

Sally Beauty Holdings, Inc.
Form SC 13D/A
February 10, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 13D/A

**Under the Securities Exchange Act of 1934
(Amendment No. 3)**

SALLY BEAUTY HOLDINGS, INC.

(Name of Issuer)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

79546E 10 4

(CUSIP Number)

CDRS Acquisition LLC

c/o Clayton, Dubilier & Rice, LLC

Attention: Theresa A. Gore

375 Park Ave, New York NY 10152

(212) 407-5227

Copy to:

Peter J. Loughran, Esq.

Debevoise & Plimpton LLP

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919 Third Avenue

New York, NY 10022

(212) 909-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

February 10, 2012

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 79546E 10 4

- | | |
|-----|---|
| 1. | Names of Reporting Persons CDRS Acquisition LLC |
| 2. | Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input type="radio"/> |
| 3. | SEC Use Only |
| 4. | Source of Funds Not Applicable. |
| 5. | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> |
| 6. | Citizenship or Place of Organization Delaware |
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 45,362,880 Shares (see Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
| 10. | Shared Dispositive Power 45,362,880 Shares (see Item 5) |
| 11. | Aggregate Amount Beneficially Owned by Each Reporting Person 45,362,880 Shares (see Item 5) |
| 12. | Check if the Aggregate Amount in Row (11) Excludes Certain Shares <input type="radio"/> |
| 13. | Percent of Class Represented by Amount in Row (11) 24.3% (1) |
| 14. | Type of Reporting Person OO |

(1) Based on 186,328,424 shares of common stock, par value \$0.01 per share (Shares), of Sally Beauty Holdings, Inc., a Delaware corporation (Sally Beauty or the Issuer), outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

- | | |
|-----|---|
| 1. | Names of Reporting Persons Clayton Dubilier & Rice Fund VII, L.P. |
| 2. | Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input type="radio"/> |
| 3. | SEC Use Only |
| 4. | Source of Funds Not Applicable. |
| 5. | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> |
| 6. | Citizenship or Place of Organization Cayman Islands |
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 45,362,880 Shares (see Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
| 10. | Shared Dispositive Power 45,362,880 Shares (see Item 5) |
| 11. | Aggregate Amount Beneficially Owned by Each Reporting Person 45,362,880 Shares (see Item 5) |
| 12. | Check if the Aggregate Amount in Row (11) Excludes Certain Shares <input type="radio"/> |
| 13. | Percent of Class Represented by Amount in Row (11) 24.3% (1) |
| 14. | Type of Reporting Person PN |

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

1. Names of Reporting Persons
CD&R Associates VII, Ltd.
 2. Check the Appropriate Box if a Member of a Group (See Instructions)

| | |
|-----|-----------------------|
| (a) | <input type="radio"/> |
| (b) | <input type="radio"/> |
 3. SEC Use Only
 4. Source of Funds
Not Applicable.
 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
 6. Citizenship or Place of Organization
Cayman Islands
- | | |
|-----|--|
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 45,362,880 Shares (See Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
| 10. | Shared Dispositive Power 45,362,880 Shares (See Item 5) |
11. Aggregate Amount Beneficially Owned by Each Reporting Person
45,362,880 Shares (See Item 5)
 12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares
 13. Percent of Class Represented by Amount in Row (11)
24.3% (1)
 14. Type of Reporting Person
CO

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

- | | |
|-----|---|
| 1. | Names of Reporting Persons CD&R Associates VII, L.P. |
| 2. | Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input type="radio"/> |
| 3. | SEC Use Only |
| 4. | Source of Funds Not Applicable. |
| 5. | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> |
| 6. | Citizenship or Place of Organization Cayman Islands |
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 45,362,880 Shares (See Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
| 10. | Shared Dispositive Power 45,362,880 Shares (See Item 5) |
| 11. | Aggregate Amount Beneficially Owned by Each Reporting Person 45,362,880 Shares (See Item 5) |
| 12. | Check if the Aggregate Amount in Row (11) Excludes Certain Shares <input type="radio"/> |
| 13. | Percent of Class Represented by Amount in Row (11) 24.3% (1) |
| 14. | Type of Reporting Person PN |

