GATOR
CAPITAL MANAGEMENT

September 9, 2013

Dear Investors:

This is Gator Financial Partners, LLC's (the "Fund") 2nd Quarter 2013 investor letter. The Fund had decent performance in the 2nd Quarter. In this letter, I will briefly review a few positions that drove performance during the quarter, share the investment thesis for a new position, and provide updates about the Fund's current net exposure and positioning by sub-sector.

Review of 2nd Quarter Performance

Gator Financial Partners had decent investment performance in the 2nd Quarter with a gain of 5.77%. Both the broader market and the Financials sector were strong during the quarter. There were positive and negative performance drivers. On the positive side 1) GSE preferred shares once again rallied during the quarter, 2) our warrant position in Zions Bancorporation was up 38%, and 3) shares of ING US closed up 38% from its IPO in which the Fund participated in early May. Hurting the Fund's performance were the Fund's short positions in several mid-sized regional banks. These short positions performed poorly as these companies rallied late in the quarter in response to higher long-term interest rates.

	2013 Q2	2013 YTD	Total Return Since Inception	Annualized Return Since Inception
Gator Financial Partners, LLC	5.77%	23.94%	426.19%	39.39%
S&P 500 Total Return Index[1]	2.91%	13.82%	40.32%	7.01%
SPDR Financial Select Sector ETF	7.21%	19.52%	9.17%	1.77%

The Fund's inception date was July 1, 2008. Past performance is not indicative of future results. Performance is presented net of fees and expenses. Please see Appendix A for additional disclaimers.

Investment Thesis on a New Position

[1] The market index shown has been selected for purposes of comparing the performance of an investment in the Gator Financial Partners, LLC 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 and may involve significantly less risk than Gator Financial Partners, LLC (the "Fund"). The Fund is not restricted to investing in those securities which comprise this index, its performance may or may not correlate to this index and it should not be considered a proxy for this index. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. An investment cannot be made directly in an index. The Financial Select Sector SPDR® Fund (XLF) is an exchanged traded fund designed to track the financial stocks in the S&P 500 Index. Gator Financial Partners, LLC consists of securities which vary significantly from those in the benchmark indexes listed above. Accordingly, comparing results shown to those of such indexes may be of limited use.

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Ambac

I purchased a new position in municipal bond insurer Ambac during the 2nd Quarter. During the 2002-08 timeframe, Ambac wrote credit default swaps on collateralized debt-obligations (or "CDOs") and insured non-agency mortgage bonds (or "RMBS"). The losses from this diversification forced Ambac to seek bankruptcy protection in 2010. In bankruptcy, Ambac's debt was converted into equity and the old shareholders were wiped out. Ambac emerged from bankruptcy on May 1st this year.

Post-bankruptcy, Ambac presents an interesting asymmetrical risk/reward situation because of the potential that management has over-reserved for losses and is able to recover some portion of the previously paid losses. If the company realizes lower losses than currently estimated, there is potentially significant upside for shareholders. Here's the investment thesis:

1. **Potentially conservative reserves** – Ambac has $9 billion of gross loss reserves on its balance sheet and has paid $1.4 billion in losses since 2009. Against these combined $10.4 billion of paid and reserved losses, Ambac estimates it can recover $2.5 billion. Often a bond insurer will pay a loss claim to insure the bond holder receives timely principal and interest, then the insurer will seek to recover this payment through other means. I believe that both the ultimate gross losses will be lower and the recovery of paid losses will be higher than Ambac's current estimates.
    a. Large majority of losses came from loans that did not meet underwriting standards – I believe Ambac was defrauded by the issuers of the residential mortgage-backed securities. The issuers put loans that did not meet the agreed to underwriting standards into their RMBS issues. Ambac underwrote these securities to have zero losses and if the loans had been the quality represented by the issuers, the losses would have been substantially lower. Ambac deserves to recover a large portion of losses paid on these securitizations. Through Ambac's insurance contract with the issuers, Ambac has the right to recover losses on loans that did not meet the agreed to underwriting standards.
    b. Recovery from R&W lawsuits – Ambac is seeking recovery of losses by suing the issuers. Ambac has a benefit from its peers already have sued and won large settlements from many of the same issuers. The largest settlement was MBIA's agreement with Bank of America earlier this year. Ambac's lawsuit against Bank of America is in front of the same judge who presided over the MBIA/Bank of America case, so it looks like Ambac can follow MBIA's playbook.
    c. Estimates of recoveries appear conservative - In Ambac's financial statements, management shows a gross losses and estimated recoveries. Ambac management estimates that they'll recover 24% of the gross losses. On a portion of the gross losses, management has not estimated any recoveries. This is not because they do not believe there will be recoveries on these losses, rather, it is because they have not gone through the rigorous testing required to make an estimate of potential recoveries.
    d. Repurchasing Obligations at a Discount – Ambac is mitigating their losses by selectively repurchasing bonds they have guaranteed from the market. Because of Ambac's financial position, Ambac is often able to repurchase these bonds at a discount to face value. This discount immediately offsets the potential gross loss on these credits.
    e. Benefit from improving housing market – The most volatile part of Ambac's insurance book are the residential mortgage-backed securities (RMBS) that the company has guaranteed. The potential losses on this portion of the portfolio benefit from improving

home prices. To the extent that home prices continue to recover, Ambac will realize lower losses.

