

**Part 2A of Form ADV**

**Item 1      Cover Page**

**Cohen & Company Financial Management, LLC**

**Brochure**

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**This brochure provides information about the qualifications and business practices of Cohen & Company Financial Management, LLC. If you have any questions about the contents of this brochure, please contact us at 215-701-9555 or [rfink@ifmi.com](mailto:rfink@ifmi.com). 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.**

**Additional information about Cohen & Company Financial Management, LLC also is available on the Security and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Cohen & Company Financial Management, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

This Brochure has been updated since Cohen & Company Financial Management, LLC's annual amendment filing on March 31, 2011 to reflect Cohen & Company Financial Management, LLC's ability to vote certain client securities, as reflected in Item 17.

**Item 3            Table of Contents**

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#### **Item 4            Advisory Business**

Cohen & Company Financial Management, LLC (sometimes referred to in this Brochure as “CCFM”, “we,” “us,” or “our”) is a limited liability company formed on August 13, 2003 in the State of Delaware. CCFM became registered as an Investment Adviser in February 2005.

CCFM’s principle owners are Daniel G. Cohen, Dekania Investors, LLC, Cohen Bros. Financial, LLC and IFMI, LLC. Our President and Chief Operating Officer, Peter O. Addei, manages the day to day activities of CCFM. Our Chief Compliance Officer is Rachael Fink and our Chief Financial Officer is Joseph W. Pooler, Jr., both of whom are officers of our indirect owner, IFMI, LLC.

CCFM acts as a collateral manager for Collateralized Debt Obligation (referred to in this Brochure as “CDO”) issuers. A CDO issuer is a special purpose investment vehicle that raises capital through the issuance of securities and uses the proceeds to purchase financial assets, typically debt or preferred equity instruments. A CDO issuer pools collateral assets into a portfolio that generates interest over a fixed period of time. The CDOs hold trust preferred securities and similar securities issued by bank holding companies and insurance companies. CCFM manages these assets for the CDO issuers pursuant to the terms of various agreements entered into by the CDO, CCFM and other parties, including a collateral management agreement and an indenture, by:

- evaluating and analyzing the credit quality of the issuers of securities acquired by the CDO to enable the CDO to make an investment decision with regard to the collateral;
- during the term of the CDO, performing ongoing reviews of the performance of collateral securities and general market conditions and generating reports for the CDOs;
- investing the proceeds from any sales of the CDO’s securities;
- selling defaulted collateral securities;
- acquiring replacement collateral securities; and
- auctioning collateral securities.

The collateral management agreement applicable to a CDO contains the terms and conditions pursuant to which CCFM serves as a CDO’s collateral manager and the indenture governs the terms and conditions of the notes and/or trust preferred securities applicable as a CDO, which may dictate certain actions by the collateral manager.

CCFM will follow investment guidelines established by the indentures, collateral management agreements and credit rating agencies for each CDO issuer that it advises.

Upon formation, CDOs, upon advice of CCFM, will purchase collateral securities to the extent that CCFM determines that such collateral securities are consistent with the investment guidelines and objectives of the CDO, the restrictions set forth in the agreements governing the CDO and applicable law. Related persons will not put their interests before a client’s interest. CCFM may not trade ahead of its clients or trade in such a way to obtain a better price for itself than for its clients. Further, related persons are prohibited from trading on non-public information or sharing such information. CCFM and its associated persons are required to conduct their securities and investment advisory business in accordance

with all applicable Federal and State securities regulations.

In general, CCFM's management of a CDO can be terminated without cause if 66.7% of the note holders voting separately by class and 66.7% of the equity holders vote to remove CCFM, or if 75% of the most senior note holders vote to remove CCFM when certain tests regarding the collateral securities fall below a predetermined threshold. CCFM can be removed as manager for cause if a majority of the controlling class of note holders or a majority of the equity holders of a CDO vote to remove CCFM. The term "Cause" generally includes unremedied violations of the collateral management agreement or indenture, defaults attributable to certain actions of the manager, misrepresentations or fraud, criminal activity, bankruptcy, insolvency or dissolution.

As of December 31, 2011, CCFM had \$3.3 billion assets under management, all of which was managed on a discretionary basis.

## **Item 5            Fees and Compensation**

As collateral manager, CCFM is paid certain collateral management fees by the CDO issuer, which are typically comprised of a senior collateral management fee that is paid prior to any distributions to the CDO's note holders and a subordinate collateral management fee following distributions to the CDO's note holders and the payment of various operating expenses. Our collateral management fees are generally paid quarterly in arrears based on the total amount of collateral held by the CDO at the end of each calendar quarter. Upon establishing a CDO, CCFM may negotiate an upfront management fee, if appropriate, and/or may receive fees associated with holding certain securities on behalf of a CDO prior to its formation.

The fees earned by CCFM and the terms of termination are negotiated prior to establishing each CDO and may vary for each CDO. Full disclosure of the terms of CCFM's compensation and the termination provisions are contained in the collateral management agreement, the indenture and the offering documents applicable to a particular CDO. Generally, annual collateral management fees to CCFM will not exceed 0.3% of the value of the collateral in the CDO on an annual basis.

