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First

Letter

Welcome to Vulcan Value Partners' first letter to investment partners. As this letter is being written all U.S. markets have officially declined into bear market territory with greater than 20% declines from recent peaks. We are grateful to be building portfolios in this environment. We are buying competitively entrenched businesses with sustainable double digit value growth at tremendous discounts to their intrinsic worth. The result is very promising long term returns with very low risk over our five year time horizon. We have paid a short term price to assemble our portfolios. We will go into great detail about performance later in this letter but in summary our short term absolute returns are well below our long term goals of 15% but our relative performance is quite respectable. We place much greater emphasis on absolute returns but expect to do well in both respects over the long term. Before reviewing the portfolios it is extremely important that you understand Vulcan Value Partners' investment philosophy.

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For more information about Vulcan Value Partners, visit www.vulcanvaluepartners.com or call 205.803.1582

Investment Philosophy

Background

Vulcan Value Partners is an investment operation formed to compound its principal's personal capital and a portion of yours. No one employed by Vulcan Value Partners is permitted to invest in publicly traded securities outside of Vulcan Value Partners, nor would we want to. All of our analytical effort is focused on Vulcan Value Partners' portfolios without distraction. Our capital will earn the same return as yours and be exposed to the same risks. The only difference between us is that virtually all of our liquid net worth is invested in Vulcan Value Partners. When you suffer we will suffer more. When you are pleased we will be very pleased. And that is as it should be.

With this perspective in mind our primary objective is to minimize the risk of permanent capital loss over our long term time horizon, which is five years. By concentrating on not losing money, making money will take care of itself. We control risk by demanding a substantial margin of safety in terms of value over price and limit investments to companies that have sustainable competitive advantages that will allow them to earn superior cash returns on capital. We are also business operators and recognize that we are investing in real businesses that are run by real people that face real issues. We evaluate business risks, assess people, and scrutinize competitive strengths to consider long term investment. If we would not be comfortable owning an investment for five years it does not qualify. We are not traders or speculators. We do not buy pieces of paper or discrete random variables. We are long term owners in a collection of superior business enterprises.

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Risk

We define risk as the probability of losing permanent capital over our five year time horizon. Market volatility is not risk. Market volatility creates opportunity for long term investors who understand that price and value are not always equal. The greater the margin of safety in terms of value over price the lower the risk of losing permanent capital. A wonderful business purchased at an attractive price has very little risk in the long run even though its price might fluctuate significantly in the short run. Good businesses do not require leverage to produce high returns on shareholder's capital and free cash flow. Leverage increases risk as well as the potential for return. Good businesses can enhance their returns to shareholders with an efficient capital structure and prudent leverage but we view leveraged businesses with skepticism.

Security Selection

We limit our search for qualifying investments to good businesses. Good businesses have identifiable, sustainable competitive advantages. We prefer great businesses but will invest in a business that is only good if its price is sufficiently discounted to intrinsic worth. We have no interest in business enterprises with inferior economics that are statistically cheap. By our definition good businesses produce free cash flow. Rapidly growing GAAP net income or earnings per share is of no interest to us unless it is accompanied by robust production of free cash flow. Businesses that are competitively entrenched produce free cash flow and those that are not competitively entrenched do not produce free cash flow. It is that simple. We want to invest in businesses that have sustainable competitive advantages that are becoming more competitively entrenched. As Warren Buffett would say, we want to invest in businesses with deep moats that are getting deeper.

Businesses that require superior management talent to produce superior results are not good businesses. Having said that, we want to limit our investments to business that are run by ethical, capable, shareholder oriented management teams that also are good operators and, very importantly, understand the importance of capital allocation. Because we limit ourselves to companies that produce free cash flow the intelligent reinvestment of the free cash flow coupons produced by these businesses will have an important bearing on our investment outcome.

A great business bought at an exorbitant price is a speculation. A good business bought at a discount to intrinsic worth is an investment in the truest sense of the word. With diligent analytical work it is possible to value most good businesses. Free cash flow can be measured and valued using conservative assumptions and discounted cash flow analysis. This long hand valuation can then be compared to similar business transactions or comparables. Our estimate of intrinsic worth or fair value is the lower of the two. A margin of safety exists when price deviates far below fair value. The lower the price to value ratio of a given investment the greater its margin of safety, the lower the risk of losing permanent capital, and the greater the probability of earning excess returns as price eventually moves to fair value. It is very important to understand and worth emphasizing that price is not the same thing as value. Qualifying investments have stable and growing values, a large part of which is derived from the production of free cash flow. A margin of safety can only occur when underlying business values are less volatile than stock prices, which is why we limit ourselves to competitively entrenched businesses.

