

CDO Asset Manager
Ratings/ US
CAM Rating Report

Cohen & Company Financial Management

Asset Manager Rating



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Related Research

- [Criteria for Reviewing and Rating CDO Asset Managers, October 16, 2008](#)

Summary

Cohen & Company Financial Management, LLC's (Cohen & Company Financial Management) collateralized debt obligation (CDO) Asset Manager Rating is 'CAM2' for trust preferred security CDOs. Founded in August 2003 as a Delaware limited liability company, the company is a subsidiary of Cohen Brothers, LLC, which has subsidiaries that act as asset manager and investment advisor to CDOs across multiple asset classes through various platforms, including trust preferred securities, asset- and mortgage-backed securities, senior secured middle market loans, and non-profit institution securities. Fitch Ratings' asset manager rating of Cohen & Company Financial Management addresses only the company's capabilities as manager to CDOs backed by trust preferred securities. As of September 30, 2008, Cohen & Company Financial Management was the asset manager for 17 trust preferred CDOs issued under the Alesco platform, with a combined original issuance of approximately USD10.5bn.

In addition to its CDO asset management activities, Cohen & Company undertakes certain investment banking and corporate finance activities, including providing advisory and capital-raising services for banks, thrifts, real estate investment trusts (REITs), and other financial services companies as well as privately placing common stock, preferred stock, trust preferred securities, and other forms of capital and debt. Cohen & Company generates revenues primarily through asset management fees on CDOs and permanent capital vehicles, the trading activities of its US broker-dealer subsidiary and investment returns earned by investing in entities it manages. As of September 30, 2008, Cohen & Company had approximately USD29bn in assets under management.

On August 5, 2008, Fitch downgraded Cohen & Company Financial Management's CDO Asset Manager Rating to 'CAM2' from 'CAM2+', reflecting CDO underperformance as a result of heightened default and deferral activity of underlying issuers of bank trust preferred securities. Cohen & Company Financial Management continues to face financial performance challenges, which further support the 'CAM2' rating.

Strengths

- Experience and track record of the executive management team.
- Strong research and analysis conducted by experienced credit analysts evaluating insurance and bank trust preferred securities.
- Integrated information technology (IT) and analytics platform supporting asset management function.

Challenges

- Managing through CDO collateral performance-related issues in the bank and insurance sectors.
- Supporting financial stability through identifying new non-CDO sources of fee revenue.
- Reallocating staffing to surveillance and credit functions as origination has slowed.

Manager Profile

Cohen & Company Financial Management, LLC

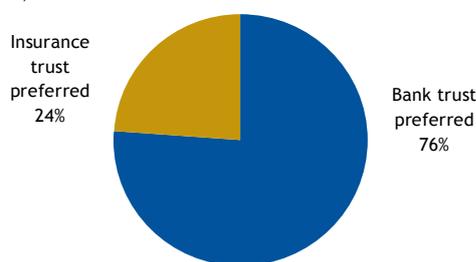
Address	Cira Centre, 17th floor 2929 Arch Street Philadelphia, PA 19104	Company contact	Daniel Cohen Chairman & CIO
Website	www.cohenandcompany.com	Parent (indirect)	Cohen & Company
Type of organization	Limited liability corporation	Parent company president & chief executive officer	Chris Riccardi
Year founded	August 2003	Number of employees	125
Domicile, place of incorporation	US, Delaware	Assets under management (USDbn)	26
Registration(s)/jurisdiction(s)	Securities and Exchange Commission-registered investment adviser	CDOs under management (Alesco)	17

Assets Under Management

AUM Breakdown by Client Type

Alesco platform

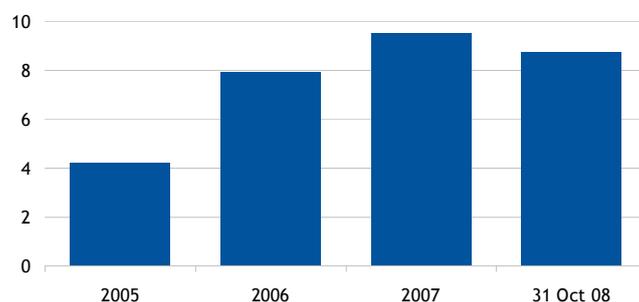
(As at Oct 2008)



Source: Cohen & Company Financial Management

Alesco CDO Platform AUM Growth

(USDbn)



