

ALBERTO CULVER CO
Form DEF 14A
December 13, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

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

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Alberto-Culver Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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:

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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ALBERTO-CULVER COMPANY

Melrose Park, Illinois

December 13, 2004

TO THE STOCKHOLDERS:

The annual meeting of stockholders will be held at the principal office of the Company in Melrose Park, Illinois, on Thursday, January 27, 2005, at 10:00 a.m.

You are cordially invited to attend this meeting in person. The principal business at the meeting will be to elect three directors.

At your earliest convenience, please sign and return the enclosed proxy card to assure that your shares will be represented at the meeting.

Sincerely,

Carol L. Bernick
Chairman

NOTICE OF MEETING

The annual meeting of stockholders of Alberto-Culver Company (the Company) will be held on Thursday, January 27, 2005, at 10:00 a.m. Chicago time, at the principal office of the Company, 2525 Armitage Avenue, Melrose Park, Illinois 60160 for the following purposes:

1. To elect three directors.
2. To transact such other business as may properly come before the meeting.

The board of directors has fixed the close of business on December 1, 2004 as the record date for determination of the stockholders entitled to notice of and to vote at the meeting.

Bernice E. Lavin
Secretary

December 13, 2004

ALBERTO-CULVER COMPANY

PROXY STATEMENT

**2525 Armitage Avenue
Melrose Park, Illinois 60160**

December 13, 2004

Solicitation of Proxies

The board of directors of Alberto-Culver Company (the Company) solicits your proxy for use at the annual meeting of stockholders to be held on January 27, 2005 and at any adjournment thereof.

On December 1, 2004, the record date for the meeting, the Company had 91,097,921 shares of Common Stock outstanding. This Proxy Statement and form of proxy are being mailed to stockholders on or about December 13, 2004.

Each holder of record at the close of business on the record date is entitled to one vote for each share of Common Stock then held. Any person submitting a proxy has the right to revoke it at any time before it is voted, in person at the meeting, by written notice to the Secretary of the Company or by delivery of a later-dated proxy.

The election of directors is decided by a plurality of the votes cast by holders of all shares entitled to vote in the election. Accordingly, withheld votes and broker non-votes will not affect the outcome of the election of directors.

Election of Directors

Unless otherwise instructed, proxies will be voted for the election as directors of the three persons listed as nominees for a term of three years. All of the nominees are currently serving as directors. Should any of the nominees become unable to accept nomination or election (which the Company does not expect), it is the intention of the persons named in the enclosed proxy to vote for a substitute in each case or the board of directors may make an appropriate reduction in the number of directors to be elected.

Nominees for Terms Expiring at the Annual Meeting in 2008 (Class II)

Howard B. Bernick, age 52, has served as a director of the Company since 1986, as President of the Company since 1988 and as Chief Executive Officer of the Company since 1994. Mr. Bernick is also a director of the Wm. Wrigley Jr. Company. Mr. Bernick is the husband of Carol L. Bernick and the son-in-law of Leonard H. Lavin and Bernice E. Lavin.

King Harris, age 61, has served as a director of the Company since July 2002 and as the Chairman of Harris Holdings, Inc., a private investment firm, since 2000. 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 Chairman of the Board of AptarGroup, Inc.

Sam J. Susser, age 65, has served as a director of the Company since January 2001 and as Chairman of the Board of SSP Partners, an operator of convenience stores under the brand name Circle K, since 1995.

The board of directors recommends that the stockholders vote FOR the election of each of these nominees for director.

Directors Whose Terms Expire at the Annual Meeting in 2006 (Class III)

Carol L. Bernick, age 52, was elected Chairman of the Company on October 1, 2004 and has served as a director of the Company since 1984. She served as President of Alberto-Culver USA, Inc., a wholly-owned subsidiary of the Company, from 1994 to October 1, 2004; as Vice Chairman of the Company from 1998 to October 1, 2004; as President of Alberto-Culver Consumer Products Worldwide, a division of the Company, from June 2002 to October 1, 2004; as Assistant Secretary of the Company from 1990 to October 1, 2004; and as President of Alberto-Culver North America from 1998 to June 2002. Mrs. Bernick is the wife of Howard B. Bernick and the daughter of Leonard H. Lavin and Bernice E. Lavin.

