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JULY 9, 2015

Dear Fellow Investor:

Before moving into update specifics, I reiterate my thanks to you for joining me in Navigator. Your trust has enabled us to build what I hoped to construct at inception, a fund that I would want to invest in as a client.

### **Alignment of Interests**

When we made our respective investments in Navigator, we committed to each other to have a long-term investment horizon, so as to avail ourselves of investment opportunities unavailable without such a horizon. Furthermore, I committed to you that my economic interests would be aligned with yours. More recently in 2013, when we started a new fund, The Prince Henry Cui Bono Fund (Cui Bono), I further demonstrated this alignment by being willing to share the 25% upside fees that I receive from Cui Bono with Navigator investors. (Through seven quarters of performance, Cui Bono is up about 41%.) I have always said that I cannot promise you success, but I can promise you an alignment of economic interests. To me, sharing the upside from Cui Bono is an enormous demonstration of walking the walk on that promise.

### **April 2014 Update Meeting**

As we discussed extensively at our day long update meeting in DC last April, Navigator's structure and time frame have enabled it not only to survive the 2008-9 financial crisis, but also to implement a "feed the winners" strategy which has produced a portfolio full of proven investment managers operating in different inefficient asset classes whose incentives align with our own. While a 24 minute video cannot substitute for a full day investment meeting, this video provides an overview of some of the highlights of last April's meeting. If you did not have the opportunity to attend the meeting, I encourage you to [\*\*watch the video\*\*](#). username = princehenry, password = [p1h2g3@1460](#)

### **Last Twelve Months**

Since last April's update meeting, we have started selling some assets and have already repaid \$1.2 million of the fund's \$4 million in debt as we prepare to harvest the fund's investments to repay equity investors. As a reminder, most of the money will come back to Navigator investors in 2019. As we sell some things earlier than that, we will repay the debt holders and then the equity

holders. If we are unable to sell some things by 2019, we will pay you as soon as we successfully exit the investments.

## Review

As I emphasized at the start of the letter, the vast majority of you have been enthusiastic passengers on this trip. I thank you for continuing to trust in me and for honoring our original agreement to be patient and to allow us to put money with people we admire whose incentives align with our own.

In 2010, however, a small minority of investors inquired about an early liquidation of their investment, so, in my March 2011 update letter to investors, Navigator offered to buy out any investor who wanted to sell at Navigator's original price per share. Two investors chose this option, and Navigator bought their interests. For reasons that are not clear to me, a small group of people did not take that offer yet persist in their desire to liquidate their Navigator investment.

## Three Options

In an effort to minimize distractions, we are again going to provide some options:

1. **Option One: *Status Quo - receive your money as we sell positions, with most of the money likely being returned in 2019***
    - My family and I believe in Navigator more than ever. We also very much value and appreciate the potential value to Navigator investors from my sweat equity, including but not necessarily limited to sharing the 25% upside in Cui Bono.
    - We are taking this option for 100% of our shares.
  
  2. **Option Two: *Sell your interest for exactly what you paid for it***
    - You will neither suffer from any losses that Navigator experiences nor will you profit from any gains, including gains from the sweat equity that I share with Navigator.
    - To make sure that Navigator retains sufficient liquidity to fund our existing investment commitments and to retire the fund's debt in an orderly manner, we will limit this option to \$2 million of Navigator interests.
    - Should demand exceed the \$2 million, we will sell the units pro-rata. If, for example, there is \$3 million of demand, each investor will get to buy 2/3rds of his shares.
    - Why limit the offer to \$2 million? We have made commitments to Navigator's managers based on the commitments that each of us as Navigator investors made to Navigator. We could not break our agreements and unwind the majority of these investments even if we wanted to do so. Moreover, were we to attempt to do so, the only way we might get out of some of these investments is by selling them at fire sale prices with large discounts to the value we would receive if we let the investments run their course. We set up Navigator to take advantage of the impatience of other investors and not to lose money by behaving in an instant gratification fashion ourselves.
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- If an investor elects this option of leaving Navigator, we will pay him out:
  - 20% of his invested dollars in a lump sum in 2015
  - The remaining 80% of his invested dollars in annual installments including interest at the five-year CD rate of 0.88% percent simple interest over a six-year period starting in 2016.

### 3. Option Three: *Sell For The Approximate 2014 K1 Value of 33 Cents Per Dollar Invested*

- A few investors have expressed a desire for cash now, a difficult option to offer for a fund that invested with a longer term horizon in mind.
- However, in an attempt to accommodate this request, and since a few investors have also insisted in the past that this K1 value is the economic value of Navigator, we will pay cash at that level this year for anyone wishing to sell at that price.
- As I have said repeatedly in my various updates, I do not agree that the K1 capital balance value gives us Navigator's economic value. No one knows what the exact value of Navigator is right now. We will not, as I have explained myriad times, know the actual value until we sell all the investments that Navigator holds. However, my belief is that it is much higher than the capital balance reflected on the K1.

