



Commercial Industrial Finance Corp.
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of Commercial Industrial Finance Corp. ("CIFIC"). If you have any questions about the contents of this brochure, please contact us at 212-624-1200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Our registration with the SEC as an investment adviser does not imply a certain level of skill or training.

Additional information about CIFIC is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2. Material Changes

Not applicable.

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Item 4. Advisory Business

Commercial Industrial Finance Corp. (“CIFC”) is an SEC-registered investment adviser, and CypressTree Investment Management, LLC (“CypressTree”) is a wholly-owned subsidiary of CIFC and also an SEC-registered investment adviser. Unless otherwise specified, the “Company” refers to both CIFC and CypressTree. The Company is a corporate credit asset management business combining credit practices of banks and asset managers. The Company serves as the collateral manager and/or subadviser for fourteen private closed-end collateralized loan obligation funds and two other funds (each, a “fund”), and accordingly provides investment supervisory services to each fund.

The Company, on behalf of the funds, invests primarily in senior secured corporate loans (“SSCLs”) and equivalent exposures in the primary and secondary markets. As of December 31, 2010, the Company managed approximately 600 credit investments, the substantial majority of which constituted SSCLs, and had approximately \$6.1 billion in assets under management (“AUM”).

The Company is a proactive, fundamentals-based manager and makes every credit decision assuming that each loan invested in may be held until repayment. For this reason, the Company focuses on credits with robust recovery values supported by a cushion comprising collateral and

enterprise value. As part of ongoing portfolio management, the Company also re-assesses the investments held by each client relative to the target investment criteria of that fund.

The substantial majority of our clients are pooled investment vehicles. When we refer herein to our clients, we are referring only to the entities whose accounts we directly manage and not to the investors in these vehicles. We also refer to these clients as “funds”.

The Company’s principal owners are Charlesbank Equity Fund V, Limited Partnership, Charlesbank Equity Fund VI, Limited Partnership, and their affiliated investment funds, all of which are advised by Charlesbank Capital Partners, LLC.

Item 5. Fees and Compensation

For investment supervisory services provided to its clients, the Company typically is paid a senior management fee, a subordinated management fee and incentive management fees. Exact fee rates and the methodology for calculating fees are agreed to at the time a particular fund closes and remains for the life of the fund. The senior and subordinate management fees are determined and paid quarterly depending on certain cash distribution constraints governing the funds, generally calculated as a percentage of AUM for the respective fund. Fees charged to a particular fund are negotiable. However, once a fund has closed, fees for the life of the fund are not negotiable, but the Company may, in its sole discretion, waive all or part of its fees.

The Company’s management and incentive fees are described in detail in each fund’s offering circular and the other constituent documents for the funds, which are finalized at the time a fund closes and made available to the relevant fund investors on the Company’s website, www.cifc.com, for the life of the fund. Clients are not billed directly: fees are determined quarterly (in arrears) by the fund’s trustee (based on the specific fee rates and methodology provided in each fund’s constituent documents) and paid by the trustee on behalf of the fund to the Company. Fees are deducted from client assets by the trustee and are not paid in advance.

In accordance with the terms of our investment advisory agreements, the funds reimburse the Company from time to time for certain out-of-pocket expenses related to the services provided by the Company and third parties to the applicable fund. Among other things, the funds may reimburse the Company for fees and expenses related to: establishing a fund, accountants, rating agencies, loan pricing services, software providers, custodial fees, commissions, trade settlement fees, legal and consultant fees and expenses, exchange fees, bank service fees, income, withholding or transfer taxes and expenses related to proposed transactions that have not been executed or are not ultimately executed and fees of other service providers. In some cases, service providers may be affiliated with the Company, and the Company uses commercially reasonable efforts to ensure that the services provided by such parties to the funds are on terms which are no less favorable than would apply in an arm’s-length terms transaction.

Item 6. Performance Based Fees and Side-by-Side Management

In addition to senior and subordinate management fees, the Company typically is entitled to receive two performance incentive fees (a “Tier I” fee and a “Tier II” fee) generated and paid quarterly (again, depending on certain cash distribution constraints governing the funds) of: (i) an

additional percentage of AUM after the fund reaches a performance hurdle, and (ii) a specified percentage of remaining investment proceeds above a separate performance hurdle. The performance hurdles for these calculations are determined as proceeds from the fund investments result in the fund residual interest tranche investors (i.e. the “equity” investors in the fund) receiving a cash-on-cash return or an internal rate of return (“IRR”) above specified percentages on their net invested capital.

