

ALBERTO CULVER CO
Form DEF 14A
December 12, 2002

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:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ALBERTO-CULVER COMPANY
Melrose Park, Illinois

December 12, 2002

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 23, 2003, at 10:00 a.m.

You are cordially invited to attend this meeting in person. The principal business at the meeting will be to (i) elect four directors, (ii) approve the Employee Stock Option Plan of 2003, (iii) approve the 2003 Stock Option Plan For Non-Employee Directors, (iv) approve the Alberto-Culver Company 2003 Restricted Stock Plan, (v) re-approve the 1994 Shareholder Value Incentive Plan, as amended, and (vi) approve the Company's Restated Certificate of Incorporation, as amended.

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

Sincerely,

By: /s/ Leonard H.
Lavin

Leonard H. Lavin
Chairman

NOTICE OF MEETING

The annual meeting of stockholders of Alberto-Culver Company (the Company) will be held on Thursday, January 23, 2003, 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 four directors.
2. To approve the Employee Stock Option Plan of 2003.
3. To approve the 2003 Stock Option Plan For Non-Employee Directors.
4. To approve the Alberto-Culver Company 2003 Restricted Stock Plan.
5. To re-approve the 1994 Shareholder Value Incentive Plan, as amended.
6. To approve the Company's Restated Certificate of Incorporation, as amended.
7. To transact such other business as may properly come before the meeting.

The board of directors has fixed the close of business on November 29, 2002 as the record date for determination of the stockholders entitled to notice of and to vote at the meeting.

/s/ BERNICE E. LAVIN

Bernice E. Lavin
Secretary

December 12, 2002

ALBERTO-CULVER COMPANY

PROXY STATEMENT

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

December 12, 2002

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 23, 2003 and at any adjournment thereof.

On November 29, 2002, the record date for the meeting, the Company had outstanding shares of common stock consisting of 26,126,663 shares of Class A and 32,331,640 shares of Class B. This Proxy Statement and form of proxy are being mailed to stockholders on or about December 12, 2002.

Each holder of record at the close of business on the record date is entitled to one vote for each Class B share and one-tenth of a vote for each Class A share 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.

A majority of the votes entitled to be cast thereon by holders of shares of stock present in person or by proxy at the meeting is required to (i) approve the Employee Stock Option Plan of 2003 (2003 ACSOP), the 2003 Stock Option Plan For Non-Employee Directors (2003 Director Plan), and the Alberto-Culver Company 2003 Restricted Stock Plan (the 2003 RSP) and (ii) re-approve the 1994 Shareholder Value Incentive Plan, as amended (SVIP). Although abstentions and broker non-votes will be treated as present at the meeting for purposes of determining a quorum, abstentions will have the effect of a vote against the (i) approval of the 2003 ACSOP, 2003 Director Plan and 2003 RSP and (ii) re-approval of the SVIP, and broker non-votes will have no effect on the (i) approval of the 2003 ACSOP, 2003 Director Plan and 2003 RSP and (ii) re-approval of the SVIP.

Seventy-five percent of the total voting power of the Company, seventy-five percent of the combined total number of outstanding shares of Class A and Class B common stock, and a majority of the total outstanding shares of each of the Class A common stock and Class B common stock voting separately as a class, in each case, are required to approve the Company's Restated Certificate of Incorporation, as amended. Accordingly, withheld votes, broker non-votes and abstentions will all have the effect of a vote against the approval of the Company's Restated Certificate of Incorporation, as amended.

Election of Directors

Unless otherwise instructed, proxies will be voted for the election as directors of the four 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 has no reason to 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 2006 (Class III)

Carol L. Bernick, age 50, has served as a director of the Company since 1984, as Assistant Secretary of the Company since 1990, as Vice Chairman of the Company since April 1998, as President of Alberto-Culver Consumer Products Worldwide, a division of the Company, since June 2002, as President of Alberto-Culver North America from April 1998 to June 2002 and as President of Alberto-Culver USA, Inc., a wholly-owned subsidiary of the Company, from 1994 to April 1998 and since January 1999. From 1990 to April 1998, she served as Executive Vice President of the Company. Mrs. Bernick is the wife of Howard B. Bernick and the daughter of Leonard H. Lavin and Bernice E. Lavin.

Governor Jim Edgar, age 56, 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 January 1999. Governor Edgar served as the Governor of Illinois from 1991 through January 1999. Governor Edgar is also a director of Horizon Group Properties, Inc., Kemper Insurance Companies, Scudder Mutual Funds and John B. Sanfilippo & Son, Inc.

Leonard H. Lavin, age 83, the founder of the Company, has served as a director and Chairman of the Company since 1955. 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 52, 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 Hunt Corporation, Quaker Chemical Corporation, Advanta Corp. and Penn Mutual Life Insurance Company.

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 2004 (Class I)

A. G. Atwater, Jr., age 59, has served as a director of the Company since 1995 and as President and Chief Executive Officer of Amuro! Confections Company, a specialty confections manufacturer and a wholly-owned associated company of the Wm. Wrigley Jr. Company, for more than the past five years. Mr. Atwater retired as President and Chief Executive Officer of Amuro! Confections in June 2002.

Sam J. Susser, age 63, 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.

William W. Wirtz, age 73, 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 49, has served as a director of the Company since July 2002 and as the President of North American Corporation of Illinois, a multi-divisional supplier and solutions provider specializing in industrial paper products, specialty packaging, and other commercial consumables for more than the past five years. Mr. Miller is also a director of Atlantic Premium Brands, Ltd. and Sylvan Learning Systems, Inc.

James G. Brocksmith, Jr., age 61, 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 for Terms Expiring at the Annual Meeting in 2005 (Class II)

Howard B. Bernick, age 50, 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 AAR Corp. and 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 59, 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. and Vice Chairman of the Board of Penton Media, Inc.

Bernice E. Lavin, age 77, 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 66, has served as a director of the Company since 1995, and as a senior partner of Katten Muchin Zavis Roseman, a Chicago-based law firm (KMZR), for more than the past five years. Mr. Muchin served as Chairman, Co-Managing Partner, Board member and Executive Committee member of KMZR, for more than the past five years until December 2001 and currently serves as Chairman Emeritus.

