

Sally Beauty Holdings, Inc.  
Form 10-K/A  
April 09, 2007

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-K/A  
Amendment No. 1  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006  
Commission File Number: 1-33145**

**SALLY BEAUTY HOLDINGS, INC.**  
(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State of Incorporation)

**36-2257936**  
(I.R.S. Employer  
Identification Number)

**3001 Colorado Boulevard**  
**Denton, TX**  
(Address of Principal Executive Offices)

**76210**  
(Zip Code)

Registrant's telephone number, including area code: **(940) 898-7500**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
<b>Common Stock, par value \$.01 per share</b>	<b>New York Stock Exchange</b>

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

At December 14, 2006, there were 180,104,975 shares of common stock outstanding.



**TABLE OF CONTENTS**

ITEM 9A. CONTROLS AND PROCEDURES

ITEM 11. EXECUTIVE COMPENSATION

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

SIGNATURES

Rule 13(a)-14(a)/15(d)-14(a) Certification

Rule 13(a)-14(a)/15(d)-14(a) Certification

---

**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2006, is being filed to (i) correct the Summary Compensation table included in Item 11 of the Form 10-K filed on December 22, 2006 (the Original Filing ), based upon information discovered by the registrant following the Original Filing, and (ii) to correct the paragraph entitled Conclusions regarding Disclosure Controls included in Item 9A to update such Item 9A in light of the amendment to the Summary Compensation table herein. As required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act ), we have included the complete text of the revised Item 9A and Item 11. The text in Item 11 under the heading Executive Officer Severance Agreements speaks as of the date of the Original Filing and has not been revised or updated in this 10-K/A to reflect events occurring between the date of the Original Filing and the filing of this 10-K/A, including the subsequently revised arrangements disclosed by the registrant in its proxy statement filed with the Securities and Exchange Commission on March 7, 2007.

Except as described above, this amendment does not modify or update disclosure in, or exhibits to, the Original Filing. Furthermore, this amendment does not change any previously reported financial results, nor does it reflect events occurring after the date of the Original Filing.

**ITEM 9A. CONTROLS AND PROCEDURES**

*Controls Evaluation and Related CEO and CFO Certifications.* Our management, with the participation of our principal executive officer ( CEO ) and principal financial officer ( CFO ), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The controls evaluation was conducted by our Disclosure Committee, comprised of senior representatives from our finance, accounting, internal audit, and legal departments under the supervision of our CEO and CFO.

Certifications of our CEO and our CFO, which are required in accordance with Rule 13a-14 of the Exchange Act, are attached as exhibits to this report. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

*Limitations on the Effectiveness of Controls.* We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. A system of controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the limitations in all such systems, no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Furthermore, the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how unlikely. Because of these inherent limitations in a cost-effective system of controls and procedures, misstatements or omissions due to error or fraud may occur and not be detected.

*Scope of the Controls Evaluation.* The evaluation of our disclosure controls and procedures included a review of their objectives and design, the Company's implementation of the controls and procedures and the effect of the controls and procedures on the information generated for use in this report. In the course of the evaluation, we sought to identify whether we had any data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, was being undertaken if needed. This type of evaluation is performed on a quarterly basis so that conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our quarterly reports on Form 10-Q and our annual reports on Form 10-K. Many of the components of our disclosure controls and procedures are also evaluated by our internal audit department, our legal department and by personnel in our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures on an ongoing basis, and to maintain them as dynamic systems that change as conditions warrant. In reviewing the Summary Compensation Table included with Item 11 of this report as a result of an existing control process, management discovered that certain perquisites and other compensation received by our named executive officers were not included as compensation for our fiscal years ended September 30, 2006, 2005 and 2004 in the Original Filing. The information which should have been set



**Table of Contents**

forth in the Original Filing is set forth in Item 11 of this 10-K/A. We have taken remedial steps to improve our communication and procedures with respect to capturing this type of compensation information for future periods and are providing appropriate supplemental training to relevant personnel. In addition, our Disclosure Committee will continue to evaluate our disclosure controls and procedures in an effort to improve such disclosure controls and procedures where we deem necessary or advisable.