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Security Selection (cont.)

If we would not be comfortable owning a business for five years it does not qualify as a good business. In fact, our time horizon is five years for every investment we make. This long time horizon is one of Vulcan Value Partners' key competitive strengths. Patient capital – yours and ours – allows us to buy fantastic long term compounders at substantial discounts because many other market participants are worried about the next twelve months or even the next quarter. We are willing to look foolish in the short run to capture the long term economics of businesses whose prices have deviated from their stable values – values that are growing consistently through the production of free cash flow. It is important to understand that Vulcan Value Partners' investment philosophy will not protect us from market volatility. However, it will allow us to take advantage of volatility and use it to our benefit.

Portfolio Management

Vulcan Value Partners' goal is to lower risk by constantly reducing the weighted average price to value ratio of its portfolios. We will invest greater amounts of capital in companies with lower price to value ratios and reduce capital committed to companies with higher price to value ratios. We seek to be fully invested at all times but will hold cash when we cannot find enough qualifying investments. While maintaining an adequately diversified portfolio we will concentrate into fewer names when attractive discounts are available. We will own a greater number of names when price to value ratios are less attractive.

Vulcan Value Partners has four portfolios and each is managed according to the same investment philosophy articulated above:

Vulcan Value Partners Large Cap: Invests in companies with larger market capitalizations. Subject to price, any publicly traded company with reasonable economics that is not small (as defined by the Russell 2000 Index) would be a potential investment in this portfolio. A core position is 5% so that theoretically we would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest in positions as small as 1% when price to value ratios are higher. We will not invest in any business that is trading above our estimate of fair value.

Vulcan Value Partners Focus: We concentrate in our most attractive companies. Typically, we will hold 7 to 14 companies. These are great (as opposed to only good) businesses selling at extremely compelling price to value ratios. Vulcan Value Partners Focus portfolio exists to enable us to overweight capital in Vulcan Value Partners' most attractive ideas.

Vulcan Value Partners Focus Plus: This portfolio mirrors Vulcan Value Partners Focus but uses options to further reduce risk. We do not employ any leverage. Instead, we use options to sell volatility when it is expensive and buy volatility when it is cheap. We sell options which give us the right to buy or sell stock in companies at prices that we would buy or sell anyway. We are compensated with option premiums. Generally, we use options instead of buying stock directly when we can earn double digit returns from selling options. In rare circumstances we will purchase options. Always, the goal is to reduce risk.

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Portfolio Management (cont.)

Vulcan Value Partners Small Cap: The same as Vulcan Value Partners Large Cap except that we invest in companies with smaller market capitalizations. While we do not have any defined cutoffs we use the Russell 2000 as a guide to define small cap.

Return Goals

Vulcan Value Partners' primary return goal is to compound capital at real rates of return significantly in excess of inflation over our five year time horizon. This real return goal translates into a nominal return goal of 15%, which is the same as Berkshire Hathaway. We choose it because our investment philosophy is very similar to Berkshire Hathaway's and because we have the utmost respect and admiration for Warren Buffett. If we are able to achieve our 15% absolute return goal and long term inflation rates remain in their historical lower single digit range then we will generate double digit real returns. We believe that by focusing on the fundamental building blocks of absolute returns we will also deliver attractive returns relative to benchmarks over the long term.

Note: We use "our" and "we" even though Vulcan Value Partners is currently a small operation and "I" am the lead analyst, portfolio manager and head dishwasher. We do so because "I" could not function effectively without the help of many wonderful people at Diversified Trust and Seagrove Corp. who provide critical operating functions that allow me to concentrate on the investment process. In addition, Vulcan Value Partners has been extremely fortunate to attract some very talented and motivated younger employees who have become productive on the analytical front faster than I could have reasonably expected. So, "we" is entirely proper as a descriptive pronoun for Vulcan Value Partners.

