

Cohen & Company Financial Management, LLC

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This brochure provides information about the qualifications and business practices of Cohen & Company Financial Management, LLC (“CCFM”). If you have any questions about the contents of this brochure or to request a brochure, please contact us at 215-701-9555 or ksmith@cohenandcompany.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Cohen & Company Financial Management, LLC is also available on the SEC’s website at 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

The following items identify and discuss those material changes that have occurred since the last annual update of CCFM's Brochure, which was dated March 27, 2018. Since that date:

Item 4: Advisory Business

We have amended our Brochure to update the amount of our assets under management as of December 31, 2018.

We added information about our investment management services that we provide to the Vellar Special Opportunities Fund LLC.

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Item 4 Advisory Business

Firm Description

Cohen & Company Financial Management, LLC (“CCFM”) is a Delaware limited liability company formed on August 13, 2003. CCFM became registered as an Investment Adviser in February 2005. CCFM’s principle owners are Cohen & Company Inc., Cohen & Company, LLC, Dekania Investors, LLC, Cohen Bros. Financial, LLC and Daniel G. Cohen.

Advisory Services

Collateral Management Services

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 managed by CCFM hold trust preferred securities and similar securities issued by banks 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. The management services provided by CCFM to the CDO issuers include:

- performing, during the term of the CDO, 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, subject to certain limitations, replacement collateral securities; and
- auctioning collateral securities.

Bluestone Capital Management, LLC (“Bluestone”) is the sub-advisor to CCFM. Pursuant to a Sub-advisory Agreement (the “Sub-advisory Agreement”), Bluestone has agreed to render investment advice to CCFM and provide assistance to CCFM with respect to the provision of services that are required to be performed by CCFM pursuant to the collateral management agreements and collateral administration agreements related to the CDOs.

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

Investment Management Services

CCFM acts as the Investment Manager of the Vellar Opportunities Fund, LP, a Delaware limited partnership formed in January 2018 (the “Partnership”). The Partnership is structured as a

“master feeder” fund. Vellar Opportunities Fund Master, Corp., a Cayman Islands exempted company is the Master Fund. Vellar Opportunities Fund Offshore, Corp., an exempted company incorporated and existing under the laws of the Cayman Islands, serves as the Offshore Fund. On behalf of the Partnership, CCFM invests in the securities of special purpose acquisition companies (“SPACs”). SPACs, which are commonly referred to as “blank check companies,” are generally formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. CCFM will employ two investment strategies for the Partnership:

1. Primary market strategy; and
2. Secondary market strategy

These strategies are discussed in more detail in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, below.

The investment management services that CCFM provides to the Partnership are subject to certain investment limitations. These limitations are:

- CCFM will not purchase more than 5% of the units offered in any particular SPAC IPO for the Partnership;
- CCFM will not purchase more than 5% of the outstanding common shares of a SPAC for the Partnership;
- CCFM will not invest more than 35% of the Partnership’s total assets in SPACs focused on a single sector (e.g., energy, technology, financial and consumer staples); and

CCFM may use leverage in the Partnership’s portfolio, however, the value of the Partnership’s gross assets generally will not exceed 200% of its net assets.

CCFM also acts as the Investment Manager of the Vellar Special Opportunities Fund, LLC, a Delaware series limited liability company formed in October 2018 (the “Fund”). The Fund is structured to allow it to issue separate series of limited liability company interests in respect of each separate investment portfolio to be maintained by the Fund (each, a “Portfolio”) and each Portfolio will consist of a separate pool of assets and will function, in effect, as a separate limited liability company. Each Portfolio will be administered and maintained separate and apart from the other Portfolios. Under Delaware law, the debts, liabilities, obligations and expenses incurred by one Portfolio will only be enforceable against the assets of the same Portfolio and not against the assets of any other Portfolio.

