sally s ability to obtain liquidity from the issuance of additional public or private equity will be severely limited for at least two years following completion of the transactions because issuance of additional New Sally common stock may cause the New Alberto-Culver share distribution to be taxable to New Sally and New Sally stockholders under Section 355(e) of the Internal Revenue Code. See Risk Factors Risks Relating to the Transactions beginning on page 27 and Additional Agreements Relating to the New Alberto-Culver Share Distribution Tax Allocation Agreement beginning on page 131 for a more detailed discussion of Section 355(e) and the tax allocation agreement between Alberto-Culver and New Sally.

The ABL facility is expected to contain a covenant requiring Sally Holdings to maintain a fixed charge coverage ratio of 1.0 to 1.0 when availability under the facility falls below $40 million. The fixed charge coverage ratio is expected to be defined as the ratio of (A) EBITDA as it will be defined in the ABL facility (credit agreement EBITDA) *less* unfinanced capital expenditures to (B) fixed charges as they will be defined in the ABL facility (fixed charges). Fixed charges are expected to be defined as the sum of the amount of interest expense *plus* prepayments of certain indebtedness *plus* mandatory payments on account of certain capital stock *plus* cash income tax expense *plus* certain cash dividends for the applicable period. Credit agreement EBITDA is expected to be defined as consolidated net earnings excluding the following: net interest expense; income tax expense; depreciation and amortization expense; and certain other items included in consolidated net earnings, including, among others, non-cash expenses and charges, extraordinary, unusual or non-recurring gains or losses, gains or losses associated with the sale or write down of assets not in the ordinary course of business and earnings of non-controlled affiliates in excess of cash dividends or distributions paid therefrom. The fixed charge coverage ratio is expected to be calculated using fixed charges, unfinanced capital expenditures and credit agreement EBITDA for the most recent four fiscal quarters as a whole. On a pro forma basis giving effect to the transactions, estimated fixed charges would have been $136.4 million and $142.6 million for the nine months ended June 30, 2006 and 2005, respectively, and $191.3 million for the fiscal year ended September 30, 2005. On a pro forma basis giving effect to the transactions, credit agreement EBITDA would have been $221.6 million and $195.3 million for the nine months ended June 30, 2006 and 2005, respectively, and would have been $259.6 million for the fiscal year ended September 30, 2005. Credit agreement EBITDA includes $10.7 million and $10.0 million of corporate expenses for administrative services and certain other corporate functions allocated to Sally Holdings by Alberto-Culver for the nine months ended June 30, 2006 and 2005, respectively, and $13.3 million of such expenses for the year ended September 30, 2005. Management of New Sally believes that it can realize cost savings that could reduce such stand-alone costs to as little as $7.5 million on an annual basis, which, if realized, would have increased credit agreement EBITDA, on a pro forma basis, by $5.1 million for the nine months ended June 30, 2006, $4.4 million for the nine months ended June 30, 2005 and $5.8 million for the year ended September 30, 2005. For purposes of calculating the fixed charge coverage ratio, credit agreement EBITDA is expected to be measured on a last-four-quarters basis. Accordingly, it can be disproportionately affected by a particularly strong or weak quarter and may not be comparable to the measure for any previous or subsequent four-quarter period. In addition, it is expected that the ABL facility may use fixed amounts for credit agreement EBITDA for periods preceding the closing that may differ from those shown above.

New Sally presents credit agreement EBITDA in this proxy statement/prospectus-information statement to demonstrate that Sally Holdings would have been in compliance with this covenant as of June 30, 2006 on a pro forma basis after giving effect to the transactions. Failure to comply with the fixed charge coverage ratio covenant (if and when applicable) under the ABL facility would result in a default under such facility, which could also result in a default under the term loan facility and the notes and/or the interim loan facility. Absent a waiver or an amendment from Sally Holdings lenders and note holders, such defaults could permit the

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acceleration of all indebtedness under the ABL facility, term loan facility and the notes and/or the interim loan facility, which would have a material adverse effect on Sally Holdings results of operations, financial position and cash flows.

Credit agreement EBITDA is not a recognized measurement under accounting principles generally accepted in the United States of America, or GAAP and should not be considered as a substitute for financial performance and liquidity measures determined in accordance with GAAP, such as net income, operating income or operating cash flow. In addition, because other companies may calculate EBITDA differently, credit agreement EBITDA likely will not be comparable to EBITDA or similarly titled measures reported by other companies.

