GATOR
CAPITAL MANAGEMENT

October 24, 2011

Dear Investors:

This is Gator Financial Partners, LLC's (the "Fund") 3rd Quarter 2011 investor letter. The Fund had negative performance in the 3rd Quarter. In this letter, I will review the Fund's investment performance during the quarter, discuss a few positions that drove performance and disclose a couple of new holdings. Also this quarter, I have added a section that reviews a position I wrote about in a past letter, but sold during the quarter. Over time, I believe reviewing sold positions will help the Fund's investors better understand my selling discipline. In the final section of the letter, I update the Fund's current net exposure and positioning by sub-sector. I also update the Fund's largest long and short common equity positions.

Review of Third Quarter Performance

Gator Financial Partners had negative investment performance in the 3rd Quarter with a loss of 9.74%. While this negative performance is not welcome, it was significantly better than the Financial sector overall which was down more than 23% in the quarter. There are two main reasons the Fund had negative absolute returns in the quarter. First, I positioned the Fund consistently at +25% net long exposure through the quarter which clearly hurt. Second, the Fund had more volatile long positions versus less volatile short positions, so the long positions declined in value more than the short positions.

The overall Financial sector continued to perform very poorly during the 3rd Quarter on a combination of European sovereign debt fears, legacy risks at mortgage banks due to Reps & Warranties and a slow capital markets environment. The market was difficult during the quarter because stocks showed a high degree of correlation reacting to news from Europe. To navigate the market, it seemed an investor needed to become a macro trader like George Soros rather than a fundamental stock picker like Ralph Wanger.

While I build the portfolio on a position by position basis as a fundamental stock picker, I force myself to have a view of macroeconomic events to better inform my investing. I do not believe the European debt crisis will translate into a full blown financial crisis in the U.S. The main reasons are the major U.S. financial institutions have stronger balance sheets than they did in 2008 and the current political leaders learned important lessons from the mistakes they and their predecessors made in September 2008. I wrote a short blog post that explores these thoughts more fully, titled Hank Paulson Isn't Operating His Financial Doomsday Machine. Since I do not believe we are going to have a financial crisis, I believe scores of financial services companies are attractively valued, with several trading at historically low valuations. These low valuations are why I kept the Fund net long throughout the 3rd Quarter.

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	2011 Q3	2011 YTD	Total Return Since Inception	Annualized Return Since Inception
Gator Financial Partners	-9.74%	17.81%	221.51%	43.24%
S&P 500 Total Return	-13.87%	-8.68%	-4.96%	-1.55%
S&P 500 Financial Sector	-23.12%	-25.05%	-38.46%	-13.87%

The Fund's inception date was June 30, 2008. Past performance is not indicative of future results. Performance is presented net of fees and expenses. Please see Appendix A for additional disclaimers.

Positions Contributing to and Detracting from Performance

Since stocks were highly correlated during the quarter, I believe my usual discussion of positions that contributed to and detracted from performance is not useful this quarter. Basically, stocks with low betas outperformed stocks with high betas. I will briefly mention two types of positions that helped performance and two types of positions that hurt performance:

Short Regional Banks with High Price-to-Tangible Book Values

In the Fund, I am short several regional banks with high price-to-tangible book (P/TB) ratios, which helped performance during the quarter. Since 2007, the P/TB ratios of regional banks have tiered according to the bank's credit quality statistics. Investors are placing higher valuations on banks with better credit quality. This makes sense given where we are and have been in the credit cycle. Investors, including me, were concerned with a bank's viability. I believe this tiering will change going forward. As credit quality continues to improve broadly across the banking industry, I believe investors will start to differentiate valuations based on growth prospects. Better growth prospects for individual banks could come in three forms: 1) a high ROE, high margin bank that generates excess capital (M&T Bank), 2) a bank with outstanding asset generation capability (Capital One), or 3) a bank with outstanding deposit generating capability (Signature Bank). With this change, banks that currently have high valuations because they have strong credit quality but are not strong growers are at risk of underperforming. These slow growth but strong credit quality banks were weak in the 3rd Quarter and helped the Fund's performance.