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Portfolio Review

General

Vulcan Value Partners began operations in March, 2007 in an environment of extremely low market volatility, narrow credit spreads, ample liquidity, and elevated valuations. Numerous private equity firms were paying very high prices for mediocre businesses and using ample leverage to do so. Despite the frothy conditions we were able to find enough qualifying investments to be approximately 80% invested in Vulcan Value Partners Large Cap at inception. At the other extreme we were only 48% invested in Vulcan Value Partners Small Cap at inception. It was a difficult environment for disciplined, long term investors like Vulcan Value Partners who are concerned with valuation. In the summer of 2007 the housing bubble began to burst and liquidity began to evaporate from the financial system. Market volatility increased and we put a lot of our cash to work as prices started to fall for a number of companies we were following. The Federal Reserve began cutting rates and equity markets rallied in the fall. As the end of the year approached it became apparent that the excesses of the past several years were going to take longer to correct, a recession looked more and more likely, and, despite Fed efforts, liquidity continued to dissipate. It was at this time that we informed you that we were starting Vulcan Value Partners Focus. Volatility increased dramatically and we put our remaining capital to work (except in small cap where prices had been particularly elevated) and became more concentrated in deeply discounted names. This process continued through March of 2008 when Bear Stearns, the fifth largest investment bank in the U.S., came within hours of declaring bankruptcy and was instead rescued by J.P. Morgan Chase and the Federal Reserve. We were buying heavily that week. Through the end of June we have been virtually fully invested in all portfolios except in Vulcan Value Partners Small Cap. We have been selectively reducing exposure to more fully valued positions and redeploying capital into a smaller number of very high quality, extremely discounted businesses. Since the end of June we have had a great deal of success in identifying qualifying small cap investments as prices have continued to decline. At present the cash position in Vulcan Value Partners Small Cap has fallen significantly into the single digits.

Common Contributors

Please refer to your June 30 statements as you read this section of the letter. Vulcan Value Partners Large Cap, Vulcan Value Partners Focus, and Vulcan Value Partners Focus Plus have substantial overlap. In addition, there is some overlap in Vulcan Value Partners Small Cap when companies are on the border between small capitalization and large capitalization. The following two investments had a meaningful impact on all portfolios: Choicepoint was one of the top three contributors to all portfolios for all time periods. Its contribution reflects both its return and weight. We sold Choicepoint after they agreed to be acquired by Reed Elsevier at $50/share – a price slightly higher than our value for the company. Choicepoint produces strong free cash flow and is competitively entrenched in its core business of providing financial information to insurance companies. The company has extremely high returns on capital with tangible return on assets exceeding 70%. In addition to being good operators its shareholder oriented management team correctly allocated the company's strong free cash flow into share repurchases at attractive prices. After our initial purchase Choicepoint delivered disappointing results and our value dropped – a very big red flag. After re-evaluating our investment we decided that the poor results were cyclical in nature and that their core franchise was, in fact, getting stronger. Even though our value dropped it was still well in excess of our purchase price and the market price of the company. Recognizing the same discount we did, in February of

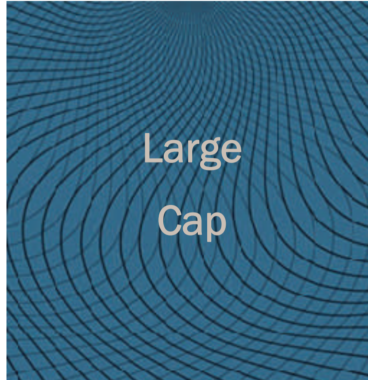
Common Contributors (cont.)

2008, Reed Elsevier offered to buy the company, we realized a nice profit, and redeployed the proceeds into more discounted investments.

Our experience with Choicepoint is illustrative of all of our investments. We demand a margin of safety by only purchasing businesses at significant discounts to our conservative estimate of intrinsic worth. This margin of safety acts as a shock absorber protecting our investment from external events and from our own analytical shortcomings. We cannot predict or control the timing of when price and value will converge but, based upon nearly two decades of professional experience, we are confident that values will be realized over our time horizon. In Choicepoint's case it happened fairly early. Sooner or later it will happen with our other investments and the rewards will be substantial.