Jim Edgar, age 58, has served as a director of the Company since October 2002 and as a Distinguished Fellow at the University of Illinois Institute of Government and Public Affairs, where he is a teacher and lecturer since 1999. Mr. Edgar served as the Governor of Illinois from 1991 through 1999. Mr. Edgar is also a director of Horizon Group Properties, Inc., Kemper Insurance Companies, Scudder Mutual Funds, Youbet.com, Inc. and John B. Sanfilippo & Son, Inc.

Leonard H. Lavin, age 85, the founder of the Company, was elected Chairman Emeritus of the Company on October 1, 2004. He has served as a director since 1955 and Chairman of the Company from 1955 to October 1, 2004. Mr. Lavin is the husband of Bernice E. Lavin, the father of Carol L. Bernick and the father-in-law of Howard B. Bernick.

Robert H. Rock, D.B.A., age 54, has served as a director of the Company since 1995 and as the President of MLR Holdings, LLC, an investment company with holdings in publishing and information businesses, for more than the past five years. Mr. Rock has also served as Chairman of Metroweek Corporation, a publisher of weekly newspapers and specialty publications, for more than the past five years. Mr. Rock is also a director of PQ Corporation, Quaker Chemical Corporation, Advanta Corp. and Penn Mutual Life Insurance Company.

Directors Whose Terms Expire at the Annual Meeting in 2007 (Class I)

A. G. Atwater, Jr., age 61, has served as a director of the Company since 1995. In June 2002, Mr. Atwater retired as President and Chief Executive Officer of Amurof Confections, a specialty confections manufacturer and a wholly-owned associated company of the Wm. Wrigley Jr. Company, in which position he served for more than the previous five years.

William W. Wirtz, age 75, has served as a director of the Company since 1978 and as President and a director of Wirtz Corporation, a diversified operations and investment company, for more than the past five years.

John A. Miller, age 51, has served as a director of the Company since July 2002 and as the President and Chief Executive Officer of North American Corporation of Illinois, a multi-divisional company specializing in industrial paper products, packaging, printing and other commercial consumables, for more than the past five years. Mr. Miller is also a director of Atlantic Premium Brands, Ltd. and Laureate Education, Inc (formerly Sylvan Learning Systems, Inc.).

James G. Brocksmith, Jr., age 63, has served as a director of the Company since October 2002 and as an independent business consultant for more 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.

Directors Retiring at the Annual Meeting in 2005

Bernice E. Lavin, age 79, has served as a director and Secretary and Treasurer of the Company since 1955 and as Vice Chairman since 1994. Mrs. Lavin is the wife of Leonard H. Lavin, the mother of Carol L. Bernick and the mother-in-law of Howard B. Bernick.

Allan B. Muchin, age 68, has served as a director of the Company since 1995. He currently serves as Chairman Emeritus of Katten Muchin Zavis Rosenman, a Chicago-based law firm (KMZR), a position he has held since June 1, 2004. Prior to his current position, Mr. Muchin had served during the past five years as Chairman, Co-Managing Partner, Board Member and Executive Committee Member of KMZR.

No person who has attained 69 years of age shall be eligible for election or reelection as a director of the Company, provided this does not apply to any director who was first elected prior to 1995.

