

May 15, 2007

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 investments.

ACORN GROWTH FUNDS STATUS REPORT

1st Quarter 2007

New Investments:

No new investments were made in the 1st Quarter of 2007. One target company, Comtek Advanced Structures, was placed under an exclusive Letter of Intent and we anticipated a 1st Quarter closing. However, that did not occur.

As you are aware, we only make an investment when the Investment Committee for the Fund votes affirmatively to do so based upon the Manager's recommendation, criteria of the opportunity and the probability of it actually closing. We sought and received that approval and moved forward on Comtek with the full intention of finalizing the transaction. However, events leading up to the proposed closing, primarily involving the seller's actions changed the dynamic of the opportunity. Although we explored alternative investment structures with the aim of isolating risks and keeping the opportunity in play, in the final analysis we felt it was better to pass on those alternatives and instead keep these funds available for another transaction which will provide a better balance of risk and reward to our investors. As is always the case, please call if you have questions or desire additional information about this opportunity.

Investment Review:

Commuter Air Technology
www.CommuterAir.com

(Please See Attached Report on Commuter Air Technology)

Veracity Technology Solutions, LLC (Veracity)
www.VeracityTS.com

In February, Veracity was awarded a \$100,000 Technology Business & Finance Program (TBFP) award through I2E, Oklahoma's technology commercialization agency. This award is non-recourse loan that will serve to further mitigate investor risk without dilution of shareholder equity.

Marketing and business development activities have continued in partnership with minority shareholder, USUT Labs, Inc. Veracity continues to develop and work an impressive sales pipeline that includes Nordam, Northrop Grumman, Tinker AFB, Air Force KC-135 Tanker Program, NAVAIR, Pratt Whitney, B2 Bomber Program and Warner Robbins AFB.

Veracity and USUT Labs, Inc have been asked by Tinker AFB to submit a proposal for a SBIR Enhancement to provide data management and NDI services for the KC-135 aircraft. We should know the status of that award in Q2 2007.

Veracity attended and exhibited at the DOD Aging Aircraft Conference and the NAVAIR NDI Conference this Spring.

Marketing and sales collateral material has been developed including a web site.

Finally, Veracity continued to search for a CEO candidate with relevant industry experience and demonstrated success through most of the first quarter. *(NOTE: In mid April an excellent candidate was identified and retained to run the company. Gary Hensley, an NDI expert, with a proven track-record of growing NDE services will become the Veracity CEO on June 1. Hensley's biography is attached.)*

Deal Flow Comments:

Weekly, Acorn principals evaluate its deal flow and prioritize the next steps on each potential target company. From January 1, 2007 through March 31, 2007, Acorn reviewed 12 opportunities that met our general criteria. Of those, two companies have been placed under a non-binding Letter of Intent.

Staff Additions

In March, Acorn welcomed Robert Hinaman as Director of our east coast office. Bob has over 25 years experience in global mergers and acquisitions and international capital markets. His primary industry focus is aerospace and defense and government information technology, and he has been involved in over \$10 billion of transactions over his investment banking career.

Prior to joining Acorn, Bob was a partner at WWC Capital where he was responsible of origination and execution of aerospace and defense M&A and capital raising transactions. Prior to WWC, he headed a strategic/financial advisory firm advising private equity, hedge funds and family offices on developing business platforms in the commercial aerospace segment where he provided merger and acquisition deal strategy, deal execution and capital structuring advice.

Preferred Return

Investors in Acorn Growth Equity Capital Fund received a Preferred Return payment during the first quarter as a result of CAT's performance in 2006.

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 Jeff at 405-413-7264 or Rick at 405-641-1306 if you have any questions or comments about the status report.

Sincerely,

Jeff Davis

Rick Nagel

Warren Thomas

Commuter Air Technology, Inc.
Investor Report
First Quarter 2007 & 2007 Look Ahead

Operating Results:

CAT met its investment case for the 1st quarter of 2007, which closed at revenues of \$1.5 million, compared to the investment case projection of \$1.4 million. Net income was \$265,000 for the quarter compared to the investment case net income target of \$70,000, while EBITDA was \$524,000 compared to the investment case target of \$271,000 for the 1st three months of 2007. Operating results during the 2007 first quarter were significantly higher than the results obtained during the first quarter of 2006.