f. Potential Impact on Stock Price to Different Recovery Scenarios – Below is a table showing Ambac's leverage to difference percentage of recoveries. Ambac's current assumption is for a 24% recovery of losses. As you can see from the chart, there is significant upside to the stock price if Ambac's management is able to recover the gross losses. Ambac's stock currently trades at $21.

Loss Recovery Percentage	**24%**	**40%**	**55%**	**70%**
Add'l $ Recovered	$0	$1.7B	$3.2B	$4.8B
$ per share	$0	$33	$64	$98

2. **Net Operating Loss Carryforwards –** Ambac has at least $3 billion of net-loss carryforwards (NOLs) to shield future income from taxes. These will prove especially valuable if management is able to recover losses. However, these NOLs provide a secondary source of value if Ambac's management is not able to do better than their recovery assumption. There is between $20 and $30 per share of value in Ambac's NOLs if they are not used to offset gains from lower losses. Ambac management has talked about entering new businesses to utilize the NOLs.
3. **Not widely followed -** Ambac is not widely followed within the investment community because it recently emerged from bankruptcy, operates in an out-of-favor sector, and has complicated financial statements. So far, only one boutique brokerage firm has published a sell-side research report.
4. **Potential turnover of shareholder base –** As Ambac exited bankruptcy, its shareholder were mainly distressed debt investors. This investor base made money as Ambac's bonds were converted into equity. A portion of this investor base probably has exited their investment by selling shares without wanting to wait to see if Ambac's management can recover more than they estimate from their losses.

Risks

This new position in Ambac is risky and may decline. The potential value is dependent on recoveries from lawsuits with counterparties who may not have incentive to settle in a timely manner. I have not bought a full position in case Ambac's stock declines in the interim. Here are a few of the risks:

1. **Losses from additional municipal defaults –** Ambac has risk to additional losses from bonds it has insured for municipals. A prime example is bonds Ambac has insured for Detroit which declared bankruptcy this summer.
2. **Not able to recapture recoveries from Reps and Warranties –** Ambac may not be able to recover monies from MBS issuers as part of the Reps and Warranties lawsuits.
3. **Management never executes on new business opportunities –** Ambac's management may never execute on entering a new business.

Portfolio Analysis

Below are the Fund's largest common equity long and short positions. All data is as of June 30, 2013.

Largest Common Equity Positions

Long	Short
Kinder Morgan	Peoples Bank - CT
Genworth	Blackrock
ING US	Legg Mason
Zions Bancorporation	Simon Property Group
Virtus Investment	Westamerica

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 Financials sector as of June 30th:

	Long	Short	Net
Alt Asset Managers	14.0%	0.0%	14.0%
Asset Managers	5.7%	-3.1%	2.5%
Banks (large)	25.0%	-11.1%	14.0%
Banks (small)	12.7%	-14.5%	-1.8%
Broker-Dealers	6.7%	-1.0%	5.7%
Exchanges	0.0%	0.0%	0.0%
Life Insurance	13.9%	-1.1%	12.9%
Non-Bank Lenders	7.1%	0.0%	7.1%
P&C Insurance	3.3%	-2.7%	0.7%
Processors	0.0%	-2.2%	-2.2%
Real Estate	4.6%	-3.4%	1.1%
Index Hedges	0.0%	-40.8%	-40.8%
Non-Financials	0.7%	0.0%	0.7%
Total	93.8%	-79.8%	14.0%

The Fund's gross common exposure is 174% and its net exposure is 14%. Ninety-four percent of the Fund's positions are in finance-related companies. The main non-finance related positions are the positions in Kinder Morgan and Inergy, which control general partners for their respective MLPs and are included in the Alternative Asset Manager sub-sector in the table above. From this table, I exclude fixed income instruments such as preferred stock. Preferred stock positions account for an additional 6% of the portfolio.

Organizational Changes

There were no significant organizational changes in the 2nd Quarter of 2013.

Conclusion

The Fund's performance was decent in the 2nd Quarter of 2013. I am looking forward to the rest of 2013. Thank you for entrusting me with a portion of your wealth. I remain the Fund's largest investor with just over 80% 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 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 2013 is estimated and unaudited.

The inception date for Gator Financial Partners, LLC was July 1, 2008. The performance data presented on the first page of this letter for the market indices under "since inception" is calculated from July 1, 2008. The returns represented encompass a market and economic period of extreme volatility which may not repeat itself.

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.

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 may 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 may 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 may 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. 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.