Retiring Director

A. Robert Abboud, age 73, has served as a director of the Company since 1994 and as President of A. Robert Abboud and Company, a private investment firm, for more than the past five years. Mr. Abboud is also a director of AAR Corp. Mr. Abboud is retiring from the board of directors when his current term expires on January 23, 2003.

Share Ownership of Directors and Executive Officers

The table below contains information as of November 15, 2002, concerning the number of shares of Class A common stock and Class B common stock beneficially owned by each director, each person named in the Summary Compensation Table (named executive officers) and by all directors and executive officers as a group.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (1)(2)		Percent of Class
A. Robert Abboud	Class A	3,750		(3)
	Class B	0		(3)
A. G. Atwater, Jr.	Class A	17,000	(4)	(3)
	Class B	0		
Carol L. Bernick	Class A	600,368	(5)	2.29%
	Class B	1,522,588	(5)	4.71%
Howard B. Bernick	Class A	1,099,200	(6)	4.18%
	Class B	166,691	(6)	(3)
James G. Brocksmith, Jr.	Class A	0		
	Class B	0		
James Edgar	Class A	0		
	Class B	0		
King Harris	Class A	0		
	Class B	0		
Bernice E. Lavin	Class A	407,912	(7)	1.56%
	Class B	3,410,178	(7)	10.55%
Leonard H. Lavin	Class A	401,082	(8)	1.54%
	Class B	4,115,304	(8)	12.73%
John A. Miller	Class A	4,500		(3)
	Class B	0		
Allan B. Muchin	Class A	17,500	(9)	(3)
	Class B	0		
Robert H. Rock	Class A	15,700	(10)	(3)
	Class B	0		
Sam J. Susser	Class A	3,895	(11)	(3)
	Class B	0		
William W. Wirtz	Class A	597,000	(12)	2.29%
	Class B	0	(12)	
Michael H. Renzulli	Class A	678,366	(13)	2.55%
	Class B	124,868	(13)	(3)
All Directors and Executive Officers as a Group (18 persons, including the above)	Class A	3,977,591	(14)	14.74%
	Class B	9,365,196	(14)	28.97%

- (1) All, but not less than all, of the Class A shares may at any time be converted into Class B shares on a share-for-share basis at the option of the Company. The Class B shares are convertible into Class A shares on a share-for-share basis at the option of the holder.
- (2) 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).
- (3) Less than 1.0% of the outstanding shares.
- (4) Includes 12,721 Class A shares subject to stock options exercisable currently or within 60 days.
- (5) Includes 81,000 Class A shares subject to employee stock options exercisable currently or within 60 days. Also includes 1,026,982 Class B shares held as trustee of a trust for the benefit of Mrs. Bernick's sister; 80,088 Class A shares held as trustee of trusts for the benefit of certain of Mr. and Mrs. Bernick's family members; 487,216 Class B shares and 439,280 Class A shares held as trustee or co-trustee of trusts for the benefit of Mrs. Bernick; and 8,390 Class B shares held as a participant in the Alberto-Culver Company Employees' Profit Sharing Plan (the "Profit Sharing Plan"). Does not include 35,000 Class A shares and 66,400 Class B shares held by the Bernick Family Foundation of which Mrs. Bernick is a director and the President; 100,200 Class A shares held as co-trustee with Mrs. Lavin of a trust for the benefit of Mrs. Bernick; 64 Class A shares and 2,862,931 Class B shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mrs. Lavin; 5,704 Class A shares and 3,119,004 Class B shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mr. Lavin; 5,704 Class A shares held as co-trustee of a trust with Mrs. Lavin for the benefit of her sister; and 395,378 Class A shares and 280,000 Class B 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.
- (6) Includes 220,000 Class A shares subject to employee stock options exercisable currently or within 60 days. Also includes 11,609 Class B shares held as a participant in the Profit Sharing Plan; 5,100 Class A 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 35,000 Class A shares and 66,400 Class B 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.
- (7) Includes 301,944 Class A shares held as trustee of trusts for the benefit of Mr. and Mrs. Lavin's grandchildren; 5,704 Class A shares held as co-trustee of a trust for the benefit of one of her daughters, for which Mrs. Lavin shares voting and investment power with Mrs. Bernick; 100,200 Class A 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; 546,953 Class B shares held as co-trustee of a trust with Mr. Lavin for the benefit of Mrs. Lavin, for

which Mrs. Lavin shares voting and investment power with Mr. Lavin; and 2,862,931 Class B shares and 64 Class A 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 and investment power with Mr. Lavin and Mrs. Bernick. Does not include 5,704 Class A shares and 3,119,004 Class B shares held as co-trustee of a trust with Mr. Lavin and Mrs. Bernick for the benefit of Mr. Lavin; 715,378 Class B shares held as co-trustee of a trust with Mr. Lavin for the benefit of Mr. Lavin; and 395,378 Class A shares and 280,000 Class B shares owned by the Lavin Family Foundation of which Mrs. Lavin is a director and an officer. In addition, does not include shares reported as owned by Mr. Lavin, Mr. Bernick or Mrs. Bernick.

