

Item 1 – Cover Page

Mohican Financial Management, LLC

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This brochure provides information about the qualifications and business practices of Mohican Financial Management, LLC. If you have any questions about the contents of this brochure, please contact us at 607-547-1357 or chage@mohicanfinancial.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.

Mohican Financial Management, LLC is a registered investment adviser. Being a registered investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Mohican Financial Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Initial Filing – March 17, 2011

Annual Update – March 5, 2012 – updated the amount of assets under management

Update – October 12, 2012 – amended Item 15 to advise that a related person of the firm has custody of hedge fund assets as defined in Advisers Act Rule 206(4)-2.

Annual Update – February 12, 2013 – updated the amount of assets under management

Annual Update – January 28, 2014 – updated the amount of assets under management, performance based fees and compensation, broker dealer criteria, and reporting to clients.

Annual Update – March 2, 2015 – updated the amount of assets under management, and added a third account.

Pursuant to current SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Mohican Financial Management, LLC (the “firm”) was founded in 2002 by Eric C. Hage and Daniel C. Hage, who are co-owners. The firm is a SEC-registered adviser with no subsidiary or affiliate entities.

The firm offers investment advice limited to convertible securities. Client accounts are managed with sole discretion by the firm in portfolio management, subject to investing restrictions contained in offering memoranda or managed account agreements.

Client assets under management by the firm were \$332.1 million as of January 1, 2015, all on a discretionary basis.

Item 5 – Fees and Compensation

Fees are non-negotiable, and the structure, level of and payment of fees charged by the firm, including the adjustment of fees for capital contributions and withdrawals during the year, are established in written agreement with the client. Fees are deducted from the client accounts; quarterly for management fees and annually for incentive fees. Clients pay the firm no other fees or costs.

Currently the firm manages three accounts having annual fees as follows.

<u>Account</u>	<u>Advisory Role</u>	<u>Management Fee</u> (Payable in arrears)	<u>Performance Fee*</u>
Hedge Fund	Advisor	1.0% of assets (quarterly)	10% of gain
Mutual Funds (2)	Sub-advisor	1.0% of assets (monthly)	0

*Payable annually in arrears subject to High Water Mark

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

Performance fees are detailed in Item 5. The Firm understands that it has a fiduciary duty to treat client accounts fairly and equitably while allocating securities transactions in a manner that does not violate client requirements and conditions. The test of fair and equitable treatment is to compare performance among the accounts. On this basis, the Firm does not perceive trade allocations to be a material conflict of interest with respect to its business.

The Investment Management Team utilizes the Kynex software system to monitor and allocate trades in a manner which is fair and equitable over a significant period of time and addresses the significant differences in restrictions, needs and conditions among the three clients including, but not limited to:

- Leverage, leverage limits and cash balances
- Current, pending and anticipated inflows and redemptions
- Stability of investors in each account and different liquidity terms
- The ability to invest in 144a securities or only registered securities
- Liquidity requirements
- Concentration limits
- Prohibited securities
- Delta equivalent exposure limits
- Credit rating limits
- Investment type – in the money, at the money, credit trades
- Sensitivity to moves in credit spreads
- Sensitivity to moves in interest rates
- Sensitivity to moves in equity volatility
- Duration relative to duration in each portfolio
- General risk tolerance for each account
- Industry and economic sector exposure in each account
- Diversification in each account
- Stock loan rates between prime brokers
- Practical trading considerations such as odd lots, round lots and numbers of positions
- Previous positions in each account that already offer similar trade profile
- Cheapness of security relative to other securities in each account

Item 7 – Types of Clients

The Firm provides investment advisory and management services. Mohican is the investment manager for the Mohican VCA Master Fund, Ltd. (master fund) and the Mohican VCA Offshore Fund Ltd. (offshore feeder fund), where the minimum investment is set at \$1 million. The Firm serves as the management company of the Mohican VCA Fund, LP. (onshore feeder fund). The feeder funds invest substantially all of their assets in, and are shareholders of, the master fund.

The firm also acts as a sub-advisor for an Investment Company registered pursuant to the Investment Company Act of 1940. As sub-advisor the Firm does not set minimum amounts for contributions by investors.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

The firm manages investments in a single strategy: arbitrage in liquid domestic corporate convertible bonds, with an emphasis on coupon bonds of small and mid-cap companies. The objective of portfolio management is to maintain moderate return and low risk performance by continually producing a combination of high alpha (manager value), low beta (market sensitivity), and high omega (return distribution).

Risks associated with individual positions in this investment strategy, and the methods of analysis used in managing those risks, are:

Credit Risk. Bottom-up independent research is done by the firm on the financial fundamentals and credit-worthiness of the issuing company, to determine the level and conditions of risk that company credit will deteriorate.

Adverse Events. Examination and understanding of protection clauses and indenture terms in the prospectus for the convertible bond that will mitigate the effect on convertible bond price of a company takeover or a raise in the stock dividend,

Vega Risk. Analysis of various scenarios for stock price volatility is done to estimate the potential upside and downside changes in price of the convertible bond.

Call Risk. Analysis of the “cushion” involved in redemption of the convertible bond by the company; i.e. the acceptable change in stock price during the window of time provided by notice of redemption.

Portfolio risks in this strategy, and the methods of analysis used in managing those risks, are:

Concentration. Strict limits are prescribed and monitored with each position change to maintain a portfolio with small position sizes, multiple industries, and many companies.

Correlation. Historical moves in equity prices, credit spreads, interest rates, and volatility are examined for correlation. Where possible, expected correlation for a new position is estimated using the most similar existing position.

Stock Loan. Given that equity positions are short-only for hedging, detailed analysis of the portfolio borrow float is done and a close understanding of prime broker conditions is maintained to anticipate any change in stock loan rates.

