



Dear Friend/Colleague,

Summer greetings! We wanted to provide you with a quick review of our activities over the last few months. Here are our headline accomplishments:

- **We partnered with a new Charterhouse Entrepreneur Team and added an exciting new healthcare services platform company to our Charterhouse Equity Partners (CEP) IV portfolio**
- **For the fifth time, we partnered with Charterhouse Entrepreneur Jerry Kent in another cable build-up**
- **We completed two add-on acquisitions for two of our platform companies**
- **We sold two CEP III portfolio companies in very strong exits - over \$1 billion in total proceeds**
- **We continued to build our Charterhouse Entrepreneur ranks as a result of our outreach and relationships with excellent executive 'connectors'**

Our latest and greatest follows:

## NEW INVESTMENTS



**The Deal:** In April, we completed the acquisition of The Camelot Schools ("Camelot" or the "Company"). Based in Austin, TX and in business for more than 35 years, Camelot is a leading provider of services to youth and adolescents in both the behavioral health and alternative education markets.

**The Business:** The Company conducts its operations through residential treatment facilities and therapeutic day schools where it manages programs for individuals experiencing a wide array of emotional and behavioral disorders. In addition, the Company contracts with public school districts to manage educational programs in settings more conducive to the needs of students who are considered "at risk" - those with high likelihood of dropping out or aging out of their respective systems. Camelot has the opportunity to expand through multiple avenues including organic growth, openings of new schools and residential facilities, broader programs within existing facilities and add-on acquisitions. At present, the Company has operations in Tennessee, Illinois and Pennsylvania.

**Entrepreneur Angle:** John Harcourt, Camelot's entrepreneurial CEO, continues to run this dynamic business. Charterhouse Entrepreneur Amy Harrison (now Camelot's Chairwoman) and her team sourced the proprietary opportunity for Charterhouse. Ms. Harrison previously enjoyed a successful career as the Founder, President and Chief Operating Officer of Children's Comprehensive Services, Inc. In addition, Charterhouse Entrepreneur Christopher Garcia, who previously founded and built National Healthcare Resources, is on Camelot's Board of Directors.

## NEW INVESTMENTS (continued)



**The Deal/Business:** In May, Charterhouse completed a minority investment in Cebridge Connections, a major operator of cable TV systems (providing cable television, high-speed Internet and other advanced services). Simultaneous with the Charterhouse investment, Cebridge announced the closure of a transaction where it purchased certain Cox Communications cable television systems. Subsequently, the company recently announced the acquisition of certain cable systems from Charter Communications. Cebridge now serves approximately 1.4 million customers and is one of the nation's top 10 cable systems.

**Entrepreneur Angle:** Once again, Charterhouse Entrepreneur Jerry Kent, a former executive in four earlier successful Charterhouse transactions (AAT, Charter Communications, CableMaxx and Cencom), and his management team are spearheading a build-up to take advantage of opportunities in the cable industry.

## ADD-ONS



**The Deal:** In June, Charter Baking Company, a CEP IV portfolio company, completed the acquisition of Superior Bakery, Inc. ("Superior") and Matthew's Bread Company, Inc. ("Matthew's"). Charter Baking is positioned as one of North America's leading organic and natural baking companies with premier industry brands - Rudi's Organic Bakery, Vermont Bread, The Baker and now Matthew's All Natural - with national distribution. The recent acquisition will allow the Company to develop a more effective and efficient route distribution system in the greater Boston area that will aid in the growth and retail penetration of all of Charter Baking's brands. Located in North Grosvenor Dale, Conn., Superior employs 82 employees and boasts 26 direct store delivery (DSD) routes covering Massachusetts, Rhode Island and Connecticut.



**The Deal:** In June, Amerifit Nutrition, Inc., a portfolio company in CEP IV, purchased Culturelle® - the leading probiotic nutritional supplement - from ConAgra Foods. Culturelle® is an extensively researched probiotic supplement, clinically shown to be a useful adjunct for the management of gastrointestinal disorders and a healthy intestinal tract, as well as for improving functions of the immune system. The scientifically validated benefits and natural active ingredient in Culturelle® make it an ideal fit with Amerifit Nutrition's core business. Amerifit Nutrition, Inc. is a leading developer, marketer and distributor of a variety of branded "all natural" non-prescription and prescription products designed to meet specific consumer health needs.

## REALIZATIONS



**The Deal:** In June, we completed our sale of Cellu Paper Holdings, Inc., a CEP III portfolio company, to a financial buyer. Under our control, Cellu had grown to be a leading manufacturer and marketer of a variety of specialty tissue hard rolls and machine glazed papers used in various end products - including diapers, facial and bath tissues, assorted paper towels and food wraps. In addition, Cellu produced a variety of converted tissue lines for consumer, healthcare and miscellaneous other producers of finished products.

**Entrepreneur Angle:** Russell Taylor, Cellu CEO and Charterhouse Entrepreneur, was a former executive with Kimberly Clark. Under his leadership, Cellu was transformed from a two mill, specialty producer into a highly profitable, diversified paper products manufacturer and marketer.



**The Deal:** In April, we completed our sale of AAT Communications Corp., a CEP III portfolio company, to SBA Communications Corp. in a transaction valued at approximately \$1 billion. Under our control, AAT had grown to be the largest independent provider of tower sites and site management services to the wireless communications industry. AAT marketed its inventory of sites (for placement of network infrastructure equipment) to companies in all segments of the wireless communications and broadcasting industries. During a period of industry dislocation in the early 2000s, Charterhouse determined that the tower industry was an important part of the wireless value chain and the company was poised to capture the benefits of the projected growth in wireless communications, without dependence on any one particular technology. AAT was well-positioned, both financially and operationally, to capitalize on the opportunity to be a fast-growing consolidator in the industry.

**Entrepreneur Angle:** In 2001, Entrepreneur Jerry Kent, our stellar Charterhouse executive in four earlier transactions (see Cebridge description above), built a management team to expedite Charterhouse's plan to create a leader in an industry that was in dislocation due to over-leverage and exuberance. Jerry was able to complete numerous tower add-ons and build-outs and reposition the company as the market began to recover and undergo further consolidation.

## OTHER NEWS

Alonzo Sherman, a former Analyst with UBS Investment Bank, joined us in the Spring. Alonzo brings three years of solid banking and healthcare experience and fresh energy to the Charterhouse team!

We remain very busy building our base of Charterhouse Entrepreneurs - and our flow of candidates remains quite strong. Additionally, we are focused on some interesting sub-sectors and opportunities and we look forward to a continuing flow of quality transactions in the second half of 2006.

Stay tuned!

Best regards,

The Charterhouse Team

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Founded in 1973, Charterhouse Group is a privately owned investment firm that actively acquires and manages middle-market companies. Since our inception, we have invested more than \$1.9 billion in over 100 platform businesses. Combining innovative thinking and significant financial resources, we partner with experienced and proven operating managers (also known as Charterhouse Entrepreneurs) to make investments in established businesses with enterprise values between \$75 million and \$300 million. We seek to invest in buyouts, buildups and growth capital financings. We will participate in transactions through co-investments with our limited partner base and will consider investment opportunities where the enterprise value is initially less than \$75 million if a company is suited for rapid growth or a buildup strategy is achievable in the industry. Our specific sectors of interest include [Business Services](#), [Healthcare Services](#) and [Consumer](#).