

Marinello Schools of Beauty Named Middle Market Portfolio Company of the Year

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WHITTIER, Calif., November 4 – The National Association of Small Business Investment Companies (NASBIC) named Marinello Schools of Beauty the 2010 winner of the Middle Market Portfolio Company of the Year Award. The award is designed to demonstrate the effectiveness of private equity financing and the benefits of the partnership between private equity investors and small businesses.

The Middle Market Portfolio Company of the Year Award is presented by NASBIC at its annual conference, the National Summit for Middle Market Funds. The award has been presented to 31 outstanding portfolio companies since 1987.

This year Marinello Schools of Beauty of Beverly Hills, California, was chosen as Middle Market Portfolio Company of the Year from among a very competitive selection of successful companies throughout the country. Marinello is the nation's third largest operator of cosmetology schools and offers diplomas in cosmetology, skin care, nail care, massage therapy and advanced teacher training.

The award was presented by NASBIC Chair Mike McQueeney to Dr. Nagui Elyas, Marinello's President and COO, during an awards luncheon on Tuesday, October 26, 2010.

"We are honored to present Marinello Schools of Beauty with the 2010 Middle Market Portfolio Company of the Year Award," said Mike McQueeney. "Marinello has experienced phenomenal revenue growth, as well as significant market expansion. Marinello and all of its partners embody the true spirit of how the partnership between entrepreneurs and private equity investors can grow small businesses into the next great American icon."

When Marinello was acquired, it employed 120 people, had 13 campuses in two states and \$7 million in revenue. Six years later, the schools have grown to 722 employees with 43 campuses in five states with over \$100 million in revenue.

"We found an opportunity in the beauty education business, we prepared a business plan, and we were lucky to have people such as Gemini Investors and Quad Partners that believed in us and helped us reach this success," said Dr. Elyas.

Marinello was founded in 1905 and has had a long, successful history in the beauty industry. However the company really began to distinguish itself in 2004 when brothers Drs. Rashed and Nagui Elyas acquired it.

The Elyas brothers, both medical doctors who emigrated to the U.S. from Egypt over 20 years ago, had successfully grown the Nova Institute, a career school in the post-secondary education industry, and were looking to do the same with a new company.

They spent a year researching the cosmetology industry and identifying potential acquisition targets. Observing a fragmented industry comprised of modestly capitalized, single school operators, the Elyas brothers recognized an opportunity to establish a leading regional brand. They targeted Marinello, the largest chain of cosmetology schools in California, to serve as the operating platform from which to build a substantial cosmetology school company on the West Coast.

To accomplish their goal, the Elyas brothers and co-founder and current Executive Vice President and CFO, Mike Flecker, partnered with two private equity firms, Gemini Investors and Quad Partners.

"The company literally had 2 computers and a lot of carbon paper," Dr. Nagui Elyas said regarding the time when the original investment took place.

The invested capital was used to purchase the original 13 Marinello schools, acquire six additional schools, upgrade the physical plants of the acquired campuses, pursue additional acquisitions, expand the management team, and increase marketing and infrastructure expenditures.

Immediately upon acquisition, the management team upgraded the Marinello campuses, substantially increased television, internet, newspaper and billboard advertising, provided students access to Title IV loans, upgraded computer systems and hired admissions, financial aid and student placement personnel at the campuses.

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About Marinello Schools of Beauty

Defining Beauty Education since 1905, Marinello Schools of Beauty (www.marinello.com) is the leading beauty school on the West Coast. Offering a variety of Cosmetology and Esthetics programs, Marinello's hands-on approach to instruction allows for the most effective learning practices. With 43 convenient campus locations in Arizona, California, Nevada, Oregon, and Utah, Marinello also offers affordable spa and salon services performed by student stylists supervised by licensed instructors.

About the National Summit for Middle Market Funds

The National Summit for Middle Market Funds is the premier annual networking event for Managers of Middle Market Funds, Independent Sponsors, Limited Partners, and all practitioners in the middle market of private equity. For more information about the National Summit, visit: www.PESummit.org

About NASBIC

The National Association of Small Business Investment Companies (NASBIC) is the professional association for the Small Business Investment Company (SBIC) and the middle market private equity industry and the oldest organization of venture capitalists in the world. For half a century NASBIC has played a pivotal role in building and promoting a strong and profitable SBIC industry to better serve the growth-capital needs of America's small businesses. For more information, visit: www.NASBIC.org or call (202) 628-5055.