PRINCE HENRY NAVIGATOR II LLC

www.princehenrygroup.com

7226 Aynsley Lane
McLean, Virginia 22102
Email: dananglin@princehenrygroup.com

Phone: (703)790-3655
Fax: (703) 790-3656
Cell: (917) 509-2161

March 20, 2009

Dear Fellow Investor:

"Actions Speak Louder Than Words." Unknown

How do I feel about Navigator's performance and prospects? I just agreed to personally guarantee a $750,000 five-year loan to invest 100% into Navigator. I cannot predict when or how the economic chaos will end. I am, however, extremely pleased how Navigator's managers have performed in this environment and believe that today's chaos offers Navigator, a diversified vehicle that has LONG TERM staying power, outstanding opportunities first to preserve capital and then to compound it at compelling rates.

Not The Brain But The Stomach

Peter Lynch has famously observed that anyone who can add eight and eight and get close to sixteen has the brain to succeed as an investor, but Mr. Lynch adds that the key organ for investment success is the stomach. Today is a terrifying time to invest. Anyone with any sense is scared. Market losses do not occur in a vacuum. They happen in environments of fear when stalwart companies are failing, people are losing their jobs, and any thinking homo sapiens is concerned about the future. Seth Klarman, perhaps the most successful investor of the last quarter century after Warren Buffett, explains the situation this way: "So the question is not, are people smart, are people sophisticated, do they have clever ways of looking at things, are they looking in the right areas? The question is, Are there periods when none of that matters because their human natures get the best of them?"

Today is an outstanding example of one of the periods that Klarman describes. When one examines the level of fear and the corresponding price of risk today, a tremendous number of opportunities exist that, for long term investors, offer a very high probability of principal preservation and of compelling compounded returns on invested capital. Without attempting to call a market bottom or to catch a falling knife, Navigator is positioned to take advantage of the opportunities that today's market hysteria offers. I will spend most of the rest of this letter explaining how I am attempting to do so.

Insurance?

In 2007, when Navigator began, the price of risk had fallen to record levels. Market consensus said that very little was risky, and investors got paid very little for taking risk. Navigator made a bet via an insurance type contract that the price of risk would increase. Fortunately, it did and, as I have reviewed before, Navigator did well with these insurance type investments. Investors have asked me if we own such an insurance contract today. No. Today, the pendulum has completely swung and the price of risk is priced as if almost every entity on earth, except for the U.S. government, will not survive. In such environments, the best insurance in my mind is to own stakes in great businesses managed by outstanding capital allocators and purchased for bargain prices with a long term holding period. That is what Navigator is doing.

Bad News

It seems fair to reason that word has even reached Rip Van Winkle by now that investment markets have spent 2008 and 2009 to date in freefall and that fear is ubiquitous.

- ✓ Most major public asset classes had awful results in 2008. Here are few salient examples.

Asset Class	2008 Return
Dow Jones Industrial Average	-34%
Nasdaq Composite	-41%
Standard & Poor's 500	-39%
MSCI Emerging Market Index (In dollar terms)	-55%
Goldman Sachs Commodity Index	-47%

- ✓ As of Friday, March 20th, 2009 was also showing lousy returns.

Asset Class	2009 YTD Return
Dow Jones Industrial Average	-17%
Nasdaq Composite	-8%
Standard & Poor's 500	-15%

Especially given this environment, this letter will build upon our November update meetings in Charlottesville to explain why I feel comfortable and optimistic about Navigator. This update also attempts to strike a balance: providing sufficient information for the minority of investors who were not able to attend the Navigator update meeting in Charlottesville without lulling to sleep all of those investors who attended.