*Conclusions regarding Disclosure Controls.* Based on the required evaluation of our disclosure controls and procedures, our CEO and CFO have concluded that, solely as a result of our failure to include certain perquisites and compensation for named executive officers in the Summary Compensation table described in the paragraph below, as of September 30, 2006, our disclosure controls and procedures were not effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting.* During our last fiscal quarter of 2006, there have been no changes in our internal control over financial reporting identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 11. EXECUTIVE COMPENSATION****Compensation of Executive Officers**

The following table contains compensation information for the Company's Chief Executive Officer and the four other most highly compensated persons ( named executive officers ). The determination of the four most highly compensated persons was based on their employment with Alberto-Culver for the year ended September 30, 2006. All of the information included in this table reflects compensation earned by the named executive officers for services rendered to Alberto-Culver and its subsidiaries for the year ended September 30, 2006. 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, as of September 30, 2006. 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 the Company.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)(1)	Securities Underlying Options (#)(2)	Payouts LTIP Payouts (\$)(3)	
Gary G. Winterhalter President and Chief Executive Officer	2006	650,000	493,000	2,673	0	50,000	0	104,905(4)
	2005	556,250	100,000	2,102	0	38,600	0	121,578
	2004	496,250	525,000	803	0	42,000	280,000	116,983
W. Richard Dowd Senior Vice President, Distribution and Chief Information Officer	2006	232,111	138,896	0	0	12,000	0	33,289(5)
	2005	228,713	91,720	0	0	11,200	0	39,987
	2004	221,527	176,629	0	0	12,300	100,000	39,240
John R. Gollither President, Beauty Systems Group	2006	309,662	101,595	91,805(9)	0	6,400	0	27,508(6)
	2005	304,169	49,939	0	0	6,300	0	28,641
	2004	272,180	72,948	116,821(10)	44,230	6,900	20,000	28,467
Bennie L. Lowery	2006	316,134	189,017	0	0	16,000	0	60,484(7)

Edgar Filing: Sally Beauty Holdings, Inc. - Form 10-K/A

Senior Vice President and General Merchandise Manager, Beauty Systems Group	2005	311,495	220,993	0	0	15,600	0	62,293
	2004	301,707	232,050	0	0	17,250	140,000	54,484
Gary T. Robinson	2006	250,968	217,909	0	0	12,000	0	29,602(8)
Retired Senior Vice President, Chief Financial Officer and Treasurer	2005	245,583	103,421	8,158	0	11,200	0	42,744
	2004	230,378	175,808	0	0	12,300	100,000	41,377

(1) On September 30, 2006, Messrs. Winterhalter, Dowd, Gollhofer, Lowery and Robinson held 1,500; 551, 482, 551 and 750 shares of restricted stock, respectively, with a market value of \$75,885; \$27,875; \$24,384; \$27,875 and \$37,943, respectively. All shares of restricted stock outstanding as of September 30, 2006, vested in connection with the Corporation's separation from the Alberto-Culver Company. Dividends are paid on shares of restricted stock.

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



**Table of Contents**

(3) Represents long-term incentive plan payments under the Alberto-Culver Shareholder Value Incentive Plan, or SVIP. For the three-year performance period ended September 30, 2006, Alberto-Culver's Total Shareholder Return, or TSR, was 32.16% placing it in the 37.8th percentile of the Standard & Poor's 500 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.

- (4) The amount includes \$4,172 in term life insurance premium costs; a company contribution to the Profit Sharing Plan of \$9,389; \$5,438 of matching contributions to the Sally Beauty 401(k) Savings Plan; and \$85,906 of contributions pursuant to or in lieu of participation in the Alberto-Culver Executive Deferred Compensation Plan.
- (5) The amount includes \$2,265 in term life insurance premium costs; a company contribution to the Profit Sharing Plan of

\$9,389; \$5,438 of matching contributions to the Sally Beauty 401(k) Savings Plan; and \$16,197 of contributions pursuant to or in lieu of participation in the Alberto-Culver Executive Deferred Compensation Plan.

(6) The amount includes \$2,097 in term life insurance premium costs; a company contribution to the Profit Sharing Plan of \$9,389; \$5,438 of matching contributions to the Sally Beauty 401(k) Savings Plan; and \$10,584 of contributions pursuant to or in lieu of participation in the Alberto-Culver Executive Deferred Compensation Plan.

(7) The amount includes \$3,077 in term life insurance premium costs; a company

contribution to the Profit Sharing Plan of \$9,389; \$5,438 of matching contributions to the Sally Beauty 401(k) Savings Plan; and \$42,580 of contributions pursuant to or in lieu of participation in the Alberto-Culver Executive Deferred Compensation Plan.

- (8) The amount includes \$2,437 in term life insurance premium costs; a company contribution to the Profit Sharing Plan of \$9,389; \$5,438 of matching contributions to the Sally Beauty 401(k) Savings Plan; and \$12,338 of contributions pursuant to or in lieu of participation in the Alberto-Culver Executive Deferred Compensation Plan.

- (9) Represents relocation expenses to

Mr. Gollhofer in connection with his transfer from California to Texas. Some of these expenses were grossed up for tax purposes. We valued these items based on the actual payments made, plus a gross-up amount of \$13,293 for the payment of taxes.