Each Portfolio may have, among other things, different investment objectives, strategies, liquidity terms, fees, service providers and tax consequences, and the Fund may issue limited liability company interests for a particular Portfolio in different sub-series, classes or sub-classes, with each having different terms than those of any other sub-series, class or sub-series, including, without limitation, different fees or withdrawal rights. The investment program of a Portfolio will be described in the applicable Supplement.

As of December 31, 2019, CCFM had closed one series of the Fund (“Series 1”). Series 1 was formed to invest in the Founders Shares and Placement Units of FinTech Acquisition Corp. III, a special purpose acquisition company.

Wrap Fee Programs

CCFM does not participate in wrap fee programs.

Client Assets

As of December 31, 2018, CCFM had approximately \$2.13 billion assets under management, all of which was managed on a discretionary basis.

Item 5 Fees and Compensation

CDO Management Fees

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.

The fees earned by CCFM are negotiated prior to establishing each CDO and may vary for each CDO. The terms of CCFM’s compensation are described and disclosed in the collateral management agreement, the indenture and the offering documents applicable to a particular CDO. 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. 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.

Investment Management Fees

The Partnership will initially offer two series of limited partnership interests: the Founders Interests and the Standard Interests. The only distinctions between these two types of Interests are that each series is subject to different rates and investment amounts, including management fee rates.

CCFM will receive a quarterly fee from the Master Fund calculated at a rate of (a) 0.1875% (i.e., 0.75% per annum) of the value of each Founders Capital Account, and (b) 0.25% (i.e., 1.0% per annum) of the value of each Standard Capital Account (the “Management Fee”).

The General Partner, in its sole discretion, may waive or reduce the Management Fee for Limited Partners that are principals, employees or affiliates of us or the General Partner, relatives of such persons, and for certain large or strategic investors.

Fee Billing

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.

The Management Fee will be paid quarterly in advance, based on the value of each Capital Account as of the first Business Day (as defined below) of each calendar quarter. A “Business Day” is any day on which banks are open in New York. The Management Fee will be adjusted for contributions and withdrawals made during a quarter and calculated without accrual of the Incentive Allocation, if any.

Other Fees and Expenses

CCFM may be reimbursed by its clients for certain reasonable fees and expenses paid to third parties as part of its duties as collateral manager and/or investment manager.

CCFM is responsible for and pays all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, compliance expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees in connection with its services.

Prepaid Fees

CCFM’s investment advisory fees are charged to clients in arrears. CCFM does not accept prepaid fees for advisory services, but CCFM will receive management fees in advance.

Compensation for the Sale of Securities

Neither CCFM nor any of its supervised persons receive compensation for the sale of any securities.

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

In connection with CCFM’s investment management services to the Partnership, CCFM will receive quarterly fees as described above under “Investment Management Fees”. These fees are based on a percentage of the value of the capital accounts of the limited partners. If the value of these capital accounts increase, CCFM’s fees will increase as a result.

Item 7 Types of Clients

CCFM provides advisory services to CDO issuers and investment management services to the Vellar Opportunities Fund LP (the “Partnership”) and the Vellar Special Opportunities Fund LLC (the “Fund”).

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 Partnership is a “master feeder” private equity fund that will invest in the securities of special purpose acquisition companies (“SPACs”), commonly referred to as “blank check companies.” SPACs are generally formed to effect a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses.

The Fund is a series limited liability company structured to allow it to issue separate series of limited liability company interests in respect of each separate investment portfolio to be maintained by the Fund (each, a “Portfolio”) and each Portfolio will consist of a separate pool of assets and will function, in effect, as a separate limited liability company. Each Portfolio will be administered and maintained separate and apart from the other Portfolios. The investment program of a Portfolio will be described in the applicable Supplement for such Portfolio.

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

Collateral Management Services

CCFM’s 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 sub-adviser, Bluestone to perform analyses for its clients. In performing analyses for its clients, CCFM may obtain advice from attorneys, accountants and other experts to assist in its analysis of certain investments for clients that are CDOs.

