



## COMMENTARY

The current developments in the markets are almost without precedent in US business history. Even the largest and most well-capitalized financial institutions have frozen credit. Many investment funds are facing sizable losses. However, these challenges also bring with them remarkable opportunities, a scenario perhaps best expressed by the following quotes from two of the best investors in history:

*"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful...the market will [likely] move higher, perhaps substantially so, well before either sentiment or the economy turns up. So if you wait for the robins, spring will be over."*

- Warren Buffett

Chairman, Berkshire Hathaway

*"In periods like this, people get scared out of their minds. This kind of environment is tailor-made for making absolute fortunes in the private-equity business. This is a wonderful time to be an investor."*

- Steve Schwarzman

Chairman, The Blackstone Group

We are actively evaluating opportunities with excellent management within well-run enterprises poised for tremendous growth. We will have a busy few months ahead as we close on these impending transactions. Our approach of applying only prudent levels of leverage is working well as debt is already in place from solid banks on all current deals.

## **RECENT ADDITIONS. . .**

We were proud to announce a few months ago the asset purchase of eServices ([www.eservicesllc.com](http://www.eservicesllc.com)), a leading energy management company, based out of Richmond, Virginia. eServices provides a variety of natural gas management services to natural gas marketers, utilities, small and mid-sized commercial/industrial firms and producers in the Southeast and Mid-Atlantic region of the US. eServices profits from identifying and exploiting time and location differences in natural gas, natural gas storage, and natural gas transportation pricing. Major clients include International Paper, Washington Gas, Virginia Power and many others. eServices also services a number of government entities and is poised for explosive growth as the US continues to increase demand for clean and domestically sourced fuels.

## **STAYING THE COURSE. . .**

Despite the challenging credit and macroeconomic environments, the existing portfolio continues to thrive. ZeroChaos, a recognized leader in contingent labor management, is experiencing remarkable results both organically and behind its acquisition from Adecco earlier this year of New York-based Paywise. This year, ZeroChaos will have another record year for its fourth straight year. RMT Woodworth, based in Detroit and a leading provider of heat-treating services, continued to perform very well behind its large OEM and automotive contracts. Large automotive companies and OEM's need to cut expenses and continue the trend towards outsourcing non-core functions. Consequently, RMT is having a record-breaking year. RMT services the Railroad, Automotive, Heavy Equipment and Defense sectors.

## **OUR INVESTMENT CRITERIA**

We evaluate middle-market companies in the finance, energy, and outsourcing sectors. We seek companies that meet most of the following criteria:

### Company

- Established at least 5 years with strong reputation within its industry
- Solid growth potential - either organic or through acquisition

### Financial

- Stable and recurring cash-flow, ideally from Fortune 1000 clients
- EBITDA margins of at least 15% with proven profitability for past three years
- Conservative balance sheet with little or no long-term debt

### Management

- Seller willing to assist in the transition of ownership
- Experienced and driven senior and middle management staying in place

### Product

- Stable product not subject to rapid obsolescence with significant value-add
- A defensible market position with a diverse base of loyal customers

### Market

- Growing and/or mature industry, fragmented geographically or by product
- High barriers to entry
- Limited cyclical and seasonality

### Geography

- Southeast US preferred, but not required

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