A comparative analysis of operating results is presented below for the first calendar quarter of 2007 (all amounts in thousands):

	2007 Investment Case Plan	2007 Actual Results	2006 Actual Results
Revenues	\$1,399	\$1,484	\$548
Net income	\$ 70	\$ 265	\$ 36
EBITDA	\$ 271	\$ 524	\$137

Looking ahead for the full year of 2007, we expect to meet or exceed the \$9.3 million investment case revenue projection, generating EBITDA in excess of the 2007 investment case target of \$2.0 million. At this level of earnings, we expect CAT, Inc. to be able to generate sufficient working capital to return a substantial portion of the initial investment equity to the Acorn Growth Equity Capital Fund and its sidecar investors.

However, it should be cautioned that a substantial amount of the 2007 revenues and EBITDA forecast is expected to be generated in the last two quarters of the year and quarter by quarter comparisons, especially in the second quarter of 2007, may be unfavorable due to the timing of projects and orders being managed by the Company. With the level and type of inquiries and the pipeline of prospects CAT is currently managing, it is expected that CAT will be able to meet its 2007 investment case revenues and EBITDA targets and conclude calendar 2007 with a strong backlog of orders/prospects to be realized in future years.

Financial Position:

Combining CAT's improving operating results in late 2006 and the first quarter of 2007, the Company's financial position has also been favorably impacted. Cash balances, working capital and shareholder's equity have all increased compared to prior periods. In addition, the CAT-Holdings refinancing with Scissortail Capital in late 2006 has also improved the consolidated financial position of the entities, providing almost \$700,000 of additional working capital to the operations of CAT, Inc. The subordinated note is payable in full to Scissortail by October 2011. It is expected that CAT's financial position will continue to improve as operating income continues to grow.

Backlog & Pipeline:

CAT's annual revenue growth in 2007 and future periods will be from longer-term projects on programs that are primarily military and will require more CAT program management and integration services.

CAT's current pipeline is tracking opportunities in excess of \$50 million that would be delivered during 2007-2010. Of that amount, \$9 million of that amount has a realistic chance of closing and being realized during the balance of 2007. The opportunities are both domestic and international and are primarily military (surveillance and reconnaissance) in nature. A sampling of the prospects/programs CAT is working to secure in 2007 include:

1. Naval Criminal Investigative Service (NCIS); \$800,000 expected revenue
2. Colombian Air Forces; \$885,000 expected revenue (repeat customer)
3. Grey Aviation; \$5,200,000 expected revenue (multi-year)
4. Global Technical Services (GTS); \$1,400,000 expected revenue (repeat customer)
5. Radix Corp; \$820,000 expected revenue (repeat customer)
6. Lee County; \$3,000,000 expected revenue

In addition, CAT expects to purchase and sell two (2) aircraft meeting specific customer requirements in the second half of the year with revenues estimated to total \$5.0 million.

Acquisition Matters:

On April 27, 2007, the final payments due to the former owner of CAT, Inc. were made resulting in a final purchase price for CAT, Inc. totaling \$1.9 million. In conjunction with the final payment, all future obligations to the Seller under the purchase agreements were terminated including any and all future royalty/earn-out payments that may have been earned.

Other Matters & Summary

Finally, CAT expects continued growth in the Oklahoma offices relative to program management and administrative support, capitalizing on the existing infrastructure, the acquisition of supplemental type certificates (STC's) complementary to the 40 STC's CAT currently possesses, the working capital available through the Scissortail Capital transaction in late 2006 and the available opportunities to CAT that are being generated throughout the world.

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Gary L. Hensley Biography

Gary Hensley is the President of Veracity Technology Solutions and has over 34 years of Non-Destructive Evaluation (NDE) experience beginning in the U.S. Air Force where he served over 20 years.

He joins Veracity after serving as the Director of the NDE Group for Siemens Power Generation. While at Siemens his focus was to work with customers and provide value through new NDE Technologies. In doing so, the unit he started grew from one person to 55 persons. Under his leadership, the NDE Group at Siemens was awarded over 10 patents and has three patents pending.

Prior to his tenure at Siemens, Hensley was employed by the GE Aircraft Engine M&FQT Team that provided the Department of Defense with state-of-the-art in-situ NDE inspections on a variety of weapons systems.

Hensley enjoyed a distinguished career in the US Air Force which included being the Maintenance supervisor for all VIP aircraft assigned to Andrews AFB including Air Force One. His experience also includes the management of numerous NDI/NDE Laboratories and aircraft maintenance facilities, development of new inspection techniques on the F-15 and C-5 aircraft and management of professionals dedicated to offering superior customer service.

Hensley has a Bachelor of Science in Business Management from the University of Maryland and an Associate Science Degree in Metals Technology from the Community College of the Air Force.