Long Primerica

The Fund's largest common equity position going into Q3 was a long position in Primerica. I wrote about Primerica in the 2010 3rd Quarter letter. My investment thesis remains intact from last year and I took advantage of an opportunity to add to the Fund's position when Citigroup sold its second tranche of Primerica shares in a secondary offering in April. The offering pressured Primerica's shares down to a compelling valuation of 1.0x book value and 9x earnings. This was comparable to other high quality life insurance companies even though Primerica is structured to grow faster than normal for the next eight years. Plus, Primerica's management team is working on a financial transaction to free up about $300 million of regulatory capital. The company could use this capital to repurchase up to 20% of its shares. Even though the financial sector was down sharply during the 3rd quarter, Primerica's shares were only down 2% in the 3rd Quarter.

Long GSE preferred stock

After significantly helping the Fund's performance in the 1st half of the year, the position in GSE preferred shares was off over 30% during the 3rd quarter. I believe this decline was likely due to risk reduction by various holders of the preferred stock and a lack of liquidity in the shares during the August sell-off. The 2nd quarter earnings reports, which were released in early August, were mixed for the two companies. I continue to see positive trends in Freddie Mac's credit quality. Fannie Mae seems to be having a tougher time due to its larger portfolio of low documentation mortgages (Alt-A mortgages) from the 2006-08 vintages. I see no evidence that the private market wants to step in and take business away from the GSEs. I also believe key leaders in Congress recognize that it would be a disaster for the housing market to wind-down the GSEs completely. The eventual outcome for the GSEs will be decided years into the future. In the meantime, they have an opportunity to rehabilitate their balance sheets through profitable new business. The position will continue to be volatile going forward, but I will accept the volatility in return for the potential reward.

Long TARP bank warrants

With the stiff decline in the Financial sector during the 3rd Quarter, the Fund's holdings of TARP bank warrants underperformed during the quarter. This was not unexpected as the Fund's warrant holdings are a leveraged way to participate in the cyclical recovery of the banking sector. I continue to hold warrant positions in Citigroup, Wells Fargo, JP Morgan Chase, Capital One, PNC Financials, Bank of America, Wintrust Financial, Valley National and First Financial. During the quarter, I increased the position in Comerica warrants and started a position in SunTrust warrants.

New Positions in the 3rd Quarter

I started a couple of new positions during the quarter. I added long positions in the Blackstone Group and Apollo Global Management to the Fund's existing position in KKR & Co.

Blackstone Group and Apollo Global Management

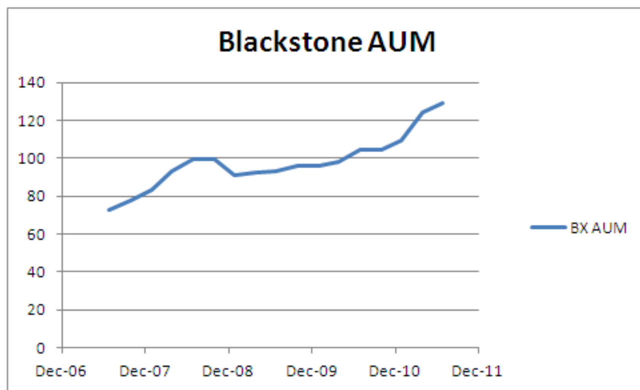
Publicly traded private equity firms, KKR & Co. (KKR), The Blackstone Group (BX) and Apollo Global Management (APO), declined more than the overall financial sector during the 3rd quarter.[1] It appears that investors had concerns that these firms would suffer from liquidity drying up in the financial markets and hurt values of their existing portfolio investments. I believe private equity firms' business franchises don't change in value as much as the volatility of their stock prices would predict. When these firms' stocks sell-off on fears that their existing portfolios are declining in value, I believe there is an opportunity in their stocks.

The Blackstone Group (BX) has proven to be a volatile stock. BX opened for trading at $36.60 on June 22, 2007. Less than two years later, it had fallen 90% when it hit $3.55 intra-day on February 27, 2009.

[1] In 3Q 2011, KKR declined 36.3%, BX declined 27.7%, APO declined 40.5%, and the XLF declined 23.1%.

BX then climbed 450% to a recent high of $19.49 in April 2011. Since April, it has declined another 43% on the broader market sell-off.

During this time, I would argue that the value of Blackstone's business franchise has not been nearly as volatile as the stock price. Here's a chart showing Blackstone's fee-paying assets under management since going public. As you can see, Blackstone's assets under management have increased 76% since going public in 2007 with little volatility.



