

VALLEY FORGE PRIVATE EQUITY, INC.

1030 Old Valley Forge Road
King of Prussia, PA 19406
610.783.6650

February 18, 2008

Dear Partners:

Attached, please find the 4th quarter 2007 performance and activity update for Valley Forge Private Equity Funds I-VI. We continue to be pleased with the performance of the funds. The managers within the funds are maintaining a disciplined focus on profitable companies without overpaying. Three of the four funds, with significant experience, are exceeding our original targets for 15-20% IRR, by fund, with measurably less risk than early stage or venture investing and with little correlation to the public equity markets.

IRR Performance by fund - through 12/31/07 *

Valley Forge Fund I, LP – est.2002	23.53%
Valley Forge Fund II, LP – est.2002	10.30%
Valley Forge Fund III, LP – est.2004	46.89%
Valley Forge Fund IV, LP – est.2005	87.59%

*We are doing everything possible to have your K-1 tax reporting information available prior to April 15th. **Please let your tax preparer know that there is a strong likelihood that your K-1 will be delayed**, causing you to file an extension, as the managers are often providing us information after April 15. We will provide you an update of expected K-1 completion dates on April 1, 2008.*

Partners in Valley Forge Fund I, III and IV will be receiving a 2007 income tax distribution in March 2008. This tax distribution corresponds to pass-through income generated by American Messaging Services, LLC during 2007.

Thank you for your continued involvement and confidence in the Valley Forge Funds. If you have any questions, please contact your Valley Forge representative.

Best regards,
VALLEY FORGE PRIVATE EQUITY, INC.

Manish Upadhyay
Private Equity Fund Administrator

**The Internal Rate of Return (IRR) calculation is unaudited and based on the actual cash flows for the fund since inception. Terminal Values are based on the latest valuation information provided by the underlying managers for each fund. Valley Forge Fund V, LP and Valley Forge Fund VI, LP have not had sufficient investment to have a meaningful IRR.*

VALLEY FORGE FUND I-IV GRAPHS

The attached fund performance and activity summaries include graphs to summarize Capital Calls, Distributions and Net Flow for Valley Forge Funds I-IV. All graphs are representative of a commitment of \$100,000.

Capital Calls (RED)

Capital Calls are the cash investments into the fund from partners. Capital Calls are represented in red (below the \$0 horizontal line). The calls are cumulative on the graph. Each bar represents the annual capital call total.

Distributions (GREEN)

Distributions are the annual distributions to partners from the fund. Distributions are represented in Green and are cumulative.

Net Flow (BLUE)

Net Flow is the annual difference between Capital Calls and Distributions. The point at which the blue line crosses over the \$0 horizontal line is when Distributions exceed Capital Calls, meaning that partners have received back at least their original investment.

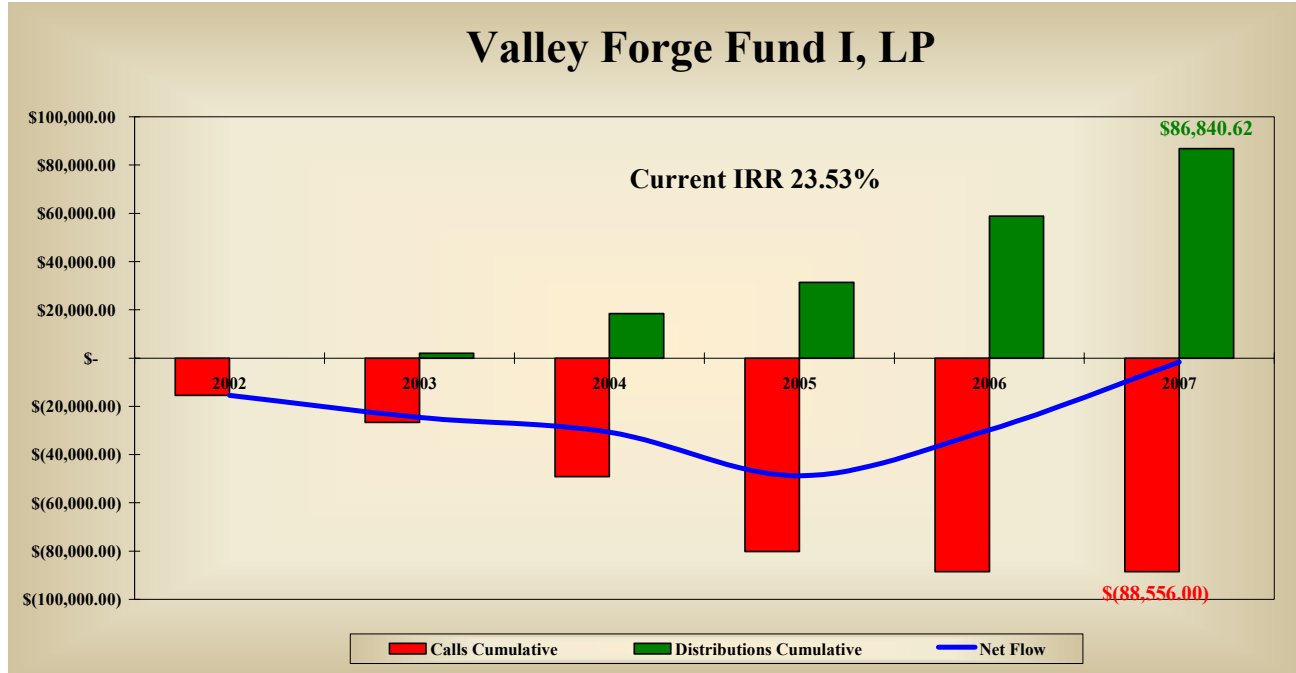
INTERNAL RATE OF RETURN (IRR)