In performing analyses for CCFM clients, Bluestone consults as necessary 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 that 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.

Investment Management Services

Investment Strategies and Analysis

We will employ the following two strategies for the Partnership:

1. **Primary Market Investment Strategy:** Our primary investment strategy will be to participate in the IPOs of SPAC units. We expect that this strategy will constitute approximately 50% of the Partnership's portfolio (measured at the time of investment). We intend to hold the SPAC units until the common shares can be separated from the warrants. After separating the SPAC units into the common shares and the warrants, we will sell the SPAC's common shares at a premium to the SPAC's IPO price, if possible, and continue to hold the warrants. If we cannot sell the common shares at a premium, we will hold the common shares until we can exercise the SPAC's redemption option, at which time we may redeem the common shares at the applicable redemption price, which is generally equal to the IPO price (less certain expenses) plus the pro rata portion of any interest accrued in that SPAC's trust account. We may sell the warrants prior to the announcement of a Business Combination or we may hold the warrants until after a Business Combination. If we hold the warrants until after a Business Combination, we may exercise the warrants if the common shares are trading at a premium to the warrants' exercise price or we can sell the warrants at their market price. We will seek to minimize downside risk by using the SPAC's redemption feature or by selling the common shares when they are trading at or above the SPAC's IPO price, and we intend to realize profits by selling or exercising the warrants at a premium and/or selling the common shares above their cost basis.

2. **Secondary Market Investment Strategy:** We will also employ a number of different secondary market investment strategies.

We will purchase SPAC common shares prior to an expected Business Combination. Upon the announcement of a Business Combination, SPAC common shares tend to increase in value if the Business Combination is well received by the market. If this occurs, we will generally sell the SPAC common shares prior to the consummation of the Business Combination. If the announcement of the Business Combination is not well received by the market and the trading price of the SPAC common shares does not increase or declines, we will exercise the SPAC's redemption feature to limit its downside risk.

We will buy SPAC units or common shares in the secondary market after a SPAC IPO and then exercise the applicable redemption option when available. Historically, SPAC common shares will trade at a discount to their IPO price. If a specific SPAC's units or common shares are

trading at a discount, we will have the opportunity to buy those units or common shares at that discount, hold those common shares until we can exercise the SPAC's redemption feature and then exercise that redemption feature, when available. Upon redemption, the SPAC issuer will generally pay a price per common share or unit equal to the IPO price (less certain expenses) plus any accrued interest earned in the trust account.

We will also employ a secondary market investment strategy, where we will purchase SPAC units and subsequently separate the units in accordance with that SPAC's terms. We will seek to sell the common shares and warrants at a price that is greater than the price it paid for the SPAC unit.

We intend to pursue the investment program described above and will generally follow the outlined investment strategies for so long as such strategies are in accordance with the Partnership's investment program. In addition, we may also formulate new strategies to carry out the Partnership's investment program.

While it is anticipated that we will invest primarily in SPAC units, common shares and warrants, we have broad and flexible investment authority. Accordingly, the Partnership's investments at any time may include long and short positions in U.S. or non-U.S. publicly-traded or privately-issued common stocks, preferred stocks, fixed income securities, convertible and hybrid stocks and debt securities (including high yield securities), restricted stocks, stock warrants and options, corporate debt, convertible securities (debt and equity), government securities, money market instruments, and other securities or financial instruments (including those of investment companies) deemed appropriate by us.

Portfolio Managers

Daniel G. Cohen is the chief investment officer of CCFM (the "Chief Investment Officer") and has the ultimate responsibility for, and discretion over, the management of the Partnership's portfolio. Solomon I. Cohen, a portfolio manager at CCFM (the "Portfolio Manager"), will oversee the day-to-day operations of our investment management activities under the Chief Investment Officer's supervision.

The biographies of Daniel G. Cohen and Solomon I. Cohen are set forth below.