- (8) Includes 395,378 Class A shares and 280,000 Class B 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; 3,119,004 Class B shares and 5,704 Class A 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 and investment power with Mrs. Lavin and Mrs. Bernick; and 715,378 Class B shares held as co-trustee of a trust with Mrs. Lavin for the benefit of Mr. Lavin, for which Mr. Lavin shares voting and investment power with Mrs. Lavin. Does not include 64 Class A shares and 2,862,931 Class B shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mrs. Lavin; and 546,953 Class B shares held as co-trustee of a trust with Mrs. Lavin for the benefit of Mrs. Lavin. In addition, does not include shares reported as owned by Mrs. Lavin, Mr. Bernick or Mrs. Bernick.
- (9) Includes 2,500 Class A shares held in trust for the benefit of Mr. Muchin's family and 15,000 Class A shares subject to stock options exercisable currently or within 60 days.
- (10) Includes 13,685 Class A shares subject to stock options exercisable currently or within 60 days and 700 Class A shares held jointly with Mr. Rock's wife.
- (11) Includes 1,875 Class A shares subject to options exercisable currently or within 60 days.
- (12) Includes 15,000 Class A shares subject to stock options exercisable currently or within 60 days. Also includes 582,000 Class A shares owned by Wirtz Corporation, of which Mr. Wirtz is President and a director.
- (13) Includes 460,544 Class A shares subject to employee stock options exercisable currently or within 60 days and 23,059 Class B shares held as a participant in the Profit Sharing Plan.
- (14) Includes 880,325 Class A shares subject to stock options exercisable currently or within 60 days; 59,467 Class B shares held as participants in the Profit Sharing Plan; and 7,172 Class B shares held as participants in the Alberto-Culver 401(k) Savings Plan. Such persons have shared voting and investment power as to 553,438 Class A shares and 7,590,666 Class B shares. In addition, includes 8,500 Class A shares issued under the Alberto-Culver Company 1994 Restricted Stock Plan (Restricted Stock), none of which have 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 11 meetings during fiscal year 2002. 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. There are four standing committees of the board of directors.

The audit committee, which was composed of A. Robert Abboud, Chairman, A. G. Atwater, Jr., Allan B. Muchin, and Sam J. Susser, all of whom are independent as defined in Sections 303.01(B)(2)(a) and (3) of the New York Stock Exchange's listing standards, held nine meetings during fiscal year 2002. The audit committee assists the board of directors in fulfilling its oversight responsibilities relating to accounting, reporting practices, and the quality and integrity of the financial reports and other publicly disseminated financial information of the Company. In October 2002, James G. Brocksmith, Jr., King Harris and John A. Miller were appointed to serve on the audit committee. Mr. Susser will replace Mr. Abboud as chairman of the audit committee upon Mr. Abboud's retirement in January 2003.

The executive committee, which was composed of Leonard H. Lavin, Chairman, A. G. Atwater, Jr., Carol L. Bernick, Howard B. Bernick, Bernice E. Lavin, and William W. Wirtz, held no meetings during fiscal year 2002. 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. In October 2002, John A. Miller replaced A. G. Atwater, Jr. on the executive committee.

The compensation committee, which was composed of Robert H. Rock, Chairman, A. Robert Abboud, and Sam J. Susser, held eight meetings during fiscal year 2002. The compensation committee reviews executive performance and compensation and administers benefit plans pursuant to which executive officers receive stock options, incentive awards, retirement income and other compensation awards. In October 2002, A. G. Atwater, Jr., James G. Brocksmith, Jr., and Jim Edgar were appointed to serve on the compensation committee.

The nominating committee, which was composed of Leonard H. Lavin, Chairman, A. Robert Abboud, Carol L. Bernick, Howard B. Bernick, and Bernice E. Lavin, held one meeting during fiscal year 2002. The function of the nominating committee is to evaluate and recommend persons to fill vacancies or newly created positions on the board of directors and to submit the names of those persons so recommended to the full board of directors for approval. In October 2002, King Harris, Jim Edgar and Robert H. Rock replaced Howard B. Bernick and Bernice E. Lavin on the nominating committee. Stockholders may submit recommendations for nominations for election to the board of directors. Additional information regarding the stockholder recommendation procedure will be provided upon written request to the Secretary of the Company. Stockholder nominations of directors are subject to the notice requirements described under "Other Business" below.

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		
		Salary (\$)	Bonus (\$)	Awards		All Other Compensation (\$)
				Securities Underlying Options (#)	LTIP Payouts (1) (\$)	
Leonard H. Lavin, Chairman	2002	\$ 1,225,000	\$ 1,561,000	0	\$ 1,800,000	\$ 262,092(2)
	2001	1,218,756	1,598,000	0	1,741,200	244,583
	2000	1,200,000	821,000	0	0	217,827
Howard B. Bernick, President and Chief Executive Officer	2002	\$ 1,450,000	\$ 1,847,000	224,000	\$ 2,025,000	\$ 18,727(3)
	2001	1,450,000	1,901,000	224,000	1,958,850	16,448
	2000	1,425,000	975,000	224,000	0	16,249
Carol L. Bernick, Vice Chairman, Assistant Secretary and President Alberto-Culver Consumer Products Worldwide	2002	\$ 850,000	\$ 1,036,000	90,000	\$ 840,000	\$ 18,727(3)
	2001	837,500	934,000	90,000	609,420	16,448
	2000	775,005	429,000	84,000	0	16,249
Bernice E. Lavin, Vice Chairman, Secretary and Treasurer	2002	\$ 650,000	\$ 718,000	0	\$ 750,000	\$ 262,092(2)
	2001	643,755	718,000	0	551,380	244,583
	2000	625,008	346,000	0	0	217,827
Michael H. Renzulli, President, Sally Beauty Company, Inc.	2002	\$ 920,000	\$ 1,085,000	90,000	\$ 900,000	\$ 25,909(4)
	2001	862,500	1,142,000	90,000	609,420	21,956
	2000	806,250	1,000,000	90,000	0	21,523

- (1) Represents payments under the 1994 Shareholder Value Incentive Plan (the "SVIP"). For the three-year performance period ended September 30, 2002, the total shareholder return on the Company's Class A shares (the "Company's TSR") was 133.95% placing it in the 98.3rd percentile of the Standard & Poor's 500 Index with a corresponding payout per unit of \$3,000 under the SVIP. For the three-year performance period ended September 30, 2001, the Company's TSR was 62.75%, placing it in the 88.6th percentile of the Standard & Poor's 500 Index with a corresponding payout per unit of \$2,902 under the SVIP. For the three-year performance period ended September 30, 2000, the Company's TSR was -2.26%, placing it in the 49th percentile of the Standard & Poor's 500 Index with no corresponding payout per SVIP unit.
- (2) For Mr. and Mrs. Lavin, the amount for each includes \$20,024 of imputed income from life insurance; an annual contribution to the Profit Sharing Plan of \$11,817; \$226,851 of imputed income from split-dollar life insurance policies; and \$3,400 of matching contributions to the Alberto-Culver 401(k) Savings Plan.
- (3) For Mr. and Mrs. Bernick, the amount for each includes \$3,510 of imputed income from life insurance; an annual contribution to the Profit Sharing Plan of \$11,817; and \$3,400 of matching contributions to the Alberto-Culver 401(k) Savings Plan.
- (4) The amount includes \$10,692 of imputed income from life insurance; an annual contribution to the Profit Sharing Plan of \$11,817; and \$3,400 of matching contributions to the Alberto-Culver 401(k) Savings Plan.