Security Ownership of Management and Certain Beneficial Owners

The table below contains information as of November 12, 2004, except as otherwise indicated, concerning the number of shares of Common Stock beneficially owned by each director, each person named in the Summary Compensation Table (named executive officers), each person who is known to own 5% or more of the Company s outstanding shares of Common Stock and by all directors and executive officers as a group. Except as specified below, the business address of the persons listed is the Company s headquarters, 2525 Armitage Avenue, Melrose Park, Illinois 60160.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock (1)	Percent of Class
A. G. Atwater, Jr.	18,568 ⁽²⁾	⁽³⁾
Carol L. Bernick	4,258,844 ⁽⁴⁾	4.67%
Howard B. Bernick	1,414,278 ⁽⁵⁾	1.55%
James G. Brocksmith, Jr.	5,625 ⁽⁶⁾	⁽³⁾
Jim Edgar	5,625 ⁽⁶⁾	⁽³⁾
King Harris	14,062 ⁽⁷⁾	⁽³⁾
Bernice E. Lavin	4,508,773 ⁽⁸⁾	4.95%
Leonard H. Lavin	4,732,778 ⁽⁹⁾	5.20%
John A. Miller	13,312 ⁽⁷⁾	⁽³⁾
Allan B. Muchin	17,062 ⁽¹⁰⁾	⁽³⁾
Robert H. Rock	26,361 ⁽¹¹⁾	⁽³⁾
Sam J. Susser	14,286 ⁽¹²⁾	⁽³⁾
William W. Wirtz	898,312 ⁽¹³⁾	⁽³⁾
William J. Cernugel	109,895 ⁽¹⁴⁾	⁽³⁾
Michael H. Renzulli	1,054,192 ⁽¹⁵⁾	1.16%
FMR Corp.	9,060,917 ⁽¹⁶⁾	9.96%
Neuberger Berman LLC	4,876,833 ⁽¹⁷⁾	5.36%
All Directors and Executive Officers as a Group (18 persons, including the above)	17,339,634 ⁽¹⁸⁾	18.87%

(1) Such ownership is direct, with sole voting and investment power, except as indicated in subsequent footnotes. Unless otherwise specifically provided, each person disclaims beneficial ownership of any shares indicated as owned indirectly (*i.e.*, as trustee or co-trustee of a trust or as an officer of a foundation).

- (2) Includes 2,812 shares subject to stock options exercisable currently or within 60 days.
- (3) Less than 1.0% of the outstanding shares.
- (4) Includes 142,500 shares subject to employee stock options exercisable currently or within 60 days. Also 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; 2,131,978 shares held as trustee or co-trustee of trusts for the benefit of Mrs. Bernick; 4,386 shares held as general partner of a partnership, in her capacity as trustee of a trust for her benefit, to which she shares voting power with Mr. Lavin and Mrs. Lavin; and 12,790 shares held as a participant in the Alberto-Culver Company Employees Profit Sharing Plan (the Profit Sharing Plan). Does not include 142,100 shares held by the Bernick Family Foundation of which Mrs. Bernick is a director and the President; 150,300 shares held as co-trustee with Mrs. Lavin of a trust for the benefit of Mrs. Bernick; 320,040 shares held as co-trustee with Mrs. Lavin of trusts for the benefit of Mrs. Lavin's grandchildren; 4,038,433 shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mrs. Lavin; 3,719,711 shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mr. 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. Bernick, Mr. Lavin or Mrs. Lavin.
- (5) Includes 334,500 shares subject to employee stock options exercisable currently or within 60 days. Also includes 17,696 shares held as a participant in the Profit Sharing Plan; 27,750 shares held as co-trustee of a trust for the benefit of certain of Mr. and Mrs. Bernick's family members, for which Mr. Bernick shares voting and investment power; and 142,100 shares held by the Bernick Family Foundation of which Mr. Bernick is a director and an officer and shares voting and investment power with Mrs. Bernick. Does not include shares reported as owned by Mrs. Bernick, Mr. Lavin or Mrs. Lavin.
- (6) Includes 5,625 shares subject to stock options exercisable currently or within 60 days.
- (7) Includes 6,562 shares subject to stock options exercisable currently or within 60 days.
- (8) Includes 320,040 shares held as co-trustee of trusts for the benefit of Mr. and Mrs. Lavin's grandchildren, for which Mrs. Lavin shares voting and investment power with Mrs. Bernick; 150,300 shares held as co-trustee with Mrs. Bernick of a trust for the benefit of Mrs. Bernick, for which Mrs. Lavin shares voting and investment power with Mrs. Bernick; and 4,038,433 shares held as co-trustee of a trust with Mr. Lavin and Mrs. Bernick for the benefit of

