October 19, 2010

Dear Investors:

In an effort to communicate more detailed explanations of fund positions and returns to investors in Gator Financial Partners, LLC (the Fund), this quarterly letter will replace the previous monthly email updates. I don't believe those brief emails were informative enough or presented a complete picture of fund performance.

As an investor in the Fund, you will still receive your monthly investment performance directly from the Fund's third-party administrator. If you are not an investor in the fund, I will continue to provide the Fund's monthly investment performance to several of the leading hedge fund databases where you may still monitor the performance on a monthly basis. As always, I am available by phone whenever you want to discuss the Fund or investing in general.

Review of the Fund's Strategy and Goals

The Fund is a long/short equity fund focused on the Financials sector. I use bottoms-up fundamental analysis to make investments and build the portfolio, one stock at a time. I attempt to own (or go long) undervalued securities and sell short securities that are overvalued. I generally keep the Fund close to market neutral (+/- 25% net exposure) because I believe returns from stock selection will be more consistent than returns from over-weighting or under-weighting the sector at the appropriate time.

One competitive advantage of the Fund is the deep focus on the Financials sector. The Financials sector has many sub-industries: money center banks, regional banks, trust banks, community banks, thrifts, broker-dealers, non-bank financials, REITs (commercial, apartment, industrial, retail, mortgage, etc.), P&C insurance, life insurance, insurance brokers, asset managers, exchanges and financial technology companies. While many of the major hedge funds are positive on Financials, they generally express their view in the liquid, large-cap banks. While these will probably be fine positions over time and we own some of these same banks, we add most of our value by going several layers deeper to find attractive values among the less popular or well-known companies in the sector.

Seventy-five percent of the Fund's positions must be in companies in the Financials sector or companies with significant (33% of revenues, profits or allocated capital) in financial services operations. Examples of companies with significant financial services operations are General Electric with GE Capital and eBay with PayPal. Historically, 90 to 95% of the funds positions have qualified as Financials or financial services related. The non-financial services positions tend to be special situations such as spin-offs, initial public offerings or short positions in former fad or concept stocks.

There are two other distinguishing characteristics of the Fund: a concentrated portfolio and a focus on opportunities with asymmetrical risk/reward (this is code for: "I swing for the fences when I believe the

odds are in my favor.") I run the Fund with a concentrated portfolio for several reasons. I believe a concentrated portfolio creates discipline in weeding out bad ideas. Another benefit of a concentrated portfolio is a focus on best ideas. One of my mentors from GSAM taught me that any stock worth buying is worth buying in size. Positions with asymmetrical risk/reward are important because markets often price in average moves and do not anticipate how frequently extreme price moves can occur. We find these asymmetrical opportunities in beaten down stocks, long-term warrants and/or LEAPs, and companies with significant operating leverage. One day when the Fund is of appropriate size, we will also find opportunities in purchasing credit default swaps on companies we want to short. In the brief history of the Fund, these characteristics (a concentrated portfolio and positions with asymmetrical risk/reward) explain the large volatility in the Fund's monthly returns. Most of this volatility has been to the positive, but there have been and will be times when I will be out of sync with the market. Please do not expect the Fund to produce steady returns; instead, I hope the Fund will produce a superior total return over the long-run.

GFP Operational Characteristics

Given the events of 2008 and the common criticisms of hedge funds (limited liquidity, opaque portfolios and self-administration); I have structured the Fund to be more investor friendly than a typical hedge fund. The Fund does not employ lock-ups. There is monthly liquidity and only 10 business days notice is required to redeem investments at month-end. I disclose the entire portfolio to current investors upon request and to prospective investors prior to investment. I have independent auditors, Kaufman Rossin based in Miami, who specialize in hedge funds for the Fund's annual audit. I have a third-party administrator, Cortland Fund Services based in Chicago, for fund accounting. As an additional financial control, I cannot release money from the Fund's checking at JP Morgan unless Cortland approves the withdrawal. I want to continue to improve the Fund's terms to remain investor friendly. If you have suggestions, please contact me.