Director Compensation

Each non-employee director receives an annual retainer of \$35,000. Non-employee directors receive \$1,500 for (i) each meeting of the board of directors attended and (ii) each meeting of the audit, executive, compensation and nominating committees attended and \$750 for each conference call audit committee meeting attended. The chairman of the audit committee and the chairman of the compensation committee receive an additional annual retainer of \$3,500. Employee directors receive no additional compensation for serving on the board of directors or its committees.

In addition, each non-employee director participates in the 1994 Stock Option Plan For Non-Employee Directors (the 1994 Director Plan). Under the 1994 Director Plan, each non-employee director receives an automatic grant of a non-qualified option (i) upon his or her initial election to the board of directors (Initial Grant) and (ii) as of the day of each regularly scheduled annual meeting of the stockholders of the Company (Subsequent Grant). Pursuant to the terms of the 1994 Director Plan, the Initial Grant is for an option to purchase 7,500 shares of Class A common stock and each Subsequent Grant is for an option to purchase 2,500 shares of Class A common stock. The exercise price of options granted under the 1994 Director Plan is the fair market value of a share of Class A common stock on the date options are granted. Options are granted for a ten-year term and become exercisable in four equal annual installments commencing one year after the date of grant. No director who has received an Initial Grant shall be entitled to receive a Subsequent Grant in the same fiscal year.

Subject to shareholder approval, a new stock option plan, the 2003 Stock Option Plan For Non-Employee Directors (the 2003 Director Plan), will provide that (i) the Initial Grant will be for a non-qualified option to purchase 7,500 shares of Class B common stock and (ii) each Subsequent Grant will be for a non-qualified option to purchase 2,500 shares of Class B common stock. The first Subsequent Grant will be made at the time of the Annual Meeting scheduled on January 23, 2003. If the stockholders approve the 2003 Director Plan, no more options may be granted under the 1994 Director Plan. No director who has received an Initial Grant (whether under the 1994 Director Plan or the 2003 Director Plan) shall be entitled to receive a Subsequent Grant in the same fiscal year. The 2003 Director Plan is described in greater detail under Approval of the 2003 Stock Option Plan For Non-Director Employee Directors.

On July 26, 2001, the board of directors approved the Deferred Compensation Plan for Non-Employee Directors (the DCP). Under the DCP, effective as of January 1, 2002, each non-employee director may elect to defer his or her annual retainer and meeting fees (Director Fees) paid during each calendar year, receive shares of Class B 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 may defer their Director Fees in cash or in common stock units where each unit is equivalent to one share of Class B common stock. Dividends that a director would have received as an owner of Class B common stock will be reinvested into units equal to a commensurate number of additional Class B shares. Director Fees may be deferred at the election of each non-employee director until (i) one month after such director's service on the board of directors ends or (ii) any date selected by such board member. The interest rate earned on money deferred under the DCP is determined by the compensation committee and is equal to the interest rate earned on money deferred under the Executive Deferred Compensation Plan. See Executive Deferred Compensation Plan below.

Stock Option Grants

The table below sets forth certain information with respect to options granted to the named executive officers during the fiscal year ended September 30, 2002. All of these options were granted on October 1, 2001.

OPTION GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

Name	Number of Securities Underlying Options Granted(1)(#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price(\$/sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
					5%(\$)	10%(\$)
Leonard H. Lavin	0	0			0	0
Bernice E. Lavin	0	0			0	0
Howard B. Bernick	224,000	13.2%	\$ 32.655	09/30/2011	\$ 4,600,188	\$ 11,657,780
Carol L. Bernick	90,000	5.3%	\$ 32.655	09/30/2011	\$ 1,848,290	\$ 4,683,929
Michael H. Renzulli	90,000	5.3%	\$ 32.655	09/30/2011	\$ 1,848,290	\$ 4,683,929

- (1) Options are granted under the Employee Stock Option Plan of 1988 (the 1988 ACSOP) which permits the compensation committee to grant non-qualified options to purchase shares of Class A common stock. All options granted have a 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 Class A common stock on the date of grant. Options become exercisable on a cumulative basis in annual increments of one-fourth of the optioned shares, commencing one year after the date of grant. The compensation committee may accelerate the exercisability of any options subject to such terms and conditions as it deems necessary and appropriate. In the event of a change in control, as defined in the 1988 ACSOP and summarized below under Employment Contracts, Termination of Employment and Change in Control Arrangements, all stock option awards will be immediately vested and all outstanding stock option awards will, depending on the type of consideration given to stockholders in connection with the change in control, either become options to purchase shares of the acquiring corporation or be canceled and option holders will receive a cash payment in lieu of the exercise of such option awards.

Subject to shareholder approval, the 2003 ACSOP will permit the compensation committee to grant non-qualified options to purchase Class B common stock rather than Class A common stock which is authorized under the 1988 ACSOP. If stockholders approve the 2003 ACSOP, no more options may be granted under the 1988 ACSOP. The 2003 ACSOP is described in greater detail under Approval of the Employee Stock Option Plan of 2003.

- (2) The dollar amounts in these columns assume that the market price per share of Class A 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 Securities and Exchange Commission and are not intended to forecast possible future appreciation, if any, of the price of Class A common stock.

Stock Option Exercises and Fiscal Year-End Option Values

The table below sets forth certain information with respect to the exercise of options during the fiscal year ended September 30, 2002 by the named executive officers and the fiscal year-end value of unexercised in-the-money options held by such officers.

