

# North Castle Partners and Golden Gate Capital Announce \$650 Million Recapitalization of Leiner Health Products

**North Castle Partners**, GREENWICH, CT - April 21, 2004

North Castle Partners, a private equity firm based in Greenwich, Connecticut and Golden Gate Capital, a San Francisco-based private equity firm, today announced a \$650 million recapitalization of Leiner Health Products that involves a sale of North Castle's existing majority stake in the company. Leiner is a market leading store brand manufacturer of vitamins, nutritional supplements and over the counter drugs. As part of the recapitalization Golden Gate, and a new fund investment vehicle managed by North Castle, will invest approximately \$265 million and will be the co-sponsors of Leiner. Leiner's management team will retain a significant ownership in the company.

For North Castle Fund I, which held over 80% of North Castle's investment in Leiner, the recapitalization will return approximately 3 times invested capital with an IRR of 17% for the 7-year holding period. The original Fund I investment dates back to 1997.

"We welcome the prospect of working with a strong new partner," said North Castle chairman and founder Charles F. Baird, Jr. "Prevention is the primary focus of today's health conscious Americans and well-positioned health products companies like Leiner have significant growth opportunities. While the recapitalization of Leiner will deliver attractive returns to our limited partners, it also affords us the opportunity to maintain a meaningful stake in Leiner's promising future."

Over the past five years, North Castle has helped the company implement a series of initiatives that have dramatically enhanced its operating performance, including focusing its customer and product portfolio, expanding into OTCs and contract manufacturing, consolidating manufacturing, refining its new product development processes, streamlining its working capital management as well as completing selected strategic acquisitions to broaden its product offering.

Leiner has leading market positions in private label vitamins and OTC sales in the mass-market channel with products sold through over 30,000 outlets in the U.S. Several recent new products in some of the fastest growing VMS and OTC categories have become top sellers in the nation's leading food, drug, mass-market and club stores.

"This investment is consistent with our strategy of partnering with exceptional executives in industries with high growth potential," said David Dominik, a partner of Golden Gate. "We are pleased to back the Leiner executive team being led by Robert Kaminski and look forward to a strong working relationship in the future."

"We view the new investment as a strong validation of our strategy to be the leading manufacturer of top quality, private label vitamin, mineral, supplement and pharmaceutical products," said Robert Kaminski, chief executive officer of Leiner. "The new investor group will provide us both capital and strategic expertise as we move forward."

## **About North Castle Partners**

North Castle Partners, LLC ([www.northcastlepartners.com](http://www.northcastlepartners.com)), is the leading private equity firm focused exclusively on the Healthy Living & Aging marketplace. To date, it has invested more than \$800 million of equity in over 40 companies that have been consolidated into ten industry-leading platforms: fitness clubs; active lifestyle nutrition; healthy beverages; day spas; complementary and alternative medicine; vitamins,

minerals and supplements; natural personal care; adventure and luxury travel; and behavioral health services; and cosmeceuticals.

#### **About Golden Gate Capital**

Golden Gate Capital ([www.goldengatecap.com](http://www.goldengatecap.com)) is a San Francisco-based private equity investment firm with approximately \$700 million of capital under management. Golden Gate Capital is dedicated to partnering with world-class management teams to invest in change-intensive, growth businesses. They target investments of up to \$100 million in situations where there is a demonstrable opportunity to significantly enhance a company's value. The principals of Golden Gate have a long and successful history of investing with management partners across a wide range of industries and transaction types.

#### **About Leiner Health Products**

Founded in 1973, Leiner Health Products, headquartered in Carson, Calif., is America's largest store brand manufacturer of vitamins, minerals, supplements and diet aids. The company also is a leading producer of store brand over the counter (OTC) drugs. Selling products exclusively to its retailers, Leiner provides nearly 40 food, drug, club and mass merchants with over 3,000 products to create extraordinary store brands at bargain prices. It also is the largest supplier of vitamins, minerals and supplements to the U.S. military. Leiner markets its own brand of vitamins under YourLife® and sells over the counter drugs under the Pharmacist's Formula® name. Last year, Leiner produced 27 billion doses offering consumers affordable choices to improve their health and wellness. Headquartered in Carson, California, Leiner Health Products has expanded to export all over the world.