I do offer separate accounts with a $5 million minimum. While I prefer investors to invest directly in the Fund, I will invest separate accounts *pari passu* with the Fund. Some investors prefer a separate account so that they have direct control over their money. The trade-off is that a separate account imposes a greater accounting and tax reporting burden on the client. Whether my investors come through the Fund or through a separate account, I feel strongly that the money is the investor's money, the investor has given me the privilege of managing their money, the investor has the right to know how their money is invested, and they have the right to access their money.

Review of Third Quarter Performance

Although positive, I was disappointed with our 3rd quarter investment performance. I had hoped to close the gap in our performance from the tough month of June. I am still digging to find good values and am optimistic about the positions in the portfolio.

	2010 Q3	2010 YTD	Total Return Since Inception	Annualized Return Since Inception
Gator Financial Partners	3.83%	-6.03%	128.20%	44.30%
S&P 500	7.20%	2.34%	-10.84%	-4.97%
S&P 500 Financials	3.87%	-0.39%	-29.20%	-14.23%

The Fund's inception date is June 30, 2008.

Positions that Added to Performance

Student Loan Corp

I had instant gratification with a new position in Student Loan Corp (STU). I bought the position in early August and seven weeks later the company was sold to Discover Financial. The gain was 24%. I purchased Student Loan because it appeared abnormally cheap for a profitable lending company. At the time of purchase, it was trading for 35% of tangible book value. Credit quality appeared manageable given that 75% of the loan portfolio was government guaranteed.

The question surrounding STU was: How desperate was its 80% owner, Citibank? Citi had stated that Student Loan was part of its CitiHoldings and therefore on the block to be sold. I thought the market was too pessimistic about how desperate Citi was to sell down its CitiHoldings assets. I thought Citi would not sell STU unless they received a price higher than the current stock price and potentially at least at book value. My thesis was that Citi could extract at least the current stock price from earnings and release of capital in as little as 10 quarters if they put STU into run-off. My model was the Primerica [see below] transaction earlier this year where Citi created a growth company from a slow growing life insurer by retaining most of the existing term life policies on its balance sheet and allowing the policies to run-off naturally. In the Primerica example, Citi showed that it was not desperate and structured a smart transaction that created value for its shareholders.

I was both right and wrong about Citi's desperation. Citi did sell Student Loan for higher than the then current stock price, but they still sold it for only 45% of book value. The acquisition which will close in Q4 is a complex four-party deal between Student Loan, Citi, Discover and Sallie Mae. To make it simple, Citi essentially gave the government guaranteed student loan portfolio to Sallie Mae for little premium. Then, Citi gave Discover about $400 million, a perfectly good private student loan lending platform that had scarcity value and a portfolio of the recently originated, pristine-quality private student loans at par. Finally, Citi booked a $500 million loss and still kept all of the risk by retaining questionable quality 2006-07 vintage private student loans.

There was a better solution for Citi shareholders that could have still moved the assets off of Citi's balance sheet without Citi retaining the same risk. Citi should have made STU an independent company. STU is too small relative to Citibank to spin-off the shares directly to Citi shareholders because a Citi shareholder would only receive 1 share for every 1,500 Citi shares held. Instead, Citi should have proposed an exchange offer where Citi shareholders could choose to swap 4.5 of their Citi shares for 1

share of STU owned by Citibank. This would have put STU into the hands of shareholders who made an active decision to own STU. This exchange transaction would have moved STU's assets off of the CitiHoldings balance sheet and Citi shareholders would have benefitted from 72 million share reduction in Citi shares outstanding, but Citi would have still had a $6 billion loan outstanding to STU. After the exchange offer was completed and STU was independent, STU's management and shareholders could have decided on the best way to pay off Citi's loan to STU and create value for STU shareholders. Either they could have found another lender to take out Citi's loans to the company and continued to originate new student loans, or they could have run-off STU's loan portfolio and paid-off Citi from the natural pay-down of their loans. Either way, both STU's and Citi's shareholders would have been better off with an exchange transaction than they are with the deal to sell STU's assets to Discover and Sallie Mae.