I would argue that investors place too high a value on the immediate prospects for exiting the private equity firms' current portfolio investments. While exiting investments and recording incentive fees on these investments is an important part of the income stream, there are times when these stocks sell-off to such low levels that they are good values even ignoring any future incentive fees. Currently, Blackstone trades at 15x the 2012 estimates made by Oppenheimer analyst Chris Kotowski for Blackstone's earnings from its management fees. At its February 2009 lows, Blackstone traded at just 9x its 2009 management fee-only earnings.

In thinking about a private equity firm's business franchise, I believe the value of the firm lies in its ability to continue to raise additional funds from investors. This fund raising ability is affected by past absolute and relative performance of its investments, its reputation and its personal relationships with its clients. When the stock market declines, only the absolute performance of a private equity firm's investments declines, but it does not affect a private equity firm's fund raising ability. Blackstone has

demonstrated a strong ability to raise assets since going public. I would argue that its ability to raise assets demonstrates that its business franchise has increased in value.

The other part of investing in private equity firms that is missed in stock market declines is the increased investment opportunities these firms have. Unlike their investment banking peers; when liquidity gets tight, private equity firms have dry powder with which to make new investments. They do not become forced sellers like Bank of America was in selling its private equity stake in HCA a few weeks ago. Of course, private equity firms may not be able to use as much leverage as they could in a more liquid capital markets environment; however, the declines in prospective investment prices may offset the lack of available leverage in these new investments.

The current sell-off in the stock market is presenting a second opportunity to buy the publicly traded private equity firms. I believe the stocks of these firms are more volatile than the underlying business franchises. The volatility comes from investors focusing on realizing value from the firms' existing portfolios. Instead, I believe investors should focus on the private equity firms' ongoing franchise values as measured by their ability to raise money for new funds they offer.

Positions Sold During the 3rd Quarter

Newcastle Investment

In late September, I sold Newcastle Investment, which I wrote about in the 2010 3rd Quarter letter. I sold Newcastle because my investment thesis was not consistent with the change in management's strategy. Newcastle is a commercial mortgage REIT that had visited death's door in early 2009. Newcastle's business was recovering in fine fashion, but management made a strategic shift and at the same time, made a very poor capital decision.

Newcastle had been using their cash to repurchase their own CDO notes at attractive discounts. They were also making some new commercial real estate loans at attractive spreads. The stock has been cheap. It seemed to consistently trade close to or just below my calculation of its liquidation value.

In March, the investment thesis hit a small bump when they raised about $120 million in a follow-on offering of common stock. At the time, I disagreed with management's plans to raise capital at what I perceived to be a discount to the company's fair value, but they claimed they had attractive investment opportunities in repurchasing more of their own CDO notes at discounts. Fine, the dilution wasn't too bad and the capital allocation was consistent with previous capital allocation decisions. The March follow-on deal was priced at $6. I decided to continue to hold the shares because I still perceived a lot of upside to the shares even if the upside potential had been reduced by the dilution of the new shares from the stock offering.

On September 19th with the stock closing at $5.65, Newcastle's management announced they were going to raise more capital through another follow-on offering. This was frustrating because the stock opened down 9% the next morning, so they were going to have to price this offering even lower than the $6 where the March deal was priced. Plus, the number of shares they wanted to issue was higher

than in March. What I heard from management was completely disappointing. They were going to use the new capital to purchase mortgage servicing rights on a pool of residential mortgages. This is a complete strategic shift and it makes no sense for several reasons.

1. No expertise in interest rate risk – Newcastle is a commercial mortgage REIT. It specializes in commercial real estate credit risk. The few residential mortgage assets it holds are credit risk assets. Purchasing MSRs is an interest rate bet. If I want to make this bet, I can own American Capital Agency Corp. (AGNC) whose managers are experts in residential mortgage and interest rate risk. Plus, investing in MSRs has less flexibility than buying IO-strips. MSRs are relatively illiquid and would degrade the quality of NCT's balance sheet.

2. Issuing stock at these prices takes upside from the existing business away from existing shareholders – Absent this offering, a fair price for NCT would have been $7.50 with the expectation that it will rise closer to $10 as they recover value from their existing portfolio of commercial mortgage assets and continue to buy back their CDO notes at a discount. This second offering was completed at $4.55, so the company sold shares 40% below what I think is fair value. Plus, they increased the number of shares outstanding by 30%, therefore any upside that comes from the commercial mortgage recovery will be spread over a greater number of shares.

