April 25, 2023

Dear Gator Financial Partners:

We are pleased to provide you with Gator Financial Partners, LLC’s (the “Fund” or “GFP”) 2023 1st Quarter investor letter. This letter reviews the Fund’s 2023 Q1 investment performance, shares our observations on the Regional Bank Crisis of March 2023, and describes investment opportunities coming out of the crisis.

Review of 2023 Q1 Performance

During the 1st quarter of 2023, the Fund trailed the broader market but outperformed the Financials sector benchmark. Our long position in First Citizens Bancshares and short positions in Vornado, Flushing Financial, JBG Smith Properties, and First Hawaiian were top contributors to the Fund’s performance. The largest detractors were long positions in Western Alliance, Northeast Bank, PacWest Bancorp, Anywhere Real Estate (fka Realogy Holdings), and Sallie Mae.

<table>
<thead>
<tr>
<th>Fund</th>
<th>2023 Q1</th>
<th>Total Return Since Inception</th>
<th>Annualized Return Since Gator’s Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gator Financial Partners, LLC</td>
<td>1.72%</td>
<td>1,154.94%</td>
<td>18.71%</td>
</tr>
<tr>
<td>S&amp;P 500 Total Return Index</td>
<td>7.50%</td>
<td>332.75%</td>
<td>10.44%</td>
</tr>
<tr>
<td>S&amp;P 1500 Financials Index</td>
<td>-5.92%</td>
<td>175.06%</td>
<td>7.10%</td>
</tr>
</tbody>
</table>

Source: Gator Capital Management & Bloomberg

Silicon Valley Bank and the Regional Bank Crisis of March 2023

The bank run by depositors on Silicon Valley Bank (“SIVB”) was shocking. After the bank announced an equity offering and the sale of a portfolio of mortgage-backed securities (“MBS”) on March 8th, depositors withdrew $40 billion in a single day on March 9th and made requests to withdraw another $100 billion on March 10th. Since SIVB did not have enough cash to meet these depositor requests, bank regulators shut down the bank the morning of March 10th. SIVB went from having a $16 billion stock market valuation on the afternoon of March 8th, to getting closed and placed into FDIC receivership by the morning of March 10th.

SIVB was primarily focused on the venture capital community. Venture capital investors and their portfolio companies comprised the majority of their customer base. As a result, the deposit base was much more concentrated than that of an average regional bank. An estimated 95% of SIVB’s deposits were not insured by the FDIC. When the venture capital firms decided to withdraw their deposits from

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1 The Fund’s inception date was July 1, 2008.
2 Performance presented assumes reinvestment of dividends, is net of fees, brokerage and other commissions, and other expenses an investor in the Fund would have paid. Past performance is not indicative of future results. Please see General Disclaimer on page 7.
3 Performance presented assumes reinvestment of dividends. No fees or other expenses have been deducted.
SIVB, they strongly suggested to the management teams of their portfolio companies that they also withdraw their deposits. The combination of a concentrated depositor base, rapid spread of information over social media, and the easy accessibility of bank transfers on mobile phone apps led to a rapid drain on deposits from SIVB.

Other banks, such as Signature Bank, PacWest Bank, and Western Alliance, also focused on serving venture capital clients. Venture capital firms and their portfolio companies reduced their deposits at these banks as well, as they were worried about taking haircuts on their uninsured deposits if these banks failed. At Signature Bank, there were too many deposit withdrawal requests, which prompted the regulator to close the bank over the weekend of March 10th. Both PacWest and Western Alliance’s stocks declined by over 60% during this time period, but they were able to meet depositors withdrawal requests.

We are disappointed by the demise of SIVB. We had admired the bank’s franchise for a long time. You may remember that we published our bullish investment thesis on SIVB in our April 2019 letter. We sold SIVB during the onset of the pandemic in 2020 because we thought there were better investment opportunities. We continued to track SIVB’s progress and were amazed by the strong deposit growth at the bank. We never repurchased a position because we were worried about the red-hot venture capital environment. We were short SIVB during the Fall of 2022, but we were not short SIVB during 2023.