Credit agreement EBITDA is expected to be calculated as set forth below, subject to the definitive documentation for the ABL facility. The table below also reconciles credit agreement EBITDA on a pro forma basis giving effect to the transactions to its most directly comparable financial measures under GAAP, net earnings and net cash provided by operating activities, for the nine months ended June 30, 2006 and 2005 and the year ended September 30, 2005 are as follows (in thousands):

	Nine Months Ended June 30,		Year Ended September 30,
	2006	**2005**	**2005**
Net earnings	$ 79,530	$ 88,179	$ 116,461
Interest expense, net of interest income	295	2,350	2,966
Provision for income taxes	49,122	55,162	73,154
Depreciation and amortization	28,088	24,384	33,906
Non-cash charge related to Alberto-Culver s conversion to one class of common stock		3,049	4,051
Stock option expense	4,097		
Expenses related to terminated spin/merge transaction	39,275		
Lease accounting adjustment		1,900	1,900
Pro forma operating earnings adjustments	21,192	20,315	27,115
Credit Agreement EBITDA	$ 221,599	$ 195,339	$ 259,553
Net cash provided by operating activities	$ 110,047	$ 82,421	$ 115,455
Interest expense, net of interest income	295	2,350	2,966
Provision for income taxes	49,122	55,162	73,154
Deferred income taxes	1,788	(5,183)	(8,288)
Expenses related to terminated spin/merge transaction	39,275		
Lease accounting adjustment		1,900	1,900
Pro forma operating earnings adjustments	21,192	20,315	27,115
Changes in operating assets and liabilities	604	39,110	48,937
Net loss on disposal of leaseholds and other property	(724)	(736)	(1,686)
Credit Agreement EBITDA	$ 221,599	$ 195,339	$ 259,553

Credit agreement EBITDA includes $10.7 million and $10.0 million of corporate expenses for administrative services and certain other corporate functions allocated to Sally Holdings by Alberto-Culver for the nine months ended June 30, 2006 and 2005, respectively, and $13.3 million of such expenses for the year ended September 30, 2005. Management of New Sally believes that it can realize cost savings that could reduce such stand-alone costs to as little as $7.5 million on an annual basis, which, if realized, would have increased credit agreement EBITDA, on a pro forma basis, by $5.1 million for the nine months ended June 30, 2006, $4.4 million for the nine months ended June 30, 2005 and $5.8 million for the year ended September 30, 2005.

The credit agreement EBITDA definition and other provisions of the ABL facility are still subject to negotiation and accordingly this definition may change before the documentation of the ABL facility is finalized.

Based upon the current level of operations and anticipated growth, Sally Holdings anticipates that existing cash balances, funds generated by operations and funds available under the new ABL facility will be sufficient to meet working capital requirements and to finance capital expenditures over the next twelve months. However, the ability of Sally Holdings to meet its debt service obligations and other capital requirements, including capital expenditures, will depend upon its future performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond its control.

There can be no assurance that the Sally Holdings business will generate sufficient cash flows from operations, that anticipated net sales growth and operating improvements will be realized or that future borrowings will be available under the ABL facility in an amount sufficient to enable Sally Holdings to service its indebtedness or to fund its other liquidity needs. In addition, Sally Holdings ability to meet its debt service obligations and liquidity needs are subject to certain risks, which include, but are not limited to, restrictions on its ability to issue public or private equity for at least two years after completion of the transactions, increases in competitive activity, the loss of key suppliers, rising interest rates, the loss of key personnel, the ability to execute Sally Holdings business strategy and general economic conditions.

As a holding company, New Sally will depend on its subsidiaries, including Sally Holdings, to distribute funds to New Sally so that New Sally may pay its obligations and expenses. The ability of New Sally s subsidiaries to make such distributions will be subject to their operating results, cash requirements and financial condition and their compliance with covenants and financial ratios related to their existing or future indebtedness. In addition, under Delaware law, the ability of each of Sally Holdings and its subsidiaries to make distributions to New Sally will be limited to the extent (a) of its surplus, or if there is no surplus, of its net profits for the fiscal year in which the distribution is declared and/or the preceding fiscal year, if Sally Holdings or such subsidiary is a corporation, or (b) the fair value of its assets exceeds its liabilities, if Sally Holdings or such subsidiary is a limited liability company. If, as a consequence of these limitations, New Sally cannot receive sufficient distributions from its subsidiaries, it may not be able to meet its obligations to fund general corporate expenses or pay cash dividends to its shareholders. See Risk Factors Risks Relating to New Sally beginning on page 41.

