

Carol's Daughter Holdings, LLC

Fueling Organic Growth Of A Niche All-Natural Body Care Brand

Carol's Daughter is a unique New York City-based wholesaler and retailer of all-natural beauty, skin and hair care products targeted at the African-American and Latin-American communities. Founded in 1993 by an entrepreneur that started making skin care products in her kitchen, Carol's Daughter currently offers over 125 products that are sold via catalog, website and a number of company-operated retail stores located in New York, New Jersey, Maryland and California. The Company also sells its products through Sephora, Macy's and JC Penney, as well as to select boutiques, salons and spas nationwide.

Despite growth of more than 300% over the last two years, a newly installed professional manager and a celebrity investor base, Carol's Daughter was cash-constrained. In the 2007, Pegasus was introduced to shareholders of Carol's Daughter by a financial advisor that also provided a critical celebrity introduction to Cannondale Bicycle Corporation. Although the Company had received a variety of inquiries and very attractive offers from strategic and financial buyers, Pegasus' participation was sought on a privately negotiated basis to help provide capital and professional oversight prior to a sale in order to maximize the exit valuation.

Pegasus provided a highly structured preferred investment, where ownership is ultimately tied to future performance, in a rapidly expanding business that is part of a high growth industry and focused on a unique demographic. Existing investors, including both the Company's founder and CEO, participated in the round on the same terms. Net proceeds of the capital infusion remained in Carol's Daughter to bolster existing management, open certain key retail and wholesale locations and provide working capital support over a multi-year period.

Since the investment, Pegasus has assisted in assembling a highly skilled management team to drive strategic initiatives. Alternative distribution channels (i.e. home shopping) have been introduced, significantly heightening the profile of the product line, while traditional or existing wholesale channels have been enhanced. The development of new sourcing partners will support forward looking demand, while the Company continues to leverage celebrity shareholders for business development purposes. Pegasus has also focused on improving financial management and reporting to ensure important milestones are closely tracked.

Pegasus continues to control Carol's Daughter and is pursuing additional operational and business development initiatives that will fuel growth going forward.