**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 (2) (\$) Exercisable/ Unexercisable
Leonard H. Lavin (1)	0	0	0/0	0/0
Bernice E. Lavin (1)	0	0	0/0	0/0
Howard B. Bernick	679,100	\$ 11,155,215	220,000/336,000	\$ 4,622,556/\$5,990,096
Carol L. Bernick	263,844	\$ 4,971,783	81,000/133,500	\$ 1,674,595/\$2,367,839
Michael H. Renzulli	110,256	\$ 2,982,826	460,544/135,000	\$ 12,414,024/\$2,406,735

- (1) Mr. and Mrs. Lavin have elected not to receive stock option grants since the inception of the 1988 ACSOP and under the stock option plans of the Company that preceded it.
- (2) Based on the average of the high and low trading price of Class A common stock (\$45.775 per share) on September 30, 2002, the last trading day of the fiscal year.

Long-Term Incentive Awards

The table below sets forth certain information with respect to the grant of performance units under the SVIP during the fiscal year ended September 30, 2002 to the named executive officers.

**LONG-TERM INCENTIVE PLAN
AWARDS IN LAST FISCAL YEAR**

Name	Number of Shares, Units or Other Rights (#) (1)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non- Stock Price-Based Plans		
			Threshold (\$)	Target (\$)	Maximum (\$)
Leonard H. Lavin	600	3 years	\$ 150,000	\$ 600,000	\$ 1,200,000
Bernice E. Lavin	250	3 years	62,500	250,000	500,000
Howard B. Bernick	725	3 years	181,250	725,000	1,450,000
Carol L. Bernick	320	3 years	80,000	320,000	640,000
Michael H. Renzulli	330	3 years	82,500	330,000	660,000

- (1) Awards under the 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 (the Code).

Performance units were granted at the beginning of fiscal year 2002 for the three-year performance period ending September 30, 2004. At the time the performance units were granted, the compensation committee established objectives for such three-year performance period based on the percentile ranking of the total shareholder return of the Class A common stock among the total shareholder returns of the companies comprising the Standard & Poor's 500 Index. Participants may elect to receive all or a portion of their award, less applicable withholding taxes, in Class A common stock. Participants owning shares of Class A and Class B common stock having a dollar value below a level determined by the compensation committee will be required to take at least 50% of their award, less applicable withholding taxes, in Class A common stock. In the event of a change in control, as defined in the 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 percentile ranking of the Company based on the total shareholder return of the Class A common stock as of the date of the change in control compared to the total shareholder return of the companies comprising the index chosen for each such performance period by the compensation committee from among those indexes specified in the 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.

Effective for grants made on or after July 26, 2001, the SVIP was amended to (i) decrease the maximum payout from \$3,000 per unit to \$2,000 per unit, (ii) prohibit any payout if the Company's total shareholder return compared to the total shareholder return of companies comprising the Applicable Index would rank it at less than the 40th percentile (for grants made before July 26, 2001, payouts are prohibited if the Company's total shareholder return would rank it below the 50th percentile) and (iii) permit the compensation committee to reduce or eliminate any award otherwise payable if the Company's total shareholder return for the applicable performance period is negative.

Subject to stockholder approval, effective for grants made on or after October 1, 2002, the SVIP has been amended so that the total shareholder return of the Company will be based upon the Class B common stock rather than the Class A common stock. The SVIP and the material amendment are described in greater detail under [Re-Approval of the 1994 Shareholder Value Incentive Plan, As Amended](#).

Employment Contracts, Termination of Employment and Change in Control Arrangements

The Company's named executive officers are parties to severance agreements which provide payments and benefits if such officer's employment with the Company 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 Code, equals 2.99 times such officer's base amount as such term is defined in Section 280G(b)(3) of the Code. Such payment shall 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 of the Company. 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 the Company's 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 Code.

Stock options granted to named executive officers under the 1988 ACSOP will be immediately vested upon the occurrence of a change in control, as defined in the 1988 ACSOP and summarized below, and all outstanding stock options will, depending on the type of consideration given to stockholders in connection with the change in control, either become options to purchase shares of the acquiring corporation or be canceled and option holders will receive a cash payment in lieu of the exercise of such options. All options granted under the 2003 ACSOP, if approved, will also become immediately vested upon a change in control. In addition, the payment of awards under the Management Incentive Plan ([MIP](#)) and the 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 SVIP may be reduced. See [Long-Term Incentive Awards](#) above.

The definition of a change in control is the same for the 1988 ACSOP, SVIP, MIP, 1994 Director Plan and the Alberto-Culver Company 1994 Restricted Stock Plan (1994 RSP) and, except as provided in (iii) of this paragraph, the severance agreements. In addition, subject to shareholder approval, the definition of a change in control for the 2003 Director Plan, 2003 ACSOP, 2003 RSP and the SVIP, as amended, will be the same as the plans in the immediately preceding sentence. Generally, a change in control is defined as the occurrence of any of the following: (i) the acquisition by any individual, entity or group of both 20% or more of the combined voting power of the outstanding voting securities of the Company and combined voting power in excess of the combined voting power held by the Exempt Persons, as defined below, (ii) the cessation of the individuals who comprise the Incumbent Board, as defined below, to constitute a majority of the board of directors of the Company, (iii) except as provided in the next sentence, the consummation (but in the case of the severance agreements, 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 the Company) of all or substantially all of the assets of the Company (collectively, a Fundamental Change) or (iv) the approval by the stockholders of the Company of the complete liquidation or dissolution of the Company. A Fundamental Change will not be a change in control if (a) immediately after such Fundamental Change more than 60% of the combined voting power of the then outstanding voting securities of the resulting corporation or the Company, 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 the Company immediately prior to such Fundamental Change and (b) 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 the Company providing for such Fundamental Change.