We are frustrated about SIVB’s management taking unnecessary risks that ended up destroying the franchise. Because SIVB had such a great deposit franchise, the bank only made loans for about 50% of its deposits. A typical regional bank is more balanced and lends out 90% to 100% of its deposits. Additionally, SIVB should have invested its excess deposits in short-term bonds. SIVB’s management instead invested almost the entire securities portfolio in long-term agency Mortgage Backed Securities (“MBS”). As interest rates troughed during 2020 and 2021, SIVB’s management continued to reinvest the bond portfolio in lower coupon MBS. They ended 2021 with a portfolio made up almost entirely of 1.5% and 2.0% yielding loans at a time when interest rates were at multi-generational lows. When interest rates rose in 2022, the value of these long-term MBS declined by 20%, which caused the bank to be technically insolvent as far back as last September. This was evident from the bank’s Q3 earnings release. However, bank regulators did not declare SIVB insolvent last Fall because of an arcane accounting rule which allowed SIVB (and other banks) to ignore the mark-to-market losses on the portion of its bond portfolio allocated to its “Held to Maturity” account when calculating its GAAP equity and regulatory capital. Due to the flexibility allowed by this accounting treatment of ignoring mark-to-market losses, SIVB and other banks took imprudent risks and bought long-term, low yielding bonds.

SIVB is not the only bank to damage their franchise by buying long-term MBS with low coupons. We think Bank of America, Charles Schwab, and Zions Bancorporation have all impaired their franchises by taking on too much interest rate risk in their bond portfolios. Specifically, these banks purchased a large amount of low-coupon MBS. With the increase in interest rates, the homeowners paying on the underlying mortgages have strong incentives to stay in their homes and keep their low mortgage rates, thus extending the duration of the MBS to 10+ years. These banks will therefore have to hold onto these underearning MBS for a considerable amount of time. At the same time, short-term interest rates have risen and made bank customers much more aware of the potential to earn higher returns on their cash balances. Unsurprisingly, there has been an acceleration of customers seeking higher short-term yields. These banks may earn a negative spread by funding these low-coupon MBS with high-cost deposits and borrowings for years.
Opportunities in the Aftermath of the Bank Crisis: Non-bank Financials

We see two main opportunities in the aftermath of the Bank Crisis of March 2023: 1) non-bank financials and 2) select regional banks.

The best near-term opportunity is non-bank financials. The whole financial sector was down 10% in March. For comparison, regional banks were down 29%. Several of our favorite non-bank financials were down more than 15% despite having little in common with regional banks. These non-bank financials don’t have bank deposits and are not facing increased regulatory scrutiny.

We believe that non-bank financials declined in sympathy alongside the regional banks because some market participants were using Financials sector exchange-traded funds ("ETFs") to hedge or short the sector. The ETF selling put pressure on all of the stocks held by the ETF whether they were regional banks or not. Also, we believe some market participants who were large holders of regional banks had to trim their overall equity exposure and reduced their positions across all Financials as a result, including non-bank financials.

We like Virtus Investment Partners and OneMain Financial. Virtus is an investment manager trading at 6x earnings with zero net debt. The company has been using their cash flow to make acquisitions of smaller investment managers and to repurchase their own stock. Virtus was down 16% in March despite their assets under management increasing in both March and in Q1. OneMain Financial is a sub-prime lender and is not a bank. The company funds its balance sheet in the capital markets and is fully-funded with mostly fixed-rate liabilities. The stock was down 15% in March and trades at 6x earnings.

We would have included Genworth Financial and Sallie Mae in this group, but as of the writing of this letter, they have fully recovered.

We think the opportunity in non-bank financials is a temporary one. This opportunity is disappearing as non-bank financials get bid to higher prices. We think this opportunity will be largely gone by the time earnings season is over as investors realize the underlying strength of these businesses.