Navigator Snapshot

#	Position	% of Assets
1	TriPro Pool II	21%
2	T2 SPAC Fund	12%
3	Berkshire Hathaway	12%
4	Semper Vic Fund	10%
5	Sellers Fund	8%
6	Pabrai Fund	5%
7	T2 Fund	4%
8	Hawkshaw Fund	4%
9	Spitfire Fund	4%
10	Sabre Value Fund	4%
11	Spencer Capital Fund	2%
12	Aquamarine Fund	2%
13	Centaur Value Fund	2%
14	Park Avenue Project	2%
15	Greenlea Lane Fund	2%
16	Charter Bank	2%
17	Oxira Medical	1%
18	Chemigen	1%
19	Empire Well	1%
20	Praetorian Capital	1%
	Total Assets	100%

The Big Five

On African safaris guides tell the tourists that while there are dozens of potential animals that a tourist may see, the goal is to see The Big Five types of animals: Elephants, Lions, Leopards, Rhinos, and Buffaloes. The Big Five has real relevance for Navigator, as about two thirds of Navigator's assets are deployed in our five largest investments. (Yes, arithmetic fans there are technically six investments, but I view the T2 Funds, both managed by Whitney Tilson and Glenn Tongue, as one collective bet.) The Navigator Snapshot table above lists all of Navigator's investments, but I want to make sure that we all have our eye on the prize: Navigator will succeed or fail based on The Big Five.

Here is an overview of each of The Big Five. (All assets are valued at cost except for Berkshire Hathaway which is valued at today's market price.)

#	Position	% of Assets
1	TriPro Pool II	21%
2a	T2 SPAC Fund	12%
2b	T2 Fund	4%
3	Berkshire Hathaway	12%
4	Semper Vic Fund	10%
5	Sellers Fund	8%
	Total	**66%**

1. **TriPro Pool II:**

As discussed in Charlottesville, each of the investments that TriPro has made on Navigator's behalf is progressing well. One investment, however, the Oak Tree Note, accounts for about sixty percent of Navigator's investment in TriPro. Hence, Oak Tree by itself is about 12% of Navigator's assets. TriPro's managers, Eric Conner and David Schaper, and I always focus first on preservation of capital, but in today's perilous economic climate that focus is even more intense. Hence, when TriPro had the opportunity to buy the senior position in the capital structure of an apartment complex that fits with TriPro's property targets, TriPro and Navigator took full advantage. In addition to providing us a current yield of about eight percent, I believe that this investment will give us a very compelling total return at an extremely low risk of principal loss.

In addition to Oak Tree, TriPro's other investments continue to hit their operational performance targets. Even given this excellent operating performance, TriPro would not want to attempt to sell these properties today given the largely closed credit markets. Fortunately, TriPro is not looking to sell assets it buys for three to five years. This fact combined with the fact that TriPro is an active buyer of properties means that today's distressed operating and financing environment is creating outstanding opportunities for TriPro to continue to deploy Navigator's capital. One dollar invested in each of TriPro's projects since inception in the mid 1990s has produced annualized net returns to limited partners of about 20%. Given that Navigator's agreement with TriPro allows Navigator not to pay performance fees that limited partners pay to TriPro at the apartment level, Navigator only pays the fee one time at the pool level when all apartments are sold, this 20% historical return would translate into about a 30% return if it had been produced under the current agreement that TriPro and Navigator have. TriPro's managers and I will be disappointed if Navigator's TriPro investments do not produce a similar result. Our lawyers hasten to have me add that this statement is a goal and not a guarantee.

Kudos to TriPro and Mike Stockrahm: Mike is a Navigator investor who specializes in situations like the Oak Tree note. When TriPro's Eric Conner met Mike at the Navigator Update Meeting in Charlottesville, Eric suggested to me that TriPro hire Mike to advise them on the specifics of owning the bank note (vs. owning the equity as TriPro normally does). Mike has added a great deal of value and has made an attractive investment even more compelling. This episode serves as an example of two things. First, it is heartening to work with people like Eric who are constantly in search of the best answer, regardless of who has it. "Not Invented Here Syndrome" is not something from which Navigator's managers suffer. Second, Mike is the quintessential example of the breadth and depth of Navigator's investor base. I am very lucky that when I have questions on a wide gamut of topics, there is almost always one of our investors who knows the answer or who knows how to help me find it on behalf of Navigator.