Mrs. Lavin, for which Mrs. Lavin shares voting power with respect to all of these shares with Mr. Lavin and Mrs. Bernick, shares investment power with respect to 1,847,626 of these shares with Mr. Lavin and Mrs. Bernick and has no investment power with respect to 2,190,807 of these shares. Does not include 3,719,711 shares held as co-trustee of a trust with Mr. Lavin and Mrs. Bernick for the benefit of Mr. Lavin; 1,013,067 shares owned by the Lavin Family Foundation of which Mrs. Lavin is a director and an officer; and 4,386 shares held as limited partner of a partnership, in her capacity as co-trustee of a trust for her benefit. In addition, does not include shares reported as owned by Mr. Lavin, Mr. Bernick or Mrs. Bernick.

- (9) 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; and 3,719,711 shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mr. Lavin, for which Mr. Lavin shares voting power with respect to all of these shares with Mrs. Lavin and Mrs. Bernick, shares investment power with respect to 1,528,904 of these shares with Mrs. Lavin and Mrs. Bernick and has no investment power with respect to 2,190,807 of these shares. Does not include 4,038,433 shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mrs. Lavin and 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. Lavin, Mr. Bernick or Mrs. Bernick.
- (10) Includes 3,750 shares held in trust for the benefit of Mr. Muchin's family and 13,312 shares subject to stock options exercisable currently or within 60 days.
- (11) Includes 23,339 shares subject to stock options exercisable currently or within 60 days and 1,050 shares held jointly with Mr. Rock's wife.
- (12) Includes 11,249 shares subject to options exercisable currently or within 60 days.
- (13) Includes 873,000 shares owned by Wirtz Corporation, of which Mr. Wirtz is President and a director.
- (14) Includes 20,437 shares subject to employee stock options exercisable currently or within 60 days; 24,529 shares held as trustee of a trust for the benefit of Mr. Cernugel; 33,975 shares held by Mr. Cernugel's wife as trustee of a trust for her benefit, to which Mr. Cernugel has no voting or investment power; 3,750 shares issued under the Alberto-Culver Company 1994 Restricted Stock Plan (Restricted Stock) that have not vested; and 23,284 shares held as a participant in the Profit Sharing Plan.
- (15) Includes 142,500 shares subject to employee stock options exercisable currently or within 60 days; 873,313 shares held as managing general partner of a family limited partnership; and 35,151 shares held as a participant in the Profit Sharing Plan.

- (16) This information is based on a Form 13F filed by FMR Corp. and reflects FMR Corp's holdings as of September 30, 2004. FMR's address is 82 Devonshire Street, Boston, Massachusetts 02109.
- (17) Neuberger Berman, LLC (NB) is a registered investment advisor. In its capacity as investment advisor, NB may have discretionary authority to dispose of or to vote shares that are under its management. As a result, NB may be deemed to have beneficial ownership of such shares. NB does not, however, have any economic interest in the shares. The clients are the actual owners of the shares and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such shares. As of October 22, 2004, of the shares set forth above, NB had shared dispositive power as to 4,876,833 shares, sole voting power as to 48,100 shares and shared voting power as to 3,816,350 shares. With regard to the shared voting power, Neuberger Berman Management, Inc. and Neuberger Berman Funds are deemed to be beneficial owners for purposes of Section 13(d) since they have shared power to make decisions whether to retain or dispose of the securities. NB is the sub-advisor to the above-referenced Funds. It should be further noted that the above-mentioned shares are also included with the shared power to dispose calculation. NB's address is 605 Third Avenue, New York, NY 10158-0180.
- (18) Includes 891,085 shares subject to stock options exercisable currently or within 60 days; 92,083 shares held as participants in the Profit Sharing Plan; and 11,902 shares held as participants in the Alberto-Culver 401(k) Savings Plan. Such persons have shared voting power as to 9,429,031 shares and shared investment power as to 5,047,417 shares. In addition, includes 13,875 shares of Restricted Stock that have not vested. Holders of Restricted Stock have sole voting rights but no dispositive rights with respect to those shares that have not vested.