## Snapshot

I am also attaching a "Navigator Snapshot" that values our public positions at the most recent valuation date and our private positions at cost. If, however, there has been any value impairment in the private positions, we are valuing them at zero and not including them in the snapshot. The logic here is an attempt to be as conservative as possible when estimating investment values and to avoid false precision, or to steal from Buffett "I would rather be approximately right than precisely wrong." See **Attachment I** at end for the Navigator Snapshot.

Again, as I have said many times, this snapshot is not a particularly good proxy for economic value either, as many things on it will be worth much less or much more than their current stated value. Here are some examples:

- **Chemigen** - \$300,000 investment: This is an early stage company looking for a treatment for ALS. That \$300,000 will likely be worth zero or a big multiple of \$300,000. It is very unlikely to be worth \$300,000, but that is the balance sheet value at cost.
  - **Rubicon** - \$100,000 investment: We have already received \$125,000 back from Rubicon, a consulting firm, and own a large interest in the future profits that varies depending on when those profits come. Rubicon, if it continues to succeed, should be worth much more than \$100,000, but if it fails will be worth much less.
  - **TriPro** - \$930,000 investment: Historically, since I started investing with TriPro in 1994, these investments have produced multiples of the capital invested, but we have them valued at cost.
  - **Japanese hedge** - \$250,000 investment in a hedge involving Japanese interest rates and the Japanese Yen. (Navigator benefits if Japanese interest rates rise and if the Yen
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depreciates.) Navigator has already received about \$450,000 of dividends. In addition, Navigator's remaining stake is valued at \$393,770. Depending on what happens with Japanese interest rates and the Yen, Navigator's stake in this fund will either be worth significantly less or much more. There is no option to sell early and harvest the current value; it is a multiyear fund to which we committed at inception.

- **Sweat equity:** The balance sheet also values my sweat equity contributions, including the 25% upside in Cui Bono, at zero. They could be worth zero. I certainly would not consider selling them for zero. I believe that they may have very considerable economic value.

**We are making these offers to try to accommodate the dissatisfied investors. It would be my preference that no investor sell his interest and that we finish what we started together and then evaluate the results.**

Hopefully, these offers will demonstrate that we are trying not only to protect and to grow the capital of investors who continue to abide by the spirit of our original agreement, but also to provide options to investors who may want to exit Navigator. For the good of all shareholders, I encourage you to consider your options and make a decision that is best for you. To reiterate, my family and I are choosing Option One for 100% of our capital.

### **Next Steps**

- **Option 1:** If you remain willing to honor the original agreement and want to select Option One, you do not need to do anything with this letter.
- **Option 2:** If you want to guarantee that you get out what you put in, please email me to tell me that you want to select Option Two by **Friday, July 17, 2015 by 4pm EST.**
- **Option 3:** If you want to maximize the cash you receive now and want to sell for the K1 value, please email me and tell me that you select Option Three by **Friday, July 17, 2015 by 4pm EST.**

### **"Facta Non Verba" Thank You**

This Latin phrase of "Deeds Not Words" or "Actions Speak Louder Than Words" strikes me as an appropriate parting thought for this letter. I can tell you how much I believe in Navigator's past, present, and future until I am blue in the face. However, my family and I best demonstrate this conviction by choosing to keep all of our investments in Navigator. Moreover, I reiterate my willingness to share my own sweat equity economics with the investors who continue to support Navigator and me.

Again, to those of you who share our long term mission of backing people we admire whose incentives align with our own, I thank you for your trust in Navigator and in me.

Sincerely,  
Dan Anglin

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## ATTACHMENT I

<b>Prince Henry Navigator Snapshot</b>		
<b>Investment</b>	<b>Amount</b>	<b>% of Total</b>
TriPro	\$ 930,000	13.2%
NGP Fund X and XI	\$ 759,775	10.8%
Spitfire	\$ 689,911	9.8%
Spencer	\$ 560,995	8.0%
Cohesive	\$ 433,541	6.1%
BP Capital	\$ 426,570	6.0%
Hayman Japan	\$ 393,770	5.6%
MEMP	\$ 360,000	5.1%
Value Act	\$ 350,000	5.0%
Chemigen	\$ 300,000	4.3%
OIG Fund	\$ 200,000	2.8%
Photoworks	\$ 200,000	2.8%
Cedar Creek	\$ 190,000	2.7%
Cash	\$ 187,000	2.7%
Khrom Capital	\$ 180,000	2.6%
Hatch	\$ 178,000	2.5%
EVCN Fund	\$ 147,680	2.1%
Charter Bank	\$ 100,000	1.4%
Rubicon	\$ 100,000	1.4%
Greenlea Lane	\$ 72,000	1.0%
Castle Holdings	\$ 66,667	0.9%
EVCN Management Co	\$ 65,000	0.9%
3 Daughters Media	\$ 50,000	0.7%
Semper Vic	\$ 42,772	0.6%
Centaur Value Fund	\$ 37,500	0.5%
Eriksen	\$ 30,000	0.4%
<b>Total</b>	<b>\$7,051,180</b>	<b>100.0%</b>
Less Remaining Debt	\$2,000,000	
Net Equity	\$5,051,180	
Total Equity Invested	\$8,263,261	
Net as % of Total	61%	