2. **T2 Special Purpose Acquisition Company (SPAC) Fund and T2 Fund:**
   These funds are separate, but they are run by the same talented team of Whitney Tilson (whose outstanding updates wowed everyone in Charlottesville. These updates along with all of the other presentations and interviews from Charlottesville are on the Prince Henry website, and I encourage you to watch them.) and Glenn Tongue, an extraordinary investor and teacher who provides an excellent compliment to Whitney.
   a. T2 Fund T2's update reports, posted since January 2007 on our website under the Manager Reports section, are some of the best that I have ever read. I cannot add to them but encourage you to read them.
   b. T2 SPAC Fund: This fund is a tiny $4 million fund that focuses on "busted SPACs" (my term) and SPAC warrants in which Navigator is one of the largest investors. I liked this SPAC opportunity so much that in October of 2008 I asked T2 to consider setting up a dedicated SPAC Fund. Whitney and Glenn accommodated me and did so. Exhibit A has the letter that T2 wrote outlining the SPAC investment thesis. The T2 managers and I believe that the thesis is still very much intact and remain very excited about this investment.

3. **Berkshire Hathaway:**
   Last week Berkshire's share price went up 19% in one day. The idea that a $110 billion dollar company increased in value by about $22 BN between 9:30 A.M. and 4:00 P.M., on no material company or market news (the S&P 500 was up about 6% during the same day) is absurd. I highlight this example to show that, occasionally, the prices of public securities endure chaotic movements that have no relation to underlying value. Instead of reiterating the investment case on Berkshire, I recommend that you read three fairly short pieces of analysis on our website:
   a. *Spencer Capital Annual Letter -February 2009*: This letter is another outstanding investment overview by Ken Shubin Stein whose keynote speech and separate Navigator investor presentations were two real gems of the Charlottesville conference. I especially encourage you to read Ken's three "Can You Believe It Observations" about Berkshire Hathaway
   b. *T2 Letter with Appendix A on Berkshire February - 2009*: T2 has made the presentation that underlies this letter at the Navigator investor meetings in New York and Charlottesville; it is the best Berkshire overview that I have seen.
   c. *Berkshire Letter - February 2009:* I am a huge believer in the centrality of devil's advocacy in the investment process. Hence, having taken the most negative possible view on Berkshire and its valuation and reading this letter multiple times to see how Mr. Buffett himself responds to the bears' views against Berkshire, I believe that the probability is overwhelming that a long term shareholder earns very positive returns on Berkshire with an extraordinarily low risk of permanent capital loss. (As usual, I do not know where the price will be in six months or a year. If, for example, Mr. Buffett, to whom I wish long life, dies right this second, the short-term share price is probably going south.)

4. **Semper Vic (Tom Russo):**
   Tom has kindly presented at our meetings in both New York and Charlottesville, and Tom's investment record since 1984 speaks for itself. Moreover, the fact that Tom holds mostly non-U.S. companies gives Navigator a natural hedge of sorts against a falling dollar although this hedge is not the driver of the investment thesis. Simply stated, I believe that the great global brands, such as Nestle, that Tom owns will continue to benefit from the expanding purchasing power of developing countries such as China and India. The following information is on the Prince Henry website, and I encourage you to look at it.

a. Tom's presentation and Tom's interview in New York
b. Tom's presentation and Tom's interview in Charlottesville
c. Semper Vic October 2008 letter