Contractual Obligations

Sally Holdings primary contractual cash obligations have historically been operating leases, notes payable to affiliated companies and purchase obligations. The majority of Sally Holdings operating leases are for Sally Beauty Supply and BSG stores, which typically are located in strip shopping centers. The use of operating leases allows Sally Holdings to expand its business to new locations without making significant up-front cash outlays for the purchase of land and buildings.

The following table is a summary of Sally Holdings contractual cash obligations and commitments outstanding by future payment dates at September 30, 2005:

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(In thousands)		
Long-term debt, including interest obligations (1)	$ 15,648	7,607	1,249	13,385	37,889
Operating leases (2)	96,045	142,827	73,334	51,583	363,789
Purchase obligations (3)	15,737	31,474	31,474	30,164	108,849
Other long-term obligations (4)	8,015	9,578	4,397	4,501	26,491
Total	$ 135,445	191,486	110,454	99,633	537,018

(1) Long-term debt includes amounts owed to affiliated companies and capital leases. The entire balance of notes payable to affiliated companies of $31.8 million at September 30, 2005 was subsequently repaid in the first quarter of fiscal year 2006.

(2) In accordance with GAAP, these obligations are not reflected in the accompanying consolidated balance sheets.
(3) Purchase obligations reflect legally binding agreements entered into by Sally Holdings to purchase goods that specify minimum quantities to be purchased with variable price provisions. In accordance with GAAP, these obligations are not reflected in the accompanying consolidated balance sheets.
(4) Other long-term obligations principally represent commitments under various acquisition-related agreements including non-compete, consulting and severance agreements and deferred compensation arrangements. These obligations are included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

The contractual cash obligations of Sally Holdings will be substantially changed as a result of the transactions. Under the terms of the investment agreement, Sally Holdings and/or one or more of its subsidiaries are expected to incur approximately $1.85 billion of new debt. Upon completion of the transactions, Sally Holdings and/or one or more of its subsidiaries will have material contractual cash obligations related to the principal and interest payments for this new debt. The minimum required annual principal payments are expected to be approximately $10.7 million under the term loan facility with no other minimum required annual principal payments for the other components of the new debt. Assuming an estimated average interest rate of 8.55%, interest payments for the new debt are estimated to be approximately $157.8 million in the first year. Management s assumptions with respect to the debt financing for the transactions, including but not limited to assumptions regarding the availability of each of the debt instruments at and after closing on financial terms currently contemplated and the interest rates applicable to each such instrument, are subject to changes that may be material. In addition, other future events could cause actual payments to differ materially from these amounts. See Special Note Regarding Forward-Looking Statements beginning on page 52, Unaudited Condensed Pro Forma Consolidated Financial Statements of New Sally beginning on page 249 and Risk Factors Risks Relating to New Sally The terms of the various forms of indebtedness have not been finalized and are subject to market risk on page 50.

Off-Balance Sheet Financing Arrangements

At June 30, 2006 and September 30, 2005 and 2004, Sally Holdings had no off-balance sheet financing arrangements other than operating leases incurred in the ordinary course of business as well as outstanding letters of credit related to inventory purchases, which totaled $1.4 million at June 30, 2006 and $1.8 million and $0.1 million, respectively, at September 30, 2005 and 2004.

Inflation

Management believes that inflation currently does not have a material effect on Sally Holdings results of operations.

Quantitative and Qualitative Disclosures About Market Risk

As a multinational corporation, Sally Holdings is subject to certain market risks including foreign currency fluctuations, interest rates and government actions. Sally Holdings considers a variety of practices to manage these market risks, including, when deemed appropriate, the occasional use of derivative financial instruments.

Foreign currency exchange rate risk

Sally Holdings is exposed to potential gains or losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. Sally Holdings primary exposures are to changes in exchange rates for the U.S. dollar versus the British pound sterling, Canadian dollar, Euro and Mexican peso. Sally Holdings various currency exposures at times offset each other providing a natural hedge against currency risk. In fiscal 2005, approximately 11% of Sally Holdings sales were made in currencies other than the U.S.

dollar. Fluctuations in U.S. dollar exchange rates within the range of the rates for fiscal years 2005, 2004 and 2003 are not expected to have a material effect on Sally Holdings financial condition and results of operations.

