



Parliament Capital's performance vs. the S&P 500

Year	PCM	S&P
2015.....	61.05	1.38

Notes: PCM results are the collective return for Limited Partners, after expenses and fees. The S&P 500 includes dividends reinvested. Both PCM and S&P 500 results are pre-tax. Refer to: <http://pages.stern.nyu.edu/~adamodar/> for data sources, errors, limitations, etc.

To the Partners of Parliament Capital Management, LLC:

Performance

It took dividends for the S&P 500 to manage a positive return in 2015. We put our capital to good use producing a 61.27% rate of return, after fees and expenses. You will notice a different net return on your statement(s) due to the timing of your contribution(s). If you contributed early in the year, you outperformed those that contributed later in the year. Nonetheless, because of the consistent income from our private business and some short-term luck from our public stock, we all broke well out of the gate.

I don't want you to get too excited and think that you've discovered the next Warren Buffett. Our performance results in 2015 are predominantly the result of distributions from our private business. I was far from stellar in my stock picking; however, the income from our private business is real and I don't consider price declines of public positions to be all bad news. After all, we are in the business of buying other businesses that sell for less than they're intrinsically worth. When the market price of a great business declines, I tend to buy more.

Consider the buyer of a private business: If a business they're determined to buy at a particular price is suddenly discounted overnight to a lower price, does the investment not become more attractive than it was the day before?

The Portfolio

Current valuations have put a damper on ideas. From 2009 - 2014, we could have thrown money at just about anything in the financial markets and fared well. We are no longer in a position to do that.

When I look for undervalued securities to buy, I seek the no-brainer. I am struggling to find sure bets in the public marketplace. There are a few I'm particularly interested in and either currently buying, or keeping my fingers crossed that the price comes down a bit. On the other hand, we have made a sure bet in our private business, Grandview Tavern.

We acquired 15% of Grandview for a cost of \$1. Certainly, you must be wondering how in the world we

could buy such a large block of any decent business for \$1. Well, the seller was my mother and the business was losing money. Though the bottom line results were never there, revenue and customer loyalty were never lagging. I lent the business cash and what little operational intellect I have to offer. It took roughly a year, but we patched the leaky holes to save a sinking ship.

As a partner of PCM, you are a passive owner of Grandview. I frequently work with my mom (also a PCM partner) and the Grandview management team in effort to increase value. For the first time in its existence, the business is solvent and generating after-tax profits. In my view, Grandview is the most valuable position to launch our business for the following reasons:

1. I can influence business decisions.
2. We receive a reliable stream of investable dollars for PCM.
3. We can accumulate shares in public positions whose quoted market price may decline, while our overall portfolio value is stabilized by Grandview's market value because the price will fluctuate very little (reappraised bi-annually).

For now, we should think of Grandview as a permanent holding that provides a steady stream of investable dollars. Currently, I stand to believe the indefinite income to reinvest in other securities is more valuable than a liquidation of the company. If I sense deteriorating business conditions or superior investment opportunities, I may change my stance.

Long-term and Unconventional

A great majority of financial professionals would tell us there is an enormous amount of liquidity risk inherent in the PCM portfolio. They are correct in that it would be difficult to quickly turn our entire Net Asset Value into cash. Remember though, this is a long-term investment. In a declining market, our competitive advantage lies not only in staying invested, but also putting more cash to work. As we may invest in illiquid positions, I urge you to stay the course with me. If and when I feel like I cannot outpace our benchmark (S&P 500), I'll turn everything into cash, make the redemption request for you, and mail the check.

I don't view lack of liquidity as real risk if there's no more risk-adjusted productive use for the cash. The real risks for our business are partnering with the wrong money and buying assets I don't fully understand. Before you signed your partnership agreement, I was sure to ask if you needed these funds to keep your electricity running. Your answer was a firm "no"; therefore, liquidity should not be an issue.

Our size, small in nature, proves to be extremely advantageous. We are able to avoid the expenses of costly administrative work. I am able perform all administrative duties, tax preparation, and audits in addition to serving as your portfolio manager. We avoid regulatory costs because the SEC offers exemptions for funds of our size. Further, we can establish large stakes in small businesses, public and/or private. Simply put, the potential for outsized returns with very low costs is fully on our side.

There is certainly no sure thing in investing. As I write, we watch the evolution of energy and technology deteriorate what once were expanding, deep rooted enterprises. However, I am confident there will always be wants and needs that capitalistic economies produce and consume. I don't know what the world will look

like in 50 years, but I sure love to imagine. My investment decisions are made with a time horizon as far as the imaginative eye can see. I will only buy businesses that I know well, at prices below their intrinsic value, in industries that will be ticking decades from now. If I can be roughly right rather than precisely wrong, I like our chances.

I will not hesitate to turn down the “wrong” dollars to protect your ownership interest and our competitive advantage. With that said, it takes only one good investment idea for new contributions to be beneficial to all of us. While my investment ideas are at a minimum, I encourage you to refer potential PCM partners.

Please feel free to write, call, or stop by if I was unclear about anything,

A handwritten signature in black ink, appearing to read "T. Grogan II". The signature is fluid and cursive, with a large initial "T" and a stylized "G" and "II" at the end.

Timothy J. Grogan II
02/02/2016