Opportunities: Select Regional Banks

A second but higher risk opportunity is in select regional banks. Coming into March, regional banks were already at the low end of their long-term valuation range. In March, the regional bank index declined 29%, and many well-run regional banks declined more than the index. We admit there are many new negatives for regional banks in the aftermath of the Bank Crisis. Still, we think they have become too cheap and have the potential to outperform as we get clarity on the going forward business model.

We see four new negatives for regional banks: 1) uninsured deposits will decline unless deposit insurance limits are increased, 2) banks will operate with higher liquidity going forward, 3) deposit repricing is accelerating, and 4) regulatory uncertainty is high.

One of the largest surprises from the Bank Crisis of 2023 was the high level of uninsured deposits that all banks held. We believe that the concern regarding deposit haircuts at SIVB has caused anxiety among depositors across the country. Unless deposit insurance limits are raised, which looks doubtful at the
moment, we think the banks will operate with lower deposit levels as uninsured depositors find more comfortable places for their cash.

We think the FDIC should raise the limit on deposit insurance to $1 million for consumer accounts and $5 million for commercial accounts. The $250k deposit insurance limit, put in place in 2008, has not been adjusted and is now too low. For any small to medium-sized companies, there is variability in their cash flow that prevents them from keeping bank account balances below $250k.

The main argument we’ve heard against raising the deposit limit is “moral hazard.” We think this is an unsound argument. Commentators use moral hazard to scare people into believing that if depositors don’t monitor a bank’s counterparty risk, then bank management will run amok and take too much risk. However, in our career, we have never heard a bank management team say, “We dialed down risk because we couldn’t get this big depositor to keep his money in the bank.” The people who scream moral hazard are putting forth the argument that depositors should be responsible for monitoring their bank’s risk management. This is the job of bank regulators. As we saw with SIVB, these bank regulators did a poor job of supervising the bank. The bank’s equity and debt holders should therefore serve as another line of defense in risk management after the regulators. We would argue that the equity holders at SIVB also did an inadequate job of forcing the bank to take less risk. We do not believe depositors should act as the risk managers for banks, and as such we are in favor of higher deposit insurance.

We think higher levels of deposit insurance will help regional banks retain deposits. The U.S. economy needs regional banks because they play an important role in creating credit for the economy, specifically for small and middle-sized businesses. If deposit insurance limits are not increased, then regional banks will likely have to shrink, which will reduce the availability of credit. Less credit means the economy will grow more slowly or even possibly shrink.

Banks are going to run with a higher level of liquidity. For a banker, there is nothing more terrifying than a liquidity scare. We will have a period of lower loan growth while bankers transition to more liquid balance sheets. Once bank balance sheets reflect higher liquidity, banks will generate lower profits due to the decline in loans as a percentage of deposits. Bank securities portfolios will be shorter in duration and more liquid and will yield less, but the banks and the banking system will be safer.

Deposit costs are accelerating for banks. The media focus on the Bank Crisis of March 2023 has caused bank customers to search for higher yields on their excess cash. As you know, banks were slow to raise the interest rates they paid on deposits. During the low interest rate environment of the last 15 years, bank customers had gotten used to holding excess cash in their checking accounts because searching for higher yields was not worth their time. With money market rates approaching 5%, depositors had started to change their behavior and were looking for higher yielding places to keep their cash. The bank failures in March accelerated this phenomenon and deposit costs across the banking industry increased.

Our fourth headwind is the uncertainty of new capital and liquidity regulations targeted at regional banks. In the current environment we believe buybacks are off the table for the industry. With the need for capital across the Financial sector, we believe it is unlikely that bankers are going to buy back much stock in this environment even given the low equity prices. However, we have identified a few banks that are down more than 20% that have small securities portfolios, meaning they don’t have any of the
mark-to-market issues that SIVB had. These select regional banks have been strong performers historically.