Daniel G. Cohen. Mr. Cohen is Chairman of the Board of Directors of Cohen & Company Inc. (NYSE American: COHN) (f/k/a Institutional Financial Markets, Inc.) and of the board of managers of Cohen & Company's majority-owned subsidiary, Cohen & Company, LLC. Mr. Cohen is President and Chief Executive of Cohen & Company's European Business, and is President, a director and the Chief Investment Officer of Cohen & Company's indirect majority-owned subsidiary, Cohen & Company Financial Limited. Mr. Cohen also currently serves as Executive Chairman of The Bancorp, Inc. and Chief Executive Officer of FinTech Acquisition Corp II. In these capacities, Mr. Cohen has overseen the financing, acquisition and placement of billions of dollars of asset-backed securities, commercial mortgage-backed securities, corporate and financial technology related assets. Mr. Cohen is a member of the Academy of the University of Pennsylvania, a member of the Visiting Committees for the Humanities of the University of Chicago, and a member of the board for the Paris Center of Columbia University.

Mr. Cohen is also the Chairman of the Board of the Paideia Institute, which promotes classical studies, and a Trustee of the Arete Foundation. Mr. Cohen graduated from the University of Chicago in 1990 with a Bachelor of Arts in East Asian History.

Solomon I. Cohen. Mr. Cohen is a portfolio manager at CCFM and will oversee the day-to-day operations of the Partnership's investment activities under the Chief Investment Officer's supervision. Mr. Cohen is also currently pursuing a Bachelor of Arts and a Master of the Arts in Economic History at the University of Edinburgh in the United Kingdom and is expected to graduate in the Spring of 2019. Prior to joining CCFM in May 2017, Mr. Cohen held an internship position at GreensLedge, a structured finance boutique advisory firm in New York City from May 2016 to September 2016. At GreensLedge, Mr. Cohen worked in credit facilities, warehouse financing and CLO structuring and advisory. Prior to GreensLedge, Mr. Cohen held internship positions at Cantor Fitzgerald & Co. ("Cantor") in the investment bank's equity capital markets division for an aggregate non-contiguous period of approximately 11 months from March 2014 to September 2015. At Cantor, Mr. Cohen participated in the firm's leading SPAC market initiative, where he worked on the banking teams for more than ten SPAC IPOs and six SPAC acquisitions.

Risks and Risk Management

We will invest in SPACs on behalf of the Partnership. Because SPACs have broad discretion to select potential Business Combinations (subject to industry, geographic or other limitations, if any), it is not possible for us to ascertain all of the merits or risks of investing in a particular SPAC. We generally intend to select SPACs led by management teams with proven track records but may not always do so if there is a limited number of these offerings or for other reasons.

SPACs are newly incorporated companies with no operating results. Because SPACs lack operating histories, we will have no basis upon which to evaluate a SPAC's ability to achieve its business objective of completing a Business Combination. Upon a SPAC's IPO, SPACs typically have no plans, arrangements or understandings with any prospective target business concerning a Business Combination and may be unable to complete a Business Combination. If a SPAC does not complete a Business Combination, then the SPAC securities are generally redeemed at a price less than their IPO price.

There is no guarantee that a SPAC in which we invest will be able to execute a Business Combination with an operating entity. SPACs may encounter intense competition from other entities having similar business objectives, such as venture capital funds, leveraged buy-out funds and other private equity entities, as well as operating businesses competing for acquisitions. Many of the competitors may possess greater resources and expertise that could give them an advantage over the Partnership in competing for Business Combination opportunities. If we invest in a SPAC that is unable to execute a Business Combination, the Partnership will receive its share of the proceeds held in trust, subject to reduction if third party claims are made against the SPAC. If we were to acquire certain types of units, the Partnership may lose the entire amount of its investment in the units if a Business Combination cannot be affected by such SPAC. If a SPAC completes a Business Combination with a financially unstable company or an entity in its development stage, the SPAC may be affected by the

numerous risks inherent in the business operations of those entities.