A change in control will not be deemed to occur through the acquisition of voting securities of the Company if they were acquired (i) by an Exempt Person, an employee benefit plan or trust sponsored or maintained by the Company or any corporation controlled by the Company or (ii) through an exercise, conversion or exchange privilege acquired directly from the Company. In addition, a change in control will not be deemed to occur if such change in control resulted from the Company acquiring its own voting securities. Exempt Persons are defined as: (i) Mr. and Mrs. Lavin, their descendants and spouses of their descendants, and (ii) 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 board of directors of the Company 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

Upon retiring on or after reaching a specified retirement age, each of the named executive officers 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. Payments

range up to a maximum of \$400,000 per year and are payable over a maximum of 15 years. If the named executive officer is terminated for any reason prior to his or her specified retirement age, such executive shall not be entitled to receive any payments under his or her key executive deferred compensation agreement. In the event the executive dies (and was not terminated by the Company) prior to reaching his or her retirement age, the individual(s) designated by such executive will be entitled to 50% of the deceased executive's deferred benefit. In the event the executive dies after reaching his or her retirement age but before termination of employment with the Company, the individual(s) designated by such executive will be entitled to 100% of the deceased executive's deferred benefit. Executives retiring prior to their specified retirement age may, at the discretion of a committee of the board of directors, receive all or a portion of those benefits they would have been entitled to receive had they retired at their specified retirement age.

Payments are conditioned upon the named executive officer rendering such reasonable business consulting and advisory services to the Company or any subsidiary as the Chief Executive Officer deems desirable. No executive will 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 the Company or any of its subsidiaries, the executive shall have no right to receive any payments under these agreements. The obligations of the Company under these agreements are unfunded and unsecured promises to pay. The Company has voluntarily elected to purchase insurance policies in the name of the Company covering the life of each named executive officer.

Executive Deferred Compensation Plan

Effective January 1, 1999, the board of directors approved the Executive Deferred Compensation Plan for all highly compensated employees within the meaning of Section 414(q) of the Code, which includes all of the named executive officers. All eligible employees may elect to defer all or a portion of their salary and commissions (Compensation). Compensation may be deferred for any period of time, provided it is no 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 five years. The compensation 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 6% per annum. Under certain circumstances, employees who are unable to receive the maximum Company matching contribution they would have otherwise received (the Maximum Match) under the Alberto-Culver or Sally Beauty 401(k) Savings Plans because of limitations under the 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. Such contribution will be (i) made by the Company, (ii) immediately vested and (iii) required to be deferred in this plan until the termination of such employee's employment with the Company. The obligations of the Company under the Executive Deferred Compensation Plan are unfunded and unsecured promises to pay.

Equity Compensation Plan Information

The table below sets forth certain information with respect to equity compensation plans whereby Class A common stock may be issued as of September 30, 2002. The Company had no equity compensation plans whereby Class B common stock may be issued as of September 30, 2002.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	5,366,832	\$25.19	5,648,248
Equity compensation plans not approved by security holders (2)	0	0	7,220
Total	5,366,832	\$25.19	5,655,468

- (1) The securities reflected in column (a) include the number of shares that may be issued upon the exercise of outstanding options under the 1988 ACSOP and 1994 Director Plan. The securities reflected in column (a) do not include 363,950 shares of Class A common stock that have been issued under the 1994 RSP but have not yet vested. The securities reflected in column (c) include the number of shares remaining available to issue under the 1988 ACSOP, the 1994 Directors Plan and the 1994 RSP.
- (2) The securities reflected in column (a) do not include 13,971 shares of Class A common stock that have been issued under the Management Bonus Plan but have not yet vested. The securities reflected in column (c) consist of the securities listed below under Other Plan.

Management Bonus Plan

The Management Bonus Plan (the MBP) is a bonus plan for middle managers of certain units of the Company who are in a position to make substantial contributions to the overall management, growth and success of the Company. No executive officers participate in the MBP. The MBP is a non-shareholder approved plan.

Employees chosen to be in the MBP may elect to take their bonus in cash, 50% in cash and 50% in Class A common stock or all in Class A common stock. Employees electing a stock bonus will receive Class A common stock valued at one-and-one-half times the amount of what their

normal cash bonus entitlement would have been. Class A shares granted pursuant to the MBP will be held by the Company for three years following the close of the fiscal year for which the bonus award was granted and will not vest until such three-year period has been completed. During this three-year period, employees may vote the Class A common stock and will receive quarterly dividends but have no dispositive rights.

Since the election to take Class A common stock is at the discretion of the employee, the Company has no way to estimate how many shares will be issued under the MBP and the MBP has no maximum number of shares that may be issued. Since 1992, the first year Class A shares were issued under the Plan, 36,994 shares of Class A common stock (not counting shares that have been forfeited), have been issued under the MBP. Starting with bonuses earned in fiscal year 2003, employee elections will be for Class B common stock rather than Class A common stock.

Other Plan

In 1997, 10,000 shares of Class A common stock were set aside to be granted to employees for the purpose of awarding special prizes, awards or incentives for outstanding service. There is no written plan document and this is a non-shareholder approved plan. Since the plan's inception, 2,780 Class A shares have been issued. No executive officers have received shares under this plan.

Compensation Committee Report

The compensation committee was composed of Robert H. Rock, Chairman, A. Robert Abboud, and Sam J. Susser. In October 2002, A. G. Atwater, Jr., James G. Brocksmith, Jr. and Jim Edgar were appointed to serve on the compensation committee. The compensation committee is responsible for reviewing executive performance and compensation, approving employment agreements with executive officers and administering benefit plans pursuant to which executive officers receive stock options, incentive awards, retirement income and other compensation awards.

The Company's objectives for its executive compensation program are:

- 1 To attract, motivate and retain highly qualified individuals.
- 1 To link the interests of executive officers closely with those of the Company's stockholders.
- 1 To increase the personal stake of the executive officers in the continued success and growth of the Company by linking a significant portion of executive officers' compensation to the performance of the Company.

In order to achieve these objectives, executive compensation for the last fiscal year was comprised principally of three components: base salary, annual bonus and long-term incentive compensation which includes stock options, performance units and restricted stock.