Despite these four new negative issues for banks, we believe regional bank stock prices have overshot to the downside. We estimate these four issues will cause a 10% decline in earnings, which is not bad compared to a 30% decline in stock prices. We believe the banks will be able to overcome some of these negatives with wider spreads on loans going forward. We believe we must focus on the best management teams that have shown the ability to grow while maintaining discipline on expenses.

Some banks we have identified include Axos Financial, United Missouri Bank, Webster Financial, and Pinnacle Financial. These banks are strong performers and don’t have the same problems that SIVB and others had with their bond portfolios. These banks have strong deposit franchises and have posted strong loan growth for many years. We believe they will be able to balance the demands of the new banking environment and post strong results.

Portfolio Analysis

Largest Positions
Below are the Fund’s five largest common equity long positions. All data is as of March 31, 2023.

Long
Genworth Financial
First Citizens Bancshares
Jackson Financial Inc.
PennyMac Financial Services
First Bancorp Puerto Rico

Sub-sector Weightings
Below is a table showing the Fund’s positioning within the Financials sector as of March 31st, 2023.

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Long</th>
<th>Short</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alt Asset Managers</td>
<td>5.50%</td>
<td>0.00%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>12.70%</td>
<td>-1.81%</td>
<td>10.89%</td>
</tr>
<tr>
<td>Banks (large)</td>
<td>27.44%</td>
<td>-8.51%</td>
<td>18.93%</td>
</tr>
<tr>
<td>Banks (small)</td>
<td>27.09%</td>
<td>-17.03%</td>
<td>10.06%</td>
</tr>
<tr>
<td>P&amp;C Insurance</td>
<td>6.60%</td>
<td>0.00%</td>
<td>6.60%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>16.93%</td>
<td>-0.63%</td>
<td>16.31%</td>
</tr>
<tr>
<td>Non-bank Lenders</td>
<td>20.01%</td>
<td>0.00%</td>
<td>20.01%</td>
</tr>
<tr>
<td>Processors</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10.41%</td>
<td>-16.67%</td>
<td>-6.26%</td>
</tr>
<tr>
<td>Exchanges</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

“Financials sector” is defined as companies included in the Global Industry Classification System (“GICS”) sectors 40 and 60, which contains financial and real estate companies.
Index Hedges  0.00%  0.00%  0.00%
Non-Financials  0.00%  0.00%  0.00%
Total         126.68% -44.65%  82.03%

The Fund’s gross exposure is 190.4%, and its net exposure is 101.09%. From this table, we exclude fixed-income instruments such as preferred stock. Preferred stock positions account for an additional 19.06% of the portfolio.

Conclusion

Thank you for entrusting us with a portion of your wealth. We are grateful for you, our investors, who believe and trust in our strategy. On a personal level, Derek Pilecki, the Fund’s Portfolio Manager, continues to have more than 80% of his liquid net worth invested in the Fund.

As always, we welcome the opportunity to speak with you and discuss the Fund.

Sincerely,

Gator Capital Management, LLC

Gator Capital Management, LLC prepared this letter. Ultimus LeverPoint Fund Solutions, LLC, our administrator, is responsible for the distribution of this information and not its content.
General Disclaimer

By accepting this investment letter, you agree that you will not divulge any information contained herein to any other party. This letter and its contents are confidential and proprietary information of the Fund, and any reproduction of this information, in whole or in part, without the prior written consent of the Fund is prohibited.

The information contained in this letter reflects the opinions and projections of Gator Capital Management, LLC (the “General Partner”) and its affiliates as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security.

All performance results are based on the net asset value of the Fund. Net performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, as indicated, and include the reinvestment of all dividends, interest, and capital gains. The performance results represent Fund-level returns and are not an estimate of any specific investor’s actual performance, which may be materially different from such performance depending on numerous factors.

