Second Quarter 2010

VULCAN VALUE PARTNERS

## Portfolio Review

### General

The second quarter of 2010 was hard on short term traders and speculators with double digit declines in most major equity indices. It was a wonderful quarter for long term investors like us. We were able to take advantage of stock price volatility to exit several companies that had risen in price and redeploy proceeds into more discounted companies of an equal or higher business quality. We are happy to trade off short term volatility for improved long-term prospective returns. Our performance is summarized below. Small Cap was the standout once again with respectable results compared to its benchmarks but we still produced negative absolute returns. We know we are preaching to the choir but we are focused on producing superior real rates of return over our five year time horizon. We place no weight on short term results, good or bad, and neither should you. You should place more weight on our longer term historical results and a great deal of weight on our long-term prospects – more on that below.

Directory




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205.803.1582 phone


| | Through June 30, 2010 | | | |
|---|---|---|---|---|
| | QTD | YTD | Annualized Since Inception* | Peer Rank[1] |
| **Large Cap Composite (Gross)** | **-11.8%** | **-5.7%** | **-1.3%** | **Top 4%** |
| S&P 500 Index | -11.4% | -6.7% | -7.4% | |
| Russell 1000 Value Index | -11.2% | -5.1% | -10.1% | |
| **Focus Composite (Gross)** | **-10.7%** | **-5.6%** | **-2.5%** | **Top 3%** |
| S&P 500 Index | -11.4% | -6.7% | -11.1% | |
| Russell 1000 Value Index | -11.2% | -5.1% | -12.4% | |
| **Focus Plus Composite (Gross)** | **-11.3%** | **-4.2%** | **-1.3%** | **Top 4%** |
| S&P 500 Index | -11.4% | -6.7% | -7.4% | |
| Russell 1000 Value Index | -11.2% | -5.1% | -10.1% | |
| **Small Cap Composite (Gross)** | **-7.1%** | **5.5%** | **0.7%** | **Top 5%** |
| Russell 2000 Index | -9.9% | -2.0% | -6.7% | |
| Russell 2000 Value Index | -10.6% | -1.6% | -8.5% | |

[1]Peer ranking information sourced from eVestment as of February 6, 2019 using Vulcan Value Partners Large Cap, Focus and Focus Plus Composites versus peer group of US Large Cap Value Equity Universe, and Vulcan Value Partners Small Cap Composite versus peer group of US Small Cap Value Equity Universe since inception ending June 30, 2010. All returns are shown gross and net of fees. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). *Inception date is 3/31/2007 for Large Cap, Small Cap, and Focus Plus Composites. Inception date is 11/30/2007 for Focus Composite. Past performance is no guarantee of future results. Please see important disclosures at the end of this document.

Everywhere we go it seems that most everyone we talk to is pessimistic about the macro outlook, and rightly so. A double dip recession is not out of the question, fiscal problems arising from irresponsible western governments pose yet another threat to the still recovering financial system, higher taxes and higher regulatory costs are virtually certain. While benign now, higher inflation

## Portfolio Review (Cont.)

seems to be probable in a few years. We are just repeating what others we respect are saying but we agree.

With such a dreary macro outlook, why are we in a good mood?

We do not own "the averages." We own a portfolio of outstanding businesses that produce tremendous amounts of free cash flow and have very strong balance sheets. We own them at very attractive prices that provide a large margin of safety to compensate us for the macro risks we all face. Moreover, our businesses are not standing still. They are competitively entrenched and are becoming more so. Our values are growing and the prices we pay for the rising values are declining. It is a wonderful combination for long term investors.

