Year

End

2009

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Portfolio Review

General

We are pleased to report that our strong results continued in the second half of 2009. Each of Vulcan Value Partners' four investment strategies turned in exceptional absolute and relative returns during the last six months of 2009. The same is true for all of 2009. All four portfolios delivered high double digit gains during both during the second half of 2009 and for the entire year. Since we began operations nearly three years ago we have preserved capital in down markets and compounded capital in up markets. Overall, we have made positive returns during a period of time when indices and most of our peers suffered double digit declines. Performance details and information about portfolio holdings are detailed below but a summary is as follows:

	Inception Date	Full Year 2009	Annualized Since Inception	Peer Rank Through 12/31/2009
Large Cap Composite	3/31/2007	60.2%	1.6%	Top 0.43%
S&P 500 Index		26.4%	-6.3%	
Russell 1000 Value Index		19.7%	-10.1%	
Focus Composite	11/30/2007	66.4%	1.5%	Top 0.00%
S&P 500 Index		26.4%	-10.6%	
Russell 1000 Value Index		19.7%	-13.0%	
Focus Plus Composite	3/31/2007	59.4%	0.0%	Top 2.69%
S&P 500 Index		26.4%	-6.3%	
Russell 1000 Value Index		19.7%	-10.1%	
Small Cap Composite	3/31/2007	42.1%	-1.1%	Top 7.23%
Russell 2000 Index		27.2%	-7.2%	
Russell 2000 Value Index		20.6%	-9.4%	

Peer ranking information sourced from Zephyr StyleADVISOR versus Zephyr Large Cap Value and Zephyr Small Cap Value for periods ending December 31, 2009.

Directory

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What is more gratifying to us than the returns generated in 2009 is that the underlying value of our portfolios increased during a severe economic downturn. On average, across all of our portfolios we estimate that the underlying value of the businesses we own increased at a low double digit rate in 2009. This number is extremely pleasing to us, more so than the stock price appreciation we enjoyed. Why? It confirms the strong competitive position of the companies we own. Most businesses saw their value decline during the recession, some precipitously. Our

Portfolio Review (Cont.)

prospects for future value growth are outstanding as the economy begins to recover. Critically, the value growth we enjoyed also confirms our estimates of intrinsic value, which, in turn, means that our margin of safety is sound.

In addition to value growth we also benefitted from stock price volatility which enabled us to execute on the portfolio management side of our investment process. We were able to sell businesses that had risen to fair value and re-allocate capital to more discounted companies. The combination of capital allocation and underlying business value growth means that our portfolios are well positioned to meet our goal of 15% absolute returns over our five year time horizon. Despite the substantial returns we enjoyed in 2009 we still enjoy a substantial margin of safety in terms of value over price and we own an extraordinary collection of competitively entrenched businesses that have demonstrated the value of their franchises during the economic downturn. They have gotten stronger and their competitors have gotten weaker. As a result, we are enthusiastic about their ability to grow business value both as the economy appears poised to recover and also over our five year time horizon.

We want to thank you for embracing our investment philosophy which was laid out in our first letter. You have done what you said you would do and that is to provide stable capital. Your stable capital and ours allows us to take a long term view with every investment decision. Because of you we are able to execute our disciplined investment philosophy and take advantage of market volatility instead of it taking advantage of us.

This letter will be our last to you, our family investors, before we open Vulcan Value Partners to outside investors. We hope to attract the same caliber of serious, long term investors that we currently enjoy. Thank you for being a part of Vulcan Value Partners' early success. We are just getting started.

Large Cap

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Vulcan Value Partners Large Cap Review

Vulcan Value Partners Large Cap's absolute and relative returns were quite good for the second half and full year in 2009. Performance in the second half of 2009 was well above our long term goal of 15%. Absolute and relative returns for the year were even better. Our 2009 performance was meaningfully better than the S&P 500 and also exceeded value benchmarks. Vulcan Value Partners Large Cap's absolute performance since inception at March, 2007 was well below our long term goal of 15% but was positive during a period of time when the S&P 500, value benchmarks, and more important, other value based peers who we admire and respect delivered large negative returns. We are pleased with the high returns generated in 2009. We are even more pleased that we were able to preserve capital during the 2008 bear market.