Our biggest disappointment was Level 3. We generally disdain acquisitions but try to evaluate them objectively and review management's historical success or (usually) lack thereof when making them. In Level 3's case, management has had a long history of successfully integrating acquisitions. For that reason we erroneously gave them the benefit of the doubt concerning multiple acquisitions made at the end of 2006 and in early 2007. Late in 2007 it became apparent that the acquisitions' results were substantially below management's original expectations. Our mistake was in waiting too long to sell when problems began to appear. Level 3's poor operating results were compounded by a heavy debt load. When we purchased Level 3 its financial leverage was at our maximum acceptable level. When their operating results missed their expectations and ours, the financial risk became too great and our investment discipline of limiting ourselves to financially strong companies compelled us to sell at a loss and at a price lower than our value. We think Level 3 has a bright future but the financial leverage is too great in relation to its lower free cash flow for our comfort. We will continue to monitor Level 3 and might re-visit our investment if its financial strength improves and its stock price remains discounted. Despite our poor experience we generally like their management team and certainly wish them the best.

Warren Buffett says that he spends more time studying his mistakes than his successes because he learns more from the former. We have always been skeptical of acquisitions and our main lesson is that it is not possible to be too skeptical. While we have given our greatest success and biggest mistake more or less equal air time the vast majority of our companies are delivering operating results in line with or exceeding our expectations and per share values are compounding in a challenging economic environment. Overall, we are pleased with our portfolio companies' results and expect to hold these exceptional businesses for a very long time.



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Vulcan Value Partners Large Cap Review

As shown on the table below, Vulcan Value Partners Large Cap absolute performance since inception at March, 2007 and through the first half of 2008 was well below our long term goal of 15%. Performance relative to the S&P 500 has been slightly worse since March, 2007 and significantly better so far in 2008. In all time periods performance has significantly exceeded value benchmarks, and more importantly, other value based peers who we admire and respect.

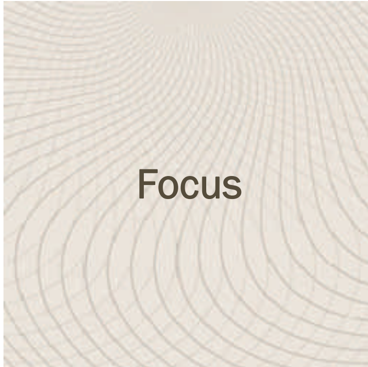
Investment Strategy	Inception Date	YTD 2008 Through June 30	Annualized Since Inception
VVP Large Cap	03/31/2007	-6.0%	-7.3%
S&P 500 Index		-11.9%	-6.2%
Russell 1000 Value Index		-13.6%	-12.0%

We know we are preaching to the choir but to state the obvious: The time period covered by this letter is too short to provide any meaningful information regarding performance. Based upon the discounted prices we have paid and the steady compounding of value at the businesses we own we feel confident that we will meet our long term absolute return goal of 15% and that, if we do so, the relative numbers will take care of themselves.

Direct TV and Choicepoint were two of the top five contributors to performance both since inception and in the first half of 2008. Direct TV's value is compounding at double digit rates and remains significantly undervalued. We have increased its weight since beginning operations to 6% of the large cap portfolio. As we discussed above we sold Choicepoint after they agreed to be acquired by Reed Elsevier at $50/share – a price slightly higher than our value for the company.

We had two mistakes in Vulcan Value Partners Large Cap since beginning operations. Both involved companies involved in significant merger and acquisition activity and their inability to successfully integrate acquisitions into their existing operations. We have discussed Level 3 above.

Sprint Nextel is similar to Level 3 except that it had much less financial leverage. Their operating results, however, were wide off of the mark. We sold the position when our value dropped and we determined that value growth prospects were poor as the underlying rationale for the Sprint Nextel merger proved to be incorrect. Overall, we are pleased with Vulcan Value Partners Large Cap's investments. Values are growing despite a weak economy. Cash is at less than 1% and the price to value ratio has steadily improved. It is currently below 60% – an all time low and a staggering statistic for an entire portfolio. The combination of growing values and discounted prices bodes well for future compounding.



Vulcan Value Partners Focus Review

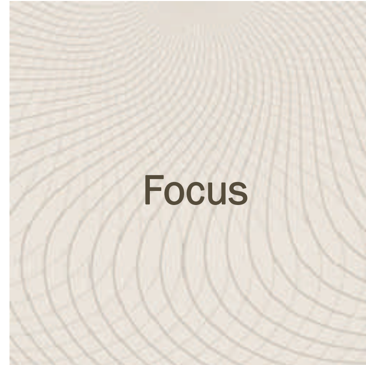
As shown on the table below, Vulcan Value Partners Focus absolute performance since inception in early November, 2007 and through the first half of 2008 was well below our long term goal of 15%. However, performance relative to the S&P 500 has been significantly better since inception as well as in 2008 to date. In all time periods performance has significantly exceeded value benchmarks, and more importantly, other value based peers who we admire and respect.