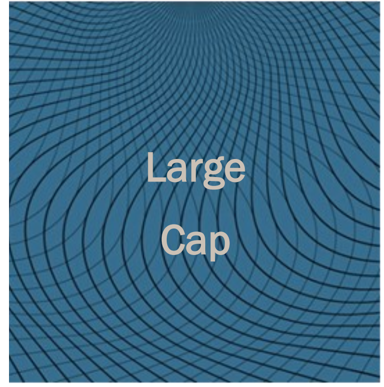
Rising anxiety over a poor macro outlook is rational. Not differentiating between the winners and the losers is irrational. For several years now, and continuing this year, flows into bond funds have been strong and flows into equity funds have been negative. The opposite was true back in 1999 when equity valuations were at bubble era highs. It is amazing to us that some investors would prefer fixed rate 3% yields for 10 years on U.S. treasuries to, say, the 3.6% dividend yield of Johnson and Johnson, which is only a fraction of its free cash flow, and which will grow in excess of inflation for a very long time (Johnson and Johnson has *raised* its dividend for 48 consecutive years and its dividend has grown 13.4% *annually* over the last ten years). If inflation only returns to its long term average of 3%, investors in U.S. treasuries will have a zero real rate of return. That seems like a best case result to us. Meanwhile, Johnson and Johnson will be able to pass on cost increases and grow unit volumes well in excess of inflation. It gets better. We own Johnson and Johnson at a large discount to any reasonable estimate of fair value for this outstanding business franchise. If price rises to reflect fair value and the company's value grows anywhere close to the double digit rate that we expect then we will receive extraordinary returns over our five year time horizon while simultaneously enjoying a substantial margin of safety. Which would you rather own?

If you answered Johnson and Johnson, you are in the right place. If you prefer the "safety" of treasuries, there is probably not a good fit between you and Vulcan Value Partners.

As much as we like Johnson and Johnson, it is not the best business we own, nor is it the cheapest. The irrational response to the admittedly sub-par macro environment is to not differentiate between wonderful businesses that will grow their values in a poor economy and those that will not. If things turn out to be as bad as the consensus expects then the companies we own should trade at a premium, not a discount. The resulting mispricing is a great opportunity but is only available to long term investors who appreciate the difference between price and value.

Before we review the portfolios I want to recognize and thank our research team for their extraordinary work. Our team is at least two years ahead of where I thought we would be at this point. Our analysts have identified mispriced, high quality businesses and correctly rejected marginal businesses that appeared to be statistically cheap. Moreover, their productivity allowed us to quickly update values and re-allocate capital among our existing investments, reducing stakes in more fully valued businesses and re-deploying capital into more discounted businesses. Lastly, I would like to welcome the newest member of our research team, Mac Dunbar. We have high hopes for Mac but he will have his work cut out for him keeping up with Bruce Donnellan, Allen Cox, and Hampton McFadden. I will do my best to keep up with them as well.

Please note that in the commentary that follows regarding each of our four strategies we define meaningful as having a 1% impact on portfolio returns or a greater than 10% change in price. We generally limit comments about top contributors and detractors to the top three or to companies that had a meaningful impact on portfolio performance.




VULCAN
VALUE
PARTNERS

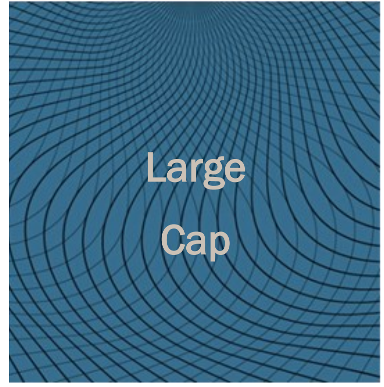
## Vulcan Value Partners Large Cap Review

| Investment Strategy | Second Quarter 2010 | Through June 30, 2010 | | | |
|---|---|---|---|---|---|
| | | YTD | 1 year | 3 year | Annualized Since Inception* |
| **VVP Large Cap (Gross)** | -11.8% | -5.7% | 22.1% | -3.3% | -1.3% |
| **VVP Large Cap (Net)** | -12.1% | -6.1% | 20.8% | -4.3% | -2.3% |
| **S&P 500 Index** | -11.4% | -6.7% | 14.4% | -9.8% | -7.4% |
| **Russell 1000 Value Index** | -11.2% | -5.1% | 16.9% | -12.3% | -10.1% |