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. We may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent we are employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants. In other situations, the favorable spread is contingent on trading a basis (i.e., an imperfect hedge for a specific spread). While the risk relative to an outright position may be lower, arbitrage strategies typically entail taking on certain basis risks.

We may engage in short selling. Short selling, or the sale of securities not owned by the Partnership, involves certain risks. Such transactions expose the Partnership to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Partnership in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein we might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

We may utilize options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

We may utilize leverage. Leverage increases returns to investors if the Partnership earns a greater return on leveraged investments than the Partnership's cost of such leverage. However, the use of leverage exposes the Partnership to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had we not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds our cost of leverage related to such investments and (iv) fluctuations in interest rates on the Partnership's borrowings, which may have a negative effect on the Partnership's profitability. In case of a sudden, precipitous drop in the value of the Partnership's assets, we might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Partnership.

In an unsettled credit environment, we may find it difficult or impossible to obtain leverage. Since leveraging its assets could be part of the investment strategy of the Partnership, in such event, we could find it difficult to fully implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in us being forced to unwind positions quickly and at prices below what we deem to be fair value for the positions.

While we and our Portfolio Manager have experience in the securities industry, the Portfolio Manager has no prior investment management experience. Additionally, CCFM has experience managing fixed income investments, but we have no prior experience in managing a private fund that invests in SPACs.

We intend to manage risk when evaluating each individual SPAC opportunity and at the Partnership's portfolio level. With respect to each individual SPAC opportunity, we will analyze the specific terms of each SPAC with particular attention to the redemption terms, the amount of proceeds deposited into each SPAC's trust account, the period of time that the SPAC has to complete a Business Combination and the amount of accrued interest in the applicable trust account. Additionally, we generally will not acquire SPAC units or common shares at a price in excess of their IPO price (or a price equal to the IPO price plus accrued interest deposited in that SPAC's trust account). We typically will seek to invest in redeemable securities backed with money on deposit in a trust account, where the value of those redeemable securities is calculated based on the theoretical redemption value of those securities and not the market value of those securities. Typically, the market value of those redeemable securities will be less than the theoretical redemption value, which is based on a number of assumptions including the timing of the redemption and the amount deposited in a SPAC's trust account.

We may enter into short positions for investment purposes or as a hedge for all or a portion of the Partnership's portfolio.

Item 9 Disciplinary Information

There are no legal, disciplinary, criminal, civil, self-regulatory organization (SRO) proceedings, or administrative proceedings associated with CCFM. Thus, there are no legal and disciplinary events that are material to a client's or prospective client's evaluation of CCFM or the integrity of CCFM's management. CCFM expects to be periodically subject to routine regulatory examinations or unexpectedly involved in litigation arising in the ordinary course of business.

Item 10 Other Financial Industry Activities and Affiliations

Registration as a Broker-Dealer or Registered Representative

Certain principal executive officers of CCFM's indirect parent, Cohen & Company, LLC, are registered representatives and principal executive officers of J.V.B. Financial Group, LLC ("JVB"), CCFM's affiliated registered broker dealer that is a FINRA and SIPC member. In addition, the Chief Investment Officer of CCFM, Daniel G. Cohen, and its Chief Operating Officer, Andrew Davilman, are registered representatives of JVB.

Registration as an Investment Adviser

Dekania Capital Management, LLC (“DCM”), a wholly-owned indirect subsidiary of Cohen & Company, LLC, the parent of CCFM, is registered as an investment adviser with the Securities and Exchange Commission. DCM serves as a collateral manager to certain CDOs and as portfolio manager to a joint venture.

Registration as a FCM, CPO, or CTA

Neither CCFM, nor any of its management persons, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or a representative of the foregoing.

Material Relationships or Arrangements with Financial Industry

Cohen & Company Inc., an NYSE American listed public company that trades under the ticker symbol “COHN” is the ultimate parent company of CCFM and its affiliates. CCFM may utilize the services of its affiliates in connection with certain back office functions, including the settlement and clearing of securities transactions, on behalf of the CDOs and the Partnership. No additional fees are charged to the CDOs or the Partnership for such services.