Investment Strategy	Inception Date	YTD 2008 Through June 30	Annualized Since Inception
VVP Focus	11/05/2007	-4.9%	-8.8%
S&P 500 Index		-11.9%	-16.2%
Russell 1000 Value Index		-13.6%	-18.6%

We know we are preaching to the choir but to state the obvious: The time period covered by this letter is too short to provide any meaningful information regarding performance. Based upon the discounted prices we have paid and the steady compounding of value at the businesses we own we feel confident that we will meet our long term absolute return goal of 15% and that, if we do so, the relative numbers will take care of themselves.

We decided to start Vulcan Value Partners Focus to concentrate capital in truly extraordinary businesses available at greatly discounted prices. We are thrilled to be able to own these businesses at these prices. As with Vulcan Value Partners Large Cap, the best performers since inception and in 2008 were Direct TV and Choicepoint (see above). We held 11 names at the end of the quarter. Our largest position was a relatively new purchase – Time Warner Cable – at 15%. Net of a special dividend they will pay to shareholders as their remaining 80% stake is spun out of Time Warner our position will be 10%. We have long admired Time Warner's assets, especially their cable business, which is the second largest in the U.S. behind Comcast. However, we have never been comfortable owning Time Warner because of their generally poor capital allocation track record and long history of treating shareholders poorly. Due to tremendous pressure from numerous shareholders Time Warner is spinning out what we consider to be their crown jewel. Its pre-spinout price, adjusted for the substantial dividend we will receive, is well below our estimate of intrinsic worth and comparable business sales. We estimate that Time Warner Cable's value is compounding at solid double digit rates.

Our best performers since inception were Choicepoint and Direct TV (see above). Our worst performers since inception were Level 3 (see above) and Dell. As we detailed above, Level 3's unexpectedly poor results in combination with its financial leverage caused it to violate our investment discipline with regard to financial strength so we sold it. Dell, on the other hand, is steadily building its value through improving bottom line results, substantial free cash flow production, and share repurchases. Dell has net cash on its balance sheet. We are pleased that Dell is one of our largest positions.



Vulcan Value Partners Focus Review (cont.)

Vulcan Value Partners Focus is the most undervalued portfolio we own and has the highest long term return potential with the least risk. It is fully invested and has been so since it was formed. Values are building at our owned companies and the price to value ratio for the entire portfolio is in the mid-50's – truly an amazing statistic and an encouraging sign for future compounding.

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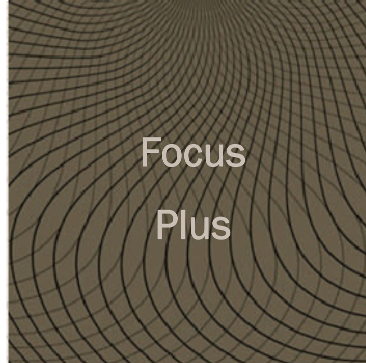


Vulcan Value Partners Focus Plus Review

As shown on the table below, Vulcan Value Partners Focus Plus absolute performance since inception at March, 2007 and through the first half of 2008 was well below our long term goal of 15%. Performance relative to the S&P 500 has been slightly worse since March, 2007 and significantly better so far in 2008. In all time periods performance has significantly exceeded value benchmarks, and more importantly, other value based peers who we admire and respect.

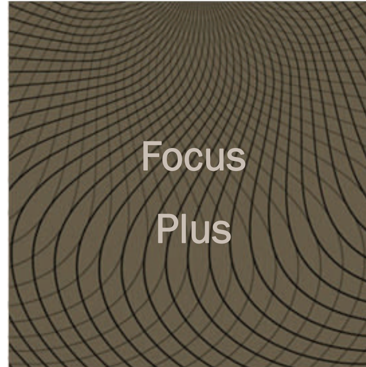
Investment Strategy	Inception Date	YTD 2008 Through June 30	Annualized Since Inception
VVP Focus Plus	03/31/2007	-6.7%	-8.0%
S&P 500 Index		-11.9%	-6.2%
Russell 1000 Value Index		-13.6%	-12.0%

We know we are preaching to the choir but to state the obvious: The time period covered by this letter is too short to provide any meaningful information regarding performance. Based upon the discounted prices we have paid and the steady compounding of value at the businesses we own we feel confident that we will meet our long term absolute return goal of 15% and that, if we do so, the relative numbers will take care of themselves.