*Inception Date March 31, 2007

Top contributors to performance included Discovery Communications, Dr. Pepper Snapple Group, and Direct TV. From our point of view, the growth in the value of the companies is more important than the growth in share price. Discovery Communications generated strong free cash flow and improved profitability. The company is benefitting from strong ratings, steadily growing affiliate fees, and an improving advertising climate. Dr. Pepper Snapple Group also generated substantial free cash flow, strengthened its balance sheet by paying down debt, and initiated a share repurchase program. The company received a windfall from new distribution agreements with Coca Cola and Pepsi. Dr. Pepper Snapple Group is performing very well in the market place and growing its market share with new products and successful advertising. I particularly recommend Diet Cherry Dr. Pepper. It is delicious. Direct TV made progress on multiple fronts. First, the company produced outstanding operational results with strong revenue gains, led by robust subscriber growth, which resulted in higher profitability and outstanding growth in free cash flow. In addition, the company improved its corporate governance by its decision to move to one class of stock. Lastly, Direct TV announced a plan to optimize their capital structure by increasing leverage and aggressively accelerating an already robust share repurchase program. Direct TV has an extremely strong balance sheet and substantial free cash flow that is growing at high double digit rates. Meanwhile, the stock price is trading at a discount to the company's growing value. Therefore, every dollar spent repurchasing stock results in more than a dollar of return to us, as shareholders. Direct TV's financial leverage will remain moderate compared to its free cash flow. We applaud their management team for delivering both strong operating results and outstanding capital allocation decisions.

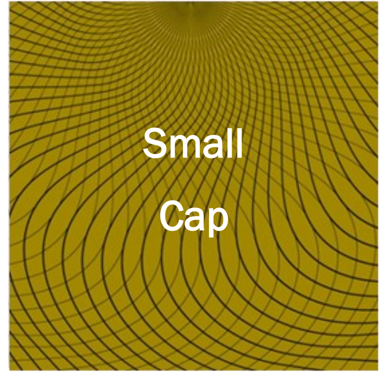
Detractors to performance included Teva Pharmaceuticals, Google, and Mastercard. Teva Pharmaceuticals is the largest generic drug company in the world with a global footprint and a substantial U.S. presence. It is domiciled in Israel. The company is the largest beneficiary of health care reform in the United States. Free cash flow production is high and growing. Our value is rising steadily. We are very pleased with Teva Pharmaceuticals' results and view its recent stock weakness as an opportunity.




## Vulcan Value Partners Large Cap Review (Cont.)

In the first quarter we said the following about Google: "Google is generating ample free cash flow and is producing solid bottom line results. Consequently, its value is growing, which is our chief concern. Google has been in the news a lot lately because of its decision to stop filtering its Chinese web site search results. Chinese related revenues are a small fraction of Google's total so if Google does leave China it will be immaterial. While the opportunity cost of foregoing future growth in China is high we believe that there is an equally offsetting benefit as Google cements its worldwide reputation as the leading source of objective search information on the Internet." As this letter is being written, Chinese authorities have renewed Google's license to operate in China and its reputation and brand have been strengthened. After delivering double digit bottom line gains during the recession, Google's growth is accelerating as the economy improves. Our value continues to move north. We could not be more pleased with Google's operating results.

Mastercard is an amazing business. They consistently produce large and growing amounts of free cash flow and have one of the strongest balance sheets in the world. The biggest problem they have is governmental interference with their business. As this letter is being written a final bill has not been signed but the finance reform bill contains a provision that should shift revenues from banks to retailers by reducing interchange fees. Interchange fees are the fees charged to process a credit or debit card transaction. Credit and debit card companies collect a small fraction of the interchange fee and banks collect a larger share. Basically, banks are being punished because of political anger over the financial bailout and Mastercard is caught in the middle. We demand businesses that are competitively entrenched and that are purchased with a margin of safety to protect us from just this sort of unpredictable event. Mastercard earns over half of its revenues outside of the U.S. The pending financial reform bill is primarily aimed at debit transactions. Mastercard's U.S. business mix is more heavily weighted towards credit transactions. Moreover, as mentioned, Mastercard only collects a small percentage of the interchange fee so it is unlikely they will need to reduce their revenues to retain business. Net-net the financial reform bill is unlikely to have a meaningful impact on Mastercard's wonderful business but it has caused a meaningful decline in the stock price. Less competitively entrenched businesses, such as banks, and consumers are not likely to fare as well.