5. **Sellers Capital and Contango:**
As Warren Buffett describes at length in this year's Berkshire letter, markets normally fully price, and sometimes overprice long-term options on anything. Using options, it is hard to find what Mohnish Pabrai calls "Heads I Win and Tails I Don't Lose Much" investments. That said, occasionally the markets do offer us "free imbedded options" to purchase. One field where these free options tend to reside is in the Oil and Gas market. If I wanted to buy a direct option or future position that benefitted from a higher oil price in several years, it would cost me a lot of money. Sometimes, however, we can buy shares in oil and gas companies that do okay at today's price of oil and gas but that do incredibly well if the price of oil and gas rises. In other words, we are getting what amounts to a free option on the future price of oil and gas. We are not penalized if the price of oil and gas does not rise materially, and we are extremely well rewarded if the price of oil and gas rises. (Conversely, we would be severely penalized if we owned bullish oil and gas options or futures and the price did not rise.) Several of our managers, including Mark Sellers of Sellers Capital, Aaron Edelheit of Sabre, Victor Fasciani of Praetorian and Whitney Tilson and Glenn Tongue of T2 own investments of this type, with the most common example being Contango. For more details on these investments, I encourage you to review the following two outstanding letters and one terrific presentation on Prince Henry's website. The letters appear on the Manager Reports Page. To see the Contango Presentation, please click on the UVA Investment Conference banner and then click on the Contango Presentation.
    a. Sabre Review Contango Oil and Gas - February 2009
    b. Sellers Capital - Q4 2008
    c. Contango Oil and Gas Presentation by Victor Fasciani of Praetorian

The Rest of The Story (R.I.P. Paul Harvey)

The Big Five focus has tried to identify and to explain Navigator's principal investment drivers. In order to fully understand Navigator's portfolio, I recommend spending time reading the Manager Reports section of the Prince Henry website. I also encourage you to listen to the short individual manager interview sessions recorded both in New York and in Charlottesville. These interviews can now be downloaded so that you can listen to them on the go. In an hour of listening, you can learn a great deal about your portfolio and hopefully see why I am so comfortable and encouraged. If anyone wants to listen and requires technical help, please let me know, and we will make it easy for you to listen. In general, I believe that you will find Navigator's managers salivating at the investment opportunities today's markets are offering and very much bearing in mind that opportunities of this magnitude do not knock often.

Commercial

Many of you have had kind comments about our website www.princehenrygroup.com (username is prince and password is henry). I offer a special thank you to our webmaster, Marc Parrish and to our video guru Mike Cloonan. Marc and Mike deserve full credit for the remarkable work they have done and continue to do on the site. I also thank Bill Brewster for working with Mike to ensure that the overall filming and web logistics at the Navigator Meetings in New York and Charlottesville functioned so well.

In addition to reading the Manager Reports Page on the website, if you are looking for reminders of how to remain grounded in today's investment storm, I especially recommend the Role Models page. Business school taught me a great deal, but these essays have taught me just as much, and they did not cost me $100,000 of tuition.

Ten Points

1. As the individual Manager Reports document, some Navigator hedge funds invested in public securities have outperformed their respective index in the short term (Kind of like being the tallest building in Topeka in today's market environment.) and some have underperformed.

2. I pay almost no attention to point #1 in assessing our funds as long-term investments.

3. As I have tried to emphasize from Navigator's inception, the best investments tend to have lumpy results. What matters is not which team has the most points at the end of the first or second quarter, but rather at the end of the game. Warren Buffett (surprise) says it better "We prefer a lumpy 20% to a smooth 12 %."

4. While no one year's results receive disproportionate attention, it is helpful to see how individuals respond in horrific market environments, and today's markets offer such a crucible. Having observed the performance of Navigator's managers in what has been an awful environment that may well get worse before getting better, I am very comfortable with the leaders of our portfolio of funds and investments. I feel extremely fortunate to have the opportunity to partner with such people. **If a person can be judged by the company he keeps, I hope people judge me based on our partners: I should be so lucky.**

5. Given the extremely high collective percentages of their own net worths invested in their own funds, Navigator's managers' overwhelming focus will remain first on preserving capital and then on compounding it on a long-term basis.

6. As we did in our investment by investment review at the Charlottesville meeting, I welcome the opportunity to discuss in more detail individual investments or the Navigator portfolio with any of you who wish to do so.