Sally Holdings uses derivative financial instruments only for risk management and does not use them for trading or speculative purposes. During the nine months ended June 30, 2006 and the fiscal years ended September 30, 2005, 2004 and 2003, Sally Holdings used no derivative financial instruments.

Interest rate risk

Sally Holdings is subject to interest rate market risk in connection with its long-term debt. The principal interest rate exposure relates to amounts expected to be borrowed under Sally Holdings new term loan facility and ABL facility. Sally Holdings and/or one or more of its subsidiaries expects to incur approximately $1.14 billion of indebtedness with variable interest rates under its term loan facility and ABL facility in connection with the transactions, including approximately $70 million that is anticipated to be drawn under the ABL facility. A change in the estimated interest rate on the anticipated $1.14 billion of borrowings under the term loan facility and the ABL facility up or down by 1/8% will increase or decrease earnings before provision for income taxes by approximately $1.4 million on an annual basis, respectively.

Sally Holdings and/or its subsidiaries will be sensitive to interest rate fluctuations. In order to enhance its ability to manage risk relating to cash flow and interest rate exposure, Sally Holdings and/or its subsidiaries may enter into and maintain derivative instruments, such as interest rate swap agreements, for periods consistent with the related underlying exposures. In addition, the term loan facility may require that Sally Holdings and/or its subsidiaries hedge a portion of their floating interest rate exposure for a specified period.

Sally Holdings expected maturities by fiscal year of existing long-term fixed rate debt* at September 30, 2005 is as follows (in thousands):

2006	$ 13,880
2007	2,049
2008	3,886
2009	82
Thereafter	12,811
Total**	$ 32,708
Fair value	$ 32,842

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* Includes notes payable to affiliated companies and capital leases. The entire balance of notes payable to affiliated companies of $31.8 million at September 30, 2005 was subsequently repaid in the first quarter of fiscal year 2006.

** The average interest rate was 5.29%.

Credit risk

Sally Holdings is exposed to credit risk on certain assets, primarily cash equivalents, short-term investments and accounts receivable. The credit risk associated with cash equivalents and short-term investments is mitigated by Sally Holdings policy of investing in a diversified portfolio of securities with high credit ratings.

Sally Holdings provides credit to customers in the ordinary course of business and performs ongoing credit evaluations. Sally Holdings exposure to concentrations of credit risk with respect to trade receivables is mitigated by Sally Holdings broad customer base. Sally Holdings believes its allowance for doubtful accounts is sufficient to cover customer credit risks.

New Accounting Pronouncements

In July, 2006, the FASB issued Interpretation No. 48 (FIN No. 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. FIN No. 48 clarifies the recognition threshold and measurement requirements for tax positions taken or expected to be taken in tax returns and provides guidance on the related classification and disclosure. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. Accordingly, Sally Holdings will adopt FIN No. 48 no later than the beginning of fiscal year 2008. Sally Holdings is currently evaluating the effects that the adoption of FIN No. 48 will have on its consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Actual results may differ from these estimates. Management of Sally Holdings believes these estimates and assumptions are reasonable. Accounting policies are considered critical when they require management to make assumptions about matters that are highly uncertain at the time the accounting estimate is made and when different estimates that management reasonably could have used have a material effect on the presentation of Sally Holdings financial condition, changes in financial condition or results of operations.

Sally Holdings critical accounting policies relate to the valuation of inventories, vendor allowances, income taxes and stock-based compensation.

Valuation of Inventories

When necessary, Sally Holdings provides allowances to adjust the carrying value of inventories to the lower of cost or market, including costs to sell or dispose, and for estimated inventory shrinkage. Inventories are stated at the lower of cost (first in, first out method) or market (net realizable value). Estimates of the future demand for Sally Holdings products and changes in stock-keeping units are some of the key factors used by Sally Holdings management in assessing the net realizable value of inventories. Sally Holdings estimates inventory shrinkage based on historical experience. Actual results differing from these estimates could significantly affect Sally Holdings inventories and cost of products sold and distribution expenses.