At the end of the day, Citi did not help its own shareholders with this transaction. They had an undervalued asset and gave it away to competitors, but Citi still kept all of the risk. They sold STU at such a cheap price in order to demonstrate that they are making progress in reducing the assets of CitiHoldings. However, this is a bill of goods because Citi kept all of the risky assets and gave away capital that could have covered the losses from those risky assets. I would argue that this transaction increased the risk at CitiHoldings. If regulators were awake and truly concerned about risk instead of asset size, they would stop Citi from consummating this transaction. Of course, it is deplorable that Citi's management doesn't recognize the poor economics of this transaction and stop the transaction themselves.

In the end, I am happy with the outcome of the STU holding. The fund made money on the position in a very short time. The position did not make as much money as I expected when entering the transaction, but not everything works perfectly in investing. At least I got the direction correct.

TFS Financial

I had good results in the quarter from a short position in TFS Financial (TFSL). TFSL is the mutual-holding company for Third Federal Savings & Loan based in Cleveland, OH. TFSL is one of the largest remaining thrifts in the country. I had shorted the stock because of its large portfolio of home equity loans. Also, the thrift operates in only two states, Ohio and Florida; both of which are among the weakest housing markets in the country. I thought credit quality would continue to get worse, and TFSL would have to add materially to its loan loss reserve.

This investment thesis played out in the second quarter earnings release with two added bonuses. In addition to continued credit quality problems, TFSL stopped paying its dividend and stopped repurchasing its own shares. Second, TFSL's regulator questioned its concentration of home equity loans and its ability to service these loans.

I continue to maintain the short position in the stock because it will be a long road back for TFSL as it works through the problems in its home equity loan portfolio. Plus, with TFSL's mutual holding company structure, it is effectively leveraged to the results of the thrift, and leverage cuts both ways. In addition, the pricing for other mutual holding companies is poor with multiple second-step offerings pulled or re-priced downward. In the unlikely event that TFSL is able to quickly get a handle on its home

equity loan portfolio, I believe it will suffer from lower valuations the market is placing on second step conversion of mutual holding companies.

Positions that Detracted from Performance

Gleacher & Company

A long position in Gleacher (GLCH) hurt the Fund's performance during the quarter as it was down 28%. GLCH is a full service investment bank with M&A advisory, fixed income sales and trading, equity sales and trading, and research. The company is run with low balance sheet risk. Most of the trading is done on an agency basis, meaning the company does not warehouse risk positions on its balance sheet. The shares were weak during the quarter as the company posted a weak revenue quarter due to a poor capital markets environment. There were not many corporate transactions and trading volumes were low across the industry.

GLCH is an interesting company in the securities business. It has benefitted greatly from the seismic change on Wall Street during 2008. As the large securities firms cut staff, GLCH was able to cherry-pick high quality people and expand its business for very little. This build out was a once in a generation opportunity to significantly expand. GLCH has a good municipal business and has expanded the rest of its fixed income business. It continues to add industry verticals in equity research and has not reached its potential in equity capital markets.

When looking at GLCH's stock, I believe the market is overly focused on the current environment when the summer was a particularly difficult time for equities trading and mid-market investment banking. The environment will not always be this bad. Plus, with GLCH's liquid balance sheet, there is a good probability that it will be around for the next up-cycle in the securities business. From these levels, I do not see much downside in the stock because the company is trading just under tangible book value. Over the summer, Stifel Financial purchased Thomas Weisel Partners for 1.7x book value. I would argue that Gleacher is a more attractive franchise than Weisel was. In 2009, GLCH grew faster than Weisel, had 60% more revenues than Weisel, had 3x the revenue per employee of Weisel and operated with a significant operating margin versus a loss for Weisel.

If the capital markets environment turns positive, GLCH's business has operating leverage. This is the aspect of securities dealers that investors seem to forget during each down-cycle. Dean Eberling of KBW, who died in 9/11, used to say, "The Street always misses the operating leverage in these businesses coming out of the downturn." I think investors are underestimating potential operating leverage with Gleacher as well.