3. Issuing stock at these levels shows the interests of Newcastle shareholders and Fortress have diverged – Newcastle has a third-party management contract with Fortress. Fortress benefits from Newcastle getting larger even if Newcastle shareholders are not better off. NCT hit $8.50 prior to the March offering. Without the March and now September offerings and the positive dividend announcements, I have no doubt that NCT would be above $8.50.

4. Expect continued dilution – Management made it clear that this is the beginning of a large ramp into MSR investment. I expect additional share offerings from Newcastle because Fortress will see "so many opportunities to put the capital to work" as the banks divest MSRs.

5. Mortgage Servicing is not an attractive business – a) New servicing rules are about to be released that could change the economics of the business. b) It is a commodity business that will be unattractive once MSR prices rise. c) The relationship between Newcastle and the Fortress affiliate that will be performing the actual servicing is undefined. What if the cost of servicing 6,000 delinquent loans costs more than the 6 bps the affiliate is going to be paid? d) Who is going to provide the credit to advance P&I on delinquent loans?

6. Residential REITs trade at lower multiples – NCT management will argue that the MSR purchase is accretive to the dividends. Maybe the dividend rate will go from $0.60 to $0.84. This will move the yield on NCT to 17%. There are several existing residential mortgage REITs that trade at yields higher than 19% such as AGNC and ARR. Plus, NCT has upside in its potential yield already from the recovery in its CMBS portfolio. How much of the move in the dividend from 60 cents to 84 cents will come from the MSR purchase versus the existing CMBS business?

Maybe buying these MSRs at cheap prices will turn out to be good for Newcastle. It is too big a risk for us in the Fund, in too different a business to wait around and see. It destroys the great investment story

of recovery Newcastle had built from the lows of March 2009 at $0.27 of balance sheet recovery and taking advantage of opportunity in the CMBS market. I sold the position around $4.96. I originally purchased the position in September 2010 at $2.65. The stock trades for about $4.15 or 16% below the Fund's sales price.

Portfolio Analysis

Below are the Fund's largest common equity long and short positions. All data is as of September 30, 2011.

Largest Common Equity Positions

Long	Short
Primerica	Mercury General
Virtus Investment	Blackrock
KKR & Co.	Travelers
Xenith Bankshares	Boston Properties
Community Bankers Trust	City National

From this list, I exclude ETFs and fixed income instruments such as preferred stock.

Sub-sector Weightings

Below is a table showing the Fund's positioning within the financial sector as of September 30th:

	Long	Short	Net
Asset Managers	14.3%	-4.0%	10.2%
Broker Dealers	5.3%	-0.4%	5.0%
Large Banks	21.3%	-34.0%	-12.7%
Small Banks	23.9%	-8.8%	15.1%
Non-Bank Lenders	5.4%	-1.3%	4.0%
Real Estate	0.0%	-3.4%	-3.4%
Life Insurance	8.0%	-1.6%	6.4%
P&C Insurance	0.0%	-4.2%	-4.2%
Financial Processors	0.0%	-2.4%	-2.4%
Non-Financials	3.8%	0.0%	3.8%
Total	82.0%	-60.1%	21.9%

As you can see from the table, the Fund has net long exposure to Asset Managers, Life Insurers and Small Banks. The Fund has net short exposure to Large Banks, Real Estate and Property & Casualty Insurance.

The Fund's gross exposure is 161% and its net exposure is 17%. Ninety-five percent of the Fund's positions are in financial-related companies. From this table, I exclude fixed income instruments such as preferred stock.

Organizational Changes

There were no organizational changes during the 3rd Quarter of 2011.

Marketing

The Fund has capacity for additional investors. I have been meeting with potential investors to explain the Fund's strategy and holdings. I have found the best investors for the Fund come from referrals made by existing investors and colleagues. If you know someone who may be interested in learning more about the Fund, please call me to arrange an introduction. I appreciate your help in growing my business.

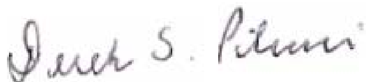
Earlier this month, the Fund was listed on the Hedge Fund Investor Site at Interactive Brokers (IB), the Fund's prime broker. This gives the Fund marketing exposure to brokerage clients of IB. If you have a brokerage account at IB and identify yourself to IB as an accredited investor, you are able to access IB's Hedge Fund Investor Site through your account. Currently, the Fund is one of seven funds currently listed on the site. IB launched the Hedge Fund Investor Site to provide capital introduction services normally performed by prime brokers for their hedge fund clients. I am hopeful this program will generate new investors for the Fund. Additional investors will help spread our accounting costs over a larger asset base.