In addition, CCFM may be reimbursed by the CDOs for certain reasonable fees and expenses paid to third parties as part of its duties as collateral manager.

A copy of the Offering Circular for each CDO for which CCFM acts as collateral manager sets forth the fees and compensation related to a particular CDO and is available from CCFM upon request.

**Item 6                      Performance-Based Fees and Side-By-Side Management**

Not Applicable. CCFM does not accept performance-based fees and does not manage accounts that are charged a performance-based fee or another type of fee, such as an hourly or flat fee or an asset-based fee.

## **Item 7           Types of Clients**

CCFM only provides advisory services to CDO issuers. A CDO issuer is a special purpose investment vehicle that raises capital through the issuance of securities and uses the proceeds to purchase financial assets, typically debt or preferred equity instruments. A CDO issuer pools collateral assets into a portfolio that generates interest over a fixed period of time.



## **Item 8                    Methods of Analysis, Investment Strategies and Risk of Loss**

Our business is impacted by the risks applicable to the banking industry (such as asset quality of loan portfolios and interest rate risks) and the insurance industry (such as policy design, pricing, underwriting discipline, investment success, sufficient reserving and use of reinsurance).

The risks presented by the banking industry are mitigated by ongoing monitoring of operating results and financial position of each issuer through review of key portions of the quarterly financial statements filed with banking regulators or the SEC.

The risks presented by the insurance industry are mitigated by:

- ongoing monitoring of operating results and financial position of each issuer through review of key portions of the quarterly financial statements filed with insurance regulators or the SEC, and
- event-driven reviews of particular issuers in the wake of changes in strategy or management, conditions in the bond and equities markets, and (for property and casualty insurers) catastrophic weather or geological events.

CCFM keeps abreast of evolving industry issues in both the banking and insurance industries through reading industry publications, attending industry conferences, and assessing the impact on individual banks or insurance companies by reviewing regulatory filings and having discussions with industry management. CCFM relies on its President and Chief Operating Officer, Peter O. Addei, to perform most analyses for our clients. Mr. Addei has served as a credit analyst at one of our affiliates, where he concentrated on the insurance industry. Prior to joining, Mr. Addei was a Capital Markets Associate with the Corporate & Investment Banking Division of Wachovia Securities, where he focused on financial institutions. He was previously a Trader with Databank Financial Services, Ltd. Mr. Addei holds an M.B.A. from Vanderbilt University and is a graduate of Kwame Nkrumah University of Science and Technology, where he studied Agricultural Economics.

In performing analyses for our client, Mr. Addei consults at least twice a year with a credit committee comprised of two individuals with experience in reviewing the creditworthiness of banking institutions. In addition, CCFM may obtain advice from attorneys, accountants and other experts to assist in its analysis of certain investments for clients who are CDOs.

Credit risk primarily consists of the possibility that if an issuer of collateral held by the CDO defers its interest payments (which each issuer is entitled to do for a period of five years) or defaults, the CDO will have less money to distribute to the note holders of the CDO. In addition, there is the credit risk that the rating agencies will downgrade a CDO.

Currently, management of the CDOs entails monitoring and working with the trustee under the indenture for each of the underlying transactions. Trading is generally limited to the sale of defaulted securities. Collateral management also entails responding to investor requests (limited) and reviewing reports prepared by the indenture trustees for each CDO.

CCFM does not represent, warrant or imply that the services or methods of analysis used by CCFM can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by

CCFM will provide a better return than other investment strategies.

Investing in securities involves risk of loss that the issuer of the CDO should be prepared to bear. CCFM does not guarantee or represent that our collateral management advice will be successful or enhance returns. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure issuers of CDOs that our investments of the collateral assets will be profitable or that a particular recommendation will produce the desired results, and in fact, a CDO could incur substantial losses.

**Item 9            Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of CCFM or the integrity of our management. We have not been subject to any legal or disciplinary action that would require disclosure under applicable SEC rules.

## **Item 10      Other Financial Industry Activities and Affiliations**

Certain of the principal executive officers of IFMI, LLC, the indirect owner of CCFM, are registered representatives and principal executive officers of PrinceRidge Holdings, LLC, a registered broker/dealer, member FINRA and SIPC and an affiliate of CCFM. Certain of the principal executive officers of IFMI, LLC direct the day to day activities of Dekania Capital Management, LLC, a registered investment adviser, and Cira SCM, LLC, a registered investment adviser. Additionally, certain of the principal executive officers of IFMI, LLC direct the day to day activities of Institutional Financial Markets, Inc., a NYSE AMEX public company that trades under the ticker symbol “IFMI”.

Some of the principal executive officers spend on average in excess of 50% of their time directing the day to day activities of PrinceRidge Holdings, LLC, Dekania Capital Management, LLC, Institutional Financial Markets, Inc., and certain other entities. From time to time affiliates of CCFM may establish new entities, including investment advisers, and CCFM’s principal executive officers may serve as officers of such entities.

CCFM may utilize the services of IFMI, LLC and its affiliates in connection with certain back office functions, including the settling and clearing of trades, on behalf of the CDOs. No additional fees are charged to the CDOs for such services.