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

1. Names of Reporting Persons
CD&R Investment Associates VII, Ltd.
2. Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)
3. SEC Use Only
4. Source of Funds
Not Applicable.
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization
Cayman Islands
- | | | |
|---|-----|--|
| Number of Shares Beneficially Owned by Each Reporting Person With | 7. | Sole Voting Power 0 Shares |
| | 8. | Shared Voting Power 45,362,880 Shares (See Item 5) |
| | 9. | Sole Dispositive Power 0 Shares |
| | 10. | Shared Dispositive Power 45,362,880 Shares (See Item 5) |
11. Aggregate Amount Beneficially Owned by Each Reporting Person
45,362,880 Shares (See Item 5)
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares
13. Percent of Class Represented by Amount in Row (11)
24.3% (1)
14. Type of Reporting Person
CO

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

- | | |
|-----|---|
| 1. | Names of Reporting Persons CD&R Parallel Fund VII, L.P. |
| 2. | Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input type="radio"/> |
| 3. | SEC Use Only |
| 4. | Source of Funds Not Applicable. |
| 5. | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> |
| 6. | Citizenship or Place of Organization Cayman Islands |
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 300,091 Shares (See Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
| 10. | Shared Dispositive Power 300,091 Shares (See Item 5) |
| 11. | Aggregate Amount Beneficially Owned by Each Reporting Person 300,091 Shares (See Item 5) |
| 12. | Check if the Aggregate Amount in Row (11) Excludes Certain Shares <input type="radio"/> |
| 13. | Percent of Class Represented by Amount in Row (11) 0.2% (1) |
| 14. | Type of Reporting Person PN |

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

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CUSIP No. 79546E 10 4

- | | |
|-----|---|
| 1. | Names of Reporting Persons CD&R Parallel Fund Associates VII, Ltd. |
| 2. | Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="radio"/> (b) <input type="radio"/> |
| 3. | SEC Use Only |
| 4. | Source of Funds Not Applicable. |
| 5. | Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="radio"/> |
| 6. | Citizenship or Place of Organization Cayman Islands |
| 7. | Sole Voting Power 0 Shares |
| 8. | Shared Voting Power 300,091 Shares (See Item 5) |
| 9. | Sole Dispositive Power 0 Shares |
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| 12. | Check if the Aggregate Amount in Row (11) Excludes Certain Shares <input type="radio"/> |
| 13. | Percent of Class Represented by Amount in Row (11) 0.2% (1) |
| 14. | Type of Reporting Person CO |

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

Explanatory Note

This Amendment No. 3 (this Amendment No. 3) to the Statement on Schedule 13D, initially filed on June 28, 2006, as amended by Amendment No. 1, filed on November 27, 2006, and Amendment No. 2, filed on October 18, 2011 (the Statement), relates to the beneficial ownership of the Shares of Sally Beauty. This Amendment No. 3 is being filed on behalf of the reporting persons (the Reporting Persons) identified on the cover pages of this Amendment No. 3. Information in respect of each Reporting Person is given solely by such Reporting Person, and no Reporting Person has responsibility for the accuracy or completeness of information supplied by any other Reporting Person.

Item 2. Identity and Background

The agreement among the Reporting Persons relating to the joint filing of this Amendment No. 3 is attached as Exhibit 1.1 hereto.

Item 4. Purpose of Transaction

Item 4 of the Statement is amended by inserting the following information:

Pursuant to an Underwriting Agreement, dated February 6, 2012 (the Underwriting Agreement), among Sally Beauty, CDRS Acquisition LLC (CDRS), CD&R Parallel Fund VII, L.P. (Parallel Fund VII) and, together with CDRS, the CD&R Investors) and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the Underwriter), on February 10, 2012, CDRS sold 19,868,563 Shares of Sally Beauty and Parallel Fund VII sold 131,437 Shares of Sally Beauty, in each case to the Underwriter at a price of \$20.96 per Share, in a registered offering (the Secondary Offering).

Pursuant to the Underwriting Agreement, the CD&R Investors have agreed with the Underwriter, not to offer or sell, dispose of or hedge, directly or indirectly, any common stock without the permission of the Underwriter for a period of 60 days from February 7, 2012, subject to certain exceptions and automatic extension in certain circumstances.

The foregoing description of the Underwriting Agreement does not purport to be complete and is qualified in its entirety by reference to the Underwriting Agreement, which is filed as Exhibit 7 hereto and is incorporated herein by reference.