Meetings and Committees of the Board of Directors

The board of directors of the Company held six meetings during fiscal year 2004. No director attended fewer than three-fourths of the aggregate number of meetings of the board of directors and of the committees of the board of directors described below on which he or she served during the fiscal year. Board members are expected to attend the annual meeting of shareholders. At the last annual meeting, 12 of 13 directors attended. There are four standing committees of the board of directors.

The audit committee, which is composed of A. G. Atwater, Jr., James G. Brocksmith, Jr., King Harris, John A. Miller and Sam J. Susser, all of whom are independent for purposes of the New York Stock Exchange's listing standards and the Securities Exchange Act of 1934, held eight meetings during fiscal year 2004. Effective October 28, 2004, Mr. Brocksmith replaced Mr. Susser as Chairman of the Audit Committee. The board of directors has determined that each of Messrs. Brocksmith and Susser qualifies as an Audit Committee Financial Expert, as such term is defined by the Securities and Exchange Commission. In addition, the board of directors has determined 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 Company's audit committee. The audit committee assists the board of directors in fulfilling its oversight responsibilities for (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of the Company's internal audit function and independent auditors. The board of directors has adopted a written charter for the audit committee, a current copy of which is available on the Company's website at www.alberto.com.

The executive committee, which is composed of Leonard H. Lavin, Chairman, Carol L. Bernick, Howard B. Bernick, Bernice E. Lavin, John A. Miller, Allan B. Muchin, and William W. Wirtz, held no meetings during fiscal year 2004. Effective October 28, 2004, the composition of the executive committee changed and is currently composed of Carol L. Bernick, Chairman, Howard B. Bernick, John A. Miller, Sam J. Susser and King Harris. The executive committee has many of the powers of the board of directors and can act when the board of directors is not in session.

The compensation committee, which is composed of Robert H. Rock, Chairman, A. G. Atwater, Jr., James G. Brocksmith, Jr., Jim Edgar, and Sam J. Susser, all of whom are independent for purposes of the New York Stock Exchange listing standards, held eight meetings during fiscal year 2004. The compensation committee (i) reviews and approves corporate goals and objectives relevant to CEO compensation and evaluates the CEO's performance in light of those goals and objectives, (ii) determines and approves the CEO's compensation level based on this evaluation, (iii) approves compensation of other executive officers, (iv) reviews and recommends to the Board equity based incentive compensation plans in which executive officers participate, (v) prepares the Compensation Committee report on executive compensation required to be included in the Company's annual proxy statement, and (vi) assures management development and succession planning. The board of directors has adopted a written charter for the compensation committee, a current copy of which is available on the Company's website at www.alberto.com.

The nominating/governance committee, which is composed of Jim Edgar, Chairman, King Harris and Robert H. Rock, all of whom are independent for purposes of the New York Stock Exchange's listing standards, held one meeting during fiscal year 2004. Effective October 28, 2004, Mr. Miller joined the nominating/governance committee. The function of the nominating/governance committee is to (i) identify and recommend to the board of directors, individuals qualified to be directors of the Company, consistent with criteria approved by the board of directors, for either appointment to the board or to stand for election at a meeting of stockholders, (ii) develop and recommend to the board of directors corporate governance guidelines for the Company, and (iii) oversee the evaluation of the board of directors and management. The board of directors has adopted a written charter for the nominating/governance committee, a current copy of which is available on the Company's website at www.alberto.com.