## Vulcan Value Partners Small Cap Review

| Investment Strategy | Second Quarter 2010 | Through June 30, 2010 | | | |
|---|---|---|---|---|---|
| | | YTD | 1 year | 3 year | Annualized Since Inception* |
| **VVP Small Cap (Gross)** | -7.1% | 5.5% | 36.1% | 0.6% | 0.7% |
| **VVP Small Cap (Net)** | -7.4% | 4.9% | 34.4% | -0.7% | -0.6% |
| **Russell 2000 Index** | -9.9% | -2.0% | 21.5% | -8.6% | -6.7% |
| **Russell 2000 Value Index** | -10.6% | -1.6% | 25.1% | -9.9% | -8.5% |

*Inception Date March 31, 2007

There is a moderate amount of overlap between our Small Cap and Large Cap Programs so sometimes the top contributors overlap as well. This overlap occurs primarily because sometimes the Small Cap companies we purchase grow into Large Cap companies over time.

Top contributors to performance included Pacer International, Dr. Pepper Snapple Group, and Discovery Communications. Pacer International is a fairly recent purchase. The company provides logistical and intermodal services to shippers and railroads. They allow shippers to aggregate goods and reduce transportation costs. They allow railroads to improve efficiencies and reduce costs. Their business model is "asset light" so, unlike many transportation companies that are highly capital intensive, Pacer International largely uses other companies' assets but still benefits from growing global trade. Consequently, the company produces robust free cash flow and high returns on capital. We expect their results to benefit from the moderate economic recovery taking place. Dr. Pepper Snapple Group generated substantial free cash flow, strengthened its balance sheet by paying down debt, and initiated a share repurchase program. The company received a windfall from new distribution agreements with Coca Cola and Pepsi. Dr. Pepper Snapple Group is performing very well in the market place and growing its market share with new products and successful advertising. I particularly recommend Diet Cherry Dr. Pepper. It is delicious. Discovery Communications generated strong free cash flow and improved profitability. The company is benefitting from strong ratings, steadily growing affiliate fees, and an improving advertising climate.

Detractors to performance included NASDAQ OMX Group, Heartland Payment Systems, and Sonic Corp. NASDAQ OMX Group's results are driven by trading volumes. The company enjoys high operating margins but also has a lot of operating leverage. All in all, the company is doing well maintaining margins and generating strong free cash flow in a weak revenue environment. They are using their free cash flow to repurchase discounted shares. Financial markets are unpredictable in the short run and the recovery is uneven but NASDAQ OMX should benefit from a

## Vulcan Value Partners Small Cap Review (Cont.)

long term trend to greater trading volumes and capital market growth. In the meantime, we applaud their capital allocation decision to repurchase stock. Heartland Payment Systems' first quarter was poor as their small merchant customers are still suffering from less than robust consumer spending and the company invested heavily in its sales force in anticipation of an improving environment. We applaud them for managing their business to build long term value instead of being overly concerned with short term, quarterly results. Our value grew as Heartland settled more of its data breach liabilities for substantially less than our earlier, conservative estimates. Sonic Corp. is typical of Heartland Payment Systems' customers. Consumers are reticent to spend as they rebuild their personal balance sheets and unemployment remains high. As a result, Sonic Corp.'s same restaurant sales remain weak. As the economy continues to improve we expect employment growth to improve along with it and for Sonic Corp.'s sales trends to follow. In the meantime, the company continues to produce strong free cash flow, which it is using to pay down debt and strengthen its balance sheet.