The market indices appearing in this letter have been selected for purposes of comparing the performance of an investment in the Fund 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 the Fund. The Fund is not restricted to investing in those securities which comprise these indices, its performance may or may not correlate to these indices, and it should not be considered a proxy for these indices. 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. The S&P 1500 Financials Index is a market cap weighted index of financial stocks within the S&P 1500 Super Composite Index we used as a proxy for the Financials sector of the U.S. equity market. An investment cannot be made directly in either index. The Fund consists of securities which vary significantly from those in the benchmark indices listed above. Accordingly, comparing results shown to those of such indices may be of limited use.

Statements herein that reflect projections or expectations of future financial or economic performance of the Fund are forward-looking statements. Such “forward-looking” statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or the Fund’s actual performance. No representation or warranty can be given that the estimates, opinions, or assumptions made herein will prove to be accurate. Any projections and forward-looking statements included herein should be considered speculative and are qualified in their entirety by the information and risks disclosed in the Fund’s Private Placement Memorandum. Actual results for any period may or may not approximate such forward-looking statements. You are advised to consult with your own independent tax and business advisors concerning the validity and reasonableness of any factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Fund, the General Partner, or any other person or entity as to the future profitability of the Fund or the results of making an investment in the Fund. Past performance is not a guarantee of future results.
The funds described herein are unregistered private investment funds commonly called "hedge funds" (each, a "Private Fund"). Private Funds, depending upon their investment objectives and strategies, may invest and trade in a variety of different markets, strategies and instruments (including securities, non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Private Fund (which also are applicable to the underlying Private Funds, if any, in which a Private Fund may invest). Prospective investors should note that:

- A Private Fund represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience, and willingness to bear the risks of an investment in a Private Fund. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in a Private Fund is not suitable for all investors and should be discretionary capital set aside strictly for speculative purposes. Only qualified eligible investors may invest in a Private Fund.
- A Private Fund's prospectus or offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally, or state registered.
- An investment in a Private Fund may be illiquid and there are significant restrictions on transferring or redeeming interests in a Private Fund. There is no recognized secondary market for an investor's interest in a Private Fund and none is expected to develop. Substantial redemptions within a limited period of time could adversely affect the Private Fund.
- Certain portfolio assets of a Private Fund may be illiquid and without a readily ascertainable market value. The manager's/advisor's involvement in the valuation process creates a potential conflict of interest. Instances of mispriced portfolios, due to fraud or negligence, have occurred in the industry.
- A Private Fund may have little or no operating history or performance and may use performance information which may not reflect actual trading of the Private Fund and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- A Private Fund may trade in commodity interests, derivatives, and futures, both for hedging and speculative purposes, and may execute a substantial portion of trades on foreign exchanges, all of which could result in a substantial risk of loss. Commodities, derivatives, and futures prices may be highly volatile, may be difficult to accurately predict, carry specialized risks and can increase the risk of loss.
- A Private Fund's manager/advisor has total trading authority over a Private Fund. The death or disability of a key person, or their departure, may have a material adverse effect on a Private Fund.
- A Private Fund may use a single manager/advisor or employ a single strategy, which could mean a lack of diversification and higher risk. Alternatively, a Private Fund and its managers/advisors may rely on the trading expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors, which may trade in a variety of different instruments and markets.
- A Private Fund may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important financial and tax information being sent to investors.
- A Private Fund's fees and expenses, which may be substantial regardless of any positive return, will offset such Private Fund's trading profits. If a Private Fund's investments are not successful or are not sufficiently successful, these payments and expenses may, over a period of time, significantly reduce or deplete the net asset value of the Private Fund.
A Private Fund and its managers/advisors and their affiliates may be subject to various potential and actual conflicts of interest.

A Private Fund may employ investment techniques or measures aimed to reduce the risk of loss which may not be successful or fully successful.

A Private Fund may employ leverage, including involving derivatives. Leverage presents specialized risks. The more leverage used, the more likely a substantial change in value may occur, either up or down.

The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Private Fund's offering documents, which must be reviewed carefully prior to making an investment.

Oakpoint Solutions, LLC, member FINRA, SIPC