VALLEY FORGE
FINANCIAL GROUP

VALLEY FORGE PRIVATE EQUITY, INC.
VALLEY FORGE INVESTMENT CONSULTANTS, INC.
VALLEY FORGE FINANCIAL GROUP, INC.
VALLEY FORGE PENSION MANAGEMENT, INC.
VALLEY FORGE FAMILY OFFICE, INC.

April 20, 2018

Dear Partner,

We are pleased to provide your Private Equity Summary of Holdings. The figures in the enclosed summaries represent your Commitments, Calls, Distributions and Valuations as of March 31, 2018.

The first quarter of 2018 was extremely busy! During the quarter, our team attended board meetings, annual investor meetings, or personally visited, seven of our existing managers. The purpose of these visits is to check-in on the performance of current portfolio companies, see how we might be able to add value, and to maintain proactive dialogue around new co-investment opportunities. We expect this momentum to continue until late May as annual meeting season continues.

During the quarter, the Private Equity funds made 6 new company investments, and one add-on acquisition. The Real Estate Funds made great progress with new leasing activity, and report positive news on the re-opening of its two storm-damaged properties.

VF Real Estate II, LP is 80% invested, so we are now accepting subscriptions for VF Real Estate III, LP. The approach for Fund III will be similar to its predecessor funds. Edgewater will be investing 50% of the portfolio while the other 50% will be earmarked for opportunistic leaseback opportunities with our private equity partner companies. Please ask your Valley Forge Rep. for a copy of the **VF Real Estate III, LP** Offering Memorandum.

The Tax Cuts and Jobs Act of 2017 has direct impacts to the investments we make. Please refer to this quarter's ***Spotlight***, on the reverse side of this letter, to read how our portfolio investments will be affected.

We are excited to announce the first distribution event caused by Summer Street Partners, a manager that we selected for Valley Forge Fund VIII in 2012. Patience paid off with a distribution of sale proceeds for Multisorb Technologies on April 10, 2018. The sale generated a gross multiple of invested capital **(MOIC) of 4.6x and an IRR of 58.9%**!

Thank you for your continued interest and support.

Sincerely,

Sean Maher, CFP®, CLU®, ChFC®	Michael J. Maher, Jr. CIMA®
Principal	Principal

Valley Forge Private Equity provides disciplined access and diversification to alternative investments that are inaccessible to most investors. We seek to provide transparent, consistent return while being cautious about risk, and vigilant about fees.

Spotlight: Impact of Tax Overhaul on Private Equity

Over the past few months, a number of investors have asked us how the recent changes to U.S. Tax Law will affect the Private Equity industry. In response to these inquiries, we spoke to tax specialists and our fund managers, to ascertain the impact to the portfolio companies. We also asked what, if any, changes managers will make strategically. In all, it appears that the new law will provide a *net advantage* for our portfolio companies.

The Tax Cuts and Jobs Act of 2017 ("TCJA"), has three important provisions that affect each portfolio company:

1. The corporate tax rate is lowered from 35% to 21%[(1)]
2. Companies may deduct 100% of capital spending in the year of purchase through 2023
3. Companies may only deduct interest payments up to 30% of Net Earnings [(2)]

The first two provisions are undoubtedly positive. The third provision has raised some eyebrows within the industry due to the tendency for Private Equity firms to take on a significant amount of debt when acquiring a company. Our fund managers are acutely aware of the new limit to deducting interest payments. The simplest way to maximize the benefits of the TCJA is to keep interest payments at or below 30% of EBITDA while reaping the benefits of a lower tax rate and taking full deduction for large capital expenditures for equipment.

It is understandable that some underlying portfolio companies are hampered by substantial leverage that can't be immediately paid down in response to the tax changes. In these cases, interest payments exceed 30% of the company's EBITDA and therefore cannot be fully deducted. It is our belief, along with our fund managers, that the positive provisions, particularly the drastic decrease in the corporate tax rate, will still outweigh the potential for higher effective cost of debt.

The chart below takes a closer look at several of the representative co-investments in our Funds. This summary highlights the earnings, debt, annual interest expense, and interest as a percentage of earnings for each company.

Co-Investment	EBITDA	Debt	Annual Interest	Interest as % of EBITDA
Company 1	5,413,600	26,518,664	916,111	17%
Company 2	12,881,770	33,920,725	964,880	7%
Company 3	9,935,169	76,378,098	2,797,499	28%
Company 4	49,278,222	278,581,000	21,474,667	44%
Company 5	957,976	6,048,993	256,848	27%
Company 6	8,800,000	47,125,600	3,375,000	38%

As illustrated, each company needs to be looked at uniquely. We were not surprised to find that almost all of our co-investments use modest leverage and will therefore realize the greatest benefit from tax reform. This summary also reinforces our philosophy of not investing in pre-profit venture or startup companies.

Potential for interest rate increases in 2018 further emphasize the importance of foresight and caution when taking on debt. We see these corporate tax changes not just as an incentive to lower interest payments relative to earnings, but also as a healthy reminder to our fund managers of the dangers of overleveraging. We, alongside our fund managers, will remain vigilant in navigating this ever-changing economic landscape.

[(1)] Certain professional practices, other than engineering and architecture and businesses, that involve legal, consulting, or investment services are not eligible for the 21% maximum rate, Source: KPMG Report on New Tax Law, February 16, 2018.

[(2)] Net Earnings is similar to EBITDA. Please consult your tax professional for a full review of the Net Earnings definition. Companies with less than $25Mil in Gross Receipts are excluded from this provision. Source: KPMG Report on New Tax Law, February 16, 2018.