Nominations of Directors

The nominating/governance committee identifies individuals the committee believes are qualified to become board members. The 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 committee takes into account the applicable requirements for directors under the Securities Exchange Act of 1934 and the listing standards of the New York Stock Exchange. In addition, the committee may take into consideration such other factors and criteria as it deems appropriate in evaluating a candidate, including such candidate's judgment, skills, integrity, and business and other experience.

In order to be recommended by the nominating/governance committee, the candidate for director must, at a minimum, have integrity, be committed to act in the best interest of all shareholders, and be able and willing to devote the required amount of time to the Company's affairs, including attendance at board of director meetings. In addition, the candidate cannot jeopardize the independence of a majority of the board of directors.

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 the Company's businesses.

Stockholders may submit recommendations for nominations for election to the board of directors. The nominating/governance committee will consider director candidates recommended by stockholders. To make a recommendation, a shareholder must send the recommendation to the Company's Secretary at the Company's headquarters. The recommendation must be received between May 1 and July 1 immediately preceding the annual meeting and must include (i) the name and address of the stockholder making the recommendation along with evidence of his or her ownership of Common Stock, including the number of shares and period of ownership, (ii) the name, age, business and residence address of the director candidate and a listing of the candidate's qualifications, including education and principal occupation or employment, (iii) the candidate's signed consent to serve as a director if elected and to be named in the Proxy Statement and (iv) a brief explanation of why the shareholder feels the candidate is suitable for consideration. The nominating/governance committee will evaluate shareholder-recommended director candidates in the same manner as it evaluates director candidates identified by other approved means.

Nominations of directors by stockholders at the annual meeting are subject to the notice requirements described under "Other Business" below.

Communication with the Board of Directors

The board of directors has a process for security holders to send communications directly to the board of directors of the Company. In order to do so, security holders can mail any communications directly to the Presiding Director at the Company's headquarters in Melrose Park, Illinois. The Presiding Director shall 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. Currently, the Presiding Director is Mr. Harris. A new Presiding Director is appointed automatically each calendar quarter in alphabetic order among all non-management directors.

Director Independence

It is the Company's policy that a majority of directors meet the criteria for independence established by the New York Stock Exchange. To assist in making the determination of independence, the board of directors adopted the following categorical independence standards, which state a director will not be independent if:

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

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 the Company, 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).

(A) The director, or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (B) the director is a current employee of such a firm; (C) the director 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 (D) the director 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 the Company'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 the Company'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, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

The director who is an executive officer or an employee, or whose immediate family is an executive officer, of a company that is indebted to the Company, or to which the Company is indebted, in an amount that exceeds the greater of \$1 million or 2% of the total consolidated assets of either the Company or such other company is not independent until three years after falling below such threshold.

The board of directors has affirmatively determined that Messrs. Atwater, Brocksmith, Edgar, Harris, Miller, Muchin, Rock, Susser and Wirtz are independent, in accordance with these categorical standards, since none of these directors have any material relationships with the Company.