Except as described in this Item 4 and Item 6 of this Amendment No. 3 which are incorporated herein by reference, the Reporting Persons have no present plans or proposals that relate to or would result in any of the actions required to be reported herein.

Item 5. Interest in Securities of the Issuer

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Item 5 of the Statement is amended and restated in its entirety by inserting the following information:

(a)-(b)

As of the date hereof (and after giving effect to sale of the Shares of Sally Beauty in the Secondary Offering), each of the Reporting Persons beneficially owns the number and percentage of Shares of Sally Beauty then issued and outstanding listed opposite its name:

| Reporting Person | Amount Beneficially Owned | Percent of Class(1) |
|---|----------------------------------|----------------------------|
| CDRS Acquisition LLC | 45,362,880 | 24.3% |
| Clayton Dubilier & Rice Fund VII, L.P. | 0(2) | 0% |
| CD&R Associates VII, Ltd. | 0(2) | 0% |
| CD&R Associates VII, L.P. | 0(2) | 0% |
| CD&R Investment Associates VII, Ltd. | 0(2)(3) | 0% |
| CD&R Parallel Fund VII, L.P. | 300,091 | 0.2% |
| CD&R Parallel Fund Associates VII, Ltd. | 0(3)(4) | 0% |

(1) Based on 186,328,424 Shares of Sally Beauty outstanding on January 31, 2012.

(2) CDRS is a limited liability company of which Clayton Dubilier & Rice Fund VII, L.P. is the sole member, of which CD&R Associates VII, Ltd. is the general partner, which is a wholly-owned subsidiary of CD&R Associates VII, L.P., of which CD&R Investment Associates VII, Ltd. is the general partner. Each of Clayton Dubilier & Rice Fund VII, L.P., CD&R Associates VII, Ltd., CD&R Associates VII, L.P. and CD&R Investment Associates VII, Ltd. expressly disclaims beneficial ownership of the Shares held by CDRS as well as of the Shares held by Parallel Fund VII.

(3) CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd. are each managed by a three person board of directors, and all board action relating to the voting or disposition of these Shares requires approval of a majority of the applicable board. Joseph L. Rice, III, Donald J. Gogel and Kevin J. Conway, as the directors of each of CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd., may be deemed to share beneficial ownership of the Shares shown as beneficially owned by the funds associated with Clayton, Dubilier & Rice, LLC. Such persons disclaim such beneficial ownership.

(4) Parallel Fund VII is a Cayman Islands exempted limited partnership of which CD&R Parallel Fund Associates VII, Ltd. is the general partner. CD&R Parallel Fund Associates VII, Ltd. expressly disclaims beneficial ownership of the Shares held by Parallel Fund VII as well as of the Shares held by CDRS.

(b)

In addition to the description set forth above in this Item 5, see the cover pages of this Amendment No. 3 for indications of the respective voting powers and disposition powers of the Reporting Persons.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Item 6 of the Statement is amended and restated in its entirety by inserting the following information:

The information set forth in Item 4 above is hereby incorporated by reference in response to Item 6.

Item 7. Material to Be Filed as Exhibits

EXHIBIT INDEX

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**Exhibit
Number**
1.1
7

Description

Joint Filing Agreement, dated February 10, 2012, by and among the Reporting Persons.
Underwriting Agreement, dated February 6, 2012, among Sally Beauty Holdings, Inc., CDRS Acquisition LLC, CD&R
Parallel Fund VII, L.P., and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

CDRS ACQUISITION LLC

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Executive Vice President and Treasurer

CLAYTON, DUBILIER & RICE FUND VII, L.P.

By: CD&R Associates VII, Ltd.,
its general partner

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant Secretary

CD&R ASSOCIATES VII, LTD.

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant Secretary

CD&R ASSOCIATES VII, L.P.

By: CD&R Investment Associates VII, Ltd.,
its general partner

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant Secretary

CD&R INVESTMENT ASSOCIATES VII, LTD.

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant Secretary

CD&R PARALLEL FUND VII, L.P.

By: CD&R Parallel Fund Associates VII, Ltd.,
its general partner

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant
Secretary

CD&R PARALLEL FUND ASSOCIATES VII, LTD.

By: /s/ Theresa A. Gore
Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant
Secretary

Dated: February 10, 2012