



HIGHLIGHTS

ZeroChaos continues its pattern of over-performance. Year-to-date, the Company reported a 118% increase in gross revenues and a 132% boost in EBITDA. The war for talent on a global scale is leading to increased customer demand and increased corporate spending in ZeroChaos' market space in the US and overseas. Responding to strong customer demand, ZeroChaos continued expanding into Canada, the UK and Denmark. These factors, combined with significant customer wins over the last 12 months, continue to drive robust operating results. Currently projecting to exceed \$350 million in revenue in 2006, ZeroChaos is one of the largest, fastest growing, and most financially stable diversity-owned enterprises in the nation. The firm was recognized as Diversity Supplier of the Year to the Fortune 500 by the FMSDC. Management was also an Ernst & Young Entrepreneur of the Year nominee for 2006.

RMT Woodworth continued to deliver in the face of a very tough US automotive sector. Aside from a very sizable Big Three contract, which will increase sales by 100% in 2007, RMT's recent contract with a major bearings manufacturer is transitioning smoothly. Importantly, RMT also won the balance of this customer's heat-treating which will considerably grow RMT's sales. Other non-automotive, Fortune 500 firms continued to offer positive news and, starting this winter, will continue to outsource a substantial percentage of its carburizing to RMT as well. The balance will be assumed at the end of 2008. Additional developments are in the pipeline which, if converted, represent further opportunities to grow the company dramatically while diversifying revenue.



AN ACTIVE SUMMER. . .

The past quarter continued to see significant activity for our portfolio companies. ZeroChaos, a recognized leader in contingent labor management, continues to experience remarkable results both organically and behind its acquisition this year of New York-based FlexCorp Systems. RMT Woodworth, based in Detroit and a leading provider of heat-treating services, continued to move forward well with plans to service a very large automotive contract. This contract, independent of other notable growth initiatives, will double the size of RMT in 2007. We anticipate the arrival of sizable contracts in the railroad sector in late 2006 and early 2007. RMT currently services the Railroad, Automotive, Heavy Equipment, Aerospace, and Defense sectors. (See sidebar for details).

APCP ON LARGE FUND VS. SMALL FUND RETURNS...

Due to the size of the funds larger private equity firms now manage, the returns they will generate from investments will likely be lower than when they were managing a much smaller asset base. The larger sums now being managed limit the size of companies in which these firms can invest; meaningful investments in smaller companies cannot be made from a practical standpoint. Additionally, competition from other mid-market buyout groups, and even hedge funds, serve to drive prices higher as proprietary deals become hard to find. APCP takes advantage of these dynamics and seeks to find deals that hover below the radar screen of most of these firms, with the objective of growing our portfolio companies into world class enterprises that would be very attractive to larger private equity firms.

LOOKING AHEAD. . .

With 4Q 2006 upon us, we are seeing more of the same from the middle market. The activity continues to be frenetic, driven by record demand from private equity groups and solid activity from corporate buyers. This has also been supported by a healthy lending environment. With average EBITDA multiples of 9.2x for deals between \$25-\$100 million, and total debt-to-EBITDA averaging 5.2x, this bodes very well for our existing portfolio companies and exit opportunities for LP's. Other funds have simply been forced to close on deals at increasingly higher multiples in the face of pressure to deploy capital. APCP's staged structure and philosophy allows us to patiently uncover fundamentally sound deals with intrinsic growth opportunities at fair yet prudent prices.

Warmest regards,
Frantz Alphonse & Richard Powell
Managing Partners
AP Capital Partners, LLC