GATOR CAPITAL MANAGEMENT

CIFC Corp. (NASDAQ: CIFC)

Company Background:

CIFC creates and manages collateralized loan obligations ("CLOs"). CIFC originally went public as Deerfield Triarc Capital in 2005. Prior to the financial crisis, the company used its own balance sheet to invest in equity tranches of its own CLO and collateralized debt obligation ("CDO") deals. This did not work out well in 2008, and the company suffered serious losses. However, because the company used structured securities instead of short-term debt to get leverage, the company did not have any liquidity issues and did not have to declare bankruptcy. Deerfield continued to earn management fees from the deals it structured, but the equity tranches lost significant value.

CIFC IS AN ASSET MANAGER FOCUSED ON STRUCTURED CREDIT PRODUCTS. SPECIFICALLY CIFI CREATES, SELLS, AND MANAGES COLLATERAIZED LOAN OBLICATIONS ("CLOs").

In 2010, Deerfield expanded its management fee revenue stream by merging with Columbus Nova, which managed its own CLOs. In 2012, Deerfield merged with another CLO manager, CIFC, and took the CIFC name. After the CIFC merger, the company was 27% owned by the public, 35% owned by Columbus Nova and 37% owned by CIFC Parent Holdings, which was controlled by Charlesbank Capital Partners. In late 2013, Columbus Nova purchased CIFC Parent Holdings' stake in CIFC and now owns 75% of the company. Columbus Nova owns its CIFC shares through a holding company named DFR Holdings.

Our investment thesis for CIFC includes:

1. Inexpensive stock – The stock is cheap. If we look at only the management fee earnings, CIFC trades at 9x earnings while other asset managers trade around 15x earnings. CIFC also has an outsized growth opportunity because it only manages $12 billion and can easily multiply this amount due to strong CLO demand.

2. Buy below what majority owner paid – At the current market price of $8.52, we can buy shares below the $9 per share that Columbus Nova paid for a 38% stake in December 2013. Although there may have been some premium in the $9 price due to the stake being a control stake, it is still beneficial to buy shares below this price. In our mind, this provides some semblance of downside protection.

3. Potential upside from incentive fees – CIFC earns about 50 bps in management fees on CLOs it manages. If the CLOs perform well, CIFC can earn another 30 bps in incentive fees. Usually, the incentive fees kick in after the deal has seasoned for several years. Since CIFC restarted CLO issuance in 2012, it hasn't earned incentive fees on new deals to date.

4. Potential product expansion into other credit related funds – CIFC has an opportunity to use its core competency of managing credit-related investments to expand into other offerings besides CLOs. It has already embarked upon this expansion by starting a few private

Investment funds focused on credit. Another opportunity is to open credit-related fixed income mutual funds.

5. Less Balance Sheet intensive – Today's CIFC does not use its balance sheet as intensely as Deerfield Triarc did prior to the financial crisis. We believe that CIFC should eventually get a higher multiple as investors begin to realize that most of its revenues are coming from management fees rather than investment earnings.

6. Beneficiary of Volcker Rule and Dodd-Frank – Due to increased regulation from the Volcker Rule and Dodd-Frank, money center banks have to exit several businesses. This creates an opportunity for non-bank firms like CIFC to fill the void left as banks shrink their balance sheets and become smaller participants in the CLO business.

7. Expect continued demand for CLOs – Given the weak returns from unleveraged credit and the very low credit default and loss rates, we expect to see continued demand for CLOs.

8. CIFC is a leader in the CLO sector – CIFC is the largest US CLO manager (by the number of CLOs it manages), and it was voted CLO Manager of the Year - Americas by Private Debt Investor magazine in its inaugural annual awards. .

9. Neglected stock – The stock has no analyst coverage and is the classic neglected small-cap stock. The stock had difficulty in 2008-2009, has a very small float (about $40M-$45M), and was formed through the merger of several under-the-radar companies which only perpetuates its neglected status.

Risks:

1. Leveraged to CLO market – CIFC business is leveraged to the growth of the CLO market. Although we believe the changes to the CLO market post-financial crisis will make new issuance more consistent, it will still be a cyclical market.

2. May never achieve a P/E multiple in line with traditional Asset Managers – The market multiple may remain low on CIFC's earnings, because of investment risk and the narrow source of revenues (corporate credit markets). Likewise, markets may only price current earnings and not projected earnings when Assets Under Management ("AUM") becomes seasoned and generates higher fees.

3. Majority holder controls the company - The interests of Columbus Nova (d/b/a DFR Holdings) may deviate from those of minority public investors. A few facts give us comfort: 1) the company pays a cash dividend, 2) the Columbus Nova-appointed co-CEOs bought shares on the open market earlier this year, and 3) as mentioned above, Columbus Nova paid $9 per share to double the size of its stake just nine months ago.

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