IRR can be simply defined as the interest rate at which a certain amount of capital today would have to be invested in order to grow to a specific value at a specific time in the future. One shortcoming of the calculation is that it only pertains to the capital at work in an investment during a period of time. Therefore, in the context of investing in the Valley Forge Funds, IRR does not contemplate the opportunity cost of keeping cash on hand for capital calls, or the investment yield of distributions from the fund, which are almost certain to be lower.

The IRR calculations in this report represent the capital calls and distributions since the inception of each fund, net of annual management fees. Carried Interest fees that are typically levied at the end of an investment experience have not been approximated or removed from the estimates. As a rule, the longer an investment runs, the lower the IRR, so it is not surprising that the younger funds have the highest IRR results.

Terminal Values, or valuations of each company in the portfolio, are necessary to compute IRR. We are relying on the information provided by each underlying fund manager to create a composite Terminal Value for each Valley Forge Fund. These are updated quarterly with most being carried at cost or adjusted down, based on the manager's view of performance. Our experience has been that these values provide a conservative proxy for estimation purposes.

Valley Forge Fund I, LP
Established January 2002
Performance and Activity
4th Quarter 2007



FUND SUMMARY

Capital Called To Date: **88.56%**
Distributions: **86.84%**
Remaining Capital Calls: **11.44%**

MANAGER OVERVIEW

AUDAX MEZZANINE FUND I, LP

Audax Mezzanine provides the Valley Forge Funds with a steady stream of income from consistent interest payments on the various debt arrangements within the portfolio. Audax has now invested 100% of the capital committed by Valley Forge Fund I, LP. Here are some highlights of Audax’s investment activity in the 4th quarter:

- **Burt’s Bees, Inc.-** On November 30, Burt’s Bees was sold. The transaction realized a 49.3% gross IRR and 2.4x gross return on investment.
- **Thermal Solutions, Inc.**, a portfolio company of the Fund, issued \$11.5 million of new debt in connection with the acquisition of Brazing West. Brazing West is the combination of three complementary California-based thermal brazing companies (Thompson Industries, CGR Technologies and ADB Industries).

CASTLE HARLAN PARTNERS IV, LP

Valley Forge Fund I, LP also invests in *Castle Harlan Partners*’ fourth private equity fund. Castle Harlan Partners IV (CHPIV) is a fund focusing on global mid-market companies with extremely high growth potential. CHPIV has invested approximately 66% of capital committed by Valley Forge Fund I, LP. There were no acquisitions or realized transactions in the 4th quarter.