Investment Strategy	Inception Date	Second Half 2009	Full Year 2009	Annualized Since Inception
VVP Large Cap	03/31/2007	29.4%	60.2%	1.6%
S&P 500 Index		22.6%	26.4%	-6.3%
Russell 1000 Value Index		23.2%	19.7%	-10.1%

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.

Our top three contributors to performance during the second half of 2009 were Google, MasterCard, and Disney. Our top three contributors for all of 2009 were Liberty Media Entertainment Group, Google, and Starbucks with 107%, 102% and 132% gains respectively. We discussed Liberty Media Entertainment Group in some detail in our mid-year 2009 report, which we encourage you to re-read. Google proved the value of its business franchise as its overwhelming dominance in search enabled it to grow its bottom line at double digit rates and produce significant free cash flow during a severe advertising downturn. Google continues to benefit from the migration of advertising dollars from print to online. It is gratifying to see our companies not only delivering but exceeding our expectations. We are more concerned with value growth at the companies we own than share price performance.

Starbucks, which is a fine company, did not grow its value significantly in 2009 so that it reached our estimate of intrinsic worth after its 132% gain and we exited our position at our estimate of intrinsic worth. The proceeds from Starbucks were used to buy more discounted companies with higher margins of safety.

Only two companies had negative returns in 2009. Liberty Media Corp Starz, is a very small "stub company" that was created during the merger of Liberty Media Entertainment Group into DIRECTV. It was spun out very close to our estimate of fair value so we sold it immediately while retaining our discounted stake in DIRECTV. Waste Management, a fine company, in which we had a small position, was sold to buy more discounted names with larger margins of safety.

Vulcan Value Partners Small Cap Review

Vulcan Value Partners Small Cap's absolute and relative returns were quite good for the second half and full year in 2009. Performance in the second half of 2009 was well above our long term goal of 15%. Absolute and relative returns for the year were even better. Our 2009 performance was meaningfully better than the Russell 2000 Index of small cap stocks and also exceeded small cap value benchmarks. Vulcan Value Partners Small Cap's absolute performance since inception at March, 2007 was well below our long term goal of 15% but close to breakeven (-1.1% compounded) during a period of time when the Russell 2000, small cap value benchmarks, and more important, other value based peers who we admire and respect delivered large negative returns. We are pleased with the high returns generated in 2009. We are even more pleased that we were able to preserve capital during the 2008 bear market.

Investment Strategy	Inception Date	Second Half 2009	Full Year 2009	Annualized Since Inception
VVP Small Cap	03/31/2007	28.9%	42.1%	-1.1%
Russell 2000 Index		23.9%	27.2%	-7.2%
Russell 2000 Value Index		27.2%	20.6%	-9.4%

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.

Our top three contributors to performance during the second half of 2009 were RCN, Harley Davidson, and Heartland Payment Systems. Our top three contributors for all of 2009 were RCN Corp., Discovery Communications, and Whole Foods Market with 84%, 117% and 223% gains respectively. RCN owns a fiber optic network primarily serving densely populated metropolitan areas along the Atlantic seaboard and in Chicago. It offers cable programming, voice, and high speed data services to consumers and businesses. RCN grew its value at double digits in 2009. Its value per share growth was aided by share repurchases at a rock bottom prices. Discovery Communications, which owns a number of highly rated cable networks providing high quality family entertainment, generated substantial free cash flow and double digit bottom line results. It, like Google which we also own, is one of the few companies to enjoy higher advertising revenues in 2009. Consequently, Discovery Communications grew its value at very high double digit rates during one of the worst recessions in memory. Unlike Discovery Communications, Whole Foods' extraordinary gain far exceeded its value growth in 2009 and we exited our position at our estimate of intrinsic worth. The proceeds from Whole Foods were used to buy more discounted companies with higher margins of safety.