Conclusion

In the third quarter, the Fund delivered negative performance. I am looking forward to the rest of 2011. Thank you for entrusting me with a portion of your wealth. I remain the Fund's largest investor with significantly more than 50% of my liquid net worth invested in the Fund.

As always, I am available by phone whenever you want to discuss the Fund or investing in general.

Sincerely,



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

Appendix A

Additional Disclaimers and Notes to Performance Results

The performance results shown on the first page of this letter are presented on a net-of-fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any. Net performance includes the reinvestment of all dividends, interest, and capital gains; it assumes an investor that has been in the fund since their respective inception dates and participated in any "new issues". Depending on the timing of a specific investment and participation in "new issues," net performance for an individual investor may vary from the net performance as stated herein. Performance data for 2011 is estimated and unaudited.

The inception date for Gator Financial Partners, LLC was June 30, 2008. The performance data presented on the first page of this letter for the market indices under "since inception" is calculated from June 30, 2008.

The market indices shown on the first page of this letter have been selected for purposes of comparing the performance of an investment in the Gator Financial Partners with certain well-known equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject. The funds are not restricted to investing in those securities which comprise any of these indices, their performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices.

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This letter is confidential and may not be distributed without the express written consent of Gator Capital Management, LLC and does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential private offering memorandum.

This letter contains information and analyses relating to some of the Gator Financial Partners' positions during the period reflected on the first page. Gator Capital may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this letter for any reason. Gator Capital hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Gator Capital investment.

GATOR CAPITAL MANAGEMENT

Gator Financial Partners, LLC

Derek Pilecki, CFA
Portfolio Manager

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	14.03%	9.26%	(4.00%)	1.20%	6.43%	1.32%	0.36%	(5.00%)	(5.34%)	-	-	-	17.81%
2010	(2.97%)	6.01%	4.55%	5.77%	(3.00%)	(17.98%)	3.93%	(6.65%)	7.03%	7.73%	5.61%	5.13%	12.39%
2009	22.60%	7.00%	19.23%	11.00%	17.19%	20.93%	7.9%	15.28%	(0.50%)	(12.63%)	(0.87%)	8.65%	186.31%
2008	-	-	-	-	-	-	(1.89%)	(7.24%)	(21.90%)	16.63%	(7.93%)	11.02%	(15.26%)

Net of fees. Past Performance is not indicative of future results.

Fund Overview

Gator Financial Partners, LLC is a long/short equity hedge fund focused on the Financial sector. The Fund is run with +/-25% net exposure to produce investment returns that are independent of the market direction of the Financial sector.

The Fund's portfolio is built by performing intensive bottoms-up fundamental research on both long and short positions. The Fund's portfolio is concentrated on the portfolio manager's highest conviction ideas. The Fund never sells options but will purchase warrants and LEAPs as stock replacements.

The Fund favors small companies and companies with less research coverage from the sell-side. There are 2,000-plus publicly traded companies in the Financial sector. In addition, the sector requires specialized knowledge to correctly analyze the companies. Therefore, the portfolio manager believes there are regular opportunities for specialized investors doing fundamental research in the sector.

The Fund's goal is to maximize total return without using leverage while accepting short-term periods of volatility due to the portfolio's concentration.

Performance Statistics

	GFP	S&P	S&P Finl
Avg. Monthly Return	3.54%	0.05%	-0.69%
Highest Monthly Return	22.60%	9.57%	21.8%
Lowest Monthly Return	(21.90%)	(16.80%)	(26.17%)
Monthly Comp. Return	3.04%	(0.13%)	(1.24%)
Ann. Comp. Return	43.24%	(1.55%)	(13.87%)
Cumulative Return	221.51%	(4.96%)	(38.46%)
Profitable Percentage	64.10%	61.54%	46.15%
Max Drawdown	(28.92%)	(42.62%)	(63.98%)

Quantitative Statistics

	GFP	S&P	S&P Finl
Annualized Return	43.24%	(1.24%)	(13.87%)
Standard Deviation	35.00%	20.79%	35.08%
Sharpe Ratio	1.04	-0.02	(0.42)
Sortino Ratio	1.89	-0.10	(0.55)
Downside Deviation	19.32%	15.88%	26.83%

Fund Structure

Fund Description	Long/Short Equity Financials
Date Launched	July 1, 2008
Contributions	Monthly
Organization	Delaware LLC
Management Fee	2%
Incentive Allocation	20%
High Water Mark	Yes
Fund AUM	$3.8 million
Firm AUM	$10.7 million
Redemptions	Monthly, no lock-up
Minimum Investment	$100,000