INCYTE CAPITAL, LLC

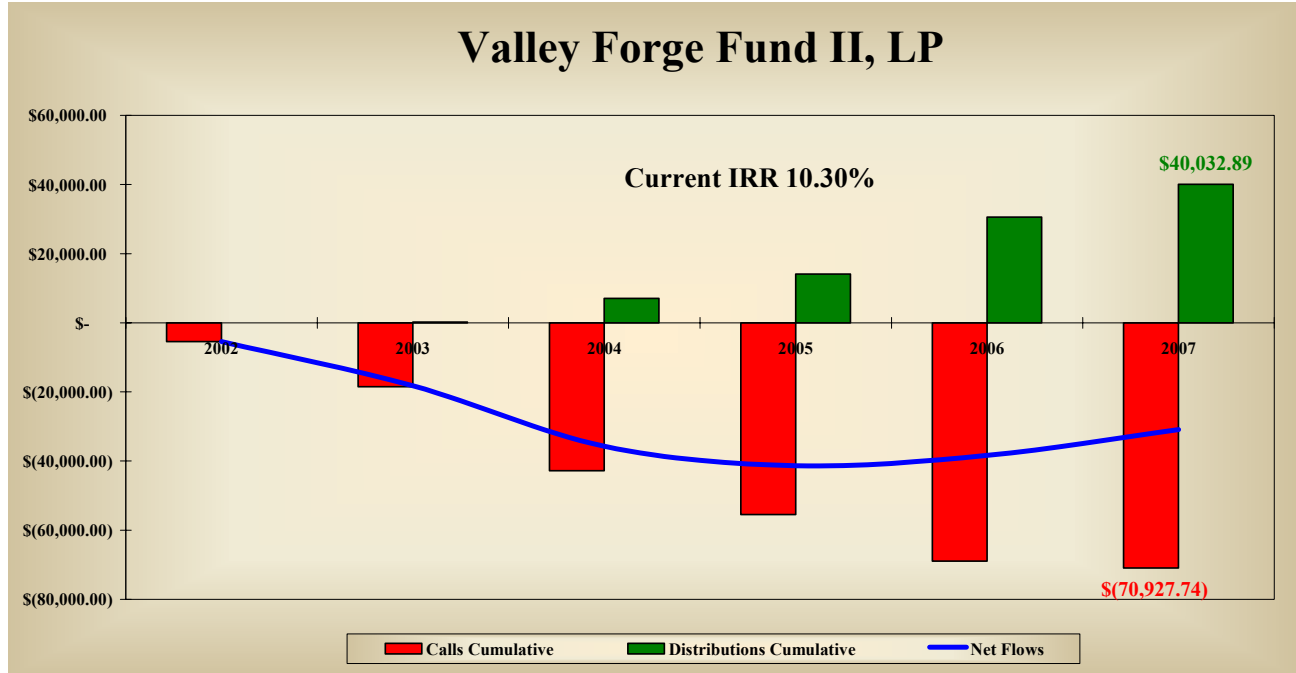
- *PageNet Canada* profit distributions reached 2.5x the original investment in the 4th quarter. The company has maintained its profit margin with decreasing revenues and was within 5% of the cash flow performance predicted in 2002.
- *American Messaging Services, LLC (“AMSI”)* completed its first full year as an LLC. The conversion is significant, as it will avoid double taxation on dividends that are expected to begin in the first quarter of 2009.

Valley Forge Fund II, LP

Established April 2002

Performance and Activity

4th Quarter 2007



FUND SUMMARY

Capital Called To Date: 72.04%
Distributions: 54.41%
Remaining Capital Calls: 27.96%

MANAGER OVERVIEW

AUDAX MEZZANINE FUND I, LP

Audax Mezzanine provides the Valley Forge Funds with a steady stream of income from consistent interest payments on the various debt arrangements within the portfolio. Audax has now invested 100% of the capital committed by Valley Forge Fund II, LP. Here are some highlights of Audax's investment activity in the 4th quarter:

- **Burt's Bees, Inc.-** On November 30, Burt's Bees was sold. The transaction realized a 49.3% gross IRR and 2.4x gross return on investment.
- **Thermal Solutions, Inc.,** a portfolio company of the Fund, issued \$11.5 million of new debt in connection with the acquisition of Brazing West. Brazing West is the combination of three complementary California-based thermal brazing companies (Thompson Industries, CGR Technologies and ADB Industries).

BF HOLDINGS, LLC

BF has invested 100% of capital committed by the Fund. BF had a reorganization of LLC members in the 4th quarter. It closed one of its BajaFresh restaurants due to poor year over year sales and is working to expand its area development rights.