Only two companies had negative returns in the second half of 2009. They were NASDAQ OMX Group and Brown and Brown. Our worst three contributors for all of 2009 were NASDAQ OMX

Vulcan Value Partners Small Cap Review (cont.)

Group, Heartland Payment Systems, and Brown and Brown with -20%, -24%, and -13% declines respectively. NASDAQ OMX Group's results suffered due to lower trading volumes and market share losses in certain product lines. NASDAQ OMX Group has a strong business franchise and we expect that it will benefit from pending regulatory reforms being proposed as a result of the financial crisis. Heartland Payment Systems, who processes credit card transactions for merchants, was the victim of a sophisticated security breach. This breach resulted in a liability to the company that reduced our value. Whenever the value of one of companies declines all of our alarm bells go off and we re-evaluate the investment. Note that we do not re-evaluate our investments due to stock price declines but view them as buying opportunities so long as our value is intact. In Heartland's case we determined that the breach was an unfortunate, discrete event and that the company's business franchise remained sound. With the help of Hampton McFadden and Allen Cox we conservatively quantified the legal liability resulting from the data breach. The stock price was significantly discounted from our new, lower value, because the price drop was greater than the decline in value. As a result, we added to our position in Heartland Payment Systems. Even though we suffered a loss on the position we made substantial gains on the incremental stock that we bought. At this point it looks like our data breach liability is conservative and that our value for Heartland is low as well. Brown and Brown is a high quality insurance broker producing substantial free cash flow and low single digit earning declines in a soft underwriting market. Despite the moderate decline in profitability its value is growing from the production of free cash flow.

Focus

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Vulcan Value Partners Focus Review

Vulcan Value Partners Focus's absolute and relative returns were quite good for the second half and full year in 2009. Performance in the second half of 2009 was well above our long term goal of 15%. Absolute and relative returns for the year were even better. Our 2009 performance was meaningfully better than the S&P 500 and also exceeded value benchmarks. Vulcan Value Partners Focus's absolute performance since inception at March, 2007 was well below our long term goal of 15% but was positive during a period of time when the S&P 500, value benchmarks, and more important, other value based peers who we admire and respect delivered large negative returns. We are pleased with the high returns generated in 2009. We are even more pleased that we were able to preserve capital during the 2008 bear market.

Investment Strategy	Inception Date	Second Half 2009	Full Year 2009	Annualized Since Inception
VVP Focus	11/30/2007	30.4%	66.4%	1.5%
S&P 500 Index		22.6%	26.4%	-10.6%
Russell 1000 Value Index		23.2%	19.7%	-13.0%

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.

Our top three contributors to performance during the second half of 2009 were MasterCard, Google, and Time Warner Cable. Our top three contributors for all of 2009 were Google, MasterCard, and Liberty Media Entertainment Group with 102%, 80% and 76% gains respectively. You have probably observed that the percentage returns on the same companies are different for different portfolios. The reason is that, in some cases, we purchased the same companies at different times in different portfolios depending on the competing price to value ratios of other companies within the portfolio. We discussed Liberty Media Entertainment Group in some detail in our mid-year 2009 report, which we encourage you to re-read. Google proved the value of its business franchise as its overwhelming dominance in search enabled it to grow its bottom line at double digit rates and produce significant free cash flow during a severe advertising downturn. Google continues to benefit from the migration of advertising dollars from print to online. MasterCard, which enjoys a virtual duopoly with Visa, also enjoyed doubled digit gains in its bottom line and produced robust free cash flow at a time when consumers were cutting spending across the globe. Unlike banks, who issue its cards, MasterCard has no credit risk. MasterCard is benefitting from the worldwide shift from cash and check transactions to credit and debit. In our 2008 letter to you we wrote the following when explaining the purchase of MasterCard: "We estimate that MasterCard's value will compound at solid double digit rates, even in the current recession." It is gratifying to see our companies not only delivering but exceeding our expectations. We are more concerned with value growth at the companies we own than share price performance.