Source: Cohen & Company Financial Management

CDOs Under Management

Name	Closing	Structure	Primary asset	Original size (USD)
ALESCO Preferred Funding I, Ltd.	September 25, 2003	Cash flow	Bank trust preferred	994,100,000
ALESCO Preferred Funding II, Ltd.	December 19, 2003	Cash flow	Bank trust preferred	348,600,000
ALESCO Preferred Funding III, Ltd.	March 25, 2004	Cash flow	Bank trust preferred	362,800,000
ALESCO Preferred Funding IV, Ltd.	May 18, 2004	Cash flow	Bank trust preferred	415,500,000
ALESCO Preferred Funding V, Ltd.	December 21, 2004	Cash flow	Bank/insurance trust preferred	364,800,000
ALESCO Preferred Funding VI, Ltd.	December 21, 2004	Cash flow	Bank/insurance trust preferred	692,000,000
ALESCO Preferred Funding VII, Ltd.	April 19, 2005	Cash flow	Bank/insurance trust preferred	690,500,000
ALESCO Preferred Funding VIII, Ltd.	August 04, 2005	Cash flow	Bank/insurance trust preferred	684,300,000
ALESCO Preferred Funding IX, Ltd.	December 15, 2005	Cash flow	Bank/insurance trust preferred	683,400,000
ALESCO Preferred Funding X, Ltd.	March 15, 2006	Cash flow	Bank/insurance trust preferred	969,000,000
ALESCO Preferred Funding XI, Ltd.	June 29, 2006	Cash flow	Bank/insurance trust preferred	681,000,000
ALESCO Preferred Funding XII, Ltd.	October 12, 2006	Cash flow	Bank/insurance trust preferred	683,560,000
ALESCO Preferred Funding XIII, Ltd.	November 30, 2006	Cash flow	Bank/insurance trust preferred	513,500,000
ALESCO Preferred Funding XIV, Ltd.	December 21, 2006	Cash flow	Bank/insurance trust preferred	818,600,000
ALESCO Preferred Funding XV, Ltd.	March 29, 2007	Cash flow	Bank/insurance trust preferred	680,800,000
ALESCO Preferred Funding XVI, Ltd.	June 28, 2007	Cash flow	Bank/insurance trust preferred	508,750,000
ALESCO Preferred Funding XVII, Ltd.	October 30, 2007	Cash flow	Bank/insurance trust preferred	409,450,000
				10,500,660,000

Source: Cohen & Company Financial Management

Company and Management Experience ‘2+’

Cohen & Company Financial Management, LLC was formed in August 2003 to focus on bank and insurance trust preferred CDO management activities. The formation of this company brought together several units whose operations and business focus centered on the banking and insurance sectors. The founders of Cohen & Company and their affiliates and its executive management team have extensive experience in founding and managing commercial banks, REITs, leasing companies and online brokerages.

Cohen Brothers, LLC entered the collateral management business in 2003 and, as of September 30, 2008, had subsidiaries managing 42 CDOs across multiple asset classes through various platforms, including trust preferred securities (Alesco and Dekania), asset- and mortgage-backed securities (Strategos), senior secured middle market loans (Emporia), and non-profit institution securities (Non-Profit Preferred Funding). As of September 30, 2008, assets under management totaled USD29.0bn, down from USD43.9bn in 2007, due primarily to CDO bank and insurance collateral pre-payments and CDO liquidations as a result of the occurrence of events of defaults.

Cohen & Company’s senior management, led by chairman Daniel Cohen, chief executive officer (CEO) Christopher Riccardi and chief operating officer (COO) James McEntee, has extensive experience in bank and insurance trust preferred investments. From 2001 to 2006, Mr. Cohen served not only as chairman but also CEO of Cohen & Company. Mr. Cohen is CEO of RAIT Financial Trust (NYSE: RAS), a provider of secured and unsecured financing of real estate companies, and chairman of Alesco Financial Inc. (NYSE: AFN), a REIT managed by an affiliate of Cohen & Company. Mr. Cohen holds similar management positions in certain investment advisory subsidiaries and the broker-dealer subsidiary of Cohen & Company.

Mr. Riccardi holds similar management positions at the broker-dealer and other affiliates of Cohen & Company. Previously, Mr. Riccardi was a managing director and the global head of structured credit products for Merrill Lynch, Pierce, Fenner & Smith responsible for the origination, structuring, and marketing of all CDOs, structured funds and structured credit derivatives.

Mr. McEntee has served as COO since 2003. He holds similar management positions in certain investment advisory subsidiaries and the broker-dealer subsidiary of Cohen & Company. Mr. McEntee is also the CEO of Alesco Financial Inc., and serves as a director of The Bancorp, Inc. Prior to joining Cohen & Company, he was the co-founder and co-managing partner of Harron Capital, LP, a USD100m private equity fund, from 1999 to 2002.

As mentioned previously, Cohen & Company generates revenues primarily through fees charged and earned by managing CDOs and permanent capital vehicles, the trading activities of its US broker-dealer subsidiary, and investment returns earned by investing in entities it manages. Cohen & Company has historically relied more heavily on structuring and placement fees than larger and broader multiline fixed-income managers who have more diversified sources of revenue. As such, the absence of new CDO issuance has had a more material impact on Cohen & Company’s financial performance. In an effort to address this, the company has sought cost-cutting measures such as staff reductions and reallocations and by increasing the size and scope of the broker-dealer securities trading operation.