Interest Rates. Economic, monetary and market trends are examined to anticipate changes in interest rates and calculate possible hedging actions with treasuries and options.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to evaluation of the firm or the integrity of firm management. The firm and its employees have not been the subject of any legal or disciplinary actions.

Item 10 – Other Financial Industry Activities and Affiliations

The firm does not engage in any business or activity, related or otherwise, in any industry, including the financial industry, other than the business and activity of the firm as described herein. The firm has no financial industry activities or affiliations that are material to its advisory business, and is not registered as a securities broker-dealer or in relation to commodities or futures.

Neither the firm nor any personnel in the firm have any arrangements, oral or in writing, to receive any compensation or economic benefit from any non-client in connection with advice or referrals.

Item 11 – Code of Ethics

The firm has adopted a Code of Ethics for all supervised persons describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons of the firm acknowledge the terms of the Code of Ethics annually.

Officers and employees of the firm are required to follow policy and procedures contained in the firm's Code of Ethics. Subject to satisfying this policy and applicable laws, officers and employees of the firm may trade for their own accounts in securities which are recommended to and/or purchased for firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the firm will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, Officers and Employees are restricted from trading in personal accounts in the securities of any company that has an outstanding convertible bond, except for cases that require pre-clearance. Employee trading is monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the firm and its clients.

Clients or prospective clients of the firm may request a copy of the firm's Code of Ethics by contacting the firm's Compliance Officer.

The firm will not effect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

The firm has authority, without seeking specific consent from clients, to determine which broker or dealer will be used for a trade and what commission rate will be paid. The firm does not recommend brokers to clients. The firm is not required by clients to seek lowest commission and is authorized to include research benefits in commission rates. The Firm selects broker dealers on but not limited to the follow criteria: speed and efficiency, execution quality, natural flow, ability to handle our trading size, market making, creditworthiness, and the ability to prove timely reports.

The soft dollar value received by the firm is restricted by the following practices: (1) Services paid by the broker are limited to research received by the firm, (2) Commissions are not higher than those obtainable from other brokers, (3) Research received by the firm with soft dollars supports all accounts managed by the firm. All soft dollar benefits are disclosed to clients.

Recent history shows that when the Firm accrues soft dollars, the average accrual rate is about \$55K, and that the continuing average expenditure rate is about \$40K. Accrual is initiated when the credit balance of soft dollars (accrued and not spent) falls below \$80K (2 quarters of expense) and is suspended when the balance rises above \$160K (4 quarters of expense).

Research received by the firm is produced both by the broker-dealer and a third party. Mohican receives a benefit from its soft-dollar arrangement since it does not need to produce research or directly pay for the research. Accordingly, an incentive may exist to select a broker-dealer based on receiving the research provided by the broker-dealer rather than receiving the most favorable execution.

The firm strives to execute each securities transaction in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. The firm periodically reviews and negotiates commission rates paid, monitors service and attention from each broker-dealer, assesses order handling procedures, technology and efficiency and evaluates commission ranges in the marketplace.

The firm does not accept any client directed brokerage arrangements and does not engage in Principal Trading or Agency Cross Transactions.

Item 13 – Review of Accounts

Sub-advised Mutual Funds – Quarterly reviews by the firm include a detailed checklist, completion of a questionnaire, and certifications to the client. An annual review is conducted, an annual report is made to the client, and the principals of the client visit the firm annually. The Compliance Officer furnishes all information to the client at the direction of the Chief Investment Officer.

Advised Hedge Fund– Monthly reporting is conducted by the firm’s CFO and reported back to the firm. The firm reports quarterly performance and asset numbers to clients via a manager report.

The prime broker frequently sends the firm Corporate Action Notifications related to trading in securities that are held in a client account. In the event that the subject of a notification could lead to a material effect on the value of the client account, the firm will notify the client of the action and assess exposure to the action. The firm then tracks the corporate action and informs the client of progress and outcome on a timely basis.

Item 14 – Client Referrals and Other Compensation

The firm has no arrangement to receive any benefit from service to any party other than the clients and the firm does not compensate anyone who is not a supervised person for client referrals.

Item 15 – Custody

Under Rule 206 (4)-2 of the Advisers Act, an adviser is deemed to have custody of client assets if the adviser has access to such funds in a legal capacity; e.g. as the general partner of a limited partnership.

The firm is therefore deemed to have custody of the assets of limited partners in the Mohican VCA Fund LP because the firm has access to their assets through Mohican Capital Management LLC, the general partner, which is wholly owned and operated by the firm. Accordingly, an annual audit of the Mohican VCA Fund LP is conducted and distributed to investors in accordance with the provisions of SEC Rule 206 (4)-2.

The firm's clients as well as the firm have daily access to the account activity and holdings information at the prime broker, each receiving the same information as the other in the same format as the other. Accordingly, neither the prime broker nor the firm needs to provide regularly scheduled (monthly, quarterly) statements or reports of the custody accounts to the clients.

Item 16 – Investment Discretion

The firm receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the firm observes the investment policies, limitations and restrictions of the clients for which it advises. These policies, limitations and restrictions are described in detail in advisory agreements between the clients and the firm.

Item 17 – Voting Client Securities

The firm manages all client investments in the single strategy of convertible arbitrage, in which short equity positions are common but long equity positions are never taken. Long positions are taken by the firm in securities which do not have voting rights (e.g. corporate bonds, equity options, and treasury futures) and therefore the firm does not engage in any practice related to proxy voting of equity shares.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the firm's financial condition.

We do not require prepayment of advisory fees; therefore we are not required to provide an audited financial statement.

The firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

Mohican has not been the subject of any bankruptcy proceedings.

Item 19 – Requirements for State-Registered Advisers

Not applicable.