We are earning approximately 20% annualized returns from option investments which give us the right to purchase companies at prices we would choose to pay anyway. In effect, we are being paid to exercise options at strike prices equal to limit orders we would place to buy the same stocks in our other portfolios. Including the potential exercise of options our cash position was less than 2%. However, our adjusted cash, including the cash we have set aside to meet our purchase obligations if stock prices reach the strike price of put options we have sold, was 29%. This cash earns interest in addition to the yield we receive from the option premium we have sold. In effect, we have a lot of dry powder available to us to purchase companies at advantageous prices and our dry powder earns more than 20% annually while we wait.

Vulcan Value Partners Focus Plus generally mirrors Vulcan Value Partners Focus but uses options instead of limit orders to purchase stocks. When stocks are sufficiently discounted at current market prices and options premiums are not as attractive we will purchase the shares directly. As with Vulcan Value Partners Focus, Direct TV and Choicepoint were two of the top five contributors to performance both since inception and in the first half of 2008. Direct TV's value is compounding at double digit rates and remains significantly undervalued. We sold Choicepoint after they agreed to be acquired by Reed Elsevier at $50/share – a price slightly higher than our value for the company.

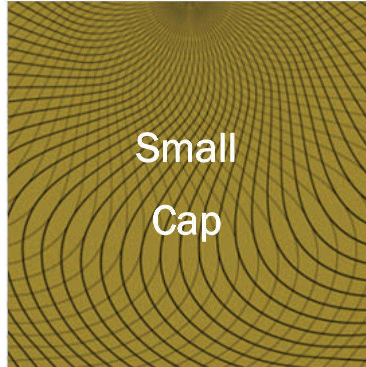
Level 3 and Sprint Nextel were the biggest negative contributors to performance since March 31, 2007 to date. Level 3 and Google had the most negative impact in 2008 to date. Both Level 3 and Sprint Nextel were involved in significant merger and acquisition activity and their inability to successfully integrate acquisitions into their existing operations was the reason for their poor



Vulcan Value Partners Focus Plus Review (cont.)

results. Our mistake was in waiting too long to sell when problems began to appear. Although Google detracted from our short term results it is anything but a mistake. We are very pleased with Google's operating results and management's relentless drive to strengthen Google's competitive position. As this letter is being written Google is trading below the exercise price of an option we have sold that will require us to purchase additional shares should the stock price continue to trade at current levels. We will gladly add to our stake at the exercise price. Since we started buying Google the stock price has declined while the value has grown steadily. We hope for more of the same. It is a good investment strategy and competitive advantage to be able to look foolish in the short run when it allows you to make sound long term investment decisions. As Mr. Buffett says in his 1992 Chairman's Letter, "We not only accept this volatility but welcome it. A tolerance for short term swings improves our long term prospects."

We are pleased with Vulcan Value Partners Focus Plus's investments. We are earning 20% + while we wait to add to or positions in wonderful businesses at extremely attractive prices. At the companies we do own values are growing despite a weak economy. The price to value ratio for the entire portfolio is in the mid-50's – nearly as low as Vulcan Value Partners Focus and an encouraging sign for future compounding.



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Vulcan Value Partners Small Cap Review

As shown on the table below, Vulcan Value Partners Small Cap absolute performance since inception at March, 2007 and through the first half of 2008 was well below our long term goal of 15%. Performance relative to the Russell 2000 Index of small capitalization stocks has been essentially even since March, 2007 and significantly better so far in 2008. In all time periods performance has significantly exceeded value benchmarks, and more importantly, other value based peers who we admire and respect.

Investment Strategy	Inception Date	YTD 2008 Through June 30	Annualized Since Inception
VVP Small Cap	03/31/2007	-5.1%	-10.4%
Russell 2000 Index		-9.4%	-10.1%
Russell 2000 Value Index		-9.8%	-16.2%

We know we are preaching to the choir but to state the obvious: The time period covered by this letter is too short to provide any meaningful information regarding performance. Based upon the discounted prices we have paid and the steady compounding of value at the businesses we own we feel confident that we will meet our long term absolute return goal of 15% and that, if we do so, the relative numbers will take care of themselves.