Vendor Allowances

Sally Holdings accounts for cash consideration received from vendors under Emerging Issues Task Force (EITF) 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor.* EITF 02-16 states that cash consideration received by a customer is presumed to be a reduction of the cost of sales unless it is for an asset or service or a reimbursement of a specific, incremental, identifiable cost incurred by the customer in selling the vendor s products. The majority of cash consideration received by Sally Holdings is considered to be a reduction of the cost of sales and is allocated to cost of products sold and distribution expenses as the related inventory is sold. Sally Holdings management considers the facts and circumstances of the various contractual agreements with vendors in order to determine the appropriate classification of amounts received in the statements of earnings. Sally Holdings records cash consideration expected to be received from vendors in other receivables. These receivables are recorded at the amount Sally Holdings management believes will be collected based on the provisions of the programs in place and are computed by estimating the point in time that Sally Holdings has completed its performance under the agreements and the amounts earned. These receivables could be significantly affected if actual results differ from management s expectations.

Income Taxes

Sally Holdings records tax provisions in its consolidated financial statements based on an estimation of current income tax liabilities. The development of these provisions requires judgments about tax issues, potential

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outcomes and timing. If Sally Holdings prevails in tax matters for which provisions have been established or is required to settle matters in excess of established provisions, Sally Holdings effective tax rate for a particular period could be significantly affected.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are estimated to be recovered or settled. Sally Holdings management believes that it is more likely than not that results of future operations will generate sufficient taxable income to realize Sally Holdings deferred tax assets, net of the valuation allowance currently recorded. In the future, if Sally Holdings determines that certain deferred tax assets will not be realizable, the related adjustments could significantly affect Sally Holdings effective tax rate at that time.

Stock-Based Compensation

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). Sally Holdings recognizes compensation expense on a straight-line basis over the vesting period or to the date a participant becomes eligible for retirement, if earlier. Sally Holdings considers the calculation and treatment of stock option expense under SFAS No. 123 (R) to be a critical accounting policy.

The amount of stock option expense is determined based on the fair value of each stock option grant, which is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected life, volatility, risk-free interest rate and dividend yield. The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding. Sally Holdings estimates the expected life based on historical exercise trends. Sally Holdings estimates expected volatility based on the historical volatility of Alberto-Culver s common stock. The estimate of the risk-free interest rate is based on the U.S. Treasury bill rate for the expected life of the stock options. The dividend yield represents Alberto-Culver s anticipated cash dividend over the expected life of the stock options. The amount of stock option expense recorded is significantly affected by these estimates. In addition, Sally Holdings records stock option expense based on an estimate of the total number of stock options expected to vest, which requires Sally Holdings to estimate future forfeitures. Sally Holdings uses historical forfeiture experience as a basis for this estimate. Actual forfeitures differing from these estimates could significantly affect the timing of the recognition of stock option expense.

UNAUDITED CONDENSED PRO FORMA CONSOLIDATED

FINANCIAL STATEMENTS OF NEW SALLY

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 100% owned by 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 financing 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.

See The Transactions Description of the Transactions beginning on page 57.

The unaudited condensed pro forma consolidated balance sheet of New Sally reflects the unaudited condensed consolidated historical balance sheet of Sally Holdings as of June 30, 2006 as if the transactions had occurred on that date. The unaudited condensed pro forma consolidated statements of earnings of New Sally reflect the operations of Sally Holdings for the nine months ended June 30, 2006 and the operations of Sally Holdings for the year ended September 30, 2005 as if the transactions had occurred on October 1, 2004. Certain reclassifications have been made to the historical presentation of Sally Holdings to conform to the presentation used in the unaudited condensed pro forma consolidated

financial statements.

The unaudited condensed pro forma consolidated financial statements of New Sally presented below are derived from the historical consolidated financial statements of Sally Holdings and adjusted to give effect to, among other things:

- 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.

Regardless of the exact legal order of the various transactions, items that impact New Sally are reflected in the unaudited condensed pro forma consolidated financial statements of New Sally and items that impact New Alberto-Culver are reflected in the unaudited condensed pro forma consolidated financial statements of New Alberto-Culver.

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.

The unaudited condensed pro forma consolidated statements of earnings presented below do not reflect any one-time charges or additional costs expected to result from the transactions. 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. The estimated pre-tax, one-time charges that have been excluded include $77.1 million of transaction expenses, $6.2 million related to the accelerated vesting of equity-based awards and $3.6 million of severance benefits for Mr. Renzulli. In addition, the unaudited condensed pro forma consolidated statements of earnings do not give effect to reductions in certain costs New Sally expects to occur associated with operating as a stand-alone company.