I think Gleacher remains attractive. Either the environment for securities firms will get better and Gleacher will benefit from its significant operating leverage or Gleacher's management will take action to manage the expense base and conserve capital. With a relatively liquid and unlevered balance sheet, they will benefit from the next up-cycle whenever it occurs.

New Positions in Q3

Newcastle Investment

Newcastle Investment (NCT) is a commercial mortgage REIT with an asymmetrical risk/reward. I believe the near term downside is limited in NCT because the management has improved the balance sheet and eliminated short-term recourse debt. The potential upside is a multiple of the current share price because the company is leveraged to a continued recovery in commercial real estate mortgage security (CMBS) prices.

Historically, NCT purchased mostly CMBS and securitized them into CDOs. When the capital markets closed in 2007-08, Newcastle was caught with some short-term recourse debt obligations at the same time the assets that the recourse debt funded were declining in value. This caused financial distress, and the stock declined to as low as 15 cents in November 2008. In the last two years, management has done a solid job of cleaning up the balance sheet and taking advantage of opportunities in the capital markets to resolve the company's financial distress.

Currently, the company has no short-term recourse debt. Plus, four of its CDOs are still paying cash to NCT as the equity note holder. Finally, NCT has the opportunity going forward to create additional shareholder value through repurchasing its CDO notes at a discount and/or making new high return commercial real estate loans.

Primerica

Primerica was recently IPO'd by Citigroup (C) as part of Citi's balance sheet reduction program. It has been one of the best performing IPO's of the year so far. I believe Primerica's shares are still undervalued because investors are not factoring earnings growth that will be stronger than published Street expectations.

Primerica provides financial products and services to middle-market America through a sales force of independent producers. The company's two main products are term life insurance and 3rd-party mutual funds. The company was formerly run by the legendary salesman A.L. Williams, who used inspiring motivational speeches to energize the sales force. Sandy Weil bought the company in the early days of creating his Citigroup empire.

My investment thesis for Primerica is that the current valuation does not factor earnings growth that will be stronger than the Street's published expectations. Prior to the IPO on April 1, 2010, Primerica entered into a reinsurance transaction with Citigroup that took about 80% of Primerica's existing term insurance book off of its balance sheet and put it onto Citi's balance sheet. This reduced the existing portfolio of term life policies from $650 billion to $130 billion. It also caused a one-time step down in Primerica's earnings from a $500 million annual to $150 million. However, going forward, Primerica still has the same sales force that was selling enough term life policies to grow a $650 billion term life portfolio 3% annually. This same sales force, producing the same amount of business, can grow a $130 billion term life portfolio at a 50% rate for the next 3 years.

Warrants on Comerica

I purchased long-term warrants on Comerica (CMA) during Q3. CMA is a commercial bank headquartered in Dallas with significant operations in Michigan and California. CMA is focused on commercial lending. I purchased the warrants that the U.S. Treasury had auctioned earlier in 2010. These were the warrants that Comerica issued to the U.S. Treasury as part of the TARP program.

I generally like long-term warrants. I believe the market makes a mistake by using standard option pricing models to value warrants. Option pricing models are built for pricing short term options. When pricing a long-term option, I believe the pricing model systematically underprices the option. The main assumption of option pricing models that I disagree with is: returns in one period are independent of returns in any other period. Over very short-term periods, I agree there is randomness to stock prices, but this does not hold for long-term periods, especially multi-year periods. Over the long-term, I believe stock prices reflect the underlying value of the business. I also believe that the increase in the intrinsic value of a business in one year is dependent on the increase in value in the previous year. For example, these warrants expire in late 2018 and the change in intrinsic value in Comerica in 2018 will depend heavily on the change in the intrinsic value in 2017. The loan growth rate, deposit growth rate and the earnings growth rate of Comerica will not change drastically from one year to the next.

Another reason I like warrants is because they are effectively like buying a share of stock financed with non-recourse debt. I don't like having personal debt. I especially don't like borrowing on margin. However, warrants give me a way to invest with non-recourse debt. Some investors call this "playing with other people's money." One of the secrets of the private equity industry's success is the use of non-recourse debt to get access to leverage. With warrants, it is like I own the underlying stock financed with non-recourse debt. If the stock goes down, I don't have to come up with cash to pay off the loan. Effectively, the downside is capped. Plus, the effective interest rate cost of this non-recourse debt is very cheap compared to other sources of borrowing.