7. Remy Trafelet, a hedge fund manager whom I admire enormously and believe will go down as one of this generation's great capital allocators, recently observed to The New York Times, "I have no idea if the markets are going to go straight up or straight down but there are massive mispricings all over the place." I echo this sentiment and am extremely excited about the investments that our managers are finding and making. Most of our managers believe they are purchasing a dollar of future value for between thirty and fifty cents today. No one, however, can say with any certainty that prices will not fall lower, perhaps significantly lower, than today's levels before value is realized.

8. The spreadsheet, "Five Year S&P Returns" (posted on our website under Manager Reports) that I showed some of you in Charlottesville, is not a prediction but a reminder, as much to myself as to other investors to not be like Mark Twain's frog who never again sat on a hot stove or a cold one either. The chart shows that there were eight five-year periods since 1900 where the five-year compound annual return for the S&P 500 was negative. In EVERY subsequent five-year period, the return was positive with the low being

11%, the high 22%, and the average 15%. While we cannot know the day or the hour when asset prices will correspond more closely to their underlying values and we must have the staying power and patience to wait, we can remind ourselves of the effectiveness of the Rothchilds adage "Where there is blood in the streets, buy."

9. Legendary investor Marty Whitman recently issued three reminders for investing success in today's environment that are worth remembering and emphasizing:
   a. Have a buy and hold perspective.
   b. Minimize the use of borrowed money.
   c. Avoid investments that need to access the capital markets to survive.

10. As a punch line, I have rarely borrowed money in life and have NEVER (with the exception of home mortgages) done so where I had to personally guarantee the note. I make this point because I have to have what I perceive as an enormous margin of safety before borrowing money and personally guaranteeing it. My decision to sign the aforementioned loan comes as the result of a confluence of factors:
    a. It is a five-year, non-callable loan paying interest at prime plus one percent but with an interest rate floor of 5% and cap of 7.5%. Whatever happens in the interim, I think it is highly likely that the assets Navigator is purchasing will earn well above 7.5% compound annual returns over the next five years. Again, our lawyers reiterate that this statement is a goal not a guarantee. I could lose all of Navigator's money and wind up dead flat broke.
    b. Many of the assets we are buying already reflect Armageddon type assumptions. Even though prices may well go lower before they go higher, we are unlikely to have permanent capital losses buying at these levels. In general, Navigator's managers have a collective outlook for the assets that they are purchasing similar to that recently offered by uber-investor Bruce Berkowitz in an interview with The Wall Street Journal, "Today, the fear is unbelievable, and I have never been so optimistic about the future because of the price of securities relative to the cash they're generating for owners." The full interview is on the Role Models page of our website. I encourage you to spend five minutes reading it for a valuable perspective in today's market storm.

Prince Henry Foundation

A special thank you to all of you who have supported the efforts to date of the Prince Henry Foundation, which has helped scale five not-for-profits since its inception in 2008.

Ron Fairchild and Matthew Boulay, the Executive Director, and Chairman respectively of The Prince Henry Foundation deserve special thanks: they have taken a vague ghost of an idea from me and turned it into a hyper efficient catalyst that enables proven charities to scale their success. I encourage you to take five minutes to visit the website and to see the work that your generosity has made possible. Under the heading of "A picture is worth a thousand words", the video on the Prince Henry Foundation located at www.princehenrygroup.com (click on "Prince Henry Foundation) does a great job of succinctly expressing the foundation's goals and results to date.

Navigator III

Many investors, my family and I included, have watched with horror at the capital destruction in our mutual funds. Hence, after more than a year of research, we have structured a Navigator vehicle that can accept retirement money. Navigator III will have similar investment goals as the other Navigator vehicles: preservation of principal and compelling compounded returns over time, but will accept only retirement money. Navigator III is open for business and accepting retirement funds now. If such a vehicle can help you meet your retirement needs, I welcome your interest and questions.