The unaudited condensed pro forma consolidated financial statements are for illustrative purposes only and do not reflect what New Sally s financial position and results of operations would have been had the transactions occurred on the dates indicated and are not indicative of New Sally s future financial position and future results of operations. The consolidated financial statements of New Sally will reflect the effects of the transactions only from the date of completion of the transactions. 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.

The unaudited condensed pro forma consolidated financial statements should be read in conjunction with the accompanying notes and the other financial information included or incorporated by reference elsewhere in this proxy statement/prospectus information statement.

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Unaudited Condensed Pro Forma Consolidated Balance Sheet of New Sally

As of June 30, 2006

(In thousands, except share data)

	Historical Sally Holdings	Pro Forma Adjustments	Pro Forma New Sally
Assets			
Current Assets:			
Cash and cash equivalents	$ 77,028	$ (31,110)(1)	$ 45,918
Receivables, net	65,384		65,384
Inventories	557,998		557,998
Other current assets	23,995		23,995
Total current assets	724,405	(31,110)	693,295
Property and equipment, net	144,235		144,235
Goodwill	369,775		369,775
Other assets	53,720	42,950(2)	96,670
Total Assets	$ 1,292,135	$ 11,840	$ 1,303,975
Liabilities and Stockholders Equity			
Current Liabilities:			
Current maturities of long-term debt	$ 664	$ 10,700(3)	$ 11,364
Accounts payable	147,781	2,682(4)	150,463
Accrued expenses	104,995	3,641(5)	108,636
Income taxes		26,505(6)	26,505
Due to Alberto-Culver	18,637	(18,637)(7)	
Total current liabilities	272,077	24,891	296,968
Long-term debt	844	1,839,300(3)	1,840,144
Other liabilities	35,769	(2,356)(8)	33,413
Total liabilities	308,690	1,861,835	2,170,525
Stock options subject to redemption	8,561		8,561
Total stockholders equity (deficit)	974,884	(1,849,995)(9)	(875,111)
Total Liabilities and Stockholders Equity	$ 1,292,135	$ 11,840	$ 1,303,975

Notes to Unaudited Condensed Pro Forma Consolidated Balance Sheet of New Sally as of June 30, 2006

(1) Represents the following pro forma adjustments that adjust New Sally s cash in accordance with the various transaction agreements (in thousands):

Adjust cash balance to the estimated amount that will remain with New Sally after the New Alberto-Culver share distribution in accordance with the terms of the separation agreement	$ 12,890
Cash proceeds from investment in New Sally by Investor	575,000
Cash proceeds from incurrence of new debt by Sally Holdings and/or one or more of its subsidiaries	1,850,000

Payment of fees and expenses associated with new debt	(42,950)
Payment of cash dividend by New Sally	(2,322,640)
Estimated payment to Alberto-Culver under the cash dividend true-up provision in the investment agreement	(26,360)
Payment of specified portion of Alberto-Culver estimated transaction expenses	(20,000)
Payment of transaction fee to CD&R	(30,000)
Payment of other Investor estimated transaction expenses	(27,050)
	$ (31,110)

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The amount of the cash dividend is based on the number of Alberto-Culver shares outstanding on June 30, 2006.

(2) Represents the capitalization of debt issuance costs associated with the $1.85 billion of debt incurred by Sally Holdings and/or one or more of its subsidiaries in connection with the transactions.

Based on current estimates, if the market flex provisions applicable to the new debt financings were fully exercised, the interim loan facility was fully funded, and the interim loans (and any permanent refinancing thereof) were incurred at the highest interest rate under the backstop terms, pro forma debt issuance costs would increase by approximately $14.6 million.

(3) Represents the $1.85 billion of debt incurred by Sally Holdings and/or one or more of its subsidiaries in connection with the transactions as follows (in thousands):

Asset based revolving credit facility	$ 70,000
Bank term loan	1,070,000
Senior notes	430,000
Senior subordinated notes	280,000
Total debt	1,850,000
Current portion of bank term loan	(10,700)
Total long-term debt	$ 1,839,300

The debt obligations set forth above 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.

(4) Represents the trade accounts payable balance owed to New Alberto-Culver for inventory purchases. This balance was reported in the intercompany due to Alberto-Culver line on the historical Sally Holdings balance sheet.

(5) Represents the accrual of severance benefits for Mr. Renzulli under his termination and consulting agreement.