It has been more challenging to find qualifying investments in small caps than it has in large caps. Prior to the credit crunch, which began last summer, small cap stocks outperformed large cap stocks for an extended multi-year period. This outperformance has resulted in a number of overvalued stocks and made bargains more difficult to find. In addition, small cap stocks generally have less overseas exposure than large cap stocks. Given a sub-par U.S. economy we have been skeptical of Wall Street's overly optimistic earnings forecasts for many small cap companies we have evaluated. While we strive to be productive enough to be fully invested we will not violate our investment discipline and purchase companies that do not qualify for investment. As small cap stocks have continued to decline more companies have become sufficiently discounted to warrant investment and our cash levels have fallen but still remained at 33% at June 30th. Thanks to continued significant volatility this summer several companies we admire have come our way and cash levels are now just over 6%. More importantly, Vulcan Value Partners Small Cap's weighted average price to value ratio has significantly improved and is now in the upper 60's.

In addition to Choicepoint, detailed above, the top contributor to results since March 31, 2007 was Donaldson with over a 25% gain. We have long admired Donaldson and its management team. The company is a leading producer of filters and air cleaners. Its products improve engine efficiency, lower costs, and reduce pollution. Over 40% of sales are outside of the U.S. Filters are a low cost item to the customer and must be replaced at regular intervals. This razor blade business enables Donaldson to generate a steadily growing stream of free cash flow. The company uses its free cash to consistently repurchase shares thereby increasing its per share value growth at a rate faster than the double digit value growth of the company. Even though

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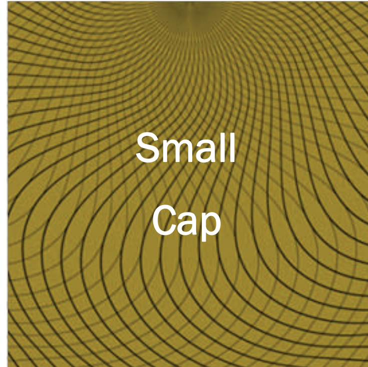

Vulcan Value Partners Small Cap Review (cont.)

Donaldson's stock has appreciated the company's value has grown as well and it still sells for an attractive price to value ratio.

The worst performers since March 31, 2007 were Level 3, detailed above, and Whole Foods Market. Whole Foods earns extremely high returns on capital, has built a brand name synonymous with high quality natural and organic foods, has an extremely loyal and affluent customer base, and outperforms the grocery store industry by a wide margin. The company has been impacted by the economic slowdown to a greater extent than we originally thought would be the case and they have been operationally sloppy managing costs as their store base has grown. As a result, our value has fallen. We have reassessed our investment in Whole Foods and believe that its franchise is intact and that its long term competitive position is growing stronger. Its short term problems are fixable and mostly cyclical in nature. The stock is very discounted compared to our revised value.

While Vulcan Value Partners Small Cap is our least attractive portfolio on a price to value basis and it has taken us longer than we would have liked to become more fully invested, prices are approaching levels that warrant investment. We have made tremendous progress in identifying and purchasing qualifying investments recently. We are working hard to find additional qualifying investments and are pleased that the price to value ratio is improving as cash levels are falling.

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Closing

In this last section “we” are switching to “I”.

I want to thank those who have made this humble beginning possible. First and foremost, I thank my father; a wise and successful businessman who not only inspired in me a passion for business from an early age but who also taught me the value of humility, integrity, and patience. I also want to thank Warren Buffett, Ben Graham, and David Dodd whose teachings have served as the core of my investment philosophy since before I bought my first stock – Coca-Cola – in college in the mid-1980’s. Lastly and certainly not least, I want to thank Mason Hawkins and Staley Cates and all of my former partners at Southeastern Asset Management/Longleaf Partners for the privilege of being part of one of the world’s greatest value investors for seventeen exciting years. They are truly the best of the best. I miss them but I do not miss the extreme travel!

I greatly appreciate your confidence in Vulcan Value Partners and your commitment of patient capital. To state the obvious, as long term investors, it is an excellent time to allocate additional capital to Vulcan Value Partners if you are in a position to do so. I do not know how long this environment will last but Vulcan Value Partners has laid a foundation for outstanding future compounding. I look forward to visiting with you personally soon and updating you in writing again after the end of the year.

Sincerely,

C.T. Fitzpatrick

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Second

Quarter

2008