Item 7. Types of Clients

The Company primarily provides investment management services to pooled investment vehicles that are collateralized loan obligation (“CLO”) issuers. We refer to these pooled investment vehicles herein as CLOs or “funds”. We may provide investment advice, generally through managed accounts, to other types of investors.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The Company is a proactive, fundamentals-based corporate credit manager that strives to provide best-in-class processes and controls and full transparency to investors, combining best credit practices of banks and asset managers. A focus on loan repayment by borrowers, in contrast to dependency on asset sales as a primary risk management tool, is integrated with disciplined portfolio diversification, an adherence to strict risk/return criteria and an overlay of market value arbitrage to enhance the risk profile of the funds. The Company makes every investment decision under the assumption that the asset will be held to maturity, with emphasis on each loan's repayment prospects or collectability in the event of default. To that end, the Company seeks loans with robust recovery values supported by a cushion comprised of collateral and enterprise value. Rather than relying on the views of rating agencies or implied signals from market prices, the Company's credit analysis focuses on industry, the borrower's business, management capabilities, debt service capacity, legal structure, collateral value and use of proceeds. The Company's fundamentals-based investing strategy incorporates an overlay of relative value loan trading and portfolio rebalancing in a continual, disciplined reassessment of every loan in the funds that it manages. In so doing, the Company seeks to identify relative value differentials, loan market inefficiencies and technical imbalances in order to arbitrage differences between expected recovery rates and market prices, to build loan loss reserves, and to take defensive actions. Guided by its continuously updated credit views, the Company sells loans when more attractive loans can be purchased at comparable price points to optimize portfolio composition and target performance. In addition, the Company employs a workout approach to stressed loans with a focus on ultimate recovery (soon-to-default or actual default sales are exceptions and undertaken only where price exceeds expected recovery). Within its diligent, detail-oriented fund management process, the Company also prioritizes concentration and correlation avoidance and re-assesses investments relative to the target investment criteria of each fund. Ultimately, the Company is focused on the preservation of capital invested and seeks to deliver consistently attractive risk adjusted returns according to the original outlined investment strategy and to maintain high transparency and accountability with its investors.

The Company primarily invests for relatively long time horizons, often for multiple years. However, market developments could cause the Company to sell investments more quickly.

Risks of investing in CLOs

The material risks of investing in CLOs generally consist of those relating to the securities issued to investors by the CLOs and the underlying SSCLs held by the CLOs. The former risks are typically the lack of liquidity of the interests, their subordination to more senior interests in the CLO's capital structure, the limited recourse nature of the interests, and the uncertainty of the CLO making payments on the interests. The latter risks are generally credit, liquidity, interest rate and exchange rate risks; overall economic conditions; operational and structural risks; the condition of financial markets; political events; developments or trends in any particular industry; and changes in prevailing interest rates and periods of adverse performance.

Risks of investing in bank loans

The investment risks of bank loans include limited liquidity and secondary market support, the possibility that earnings of the loan obligor may be insufficient to meet its debt service, the declining creditworthiness and potential for insolvency of the obligors of bank loans during periods of economic downturn, spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and if subordinated, subordination to the prior claims of other loans or senior lenders. An economic downturn could severely disrupt the market for bank loans and adversely affect the value of outstanding bank loans and the ability of the obligors to repay principal and interest.

The Company primarily invests in bank loans that are SSCLs.

If a default occurs with respect to any bank loan, and the holder of the loan sells or otherwise disposes of the loan, the proceeds of the sale or disposition will likely be less than the unpaid principal and interest thereon.

Loans may become non-performing for a variety of reasons and as a result may require substantial workout negotiations or restructuring that may include a substantial reduction in the interest rate, a substantial reduction of the principal or a substantial extension of the amortization or maturity date of the loan. Any such event will likely cause a significant decrease in the interest collections on the loan and or a significant decrease in the principal collections on the loans.

The loan investor generally will be purchasing an assignment of or a participation in a loan issued under a loan facility to which more than one lender is a party. These loan facilities are most often administered by agent lenders on behalf of the lenders pursuant to a loan agreement. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain syndicated loans may not be purchased or sold as easily as publicly traded securities, and the trading volume in the syndicated loan market has been small relative to the market for high-yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying obligor. In addition, the investor may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan.

Historical information regarding default and recovery rates of bank loans is limited. Actual default and recovery rates could vary significantly from historical observations. Historical information on the market value volatility of loans is limited, and loans could be subject to market volatility not apparent from historical volatility studies. Such volatility could be significant at times.

While most of the loans the Company invests in are SSCLs, some bank loans may be junior loans or subordinated loans, which are typically subject to intercreditor arrangements, which may prohibit or restrict the ability of the investor to exercise rights against the obligor with respect to their second liens, to challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens, to challenge the enforceability or priority of the first liens on the collateral, and to exercise certain other secured creditor rights, both before and during a default or bankruptcy of the obligor.

During a bankruptcy of the obligor, the holder of a junior loan may have to give advance consent to any use of cash collateral approved by the first lien creditors, sales of collateral approved by the first lien lenders and the bankruptcy court, and debtor-in-possession financings.