VULCAN VALUE PARTNERS

## Vulcan Value Partners Focus Review

| Investment Strategy | Second Quarter 2010 | Through June 30, 2010 | | | |
|---|---|---|---|---|---|
| | | YTD | 1 year | 3 year | Annualized Since Inception* |
| VVP Focus (Gross) | -10.7% | -5.6% | 23.1% | - | -2.5% |
| VVP Focus (Net) | -11.0% | -6.3% | 21.3% | - | -3.9% |
| S&P 500 Index | -11.4% | -6.7% | 14.4% | - | -11.1% |
| Russell 1000 Value Index | -11.2% | -5.1% | 16.9% | - | -12.4% |

*Inception Date November 30, 2007

Top contributors to performance included Discovery Communications and Direct TV. From our point of view, the growth in the value of the companies is more important than the growth in share price. Discovery Communications generated strong free cash flow and improved profitability. The company is benefitting from strong ratings, steadily growing affiliate fees, and an improving advertising climate. Direct TV made progress on multiple fronts. First, the company produced outstanding operational results with strong revenue gains, led by robust subscriber growth, which resulted in higher profitability and outstanding growth in free cash flow. In addition, the company improved its corporate governance by its decision to move to one class of stock. Lastly, Direct TV announced a plan to optimize their capital structure by increasing leverage and aggressively accelerating an already robust share repurchase program. Direct TV has an extremely strong balance sheet and substantial free cash flow that is growing at high double digit rates. Meanwhile, the stock price is trading at a discount to the company's growing value. Therefore, every dollar spent repurchasing stock results in more than a dollar of return to us, as shareholders. Direct TV's financial leverage will remain moderate compared to its free cash flow. We applaud their management team for delivering both strong operating results and outstanding capital allocation decisions.

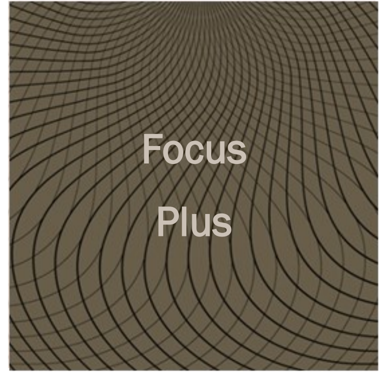
Detractors to performance included Microsoft, Google, and Mastercard. Microsoft's value is rising faster than our long term estimate of its value growth due to the success of Windows 7, tremendous free cash flow production, and intelligent capital allocation decisions. Meanwhile, its stock return was negative 21% in the second quarter. Apple's successful launch of the IPAD and the plethora of new smart phone introductions have led to fears that laptops and PC's will be displaced by new, smaller devices so that demand for Microsoft's PC centric products will wane. Our view is that there is a need for both and that Apple's success and Microsoft's success are not mutually exclusive (as has been the case for the past twenty five years). Global demand for PC's and laptops is robust. PC's and, later, laptops were primarily used for work in the 1980's and early 1990's. As the Internet took off and processing power continued to increase they began to be used for consumer uses such as email, gaming, shopping, and social networking. Some of these consumer functions will be transferred to new smaller, mobile devices and Microsoft might or

## Vulcan Value Partners Focus Review (Cont.)

might not have success in these new markets. However, the primary demand driver for PC's and laptops – work related tasks – remains and so will the need for these devices. Microsoft dominates this business. Our value for Microsoft is not dependent on the company being successful outside of its existing business lines. If they are, and their company certainly has resources necessary to compete, it will be icing on the cake for us.

In the first quarter we said the following about Google: "Google is generating ample free cash flow and is producing solid bottom line results. Consequently, its value is growing, which is our chief concern. Google has been in the news a lot lately because of its decision to stop filtering its Chinese web site search results. Chinese related revenues are a small fraction of Google's total so if Google does leave China it will be immaterial. While the opportunity cost of foregoing future growth in China is high we believe that there is an equally offsetting benefit as Google cements its worldwide reputation as the leading source of objective search information on the Internet." As this letter is being written, Chinese authorities have renewed Google's license to operate in China and its reputation and brand have been strengthened. After delivering double digit bottom line gains during the recession, Google's growth is accelerating as the economy improves. Our value continues to move north. We could not be more pleased with Google's operating results.