Besides the warrant structure, I also like the underlying investment in Comerica. Comerica has one of the cleanest capital structures of the regional banks. Plus, Comerica had relatively fewer credit problems during the recession as the bank has a commercial client focus. Like Jamie Dimon said on JP Morgan's 3rd quarter conference call, Corporate America and middle market companies have solid balance sheets and are just waiting for orders to come back. Comerica is priced comparably to other regional banks with weaker credit profile and capital levels. I believe its shares should trade at a premium to these other banks.

Generally, bank stocks are attractive in the short term. Longer term, commercial banks will not be great investments. The commercial banking industry has lost market share to the capital markets over the last 30 years. Eventually, I expect this trend to continue. However, in the short term, with the securitization market still in disarray, there is opportunity for banks to make loans on attractive terms. Plus, bank stock valuations are low compared to history. Finally, we've seen the turn in credit quality. For all of these reasons I like bank stocks in the short-term.

Given that I like warrants and bank stocks, the Fund owns most of the former TARP warrants. The largest holdings are JP Morgan Chase and PNC Financial warrants. The Fund also own warrants on Wells Fargo, Comerica, Capital One, First Financial, Valley National and Bank of America.

Organizational Changes

I had one organizational change at the end of the quarter. Bill Dean, who had been the Director of Sales for the past year, left the firm. He has joined Franklin Templeton as an internal mutual fund wholesaler. I wish Bill well and know that he will enhance the quality of an already fine firm.

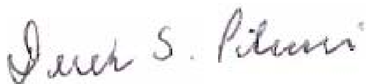
Marketing

I currently have capacity for additional investments in the Fund. I have been meeting with potential investors to explain our strategy and current holdings. If you know any potential investors who have an interest in the Fund, please call me to arrange a meeting.

Conclusion

In the third quarter, the Fund delivered positive performance. I continue to work to dig out of the hole created by the poor June results. With a peek at returns so far in October, it looks like many of the Fund's positions are headed in the correct direction. Thank you for entrusting me with a portion of your family's wealth. My family remains the Fund's largest investor with more than 50% of our liquid net worth invested in the Fund.

Sincerely,



Derek S. Pilecki
Managing Member of Gator Capital Management, LLC, which is the
Managing Member of Gator Financial Partners, LLC

