

Item 1 – Cover Page

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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

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 11, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on an annual basis. Pursuant to new 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.

Our Brochure is available on our web site www.mohicanfinancial.com free of charge.

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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 an SEC-registered adviser with no subsidiary or affiliate entities.

The firm offers investment advice limited to convertible securities. Client accounts are managed pari passu 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 \$523.5 million as of January 1, 2011, all on a discretionary basis.

Item 5 – Fees and Compensation

Fees are 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.

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	1.5% of assets (quarterly)	20% of gain
Hedge Fund	Sub-advisor	1.125% of assets (weekly)	15% of gain
Mutual Fund	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 policy of the firm is to allocate securities trades to all accounts on a pro rata share of assets in the accounts, avoiding conflicts of interest that might otherwise derive from differences in performance fees among accounts. Policy is implemented within practical limitations imposed by differences among accounts in (1) investor patterns of asset additions and withdrawals and (2) qualification as institutional buyers of restricted securities.

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). 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 offshore hedge fund and an Investment Company registered pursuant to the Investment Company Act of 1940.

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 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, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually 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 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.

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 will batch, bunch or aggregate client orders whenever possible. 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 Fund – 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.

Sub-Advised Hedge Fund– The firm reports daily, weekly and monthly on trading and portfolio management to the client, and submits quarterly certifications regarding compliance with investment restrictions contained in the advisory agreement between the client and the firm. Account representatives of the client visit the firm annually.

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

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 forwards) the firm has never had to engage in any practice related to proxy voting of equity shares. Should for some reason such a situation arise, the firm will contact its clients to advise them and will direct the custodian to forward proxy materials to the client.

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.