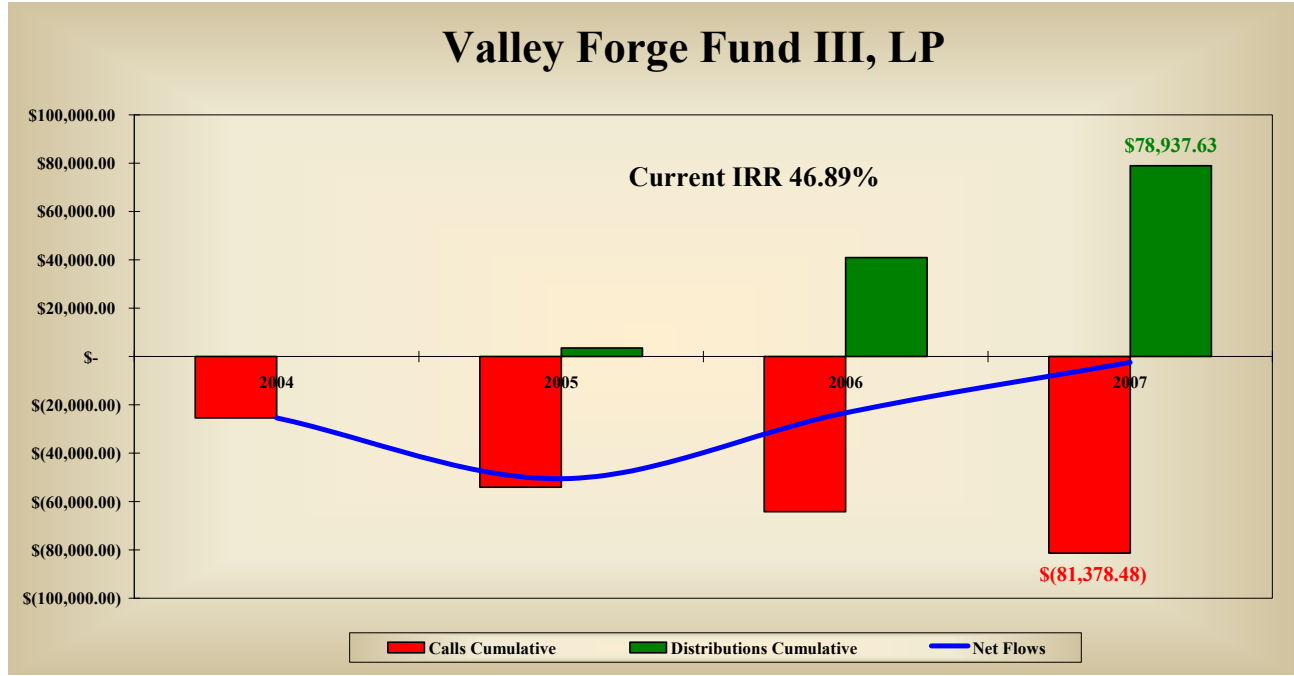
CASTLE HARLAN PARTNERS IV, LP

CHPIV has invested approximately 66% of capital committed by the Fund. There were no acquisitions or realized transactions in the 4th quarter.

GREENLIGHT PRIVATE EQUITY PARTNERS

Greenlight has invested approximately 100% of capital committed by the Fund. There were no acquisitions or realized transactions in the 4th quarter.

Valley Forge Fund III, LP
Established April 2004
Performance and Activity
4th Quarter 2007



FUND SUMMARY

Capital Called To Date: 80.35%
Distributions: 80.14%
Remaining Capital Calls: 19.65%