Gator Financial Partners

Performance Review

Inception Date June 30, 2008

Date	Monthly GFP Gross Return	Monthly GFP Net Return	GFP Since Inception Net Return	Monthly S&P 500 Return	Monthly GFP Relative to S&P 500	Since Inception S&P 500 Return	GFP Since Inception Relative to S&P 500	Monthly S&P Financial Return	Monthly GFP Relative to S&P Financial	Since Inception S&P Financial Return	GFP Since Inception Relative to S&P Finanacial
2010 YTD	**-3.6%**	**-6.03%**	**128.20%**	**2.34%**	**-8.4%**	**-10.84%**	**139.4%**	**-0.39%**	**-5.6%**	**-29.20%**	**157.8%**
Sep-10	7.3%	7.0%	128.2%	8.8%	-1.7%	-10.8%	139.4%	5.8%	1.2%	-29.2%	157.8%
Aug-10	-6.4%	-6.7%	113.2%	-4.7%	-1.8%	-18.0%	131.6%	-7.9%	1.4%	-33.1%	146.7%
Jul-10	4.1%	3.9%	128.4%	6.9%	-2.9%	-13.9%	142.3%	6.5%	-2.6%	-27.4%	155.8%
Jun-10	-18.2%	-18.0%	119.8%	-5.4%	-12.6%	-19.5%	139.2%	-5.9%	-12.1%	-31.8%	151.6%
May-10	-3.4%	-3.0%	167.9%	-8.2%	5.3%	-14.9%	182.8%	-9.2%	6.2%	-27.5%	195.5%
Apr-10	7.4%	5.8%	176.0%	1.5%	4.3%	-7.3%	183.3%	1.3%	4.5%	-20.2%	196.2%
Mar-10	5.1%	4.6%	160.9%	5.9%	-1.3%	-8.6%	169.6%	8.7%	-4.1%	-21.3%	182.2%
Feb-10	6.3%	6.0%	149.6%	2.9%	3.2%	-13.7%	163.3%	3.5%	2.5%	-27.5%	177.1%
Jan-10	-2.7%	-3.0%	135.4%	-3.7%	0.7%	-16.1%	151.5%	-1.5%	-1.4%	-30.0%	165.4%
2009	**250.6%**	**186.3%**	**142.6%**	**23.5%**	**162.9%**	**-12.9%**	**155.5%**	**15.0%**	**171.3%**	**-28.9%**	**171.5%**
Dec-09	8.9%	8.7%	142.6%	1.8%	6.9%	-12.9%	155.5%	-1.8%	10.4%	-28.9%	171.5%
Nov-09	-0.7%	-0.9%	123.3%	5.7%	-6.6%	-14.4%	137.7%	4.3%	-5.2%	-27.6%	150.9%
Oct-09	-12.5%	-12.7%	125.3%	-2.0%	-10.7%	-19.0%	144.3%	-6.0%	-6.7%	-30.7%	155.9%
Sep-09	-0.4%	-0.5%	158.0%	3.6%	-4.1%	-17.4%	175.4%	1.6%	-2.1%	-26.3%	184.3%
Aug-09	19.0%	15.3%	159.3%	3.4%	11.9%	-20.3%	179.6%	13.0%	2.3%	-27.4%	186.8%
Jul-09	9.9%	7.9%	125.0%	7.4%	0.5%	-22.9%	147.8%	8.9%	-1.0%	-35.8%	160.7%
Jun-09	24.9%	20.9%	108.5%	0.0%	20.9%	-28.2%	136.7%	-2.3%	23.2%	-41.0%	149.5%
May-09	21.2%	17.2%	72.4%	5.3%	11.9%	-28.2%	100.6%	14.0%	3.2%	-39.6%	112.0%
Apr-09	13.0%	11.0%	47.1%	9.4%	1.6%	-31.8%	78.9%	21.8%	-10.8%	-47.0%	94.1%
Mar-09	23.4%	19.2%	32.5%	8.5%	10.7%	-37.7%	70.2%	16.8%	2.4%	-56.5%	89.1%
Feb-09	8.8%	7.0%	11.2%	-11.0%	18.0%	-42.6%	53.7%	-18.4%	25.4%	-62.8%	73.9%
Jan-09	23.7%	22.6%	3.9%	-8.6%	31.2%	-35.5%	39.4%	-26.2%	48.8%	-54.4%	58.3%
2008	**-14.0%**	**-15.3%**	**-15.3%**	**-29.4%**	**14.2%**	**-29.4%**	**14.2%**	**-38.2%**	**22.9%**	**-38.2%**	**22.9%**
Dec-08	11.1%	11.0%	-15.3%	0.8%	10.2%	-29.4%	14.2%	-1.1%	12.1%	-38.2%	22.9%
Nov-08	-7.6%	-7.9%	-23.7%	-7.6%	-0.4%	-30.0%	6.3%	-18.5%	10.6%	-37.5%	13.8%
Oct-08	16.8%	16.6%	-17.1%	-16.8%	33.4%	-24.3%	7.2%	-21.9%	38.5%	-23.3%	6.2%
Sep-08	-21.6%	-21.9%	-28.9%	-9.2%	-12.7%	-9.0%	-19.9%	-7.1%	-14.8%	-1.8%	-27.1%
Aug-08	-7.0%	-7.2%	-9.0%	1.2%	-8.5%	0.2%	-9.2%	-1.0%	-6.3%	5.7%	-14.7%
Jul-08	-1.6%	-1.9%	-1.9%	-1.0%	-0.9%	-1.0%	-0.9%	6.8%	-8.6%	6.8%	-8.6%

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