Thank You

As always, thank you for your attention and your support. If you have questions, I very much encourage you to call me at 917-509-2161 or email me at *dananglin@princehenrygroup.com*.

Sincerely,

Dan Anglin

EXHIBIT A: T2 SPAC FUND LETTER FROM WHITNEY TILSON AND GLENN TONGUE

Dear Partner,
We're writing to offer you the opportunity to participate in a special side fund (the "T2 SPAC Fund") we're setting up to take advantage of one of the most attractive risk-reward opportunity sets we've ever seen: investing in the stock and warrants of certain SPACs (special-purpose acquisition companies).

We already own a number of SPAC securities in our existing funds, so if we're right we will all profit, but one of our investors, upon hearing us describe the opportunity, wanted more exposure to it and asked us to set up a side fund dedicated to it. We are doing so for him and feel that it is only fair to offer all of our investors the opportunity to participate.

Conference Call to Discuss This Opportunity and the T2 SPAC Fund
We outline the opportunity in general terms below, but because many of the SPAC stocks and warrants are very thinly traded, we do not want to put any more details in writing. Instead, we will host a conference call, open only to our existing investors, tomorrow (Wednesday, October 8th) at 2pm EST. As always, the call-in number is (712) 432-1601 and the access code is 1023274#. (If you can't join the call at that time, we will make the recording available.) On the call, we will give specific examples of the opportunities we're seeing today.

Terms of the T2 SPAC Fund
We initially seek to raise no more than $10 million and will give our current investors the first opportunity to invest. Because of the illiquidity of these investments, the initial lock-up will be for two years and then annually thereafter, with 90 days notice. We may choose to return capital within the first two years, depending on the performance of the fund and opportunities in the SPAC market. We will not charge current investors a management fee (1.5% for anyone else) and, as with our current funds, we will earn a 20% profit participation.

Current prices may prove to be fleeting, so we plan to have a first closing of the fund and begin investing it as soon as possible.

Description of the Opportunity
We have analyzed many of the 161 SPACs that have come public over the past 6 ¾ years (see details on the SPAC market, below) and, in general, have been unimpressed by the management teams and/or the opportunity they're pursuing (often a fad/bubble). On occasion, however, we've found attractive SPACs and invested in a handful of them with a great deal of success (see below for an excerpt from our 2007 annual letter, in which we described our investment in Hill International). We believe we understand this market well and have a proven track record in it. We would be happy to discuss other examples of our SPAC investments on the conference call.

A market that has occasionally offered investments of interest to us now offers a plethora of opportunities due to extremely depressed prices, for reasons discussed below. We have identified a number of SPAC stocks that we think, *at worst*, will yield a mid-teens rate of rate of return (based on cash in escrow) and, if a deal is successfully consummated, even higher returns. We own only SPACs in which we think a deal is likely.

We have also invested (and plan to invest the SPAC fund) in certain SPAC warrants, which have a bipolar outcome: if a SPAC fails to consummate a deal and its cash is returned to investors, its warrants will be worthless, but if a deal is consummated, they will appreciate in value by 5-15x.

Why Does This Opportunity Exist?
In general, SPACs are poorly understood and considered disreputable by some, which can lead to mispricings that we've taken advantage of on occasion in the past.

Today's environment is leading SPACs to be crushed for a number of reasons:

- They are small and thinly traded;
- There is the misperception that the current environment will make it impossible for SPACs to do any deals (our view is precisely the opposite: an existing SPAC has cash in the bank, so in a capital-constrained world a SPAC is a highly attractive merger partner and therefore a deal is *more* likely); and
- SPACs are widely owned by hedge funds and, in light of the carnage among hedge funds (they had their worst month ever last month), redemptions and delevering are leading to massive, irrational, forced liquidations of SPAC positions, which is in turn leading to extraordinary buying opportunities.

We look forward to speaking with you tomorrow.

Sincerely yours,

Whitney and Glenn