Bank loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that bank loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment.

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the obligor or has assumed a degree of control over the obligor that creates a fiduciary duty owed to the obligor or its other creditors or shareholders. Because of the nature of bank loans, the investor could be subject to allegations of lender liability made against it as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

Risks of investing in high-yield (“HY”) bonds

While the Company primarily invests in SSCLs, certain of the funds do hold a limited number of HY bonds (particularly those funds managed by CypressTree). HY bonds are rated below investment grade and thus have greater credit and liquidity risk than investment grade obligations. HY bonds typically pay a fixed rate of interest and are generally unsecured and may be subordinated to other obligations of the issuer. The lower ratings of HY obligations reflect a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions may impair the ability of the issuer to make payments of principal and interest.

Risks of HY bonds also include limited liquidity and secondary market support, substantial market price volatility resulting from changes in prevailing interest rates, subordination to the prior claims of banks and other senior lenders, the operation of mandatory sinking fund or

call/redemption provisions during periods of declining interest rates that could cause the investor to reinvest premature redemption proceeds in lower-yielding bonds, the possibility that earnings of the issuer may be insufficient to meet its debt service, and the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates or economic downturn.

An economic downturn or an increase in interest rates could severely disrupt the market for HY bonds and adversely affect the value of outstanding HY bonds and the ability of the issuers thereof to repay principal and interest. The market for both investment grade and HY bonds is not liquid at all times and for all issuers. Particular issues may be concentrated in the hands of only a few investors, many of such bonds are not registered under securities laws and most are not listed, and market-making activity, if any, may cease.

All investing involves a risk of loss.

Item 9. Disciplinary Information

The Company and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10. Other Financial Industry Activities and Affiliations

CypressTree is a wholly-owned subsidiary of CIFIC. Both entities are SEC-registered investment advisers. CIFIC is primarily owned by Charlesbank Equity Fund V, Limited Partnership, Charlesbank Equity Fund VI, Limited Partnership, and their affiliated investment funds, all of which are advised by Charlesbank Capital Partners, LLC.

Certain of our Related Persons (in general, our officers, directors, and non-clerical employees, and any person controlling, controlled by or under common control with us) may be general partners or managers of investment-related entities, but our clients are not solicited to invest in those entities, although we might solicit such investment in the future.

A Related Person has a non-controlling minority equity investment in Black Mountain Systems, LLC, a company that provides loan administration services to the Company and its clients.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Company has adopted a Code of Ethics that governs employees' personal securities transactions, the protection of material non-public information, outside business activities, gifts and entertainment, and the protection of clients' and investors' private information, among other things. A copy of the Company's Code of Ethics may be obtained by contacting Robert C. Milton III (rmilton@cific.com).

Participation or interest in client transactions

We or a Related Person may recommend to our clients that they buy securities in which we have a material financial interest, in that we or they may recommend that you invest in an investment

fund that we manage, or that we or they may be an investor, and in which we or they thus have a financial interest. We would recommend the investment only if we considered it in our clients' best interests to make the investment.

We or a Related Person may invest in the same or related securities that we recommend to our clients, in that, as noted above, we or they may be investors in investment funds that we recommend to our clients. We do not consider this to involve a conflict of interest, as we believe that the investment by us or the Related Person in a fund that we or a Related Person recommends to our clients helps to align our interests with theirs.

We or a Related Person may recommend securities to our clients at or about the same time that we or they buy or sell the same securities for our or their own account, in that, as noted above, we may recommend to our clients that they invest in an investment fund we manage at or about the same time that we or a Related Person invests in the fund. We do not consider this to involve a conflict of interest.

We or a Related Person may buy or sell securities for our clients' accounts at or about the same time, in that we may cause an account in which we or such persons have a material ownership or other financial interest to engage in such principal trades with a client account. We would effectuate such trades only if we consider them to be in the best interests of the client account, principally because we considered the trade desirable for the client account and the trade price to be better than we could have obtained for the client account in an open market transaction. We will generally disclose in the disclosure document for the client account that we may engage in such principal trades with the account.

We have various policies and procedures setting forth the terms under which we may engage in principal trades. Our principal trades could create a conflict of interest for us, in that we might have an incentive to favor an account in which we or our Related Persons have a financial interest over the client account that we arrange to buy securities from or sell securities to such proprietary account.

Personal trading by Related Persons

We generally address conflicts that may arise in the personal trading of securities by our Related Persons through our Code and our review of the personal trading of our Related Persons who are our directors of or officers or employees who have access to pre-trade information about orders we place for client accounts. The Code contains general prohibitions on (and we review Related Persons' reports of personal trading for) personal trading that would conflict with our clients' interests, "front running" of clients' transactions (purchasing securities in advance of causing client accounts to purchase the same securities), and that would involve the use of material non-public information.