- (10) Represents relocation expenses to Mr. Gollhofer in connection with his transfer from Kentucky to California. Some of these expenses were grossed up for tax purposes. We valued these items based on the actual payments made, plus a gross-up amount of \$33,482 for the payment of taxes.

***Executive Officer Severance Agreements***

The Company entered into Severance Agreements, each dated as of November 16, 2006, with certain Company executives. Each Severance Agreement provides that if, in the 24 months following a Change in Control, the executive's employment is terminated by a qualifying termination, which includes termination by the Company without Cause or by the executive for Good Reason, then the executive will be entitled to certain benefits. These benefits include (i) a cash payment equal to the executive's annual bonus, as determined in accordance with the Company's annual incentive plan, pro-rated to reflect the portion of the year elapsed prior to the executive's termination, (ii) a lump-sum cash payment equal to a multiple of the executive's annual base salary at the time of termination plus a multiple of the average dollar amount of the executive's actual or annualized annual bonus in respect of the five years preceding termination, and (iii) continued medical and welfare benefits, on the same terms as prior to termination, for a period of 24 months following termination.



**Table of Contents**

For purposes of the Severance Agreement:

Cause generally includes the executive's (i) willful and deliberate breach of his or her duties and responsibilities or (ii) commission of a felony involving moral turpitude.

Good Reason generally includes (i) an adverse change to the executive's position, duties or responsibilities, (ii) reduction of the executive's rate of salary or diminution of employee benefits, or (iii) relocation of the executive of more than 20 miles from the facility where the executive was located at the time of the Change in Control.

Change of Control generally includes (i) the acquisition by any person, other than CDRS or its affiliates, of 20% or more of the voting power of the Company's outstanding common stock, (ii) a change in the majority of the incumbent board of directors, (iii) a reorganization, merger or consolidation of the Company or sale of substantially all of the Company's assets, or (iv) shareholder approval of the complete liquidation or dissolution of the Company.

The executives party to a Severance Agreement with the Company and their respective payment multiples are set forth in the following table:

<b>Executive Officer</b>	<b>Multiple</b>
Gary G. Winterhalter President and CEO	2.99
W. Richard Dowd Senior Vice President, Distribution and Chief Information Officer	1.99
Bennie L. Lowery Senior Vice President and General Merchandise Manager, Beauty Systems Group	2.49
Gary T. Robinson Senior Vice President, Chief Financial Officer and Treasurer	1.99
Raal H. Roos Senior Vice President, General Counsel and Secretary	1.49

Additional information required for this Item is incorporated herein by reference to the sections entitled Compensation of Executive Officers of New Sally, Stock Option Grants, Stock Option Exercises, Long-Term Incentive Awards and Employment Contracts, Termination of Employment and Change in Control Agreements as well as The Transactions Interests of Certain Persons in the Transactions Termination Agreements in the Company's Final Proxy Statement/Prospectus Information Statement (File No. 333-136259), filed pursuant to Rule 424(b)(3) on October 13, 2006.

**Table of Contents**

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 3. Exhibits: The following exhibits are hereby added to the Exhibits originally filed with the Original Filing.

Exhibit No.	Description
31.1-31.2	Rule 13(a)-14(a)/15(d)-14(a) Certifications

---

6



**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 9th day of April 2007.

SALLY BEAUTY HOLDINGS, INC.

By /s/ Gary G. Winterhalter  
 Gary G. Winterhalter  
 President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ James G. Berges James G. Berges	Chairman of the Board and Director	April 9, 2007
/s/ Gary G. Winterhalter Gary G. Winterhalter	President, Chief Executive Officer and Director (principal executive officer)	April 9, 2007
/s/ David L. Rea David L. Rea	Senior Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	April 9, 2007
/s/ Kathleen Affeldt Kathleen Affeldt	Director	April 9, 2007
/s/ Marshall E. Eisenberg Marshall E. Eisenberg	Director	April 9, 2007
/s/ Robert R. McMaster Robert R. McMaster	Director	April 9, 2007
/s/ Walter Metcalfe Walter Metcalfe	Director	April 9, 2007
/s/ John A. Miller John A. Miller	Director	April 9, 2007

Edgar Filing: Sally Beauty Holdings, Inc. - Form 10-K/A

/s/ Martha Miller de Lombera	Director	April 9, 2007
Martha Miller de Lombera		
/s/ Edward W. Rabin	Director	April 9, 2007
Edward W. Rabin		
/s/ Richard J. Schnall	Director	April 9, 2007
Richard J. Schnall		

7