

Dear Friend/Colleague,

We wanted to provide you with a quick review of our recent activities. Staying on our course in 2005, here are our headline accomplishments:

- **We backed three new Charterhouse Entrepreneurs and added three new platforms to the Charterhouse Equity Partners (CEP) IV portfolio**
- **We completed three add-on acquisitions for two of these platform companies**
- **We sold two CEP III portfolio companies in very strong exits**
- **We completed one portfolio company recapitalization**
- **We continued to build our Charterhouse Entrepreneur ranks as a result of our solid outreach and referral programs**

And here's a little more detail on our latest and greatest:

## NEW INVESTMENTS



**TOWNE**  
AIR FREIGHT

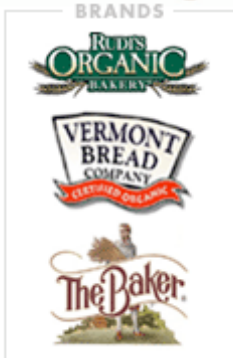
**The Deal:** In November, we acquired *Towne Holdings, Inc.*, a leading provider of asset-light logistics solutions and deferred airfreight transportation services. The transaction followed a focused effort on the part of our Business Services team to find a compelling platform in the specialty logistics sector.

**The Business:** Founded in 1963 and based in South Bend, IN, Towne operates a network of over 40 logistics terminals. The Company's three operating divisions include: Towne Network Solutions ("TNS"); Towne Air Freight ("TAF"); and, Rocket Expedited Services ("Rocket"). TNS provides comprehensive outsourced logistics management solutions for the surface cargo needs of international airlines and freight forwarders in North America. TAF primarily handles airport to airport and "last mile" ground transportation of deferred airfreight. Rocket provides premium expedited surface shipping and logistics services for customers with time-sensitive transportation needs.

**Entrepreneur Angle:** Tom Downey, Towne's entrepreneurial CEO, continues to run this dynamic air cargo logistics business. Charterhouse Entrepreneur Roger Gibson, a former senior manager with United Airlines who assisted in the evaluation and closing of the deal, has also become a key member of the Company's Board of Directors.



**CHARTER**  
Baking  
BRANDS



**The Deals:** In February, we established *Charter Baking Company* as a holding company in order to commence our build-up within the natural and organic baked goods sector. After studying the sector's growth fundamentals and determining that the baked goods universe was highly fragmented - creating an opportunity for an intelligent build-up, we were able to rapidly move on several proprietary transactions.

**The Businesses:** Our first acquisition, completed in February, was the Vermont Bread Company, one of the northeastern region's largest producers and distributors of natural and organic baked goods. Shortly thereafter in June, Charter Baking completed its second acquisition, the NJ-based Adams Baking Corporation, another premier maker of premium natural, 'better-for-you' baked goods (including granola) sold under The Baker brand. Finally, in August, Charter Baking purchased the industry's leader, Rudi's Organic Bakery of Boulder, CO, a pioneer baker in the organic baking arena. Charter Baking now sells its various product lines to natural/organic supermarkets, independent natural food stores, traditional supermarkets and mass retailers. The Company continues to actively pursue acquisition opportunities.

**Entrepreneur Angle:** Charter Baking's operating team includes two seasoned executives - Charterhouse Strategic Partner Paul Mullan (Former CEO of Del Monte and Flee Corp.) and John Foley, a former senior sales and marketing executive with Grupo Bimbo - Bimbo Bakeries USA, the world's second largest baking company.

## NEW INVESTMENTS (continued)



**The Deals:** In April, we acquired *Amerifit Nutrition, Inc.*, a leading marketer of nutritional and wellness related products as a platform in this \$20 billion category. In October, we quickly followed up with the purchase of the Women's Health Products Division of Polymedica Corporation, a leading manufacturer and marketer of OTC, homeopathic and prescription products as well as nutritional supplements.

**The Business:** The Amerifit business is primarily comprised of several key brands - including ESTROVEN®, a supplement line focused on relieving the symptoms of menopause and AZO™, an OTC product line oriented toward urinary tract health. Amerifit continues to actively pursue numerous acquisition opportunities of companies with products that address additional medical conditions.

**Entrepreneur Angle:** Charterhouse was introduced to CEO Cyrill Siewert in 2003 as he was seeking funding to commence a build-up in the vitamin and supplement / natural wellness category. Cyrill, the former President of Colgate Oral Pharmaceuticals and most recently the President of the Selection Nutrition Company, identified the Amerifit investment opportunity for Charterhouse.

## REALIZATIONS



**The Deal:** In October, we completed our sale of *MP TotalCare Inc.*, a CEP III portfolio company, in a transaction valued at approximately \$270 million. Under our six-year ownership, MP TotalCare had grown to be one of the nation's leading chronic care specialty healthcare suppliers serving the senior population. The Company provides diabetes testing supplies, wound care supplies, urological products, incontinence supplies and respiratory medications directly to customers through the mail.

**Entrepreneur Angle:** In 1999, Entrepreneur Howard Deutsch, a former Lincare executive, approached Charterhouse with the idea of purchasing MP TotalCare, then a \$19 million revenue company focused almost exclusively on distributing respiratory medications. We viewed the business as an ideal platform for consolidation in the specialty pharmaceutical and medical supplies distribution arena and under our collective leadership, MP TotalCare completed eleven acquisitions and grew tenfold (to generate approximately \$200 million in revenues).



**The Deal:** In November, we announced the \$52.5 million sale of the Towing Division of *United Road Services*, a leading national provider of motor vehicle and equipment towing services. CEP III retained United Road's Transport Division, a leading transporter of new and used vehicles. Charterhouse was able to effectively split the business and continue to take advantage of favorable growth attributes in a niche logistics sub-sector.



**The Deal:** *AAT Communications*, one of the largest independent providers of tower sites and site management services to the wireless communications industry, completed a dividend recapitalization taking advantage of the debt markets strengthening in July. This event returned \$54.2 million of capital to the CEP III Limited Partners.

**Entrepreneur Angle:** Jerry Kent, a Charterhouse Entrepreneur since 1983 (in five Charterhouse investments), has been successful at leading this aggressive build-up since he took over as CEO in 2002.

## OTHER NEWS

We remain very busy working with numerous new Entrepreneurs and on some interesting opportunities and we will soon be announcing our first deal of 2006, which has a stellar Entrepreneur and team behind it. 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 \$1.8 billion in over 90 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](#).