In addition, certain "knowledgeable employees" indirectly have a beneficial ownership in CIFIC's funds, as these employees, in prior years, have chosen to defer a portion of their annual compensation to a plan whose return tracks the returns on the CIFIC equity invested in funds that it manages.

Item 12. Brokerage Practices

The Company may buy or sell loans from numerous agent banks. The Company has full discretion to determine its trading counterparties, but it typically trades with the agent bank offering the most favorable price. The Company's trading counterparties generally do not charge commissions, instead earning a return on the bid/ask spread of the securities that they trade. When considering the reasonableness of a bid/ask spread, the Company may consider a loan's yield, the loan's availability through other agent banks, and prevailing market conditions, among other things.

We typically have authority to determine the broker or dealer to be used for the accounts we manage, and the commission rate to be paid to brokers. The only limitations on our authority in this regard would be those agreed to with the client.

The factors we consider in determining the broker or dealer to be used and the reasonableness of the commission rate paid are mainly the quality of execution, the financial condition of the broker or dealer, and the overall quality of the broker or dealer's services, which may include services other than execution of a specific trade, such as general market or company research the broker or dealer provides to us or specific trading ideas. The research generated by a client's trading may be used for the benefit of other clients and not all clients will benefit from all research obtained, but we do not have any "soft dollar" arrangements.

Certain brokers and dealers may introduce prospective clients to us or prospective investors to the investment funds we manage. This might give us an incentive to cause client accounts to use those firms as brokers and trade counterparties, whether or not they provide best execution, the lowest commission rate, or the best transaction prices or terms.

Item 13. Review of Accounts

The Company's dedicated Investment Team is involved with the credit, investment and portfolio management processes of the funds.

All investments (purchases and sales) are reviewed per an approval process which addresses 1) credit acceptability approval, 2) portfolio attractiveness approval and 3) final investment approval. The Investment Committee manages this process.

The Company aggregates the purchase or sale of securities for various client accounts in an effort to achieve best execution for its clients.

Investments (also known as credits) are reviewed quarterly, upon significant events, and upon receipt of an amendment request with respect to a particular credit. The Investment Committee reviews include but are not limited to: Industry Reviews, Financial and Operating Performance vs. Plan, Covenant Compliance, Collateral Valuation, Significant Events, Stress Testing and Portfolio Optimization. Generally, the Investment Committee or a subset thereof meets on a daily basis.

Fund compliance is the responsibility of the Fund Management team, which actively manages collateral quality and coverage tests in compliance with the governing documents for each fund.

As disclosed in each fund's offering circular, the independent trustee for each is responsible for preparing monthly reports, which are distributed to each fund's respective investors. These reports contain information about each fund's payments to investors, as well as information about the securities that serve as collateral. Prior to a distribution by each such trustee, the Company reviews the monthly reports and reconciles their contents against the Company's own records.

The Company also prepares a quarterly letter and makes other information available to each of the fund's investors. These quarterly letters and other information summarize, supplement, and explain information contained in the trustees' reports.

The Trustee reports, quarterly letters and other information are in PDF file format made available to investors on a secure basis via the Company website, www.cifc.com. In addition, the independent trustees for the funds make the reports available to all fund investors.

Item 14. Client Referrals and Other Compensation

Neither the Company nor its Related Persons directly or indirectly compensates any person for client referrals.

Item 15. Custody

We do not currently have custody of client funds or securities.

Item 16. Investment Discretion

We invariably have discretionary authorization with respect to the client accounts we manage. Before we assume this authority, we enter into either an investment management or similar agreement with the client, or a limited power of attorney, establishing the authority and specifying any limitations on the authority. Our clients customarily limit our discretionary authority through specific restrictions or requirements relating to the investing we may conduct for their accounts within such authority, such as restrictions on the types of instruments we may trade for the account.

Item 17. Voting Client Securities

We have, and will accept, authority to vote client securities.

Our policies for voting client securities are, in brief, as follows. We vote in a manner that we determine, in our discretion, is in the best interest of the clients and consistent with our duty of care and loyalty to our clients. We will generally vote for proposals that we believe maximize the value of the security. The factors we consider will vary from security to security and from client to client, and may include market information, liquidity, the debtor's financial situation, the industry, and the client's investment guidelines.

If we deem there is a conflict between our interests and those of the client with respect to the voting of a client security, we will generally address the conflict by a committee to include our

Chief Executive Officer, Chief Investment Officer, the head of the relevant trading desk and the CCO. For example, if a client account holds a defaulting bond whose issuer is negotiating financing with a financial institution with which we have a business relationship, the committee will review the voting action, and if it determines that no actual conflict is present it will approve the proxy vote.

Item 18. Financial Information

The Company has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.