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

CCFM has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. CCFM takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as CCFM's policies and procedures.

**CODE OF ETHICS**

CCFM maintains a Code of Ethics that contains provisions for standards of business conduct to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations regarding reporting requirements, and the confidentiality of information about client transactions. Further, CCFM's Code of Ethics establishes CCFM's expectation for business conduct.

**PRIVACY POLICY**

CCFM strives to handle clients' non-public information in such a way to protect information from inappropriate disclosure. CCFM has adopted a privacy policy to safeguard the information and records of our clients, a copy of which is furnished to a client at the time a CDO is established and upon request thereafter. The policy explains what type of information is collected, how we protect that information and what information is disclosed to affiliated and non-affiliated third parties. For example, we may disclose a client's information to non-affiliated third parties with whom we have contracted to perform services, such as legal counsel.

A copy of our Code of Ethics or Privacy Policy will be provided to any client or prospective client upon request.

## **Item 12      Brokerage Practices**

CCFM will select brokers based on their ability to identify and effectively execute trades introduced by it. CCFM may execute trades through one of its affiliated broker dealers. CCFM will only pay fees for the services rendered by brokers, including an affiliated broker dealer, that it determines are reasonable under the circumstances and in light of the types of securities being traded and the nature of the services being provided.

See “Item 10. Other Financial Industry Activities and Affiliations” for a discussion of our participation or interest in client transactions.

### **Item 13            Review of Accounts**

CCFM's clients are CDO issuers. Reviews are conducted initially to evaluate the collateral securities to be acquired by the CDO and to make recommendations to the CDO concerning such purchases. Each CDO's portfolio of collateral securities are reviewed on an ongoing basis and at least quarterly. Instructions for such reviews are generally determined in accordance with the Indenture for the particular CDO as well as the applicable Collateral Management Agreement. Additionally, CCFM reviews the CDOs' collateral debt securities performance to determine whether such securities continue to perform in accordance with their terms.

A CDO issuer is a special purpose investment vehicle that raises capital through the issuance of securities and uses the proceeds to purchase financial assets, typically debt or preferred equity instruments. A CDO issuer pools collateral assets into a portfolio that generates interest over a fixed period of time.

CCFM, together with each CDO indenture trustee, prepares quarterly and annual reports regarding, among other things, the financial performance of issuers of collateral securities. These reports are made available to the CDO, its investors and the rating agencies.

CCFM, from time to time, will publish special reports on the financial performance of certain issuers of collateral securities for the benefit of the CDO and its investors on an as needed basis.

**Item 14      Client Referrals and Other Compensation**

CCFM does not make or received client referrals. CCFM's sole compensation consists of the fees described in Item 5 above.



**Item 15      Custody**

CCFM does not have “custody” of clients’ assets for purposes of Rule 206(4)-2 of the Investment Advisers Act of 1940.

## **Item 16            Investment Discretion**

CCFM will evaluate and recommend collateral to be acquired by a CDO. Additionally, CCFM will determine when to sell or replace any defaulted collateral securities. In doing so, CCFM will follow the guidelines set forth in the collateral management agreement and indenture governing a particular CDO.

CCFM will select brokers based on their ability to identify and effectively execute trades introduced by it. CCFM may execute trades through one of its affiliated broker dealers. CCFM will only pay fees for the services rendered by brokers, including an affiliated broker dealer, that it determines are reasonable under the circumstances and in light of the types of securities being traded and the nature of the services being provided.

See “Item 10. Other Financial Industry Activities and Affiliations” for a discussion of our participation or interest in client transactions.

## **Item 17      Voting Client Securities**

Rule 206(4)-6 under the Advisers Act, requires that we implement policies and procedures that are reasonably designed to (1) ensure that CDO securities are voted in the best interests of CDO's and (2) address material conflicts of interest that may arise between the interests of CDOs and our interests.

We serve as collateral manager for CDOs and, in that capacity, invest primarily in debt or debt like instruments for CDOs. Such instruments are not typically the subject of proxies or securities voting matters. However, while not the subject of a proxy, there could be instances in which we, having non-discretionary authority over CDO accounts, would be asked to vote the securities of CDOs on such matters as removing or amending applicable covenants set forth in an indenture or similar document. Therefore, these policies and procedures relate specifically to those limited instances in which we may be in a position to be voting our clients' securities.

CCFM is responsible for ensuring that all decisions with regard to voting of securities on behalf of CDOs are made in accordance with these policies and procedures.

CCFM will track each securities position held by the CDOs and will maintain a log of upcoming events, if any, that would require us to vote securities of CDOs. CCFM will be responsible for ensuring that it has received all relevant disclosure materials and such proxies or consents, such that it is in possession of all documentation and information necessary to cast votes in a timely manner.

CCFM will determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of any CDO.

A copy of the proxy voting policies and procedures is available upon written request to Cira CCFM, LLC, attention Chief Compliance Officer.

**Item 18      Financial Information**

Not Applicable. CCFM has no requirement to provide financial statements and has not been subject of a bankruptcy proceeding.