



HIGHLIGHT

The highlight of this past quarter was the acquisition by our portfolio company, ZeroChaos, of New York-based FlexCorp Systems. The acquisition represents the union of two of the fastest-growing private companies in the U.S. - ZeroChaos was recently ranked #71 on the 2005 Inc. 500 list, while FlexCorp ranked # 119.

With the addition of FlexCorp's solutions into its portfolio, ZeroChaos strengthens its market leadership position in providing innovative contractor staffing solutions - adding 20 Fortune 500 customers, \$80 million in revenues and increasing its headcount to over 4,000 employees. Additionally, this transaction creates one of the largest, fastest growing, and most financially stable diversity-owned enterprises in the nation.

FlexCorp Systems is a provider of strategic payrolling and management solutions for the contractor workforce. Their client list includes Fortune 500 companies in the financial services, energy, and healthcare markets. FlexCorp will continue to operate in New York, as "A ZeroChaos Company". This acquisition will provide a distinct advantage in helping Fortune 500 companies to maximize their IT planning and human capital investments.



AN ACTIVE WINTER ...

In contrast to the cold winter months, things were certainly heating up here at AP Capital Partners. This quarter saw significant activity for our portfolio companies. ZeroChaos, a recognized leader in contingent labor management, acquired New York-based FlexCorp Systems; the acquisition represents the union of two of the fastest-growing private companies in the U.S. (Please see the sidebar for details). RMT Woodworth, based in Detroit and a leading provider of heat-treating services, finalized a major deal with General Motors, which - independent of other notable growth initiatives - will double the size of RMT in 2007. More recently, however, RMT also built on its relationship with Brenco to become the preferred heat-treater of roller bearings for the rail industry. RMT currently services the Automotive, Heavy Equipment, Aerospace and Defense industries and continues to diversify its revenue stream and customer base, as evidenced by its new contracts.

APCP ON CREATING VALUE ...

Analyzing current market dynamics, we noted that deal multiples continue to climb as the pool of capital pursuing private equity deals continues to expand. According to Thomson Financial, US Middle Market deals under \$100 million had a median enterprise value to EBITDA multiple of 9.0x in 2005, the highest in the last eight years. While this bodes very well for our existing portfolio companies and the significant arbitrage we could realize at exit, other funds may be forced to close on transactions at increasingly higher multiples in the face of pressure to deploy capital. APCP's structure and philosophy allows us to patiently uncover fundamentally sound deals at fair yet prudent prices. Although not as liquid, private company valuations fluctuate like their public counterparts based on supply and demand. APCP's staged investment structure allows us to take thoughtful positions in exceptional companies with intrinsic growth opportunities. In the long term, such value will be recognized.

LOOKING AHEAD ...

APCP will generate superior returns by remaining focused on identifying exceptional investment opportunities and we are currently analyzing a number of high-potential deals. We continue to leverage the expertise of our investors from firms such as Morgan Stanley, Bear Stearns, Weston Presidio, Citigroup, Fidelity Investments, AIC Limited, McKinsey, Microsoft, GE and others in identifying trends and opportunities.

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