(6) Represents the following pro forma adjustments that adjust New Sally s income taxes payable (in thousands):

Income tax payable resulting from the recognition of a deferred gain for federal and state income tax purposes	$ 16,625
Income tax payable resulting from the recognition intercompany profit in inventory that was previously unrecognized in the historical financial statements of Alberto-Culver (New Sally responsible for tax)	1,633
Income tax benefit related to the accrual of severance benefits for Mr. Renzulli under his termination and consulting agreement	(1,384)
Amount of income tax payable that becomes the responsibility of New Sally under the tax allocation agreement	9,631
	$ 26,505

(7) Represents the reclassification of New Sally s trade accounts payable to New Alberto-Culver of $2.7 million and the elimination of the remaining net intercompany payable to Alberto-Culver of $15.9 million which will be canceled upon completion of the transactions in accordance with the separation agreement.

(8) Represents the recognition of deferred taxes associated with the accelerated vesting of New Sally stock options and restricted shares upon completion of the transactions.

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(9) Represents the following pro forma adjustments that adjust New Sally s stockholders equity in accordance with the various transaction agreements (in thousands):

Issuance of equity securities by New Sally to Investor	$ 575,000
Payment of cash dividend by New Sally	(2,322,640)
Reduction of New Sally s equity for:	
Estimated payment to Alberto-Culver under the cash dividend true-up provision in the investment agreement	(26,360)
Amount of the payable due to Alberto-Culver that will be canceled in accordance with the terms of the separation agreement in excess of the adjustment of New Sally s cash balance	(2,589)
Income taxes resulting from the recognition of intercompany profit in inventory that was previously unrecognized in the historical financial statements of Alberto-Culver (New Sally responsible for tax)	(1,633)
Impact on New Sally s equity of non-recurring expenses recorded upon completion of the transactions:	
Payment of specified portion of Alberto-Culver estimated transaction expenses	(20,000)
Payment of transaction fee to CD&R	(30,000)
Payment of other Investor estimated transaction expenses	(27,050)
Accelerated vesting of New Sally stock options and restricted shares	2,356
Accrual of severance benefits for Mr. Renzulli	(2,257)
	$ (1,849,995)

The amount of the cash dividend is based on the number of Alberto-Culver shares outstanding on June 30, 2006.

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Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Sally

for the Nine Months Ended June 30, 2006

(In thousands, except per share data)

	Historical Sally Holdings	Pro Forma Adjustments	Pro Forma New Sally
Net sales	$ 1,766,990	$	$ 1,766,990
Cost of products sold and distribution expenses	953,756		953,756
Gross profit	813,234		813,234
Selling, general and administrative expenses	612,739	375(2)	613,114
Corporate charges from Alberto-Culver	32,273	(21,567)(3)	10,706
Transaction expenses	39,275		39,275
Operating earnings	128,947	21,192	150,139
Interest expense, net of interest income	295	123,015(4)	123,310
Earnings before provision for income taxes	128,652	(101,823)	26,829
Provision for income taxes	49,122	(38,693)(5)	10,429
Net earnings	$ 79,530	$ (63,130)	$ 16,400
Net earnings per share:			
Basic	NA(1)	NA	$ 0.09
Diluted	NA(1)	NA	$ 0.09
Weighted average shares outstanding:			
Basic	NA	177,837(6)	177,837
Diluted	NA	179,405(6)	179,405

Notes to Unaudited Condensed Pro Forma Consolidated Statement of Earnings of New Sally for the Nine Months Ended June 30, 2006

(1) Net earnings per share information has not been shown for historical Sally Holdings because it would not be meaningful since Sally Holdings is a wholly-owned subsidiary of Alberto-Culver with 1,000 shares outstanding.

(2) Represents pro forma adjustments for the nine month period for consulting services with Mr. Renzulli pursuant to his termination and consulting agreement.

(3) Represents pro forma adjustment to eliminate the sales-based service fee charged by Alberto-Culver and reflected on the historical Sally Holdings consolidated statement of earnings associated with consulting, business development and advisory services agreements between Alberto-Culver and certain subsidiaries of Sally Holdings. The agreement giving rise to the sales-based service fee will be terminated in connection with the transactions and the sales-based service fee will no longer be payable by New Sally. The remaining pro forma amount of $10.7 million represents $2.5 million of direct expenses of Sally Holdings and $8.2 million of allocated corporate expenses for administrative services and certain other corporate functions that were charged to Sally Holdings by Alberto-Culver during the period and

does not give effect to reductions in certain costs New Sally expects to occur associated with operating as a stand-alone company.

(4)