Executive Compensation

The table below summarizes certain information with respect to compensation paid by the Company or its subsidiaries to the Chief Executive Officer and the four other most highly compensated executive officers of the Company for the past three fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (1) (\$)	Awards		Payouts	
					Restricted Stock Awards (2) (\$)	Securities Underlying Options (3) (#)	LTIP Payouts (4) (\$)	
Leonard H. Lavin, Chairman	2004	\$ 1,225,000	\$ 1,582,000	\$ 188,024	0	0	\$ 1,200,000	\$ 41,587 ⁽⁵⁾
	2003	1,225,000	1,524,000	158,940	0	0	1,800,000	40,609
	2002	1,225,000	1,561,000	147,101	0	0	1,800,000	262,092
Howard B. Bernick, President and Chief Executive Officer	2004	\$ 1,550,000	\$ 2,001,000	\$ 94,131	0	201,000	\$ 1,450,000	\$ 619,561 ⁽⁶⁾
	2003	1,525,000	1,897,000	115,560	0	232,500	2,175,000	22,500
	2002	1,450,000	1,847,000	78,679	0	336,000	2,025,000	18,727
Carol L. Bernick, Vice Chairman, Assistant Secretary and President Alberto-Culver Consumer Products Worldwide	2004	\$ 1,000,000	\$ 1,256,000	\$ 123,779	0	90,000	\$ 640,000	\$ 374,807 ⁽⁶⁾
	2003	962,500	1,116,000	110,777	0	105,000	960,000	22,500
	2002	850,000	1,036,000	54,312	0	135,000	840,000	18,727
William J. Cernugel, Senior Vice President and Chief Financial Officer	2004	\$ 371,250	\$ 407,000	0	0	24,750	\$ 180,000	\$ 123,443 ⁽⁷⁾
	2003	352,500	347,000	0	0	28,500	255,000	25,315
	2002	324,750	375,000	0	\$ 162,250	39,000	195,000	21,121
Michael H. Renzulli, President, Sally Beauty Company, Inc.	2004	\$ 1,000,000	\$ 1,053,000	0	0	90,000	\$ 660,000	\$ 346,620 ⁽⁸⁾
	2003	983,750	898,000	0	0	105,000	990,000	30,240
	2002	920,000	1,085,000	0	0	135,000	900,000	25,909

⁽¹⁾ In 2004 for Mr. Lavin, Mr. Bernick, and Mrs. Bernick, the amount includes \$165,435, \$87,708, and \$117,356, respectively, for the personal use of the Company's airplane. In 2003 for Mr. Lavin, Mr. Bernick, and Mrs. Bernick, the amount includes \$136,690, \$111,060, and \$106,277, respectively, for the personal use of the Company's airplane. In 2002 for Mr. Lavin, Mr. Bernick, and Mrs. Bernick, the amount includes \$121,412, \$72,505, and \$48,138, respectively, for the personal use of the Company's airplane.

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- (2) On September 30, 2004, Mr. Cernugel held 3,750 shares of restricted stock with a market value of \$163,050. Dividends are paid on shares of restricted stock.
- (3) The number of securities underlying the options granted have been adjusted to reflect the 50% stock dividend paid on February 20, 2004.
- (4) Represents long-term incentive plan payments under the 1994 Shareholder Value Incentive Plan (the SVIP). For the three-year performance period ended September 30, 2004, the total shareholder return

on the Company's Class A common stock (the Company's TSR) was 104.07% placing it in the 87th percentile of the Standard & Poor's 500 Index with a corresponding maximum payout per unit of \$2,000 under the SVIP. For the three-year performance period ended September 30, 2003, the Company's TSR was 136.95% placing it in the 97th percentile of the Standard & Poor's 500 Index with a corresponding maximum payout per unit of \$3,000 under the SVIP. For the three-year performance period ended September 30, 2002, the Company's TSR was 133.95% placing it in the 98th percentile of the Standard & Poor's 500 Index with a corresponding maximum payout per unit of \$3,000 under the SVIP.

- (5) The amount includes \$22,249 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,494; and \$4,844 of matching contributions to the Alberto-Culver 401(k) Savings Plan.
- (6) For Mr. and Mrs. Bernick, the amount for each includes \$4,140 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,494; and \$4,844 of matching contributions to the Alberto-Culver 401(k) Savings Plan. In addition, the amount includes \$596,083 for Mr. Bernick and \$351,329 for Mrs. Bernick pursuant to the Executive Deferred Compensation Plan.
- (7) The amount includes \$7,354 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,494; \$4,844 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and \$96,751 pursuant to the Executive Deferred Compensation Plan.
- (8) The amount includes \$11,880 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,494; \$4,844 of matching contributions to the Alberto-Culver 401(k) Savings Plan; and \$315,402 pursuant to the Executive Deferred Compensation Plan.

Director Compensation

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