No companies had negative returns in 2009.

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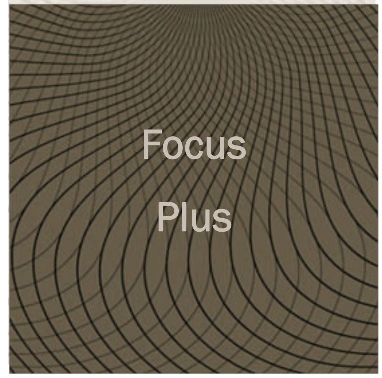

Vulcan Value Partners Focus Plus Review

Vulcan Value Partners Focus Plus's absolute and relative returns were quite good for the second half and full year in 2009. Performance in the second half of 2009 was well above our long term goal of 15%. Absolute and relative returns for the year were even better. Our 2009 performance was meaningfully better than the S&P 500 and also exceeded value benchmarks. Vulcan Value Partners Focus Plus's absolute performance since inception at March, 2007 was well below our long term goal of 15% but we did not lose money during a period of time when the S&P 500, value benchmarks, and more important, other value based peers who we admire and respect delivered large negative returns. We are pleased with the high returns generated in 2009. We are even more pleased that we were able to preserve capital during the 2008 bear market.

Investment Strategy	Inception Date	Second Half 2009	Full Year 2009	Annualized Since Inception
VVP Focus Plus	03/31/2007	29.2%	59.4%	0.0%
S&P 500 Index		22.6%	26.4%	-6.3%
Russell 1000 Value Index		23.2%	19.7%	-10.1%

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 were able to end the year 88% invested in equities due to exercise of puts written and outright purchases of shares. At year end our 12% cash position was earning more than 25% annualized returns from option investments which give us the right to purchase companies at prices we would choose to pay anyway. 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. This cash earns interest in addition to the yield we receive from the option premium we have sold. In effect, we still have "dry powder" available to us to purchase companies at advantageous prices and our "dry powder" earns more than 25% 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. Our top three contributors to performance during the second half of 2009 were MasterCard, Google, and Starbucks. Our top three contributors for all of 2009 were Liberty Media Entertainment Group, Google, and Starbucks with 107%, 102% and 132% gains respectively. We discussed Liberty Media Entertainment Group in some detail in our mid-year 2009 report, which we encourage you to re-read. Google proved the value of its business franchise as its overwhelming dominance in search enabled it to grow its bottom line at double digit rates and produce significant free cash flow during a severe advertising downturn. Google continues to benefit from the migration of

Vulcan Value Partners Focus Plus Review (cont.)

advertising dollars from print to online. It is gratifying to see our companies not only delivering but exceeding our expectations. We are more concerned with value growth at the companies we own than share price performance.

Starbucks, which is a fine company, did not grow its value significantly in 2009 so that it reached our estimate of intrinsic worth after its 132% gain. As Starbucks approached fair value we wrote calls, giving us the option to sell our position at a price we would sell anyway. We were paid a 22% annualized yield to do so.

Our largest detractor to performance was Waste Management, Inc. in which we had a small position. Waste Management is a fine company. It was sold to buy more discounted names with larger margins of safety.

Closing

As we enter the New Year and new decade we have assembled an extremely talented team of hard working, highly motivated individuals at Vulcan Value Partners who are allowing us to execute our investment philosophy. We used the bear market to assemble a world class collection of superior business enterprises at ridiculous prices. Our research team is finding qualifying investments to replace those that have risen to fair value. Our portfolios remain deeply discounted, fully invested, and our values are growing nicely, even in a poor economy. While we cannot predict short term market fluctuations we are well positioned to take advantage of opportunities and to benefit from long term compounding over our five year time horizon.

We end this letter, as we began it, with a big thank you for being our investment partners.

Sincerely,

C.T. Fitzpatrick

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