

ERIKSEN CAPITAL MANAGEMENT, LLC

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Subject: Cedar Creek Partners to Nominate Three Directors to the Board of Diamond Hill

Due to the continued reluctance of the Board of Directors at Diamond Hill (nasdaq: DHIL) to pursue a proper split of the economics of the business between shareholders and management, we believe it is necessary to nominate three directors to the Board at the upcoming Annual Meeting.

We are pursuing this course of action for the following reasons:

1. Despite a weaker performance by the company in 2008 versus 2007, the Board approved an increase in incentive compensation from \$12.5 million in 2007 to \$13.0 million in 2008.
2. While revenues grew by \$5.7 million in 2008 versus 2007, compensation grew by \$6.1 million. This is unacceptable.
3. Due to increased compensation, the company fell short of the 33% operating margin target that CEO Ric Dillon expressed at the 2007 annual meeting even though AUM (assets under management) were higher in 2008 than when this target was announced. Hypocritically, management argues that it should exclude certain operations, such as the start-up of Beacon Hill, in order to argue that it actually met this target, yet over the last few years it refused to make similar adjustments to other asset managers when comparing what industry operating margins truly are.
4. We believe there is no reason why Diamond Hill cannot achieve at least 40% operating margins based on its current size and still fairly compensate all its employees and management.
5. Diamond Hill has the second highest compensation cost as a percentage of revenue of any small to mid-size publicly traded investment management firms. The only firm higher, Epoch Holding, is predominately a sub-advisory firm, which by nature would have a similar cost structure in order to manage a given level of assets, but a significantly lower revenue base due to sub-advisors typically receiving a significantly smaller management fee.

Quarterly Average Compensation as % of Revenue

	ave '06	ave '07	ave '08	3 yr ave
Epoch Holding	68.1%	54.1%	52.4%	58.2%
Diamond Hill	57.3%	48.5%	55.8%	53.9%
Westwood	54.5%	51.1%	51.2%	52.3%
Gabelli	41.2%	41.3%	41.7%	41.4%
Hennessy	19.6%	20.7%	35.9%	25.4%
US Global	22.4%	23.7%	28.6%	24.9%
Calamos	15.1%	19.2%	19.2%	17.9%

Source: SEC 10-Q filings

The above chart used firms that are slightly smaller, near the same size, and somewhat larger than Diamond Hill. It is surprising that a firm based in Columbus, Ohio, is near the top of the list.

6. We are disappointed in the Board's failure to use proper metrics to gauge company-wide and individual performance. Diamond Hill's 10-K filing notes that the Compensation Committee used adjusted operating margin as *the* factor in the determination of incentive compensation. The Incentive Compensation Plan allows for the use of more categories, which would have better reflected the operating results of the company (EPS, Net Income, Investment Performance, Operating Income, Intrinsic Value, Return on Equity, Return on Sales, and Revenue). Nearly all of the other categories would have shown weaker results in 2008 versus 2007, yet inexplicably none appear to have been used.

It has become apparent to us, and many fellow shareholders, that change in the composition of the Board is needed. The existing Board is not standing up for the company's shareholders, which we believe, is reflected in the company's current stock price. Shares in Diamond Hill trade at a discount to its industry peers on most valuation metrics. We believe the discount is due to the issues we have noted above. Our goal is to represent shareholders and to push for a fair split between owners and employees of the economics of the business. We think that this can best be accomplished by the placement of a different viewpoint on the Board, and our intention will be to solicit proxies and use cumulative voting to obtain as many board seats as possible.

The nominees are:

Tim Eriksen, age 40. He is the President of Eriksen Capital Management, LLC, an investment advisory firm he founded in 2005, and the Managing Member of Cedar Creek Partners, LLC, a private fund. From 2004 to 2005, he was a private investor and also wrote a bi-monthly newsletter for Walker's Manual covering unlisted and micro-cap stocks. From 1999 to 2004 he worked for Peter Kiewit Sons. Mr. Eriksen received his B.A. degrees in History and Political Studies from The Master's College in 1991 and his M.B.A from Texas A&M University in 1997.

Doug Beach, age 40. Doug Beach is The Managing Partner of Beach, Freeman, Lim & Cleland. He has been an Advisory Director to Cedar Creek Partners, LLC, a private fund, since 2006. From 1990 to 1995 he worked in the Tax Department at BDO Seidman, LLP. From 1995 to 2002, he was a Partner at RBZ, LLP, where he served as Partner-in-charge of the Tax Department. He is a CPA, and is a member of the California Society of Public Accountants. He serves on the Board for Special Olympics Southern California, and is a member of both the finance and audit committees. He has a B.A. from the University of California at Los Angeles.

Steve Kirchmeier, age 40. Steve Kirchmeier is the co-Founder of Everbridge (formerly 3n Global). He has served on the Board of Directors of Everbridge since 2002. He has been an Advisory Director to Cedar Creek Partners, LLC, a private fund, since 2006. He was CEO of Starwest Public Communications from 1998 to 2002. He was Director of Taxation at PMC Global Inc. from 1996 to 1998, and Senior Tax Manager at BDO Seidman, LLP from 1990 to 1996. He received a Masters of Accounting from the University of Southern California in 1991, and a B.A. in Accounting and Management from The Master's College in 1990.

Sincerely,

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Eriksen Capital Management LLC provides investment advisory services to individual accounts and a private fund. The firm adheres to a value approach, and seeks to purchase securities that are trading below our estimate of intrinsic value. For those interested in obtaining more information, please go to our web site, www.erisencapital.com, or call Tim Eriksen at 360-354-3331.