Base Salary

Base salaries of executive officers are reviewed annually by the compensation committee and may be adjusted appropriately effective the beginning of each calendar year. The factors used in determining an executive officer's base salary are the duties and level of responsibility of the executive officer, the past performance of the executive officer, the performance of the executive officer's principal business unit, if any, studies of positions at comparable businesses, the performance of the Company and the recommendations of management. The compensation committee exercises its judgment in making a determination of the impact which each of these factors has on setting the executive officers' salaries.

Annual Bonus

Annual bonuses for executive officers are awarded pursuant to the MIP. The primary objective of the MIP is to strongly link incentive awards to measurable performance and provide higher rewards for exceptional performance.

An executive officer's bonus award opportunity is allocated among one or more of the following criteria: (i) sales of the Company, a subsidiary or a division; (ii) pre-tax earnings of the Company, a subsidiary or a division; (iii) except for the named executive officers, any other measurements the compensation committee may determine; and (iv) except for the named executive officers, individual

business objectives. The compensation committee may modify the above criteria during the plan year as deemed appropriate; but may not modify these criteria for the named executive officers so as to increase the award payable to such persons.

Actual awards can range from 0% to 200% of an executive officer's base salary depending on the level of performance achieved. The compensation committee may increase or decrease an individual award to a participant, other than the named executive officers, by up to 25% of such participant's base salary based upon such factors and circumstances as the compensation committee deems appropriate. The named executive officers' fiscal year 2002 annual incentive awards under the MIP were formula based and reflected record sales and record pre-tax earnings performance for the Company in fiscal year 2002.

Long-Term Incentive Compensation

The Company's long-term incentive compensation program consists of grants of stock options under the 1988 ACSOP, performance units under the SVIP and restricted stock under the 1994 RSP.

Stock options were granted to executive officers under the 1988 ACSOP. Non-qualified stock options were granted for a term of ten years with an option exercise price equal to the fair market value of a share of the Class A common stock on the date of grant. Stock options become exercisable in four equal annual increments commencing one year after the date of grant.

Subject to shareholder approval, the 2003 ACSOP will permit the compensation committee to grant non-qualified options to purchase Class B common stock rather than Class A common stock which is authorized under the 1988 ACSOP. If stockholders approve the 2003 ACSOP, no more options may be granted under the 1988 ACSOP. The 2003 ACSOP is described in greater detail under "Approval of the Employee Stock Option Plan of 2003."

Executive officers were also granted performance units pursuant to the SVIP. Each performance unit has 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. For grants made during fiscal year 2002, the threshold, target and maximum performance levels are attained when the total shareholder return on Class A shares meets or exceeds the total shareholder return of 40%, 60% and 80% of the companies in the Applicable Index, respectively, over a three-year performance period. Under certain circumstances, such awards will be paid in Class A common stock. See "Long-Term Incentive Awards" above. Units will have no value if the threshold performance level is not attained for a given performance period.

At the time performance units were granted, the compensation committee, based on the recommendations of management and in consultation with the Company's outside compensation consultants, established objectives for the three-year performance period, October 1, 2001 through September 30, 2004, based on the percentile ranking of the Class A common stock measured by total shareholder return among companies comprising the Standard & Poor's 500 Index, the selected

Applicable Index. For the three-year performance period ended September 30, 2002, the total shareholder return on the Company's Class A common stock was 133.95%, placing it in the 98.3rd percentile of the Standard & Poor's 500 Index with a corresponding payout per unit of \$3,000.

Effective for grants made on or after July 26, 2001, the SVIP was amended to (i) decrease the maximum payout from \$3,000 per unit to \$2,000 per unit, (ii) prohibit any payout if the Company's total shareholder return compared to the total shareholder return of companies comprising the Applicable Index would rank it at less than the 40th percentile (for grants made before July 26, 2001, payouts are prohibited if the Company's total shareholder return would rank it below the 50th percentile) and (iii) permit the compensation committee to reduce or eliminate any award otherwise payable if the Company's total shareholder return for the applicable performance period is negative.

Subject to stockholder approval, effective for grants made on or after October 1, 2002, the SVIP will be amended so that the total shareholder return of the Company will be based upon the Class B common stock rather than the Class A common stock. The SVIP and the material amendment are described in greater detail under Re-Approval of the 1994 Shareholder Value Incentive Plan, As Amended.

Certain executive officers were also granted restricted Class A common stock under the 1994 RSP. The restricted shares 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. No named executive officer was granted shares of restricted stock.

Subject to stockholder approval, the 2003 RSP will permit the compensation committee to grant restricted Class B common stock rather than restricted Class A common stock which is authorized under the 1994 RSP. If stockholders approve the 2003 RSP, no more restricted stock may be granted under the 1994 RSP. The 2003 RSP is described in greater detail under Approval of the Alberto-Culver Company 2003 Restricted Stock Plan.

Decisions with respect to grants of stock options and performance units to executive officers were made based on formulas proposed by the Company's outside compensation consultants. Under these formulas, executive officers received grants of stock options and performance units having a value equal to a percentage of his or her base salary. The number of stock options and performance units granted were then adjusted for certain executive officers based on the same factors used for determining base salary. Decisions with respect to grants of restricted stock to executive officers were discretionary and were based on the same factors used for determining base salary.

In fiscal year 1997, the compensation committee established stock ownership guidelines for all SVIP participants. The Chairman and the Chief Executive Officer have guidelines of at least five times, and senior officers, including the other named executive officers, have guidelines of at least three times, the amount of their annual base salary invested in common stock of the Company. Participants have until the end of fiscal year 2002 or within five years of first becoming a participant in the SVIP, whichever is later, to achieve these stock ownership guidelines. In addition in fiscal year 1997, the

compensation committee established stock ownership guidelines for outside directors. The guideline for outside directors is to have at least \$100,000 invested in the common stock of the Company by the end of fiscal year 2002 or within five years of their initial election to the board of directors, whichever is later.

Chief Executive Officer Compensation

Howard B. Bernick's fiscal year 2002 total compensation was established considering competitive market comparisons, Company performance, which included records in each of sales, pre-tax earnings, net earnings and earnings per share for the eleventh consecutive year, and the executive compensation philosophy established by the compensation committee. This philosophy targets total compensation at competitive levels and provides significant performance-based variable compensation opportunities.