Compensation from Third-Party Advisers

CCFM does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for clients.

Item 11 Code of Ethics; Participation or Interest in Client Transactions

Code of Ethics

CCFM has adopted various policies, including a Code of Ethics (the “Code”), to address the potential for self-dealing and conflicts of interest which may arise with respect to personal securities trading by employees, officers, and other affiliated persons (“Access Persons”). The Code applies not only to Access Persons, but also to members of their “immediate family” (as defined in the Code), which includes most relatives living in the Access Person’s principal residence. The Code and other policies cover, among other things, portfolio management and trading practices, personal investment transactions and insider trading. These policies are meant to avoid actual and apparent conflicts of interest and to ensure that clients’ interests are put first. For example, the Code restricts the timing and other circumstances under which certain Access Persons may purchase or sell a security, which to their knowledge is being purchased or sold or being considered for purchase or sale by a client. Access Persons are also prohibited from purchasing or selling any security for their own account or for that of a client while in possession of material, non-public information concerning the security or its issuer. The Code also requires certain Access Persons to obtain pre-clearance before trading in securities for their own account and to periodically report their securities holdings. To facilitate this reporting, these Access Persons are generally required to disclose these accounts to the CCFM Compliance Department.

Recommend Securities with Material Financial Interest

Neither CCFM, nor any Access Persons of CCFM, recommends, buys, or sells for CDOs or the Partnership, securities in which CCFM or any Access Persons of CCFM has a material financial interest. CCFM and its Access Persons may recommend securities for the Vellar Special Opportunities Fund LLC in which they may have a material financial interest.

Invest in Same Securities Recommended to CDOs and the Partnership

CCFM and its Access Persons may buy or sell securities for themselves that CCFM's clients also own. This practice creates a potential conflict of interest as CCFM and its Access Persons may benefit from the sale and purchase of those securities. CCFM addresses these conflicts of interest by having adequate policies and procedures in place that prohibit CCFM and its Access Persons from trading ahead of CCFM's clients or in such a way to obtain a better price for themselves than for CCFM's clients. A copy of CCFM's Code of Ethics will be provided to any client or prospective client upon request.

Item 12 Brokerage Practices

Recommending Brokerage Firms

In recommending broker-dealers to execute trades for its clients, CCFM will evaluate the overall value and quality of the services provided, including, but not limited to, rates of commission, markups or spreads, prices, speed, and reliability, confidentiality and other relevant factors. CCFM will seek to use brokers that, in its professional judgment, offer the best overall combination of quality, breadth of services, and price. Although CCFM may execute trades through one of its affiliated broker-dealers, CCFM will only pay fees for the services 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 by its affiliates.

1. Research and Other Soft Dollar Benefits: CCFM does not receive soft dollar benefits from broker-dealers or other third parties in connection with CDOs' securities transactions. CCFM may receive soft dollar benefits in connection with its investment management services. When we use client brokerage commissions to obtain research or other products or services, we will be receiving a benefit because we do not have to produce or pay for the research, products, or services. We will limit the use of soft dollars to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities

transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from the Partnership's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Partnership expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, we may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system, trade analytical software or proxy services). In such instances, we will make a good faith effort to determine the relative proportion of the product or service used to assist us in carrying out our investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting us in carrying out our investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by us from our own resources.

Research and brokerage services obtained by the use of commissions arising from the Partnership's portfolio transactions may be used by us in our other investment activities and thus, the Partnership may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

We may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. Although we will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services create a potential conflict of interest between us and our clients.