Mastercard is an amazing business. They consistently produce large and growing amounts of free cash flow and have one of the strongest balance sheets in the world. The biggest problem they have is governmental interference with their business. As this letter is being written a final bill has not been signed but the finance reform bill contains a provision that should shift revenues from banks to retailers by reducing interchange fees. Interchange fees are the fees charged to process a credit or debit card transaction. Credit and debit card companies collect a small fraction of the interchange fee and banks collect a larger share. Basically, banks are being punished because of political anger over the financial bailout and Mastercard is caught in the middle. We demand businesses that are competitively entrenched and that are purchased with a margin of safety to protect us from just this sort of unpredictable event. Mastercard earns over half of its revenues outside of the U.S. The pending financial reform bill is primarily aimed at debit transactions. Mastercard's U.S. business mix is more heavily weighted towards credit transactions. Moreover, as mentioned, Mastercard only collects a small percentage of the interchange fee so it is unlikely they will need to reduce their revenues to retain business. Net-net the financial reform bill is unlikely to have a meaningful impact on Mastercard's wonderful business but it has caused a meaningful decline in the stock price. Less competitively entrenched businesses, such as banks, and consumers are not likely to fare as well.




## Vulcan Value Partners Focus Plus Review

| Investment Strategy | Second Quarter 2010 | Through June 30, 2010 | | | |
|---|---|---|---|---|---|
| | | YTD | 1 year | 3 year | Annualized Since Inception* |
| **VVP Focus Plus (Gross)** | -11.3% | -4.2% | 23.8% | -3.1% | -1.3% |
| **VVP Focus Plus (Net)** | -11.7% | -4.9% | 22.0% | -4.5% | -2.8% |
| **S&P 500 Index** | -11.4% | -6.7% | 14.4% | -9.8% | -7.4% |
| **Russell 1000 Value Index** | -11.2% | -5.1% | 16.9% | -12.3% | -10.1% |

*Inception Date March 31, 2007

The annualized yield on our option contracts written in the second quarter averaged north of 25%. If exercised, these options give us the right to purchase stakes in companies we want to own at a lower price than the market price at the time the option was written. We would like for these options to be exercised and have set aside cash for that purpose. We employ no leverage. In effect, we are being paid 25% + on our cash while we wait for lower prices and a corresponding larger margin of safety. Unlike many market participants, we use options to decrease risk. We are long-term investors. Oftentimes, those on the other side of our trade are speculators. Their appetite for risk is the reason we enjoy high yields on our option positions. We are happy to provide liquidity for them.

Outside of our highly profitable option positions, Direct TV was the only positive contributor to our results in Focus Plus. From our point of view, the growth in the value of the companies is more important than the growth in share price. Direct TV made progress on multiple fronts. First, the company produced outstanding operational results with strong revenue gains, led by robust subscriber growth, which resulted in higher profitability and outstanding growth in free cash flow. In addition, the company improved its corporate governance by its decision to move to one class of stock. Lastly, Direct TV announced a plan to optimize their capital structure by increasing leverage and aggressively accelerating an already robust share repurchase program. Direct TV has an extremely strong balance sheet and substantial free cash flow that is growing at high double digit rates. Meanwhile, the stock price is trading at a discount to the company's growing value. Therefore, every dollar spent repurchasing stock results in more than a dollar of return to us, as shareholders. Direct TV's financial leverage will remain moderate compared to its free cash flow. We applaud their management team for delivering both strong operating results and outstanding capital allocation decisions.

Detractors to performance included Disney, Google, and Mastercard. Disney has an enviable collection of media and consumer franchises. The two are closely related. Some of Disney's businesses, such as ESPN, are extremely stable and performed well throughout the recession. Others, such as its theme parks, are more discretionary in nature and are taking longer to recover than we would like. Overall, Disney's results have been good with strong free cash flow and

## Vulcan Value Partners Focus Plus Review (Cont.)

double digit bottom line growth so far this year. We expect more of the same. Longer term, we think Disney will benefit from wider distribution of its rich content. Led by Bob Iger, Disney has been at the forefront of exploiting new distribution channels for its content. While it remains to be seen which distribution channels will gain more traction than others, the company is very well positioned to prosper as consumers have more platforms to enjoy its products.