MANAGER OVERVIEW

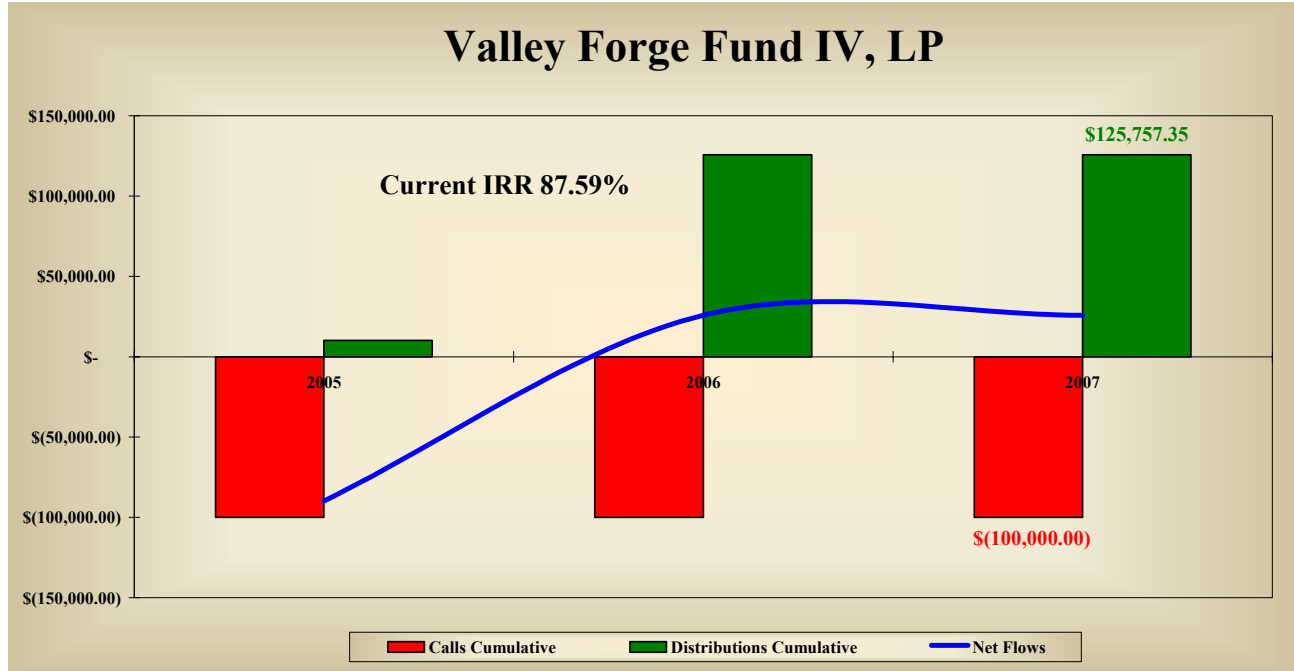
INCYTE CAPITAL, LLC

American Messaging Services, LLC ("AMSI") completed its first full year as an LLC. The conversion is significant, as it will avoid double taxation on dividends that are expected to begin in the first quarter of 2009.

WEBSTER CAPITAL FOUNDERS FUND, LP

Webster Capital has invested approximately 92% of capital committed by the Fund. There were no acquisitions or realized transactions in the 4th quarter.

Valley Forge Fund IV, LP
Established June 2005
Performance and Activity
4th Quarter 2007



FUND SUMMARY

Capital Called To Date:	100.00%
Distributions:	125.76%
Remaining Capital Calls:	0.00%

MANAGER OVERVIEW

INCYTE CAPITAL, LLC

American Messaging Services, LLC ("AMSI") completed its first full year as an LLC. The conversion is significant, as it will avoid double taxation on dividends that are expected to begin in the first quarter of 2009.

Valley Forge Fund V, LP

Established June 2006

Performance and Activity

4th Quarter 2007

FUND SUMMARY

Capital Called To Date:	15.00%
Distributions:	0.00%
Remaining Capital Calls:	85.00%

MANAGER OVERVIEW

AUDAX MEZZANINE II, LP

Audax Mezzanine II is structured with the same objectives and principles as *Audax Mezzanine Fund I*.

Audax has made one new investment in the 4th quarter of 2007

- **GasServ** (based in Harrisburg) was acquired in December, in connection with Wind Point Partners, which comprises of roughly \$46 million in subordinated notes. GasServ is an industry leader in manufacturing industrial gas containers and precision valves.

INCYTE CAPITAL, LLC

Valley Forge Fund investments with Incyte Capital are made on a “co-invest” (direct) basis with Incyte. Incyte is a proven, value-oriented private equity and debt-restructuring firm. Incyte is in the process of closing a new investment for Fund V. Details will be forthcoming in the 1st quarter 2008 quarterly update.

Valley Forge Fund VI, LP

Established June 2007

Performance and Activity

4th Quarter 2007

FUND SUMMARY

Capital Called To Date:	13.50%
Distributions:	0.00%
Remaining Capital Calls:	86.50%

MANAGER OVERVIEW

CASTLE HARLAN PARTNERS V, LP

Castle Harlan Partners V (CHPV) is a fund focusing on global mid-market companies with extremely high growth potential. To date, CHPV has not made any investments.

WEBSTER CAPITAL II, LP

Webster Capital Fund II is structured with the same objectives and goals as *Webster Capital Founder’s Fund*.

Webster Capital has invested approximately 18% of capital committed by the Fund. There were no acquisitions or realized transactions in the 4th quarter.