2. Brokerage for Client Referrals: CCFM does not receive CDO referrals from broker-dealers. We may receive referrals from broker-dealers for investors in the Partnership if consistent with best execution; provided that we do not select the broker-dealer in recognition of the opportunity to participate in such referrals of investors.
3. Directed Brokerage: (a) CCFM does not routinely recommend, request, or require that a CDO direct it to execute transactions through a specified broker-dealer; and (b) CDOs

may direct CCFM in writing to use a particular broker-dealer (“Directed Broker”) to execute some or all transactions for the CDOs’ accounts (referred to as “directed brokerage”). In that case, the CDO will have the sole responsibility to negotiate terms and arrangements with the Directed Broker and CCFM will not seek better execution services or prices from other broker-dealers or be able to “batch” transactions for execution through other broker-dealers with orders for other CDO accounts managed by CCFM. As a result, the CDO may pay higher commissions or other transaction costs, greater spreads, or receive less favorable net prices on transactions than would otherwise be the case.

In connection with our investment management activities, CCFM will not recommend, request or require that the Partnership direct us to execute transactions through a specified broker-dealer. The Portfolio Managers will be responsible for selecting the broker-dealers through which transactions are effected for the Partnership.

Order Aggregation

CCFM may aggregate purchase and sale orders of investments held by the CDOs with similar orders being made simultaneously for other CDOs’ accounts if, in CCFM’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the CDOs based on an evaluation that the CDOs will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

In connection with our investment management activities, when appropriate, we may, but are not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

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

Item 13 Review of Accounts

Frequency of Reviews

Each CDO’s portfolio of collateral securities is 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, Bluestone, in conjunction with its responsibilities as sub-advisor to CCFM, reviews the CDOs’ collateral debt securities performance to determine whether such securities continue to perform in accordance with their terms.

Review Triggers

All accounts are reviewed in light of emerging trends and developments as well as market volatility.

Regular Reports

CCFM and Bluestone, 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. Each investor in the Partnership will receive monthly capital account statements and audited financial statements annually. With respect to the Fund, unless otherwise specified in the relevant supplement, each Member will receive unaudited reports of the performance of the Portfolio(s) in which it has invested quarterly and audited financial statements annually.

Item 14 Client Referrals and Other Compensation

Economic Benefits from Third Parties

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

Neither CCFM, nor any related person of CCFM, receives sales awards or other such prizes in connection with providing investment advice or other advisory services to its clients. Please see Item 12 for additional information.

Third Party Solicitors

CCFM and its related persons do not compensate, directly or indirectly, any person for client referrals related to the CDOs. CCFM may pay fees to persons who are instrumental in the sale of interests in the Partnership or the Fund.

Item 15 Custody

With the exception of the authority to submit reimbursement requests for Collateral Manager expenses incurred on behalf of a CDO, CCFM does not have custody of clients' funds or securities.

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, CCFM has engaged an independent public accounting firm to conduct an annual surprise examination of CCFM's client's funds and securities.

Item 16 Investment Discretion

CCFM provides investment management services to CDOs on a discretionary basis. CDOs who engage CCFM for discretionary management services may place limitations, in writing, on CCFM's discretionary authority to the extent that the limitations do not adversely affect CCFM's ability to properly manage the CDO account. Prior to CCFM exercising discretionary authority in CDO accounts, the CDO is required to execute a Collateral Management Agreement and indenture, granting CCFM the authority to supervise and direct the investments in the CDO's account(s).

CCFM will determine when to sell or, subject to certain limitations, 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, through the Portfolio Manager, will provide investment management services to the Partnership and Fund on a discretionary basis.

Item 17 Voting Client Securities

CCFM has implemented policies and procedures that are reasonably designed to (1) ensure that securities are voted in the best interests of its clients and (2) address material conflicts of interest that may arise between the interests of its clients and its own interests.

Item 18 Financial Information

Prepayment of Fees

CCFM does not require the prepayment of fees of more than \$500 per client, six months or more in advance.

Financial Condition

CCFM does not have any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients.

Bankruptcy

CCFM has not been subject to a bankruptcy petition at any time in its operating history.