Mr. Bernick's fiscal year 2002 annual incentive award under the MIP was formula based and reflected record sales and record pre-tax earnings performance.

The number of stock options and performance units granted to Mr. Bernick was based on formulas proposed by the Company's outside compensation consultants and reviewed and approved by the compensation committee. Under these formulas, Mr. Bernick's grants were equal to a percentage of his base salary.

Deductibility of Compensation

As part of the Omnibus Budget Reconciliation Act passed by Congress in 1993, the Code was amended to add Section 162(m) which limits the deductibility for federal income tax purposes of compensation paid to the Chief Executive Officer and the four other most highly compensated officers of the Company. Under Section 162(m), compensation paid to each of these officers in excess of \$1.0 million per year is deductible by the Company only if it is performance-based.

It is the Company's policy to take into account the deductibility for federal income tax purposes of the compensation paid to its executive officers. The Company believes that all bonuses and awards paid to executive officers under the MIP and SVIP, respectively, will be tax deductible and that any compensation generated upon the exercise of non-qualified stock options granted under the 1988 ACSOP or the vesting of restricted shares under the 1994 RSP will be tax deductible by the Company.

Compensation Committee Members

Robert H. Rock, Chairman

A. Robert Abboud

A. G. Atwater, Jr.

James G. Brocksmith, Jr.

Jim Edgar

Sam J. Susser

Audit Committee Report

The primary purpose of the audit committee is to assist the board of directors in fulfilling its oversight responsibilities relating to accounting, reporting practices and the quality and integrity of the financial reports and other publicly disseminated financial information of the Company. In this context, the audit committee has met with management (including the Chief Executive Officer, Chief Financial Officer and Vice President of Corporate Audit) and KPMG LLP, the Company's independent public accountants (Independent Auditors). Audit committee members have also met alone in private session.

The audit committee held meetings with the Company's internal auditors and Independent Auditors, both in the presence of management and privately, to discuss the overall scope and plans for their respective audits, the results of their audits, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reports.

The audit committee has reviewed and discussed the audited consolidated financial statements with management and the Independent Auditors. The audit committee also discussed with the Independent Auditors the matters required by Statement on Auditing Standards No. 61 (Communication With Audit Committees).

With respect to independence, the audit committee has received the written disclosures and the letter from the Independent Auditors required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees) and has discussed with the Independent Auditors their independence.

Based upon the reviews and discussions referred to above, the audit committee has (i) approved the selection of KPMG LLP as the independent auditors for the 2003 fiscal year and (ii) recommended to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2002 for filing with the Securities and Exchange Commission.

Audit Committee Members

A. Robert Abboud, Chairman

A.G. Atwater, Jr.

James G. Brocksmith, Jr.

King Harris

John A. Miller

Allan B. Muchin

Sam J. Susser

Audit and Related Fees

Audit Fees

The aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended September 30, 2002 (including foreign statutory audits) and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for that fiscal year were \$1,583,000.

Financial Information Systems Design and Implementation Fees

KPMG LLP did not render professional services relating to financial information systems design and implementation for the fiscal year ended September 30, 2002.

All Other Fees

The aggregate fees billed by KPMG LLP for services rendered to the Company, other than the services described above under "Audit Fees" and "Financial Information Systems Design and Implementation Fees" for the fiscal year ended September 30, 2002, were as follows:

Other audit-type services	\$ 160,000
Tax services	689,000
Other services	54,000
	<u> </u>
	<u>\$ 903,000</u>

The Company's audit committee reviewed the non-audit services rendered by KPMG LLP to the Company during fiscal year 2002 and concluded such services were compatible with maintaining KPMG LLP's independence.

Performance Graph

The following graph compares the cumulative total shareholder return on the Company's Class A common stock and Class B common stock, the Standard & Poor's 500 Index, and a selected peer group of companies for the last five fiscal years. The selected peer group consists of Avon Products, Inc.; Church & Dwight Co., Inc.; The Clorox Company; Claire's Stores, Inc.; The Dial Corp.; Dollar General Corporation; The Estee Lauder Companies; Family Dollar Stores, Inc.; Linens 'N Things, Inc.; McCormick & Company, Incorporated; Michaels Stores, Inc.; Payless Shoesource, Inc.; Playtex Products, Inc.; Regis Corporation; and Revlon, Inc.

For the purpose of calculating the peer group average, the cumulative total shareholder returns of each company have been weighted according to its stock market capitalization at the beginning of the fiscal year. The graph assumes \$100 was invested on September 30, 1997 and that all dividends were reinvested.

[GRAPH]

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Alberto-Culver Class A	\$ 83	77	100	133	188
Alberto-Culver Class B	77	77	98	133	168
S & P 500 Index	109	139	158	116	92
Peer Group	106	122	119	123	133

Principal Stockholders

The table below contains information as of November 15, 2002, unless otherwise specified in the footnotes, concerning stock ownership by each person known to beneficially own 5% or more of either class of the Company's outstanding shares of common stock, based upon information supplied to the Company by such persons.

<u>Name and Address of Beneficial Owner</u>	<u>Title of Class</u>	<u>Amount and Nature of Beneficial Ownership (1)(2)</u>		<u>Percent of Class</u>
Leonard H. Lavin 2525 Armitage Avenue Melrose Park, IL 60160	Class A	401,082	(3)	1.54%
	Class B	4,115,304	(3)	12.73%
Bernice E. Lavin 2525 Armitage Avenue Melrose Park, IL 60160	Class A	407,912	(4)	1.56%
	Class B	3,410,178	(4)	10.55%
Carol L. Bernick 2525 Armitage Avenue Melrose Park, IL 60160	Class A	600,368	(5)	2.29%
	Class B	1,522,588	(5)	4.71%
Barclays Global Investors 45 Fremont Street, 17th Floor San Francisco, CA 94105	Class A	3,918	(6)	(7)
	Class B	1,460,574	(6)	4.52%