In the first quarter we said the following about Google: "Google is generating ample free cash flow and is producing solid bottom line results. Consequently, its value is growing, which is our chief concern. Google has been in the news a lot lately because of its decision to stop filtering its Chinese web site search results. Chinese related revenues are a small fraction of Google's total so if Google does leave China it will be immaterial. While the opportunity cost of foregoing future growth in China is high we believe that there is an equally offsetting benefit as Google cements its worldwide reputation as the leading source of objective search information on the Internet." As this letter is being written, Chinese authorities have renewed Google's license to operate in China and its reputation and brand have been strengthened. After delivering double digit bottom line gains during the recession, Google's growth is accelerating as the economy improves. Our value continues to move north. We could not be more pleased with Google's operating results.

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## Closing

We appreciate the confidence you have placed in us to manage a portion of your savings. Your stable capital, combined with ours, allows us to take advantage of short term fluctuations in securities prices to build superior long term results. As our name implies, we are truly in partnership.

We look forward to updating you again in our next report.

Sincerely,

C.T. Fitzpatrick
**Chief Investment Officer**

## Disclosures

The performance presented is for our Large Cap Composite, Focus Composite, Focus Plus Composite and Small Composite. The model composite portfolio performance figures reflect the deduction of brokerage or other commissions and the reinvestment of dividends and capital gains. Past performance is no guarantee of future results and we may not achieve our return goal. We have presented returns gross and net of fees. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of management fees and transaction costs and gross of custodian fees, taken at the highest applicable fee. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions. Our standard fees are presented in Part II of our ADV.

There may be market or economic conditions which affect our performance, or that of our relevant benchmarks, that may have changed Vulcan Value Partners' views regarding the prospects of any particular investment. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed in this letter. The information provided in this presentation is furnished as of the date shown and no representation is being made with respect to its accuracy on any future date. Vulcan Value Partners does not assume any duty to update any information in this presentation. Vulcan buys concentrated positions for our portfolios, averaging 5% in our model portfolios, which may make our performance more volatile than that of our benchmark indices and our performance may diverge from an index, positively or negatively, as a result. Our focus is on long term capital appreciation, so our clients should consider at least a five year time horizon for an investment with Vulcan.

The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. The Russell 1000® Value Index measures the performance of the large -cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 2000® Index includes the 2000 firms from the Russell 3000® Index with the smallest market capitalizations. The Russell 2000® Index Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index figures do not reflect deductions for any fees, expenses, or taxes. Investors cannot invest directly in an index.

Vulcan Value Partners is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Vulcan focuses on long term capital appreciation; targeting securities purchases that we believe have a substantial margin of safety in terms of value over price and limiting our investments to companies that we believe have sustainable competitive advantages that will allow them to earn superior returns on capital. Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Vulcan Value Partners' composites and a presentation that adheres to the GIPS standards, please contact Hampton McFadden at 205.803.1582 or write Vulcan Value Partners, 3500 Blue Lake Drive, Suite 400 Birmingham AL, 35243.

**Large Cap Composite Information**: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with reasonable economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients 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 client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500. New accounts that fit the composite definition are added at the beginning of the first full month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

**Focus Composite Information**: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with reasonable economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark index is the S&P 500. New accounts that fit the composite definition are added at the beginning of the first full month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on November 30, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

## Disclosures (Cont.)

**Focus Plus Composite Information**: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with reasonable economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. The portfolio is typically invested in between seven and fourteen names. We will use options instead of limit orders to acquire the stock. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 Index. New accounts that fit the composite definition are added at the beginning of the first full month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

**Small Cap Composite Information**: This portfolio strategy invests in companies with smaller market capitalizations. Subject to price, any publicly traded company with reasonable economics that is not “large” would be a potential investment in this portfolio. While we do not have any defined cutoffs we use the Russell 2000 as a guide to define small cap, and any small publicly traded company with reasonable economics would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients 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 client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 2000 Index. New accounts that fit the composite definition are added at the beginning of the first full month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of $50,000 are not included in the composite.

All returns are expressed in US dollars.