

PRINCE HENRY NAVIGATOR II LLC

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Dear Fellow Investor:

This week a Navigator investor asked me what my goal was for Navigator Investor Day. The goal is for each attending investor to have an increased understanding of the individual components of Navigator and of how those components blend together to comprise a portfolio that minimizes the risk of permanent capital loss while maximizing the opportunity for compelling, long-term, after tax returns.

This binder contains information that will help prepare you for and help you increase the information you retain from Navigator Investor Day. If you have time prior to the meeting, I suggest that you spend fifteen minutes reading this letter and the selected articles and emails at the front of the package, and then another fifteen minutes leafing through the presentations in the book.

The articles and letters contain the following components:

1. A Financial Times column by Mark Sellers of Sellers Capital
2. A Financial Times column by Whitney Tilson of T2 Partners
These columns provide insight into how Mark and Whitney think and how their investment philosophies permeate their respective portfolios.
3. A question and answer email exchange between Lyle Minton of Point Clear Capital Management and me. Point Clear deserves credit for the hedge that Navigator employed in 2007. From start to finish, the hedge was up roughly 100%, and we sold some pieces of it along the way. My question to Lyle is how, if at all, could we structure an analogous leveraged hedge in which we might invest say five percent of Navigator's capital so as to safeguard the entire Navigator portfolio. His answer taught me a great deal, and I include it in the hopes that it might prove insightful to Navigator investors as well.
4. A Wall Street Journal article "The Great Deleveraging". I am not endorsing the article's predictions. Rather, it is one of the scenarios that I think about in attempting to position Navigator. I try to build the portfolio from the bottom up, focusing on the unit economics of the specific opportunity or fund in which Navigator is considering investing. At the same time, however, I try to understand how a given potential investment is likely to perform under a variety of macroeconomic and market scenarios.
5. A Washington Post article outlining some of the companies that Berkshire Hathaway is purchasing during the recent market declines. Berkshire remains an important component of Navigator, both as an investment and as a cash proxy, and of at least three funds in which Navigator invests. In spite of the media hand wringing about the alleged demise of Mr. Buffett's Berkshire, there is no other investment that I feel more comfortable about in terms of the risk of long-term capital loss. In addition, I believe the potential for future capital appreciation is significant. Whitney Tilson and Glenn Tongue of T2 do the most in depth yet understandable analysis and presentation of Berkshire that I have ever seen. I look forward to all of you seeing it as part of T2's presentation.
6. A profile on Femsa, the Mexican company that Francisco Carrillo and Alexandro Legorretta of Sabino Capital will discuss in their presentation.

Sincerely,

Dan Anglin