

September 15, 2006

Dear Investors,

On behalf of Acorn Growth Companies, we want to thank you again for investing in the Acorn Growth Capital funds. We appreciate your confidence in us to place your money in investments that make sense and will ultimately provide an attractive return.

The following is a status report of recent activity relating to the Funds and its initial investment - Commuter Air Technology.

## **STATUS REPORT**

### New Investments:

On September 6, 2006, the Investment Committee authorized an early stage investment of \$150,000 for 51% of Veracity Technology Solutions, LLC. Veracity was formed to exploit technology developed by Tulsa-based USUT Labs, Inc. and provides an integrated system to detect and quantify the presence of cracks and delaminations in composite material and/or corrosion within critical structures without the need to destroy or disassemble the structure.

According to an independent review by Delta Airlines Tech-Opps, the FAA and Sandia National Laboratories, USUT's technology is among the leading ultrasonic solutions available in the market today.

USUT brings its intellectual property and over \$800,000 in research and development investment to Veracity in exchange for a 49% equity stake. A "One Page Business Plan" is attached for your review and information.

### Investment Review:

Commuter Air Technology (CAT) Update - June 2006 to Present

Financially CAT is on track to meet or exceed its growth and earnings estimates as projected at the point the company was acquired in November of 2005. Current backlog and work in progress should be sufficient to achieve these milestones, with anticipated work as a function of US budgetary "fall-out" money being redirected towards CAT, which we anticipate will propel it over the those initial projections.

During the last 90 days CAT has intensified its push to provide Intelligence, Surveillance, and Reconnaissance (ISR) aircraft platforms to the US and its allies abroad. The company was awarded its first multi-unit contract with a US Government prime contractor in August, which will result in the delivery of a small battalion of mission aircraft that will be utilized to coordinate

special forces operations in Iraq and Afghanistan. This is very significant for CAT, and is evidence of the value proposition originally contemplated with Acorn's initial investment thesis.

On August 1, 2006, Darryl Wilkerson joined CAT as its President & CEO. Wilkerson, who lives in Oklahoma City, most recently served as Vice President, Business Development, for L-3 Communications, one of the nation's largest defense contractors with a focus in maintenance, repair, and overhaul. Wilkerson began his career in the Air Force before moving on to the private sector. He has formerly worked with Raytheon Aircraft Services and Teledyne Brown Engineering. Wilkerson's vision for CAT includes leveraging its core competencies in modifying light aircraft for the commercial and general aviation markets as it expands into direct military projects.

CAT is on budget and on schedule to complete its current overhaul project in Colombia for the country's counter-terror and drug programs. This project has opened doors to several other programs within the country and elsewhere being coordinated by the prime contractor. On the business development front, the pipeline continues to build, led by demand for CAT's ISR / Radome pod. Recent quotes for ISR systems (turnkey, modifications, or unit sales) suggest a strong demand and production cycle will run through 2007 and beyond.

#### Deal Flow Comments:

Weekly, Acorn principals evaluate its deal flow and prioritize the next steps on each potential target company. Since January 1, 2006 Acorn has reviewed 66 opportunities that meet our general criteria. We currently have three Letters of Intent pending and have 14 opportunities under review. Our deal flow remains very strong which gives us the luxury of pursuing only those that we feel offer the best opportunity for superior return on investment.

#### Investment Committee Election

Enclosed in this mailing is a ballot for the election of the Investment Committee. You may recall that an interim Investment Committee was assembled to conduct the business of the Fund until such time as a permanent one could be elected by the membership. Please cast your vote and return to us at the address or FAX number noted on the ballot.

We are pleased with our progress to date and look forward to additional good news in the months to come. As always we are grateful for your confidence and are always available to discuss issues related to your investment in further detail. Please feel to contact me at 405-413-7264 if you have any questions or comments about the status report.

Sincerely,

Jeff Davis

Rick Nagel

Warren Thomas