Service Providers

Administrator	Cortland Fund Services
Prime Broker	Interactive Brokers
Legal Counsel	Shumaker Loop
Auditor	Kaufman Rossin

Correlation to Benchmark

	S&P 500
Alpha (annualized)	55.42%
Beta	0.48
R^2	0.08

Disclaimer

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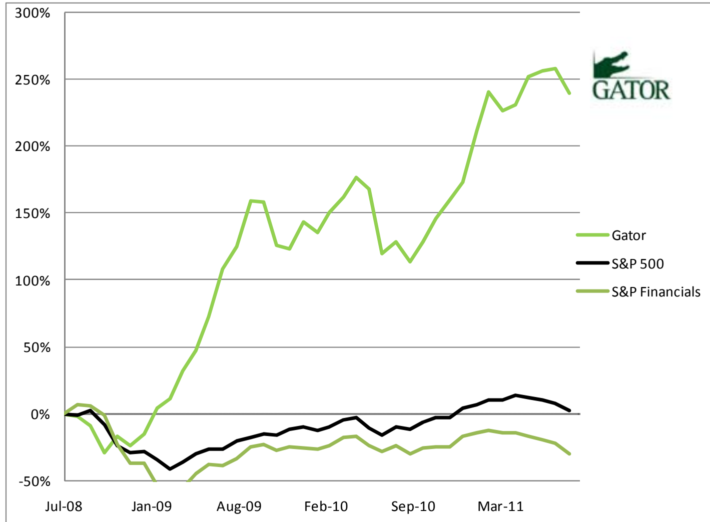
Gator Financial Partners, LLC

GATOR CAPITAL MANAGEMENT

Total Return Since Fund Inception



Fund's Top Common Equity Holdings

As of September 30, 2011

Long	Short
1. Primerica	1. Mercury General
2. Virtus Investment	2. Blackrock
3. KKR & Co.	3. Travelers
4. Xenith Bankshares	4. Boston Properties
5. Community Bankers	5. City National
6. Gramercy Capital	6. RenaissanceRe
7. PNC Financial	7. China Life
8. Comerica	8. US Bancorp
9. Ameriserv	9. Northern Trust
10. Citigroup	10. Lender Processing

Portfolio Manager Biography

Derek Pilecki, CFA

In 2008, Derek Pilecki founded Gator Capital Management. At Gator, Pilecki has the ultimate responsibility for all investment decisions. He manages a long/short equity hedge fund focused on the Financials sector.

From 2002 through 2008, Pilecki was a member of the Goldman Sachs Asset Management (GSAM) Growth Equity Team, which had AUM of $28 billion. While at GSAM, Pilecki was the co-Chair of the Investment Committee for the Growth Team and was a Portfolio Manager. He was also a member of the portfolio management team responsible for the Goldman Sachs Capital Growth Fund, and provided primary analyst coverage of the Financial sector for the Growth Team.

Prior to GSAM, Pilecki was an Analyst at Clover Capital Management in Rochester, NY and Burridge Growth Partners in Chicago, IL and covered the Financial sector at both firms. Before entering graduate school, Pilecki worked at Fannie Mae providing interest rate risk analysis for the company's mortgage investment portfolio.

Pilecki holds an MBA with honors in Finance and Accounting from the University of Chicago and a BA in Economics from Duke University.

Risk Management

Initial Position Size – L/S	2-4% / 1-2%
Maximum Position Size	10% at cost
Gross Exposure Target	Less than 200%
Net Exposure Target	+/- 25%
# of Positions – L/S	30-50 / 30-50

The Fund's advisor is registered with the State of Florida as a Registered Investment Advisor.

Pilecki's largest personal asset is his investment in the Fund and comprises 50% of his net worth.

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Appendix C
Review of the Gator Financial Partners 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 fund's 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.

Appendix D
Gator Financial Partners 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. The Fund has hired independent auditors, Kaufman Rossin based in Miami, who specialize in hedge funds for the Fund's annual audit. The Fund has also hired an independent third-party administrator, Cortland Fund Services based in Chicago, for fund accounting. As an additional financial control, I cannot authorize a release of money from the Fund's checking account at JP Morgan unless Cortland also approves the withdrawal. I want to continue to improve the Fund's structure and 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.