Staffing ‘2+’

Cohen & Company Financial Management has historically employed professionals who have extensive experience in the small- and mid-cap bank, specialty finance, and insurance sectors. In 2008, Cohen implemented staff reductions of 20 individuals, reducing corporate-wide staff to 125 employees from 145 employees, in

an effort to offset decreased revenues. Most of the reductions have been in asset sourcing and origination and in the company's municipal finance unit. With the exception of managing director Shami Patel, Cohen & Company Financial Management has retained the core management staff related to the Alesco CDO platform, consisting of four bank and two insurance credit professionals.

Mr. Cohen oversees the portfolio management function, a role he assumed following the departure of Mr. Patel in September 2008. As mentioned earlier, Mr. Cohen is the founder and chairman of Cohen & Company and has extensive experience in the financial institutions sector. Mr. Cohen also heads the six-member credit committee consisting of seasoned professionals from various areas of the bank and insurance investment community.

Supporting Mr. Cohen directly with the day-to-day management of the Alesco CDOs are six research professionals with high levels of bank and insurance credit expertise. Sam Hillier, Nick Daly, Leena Amin and Mike Lardis cover bank trust preferred credits while Peter Addei and Paul Devine cover insurance credits. All of these individuals are responsible for ongoing analysis, research and surveillance, and report directly to Mr. Cohen.

Chief risk officer Constantine Boyadjiev serves as risk manager to all of Cohen & Company's management platforms. He is responsible for covering all aspects of the firm's risk management process, including the identification, aggregation, quantification, monitoring and reporting of the various market, credit, operational and other risks arising from Cohen & Company's business activities. Prior to joining Cohen & Company, Mr. Boyadjiev was a senior vice president at KBC Financial Products where, during his three and a half year tenure, he was responsible for the risk management oversight of the firm's US trading operations. Previously, Mr. Boyadjiev spent three years as a vice president with JP Morgan Chase, responsible for the risk coverage of the investment bank's global structured finance business. Mr. Boyadjiev also spent five years with Arthur Andersen LLP's financial and commodity risk consulting practice.

Chief compliance officer Ken Smith oversees the ongoing control environment of all of Cohen & Company's operating subsidiaries. In addition to monitoring CDO compliance, he and his team of three professionals are responsible for annual internal audits and ensuring policy manuals remain relevant and up to date. Mr. Smith has 16 years of industry experience and has been with the company since its inception. He has also worked for JP Morgan and the Vanguard Group of investment companies. The compliance group reports directly to Cohen & Company's board of directors and Mr. Smith also reports directly to the COO.

Cohen & Company's robust technological function is overseen by chief technology officer Steven D'Agostino and chief information officer Mark Tolani. Both professionals have over 15 years of industry experience and lead a staff responsible for all IT applications and in-house developed systems such as COBRA and Synergy. Mr. D'Agostino and his team are responsible for maintenance of the firm's CDO surveillance software. Prior to joining Cohen & Company, Mr. D'Agostino was head of CDO analytics and technology for three years at Merrill Lynch and at Credit Suisse prior to Merrill. Before heading analytics at Credit Suisse, Mr. D'Agostino structured cash-flow and market value CDOs, CMOs, and several mortgage repackaging trades during his eight years at that firm and two years at Chase Securities. Prior to joining Cohen & Company, Mr. Tolani was an executive vice president at KBC Financial Products, where he was co-head of the front office technology group in the New York City office for most of his four-year tenure at the firm. Previously, Mr. Tolani headed an IT group at Morgan Stanley and worked in front office IT and research groups at Union Bank of Switzerland and Credit Suisse First Boston.

Procedures and Controls ‘2+’

Cohen & Company Financial Management’s risk management process includes senior management participation in investment policy-making and oversight of investment decision-making. The company’s procedures and systems provide coverage of the core investment management processes. Its organizational structure includes a compliance-related functional group that reports to the COO.

The processes and systems have together created an internal control environment, including the company’s adoption of procedures that conform to the “investment protection principles” for investment banks, including:

- severing the link between compensation for analysts and investment banking activities;
- creation of a review committee to approve all research recommendations;
- establishment of a monitoring process to ensure compliance;
- instituting a policy whereby, upon discontinuation of research coverage of a particular company, the company will disclose the termination and the rationale for such termination; and
- disclosing in research reports whether the company has received or is entitled to receive any compensation from a covered company over the prior year.

The company’s process for investment decision-making is supported by the active role of investment committees as well as the documentation of investment analysis and approval.

Portfolio Management ‘2’

Cohen & Company Financial Management’s portfolio management activities are supported by research and fundamental analysis, a team approach to decision-making and active surveillance on portfolio holdings. Cohen & Company Financial Management also relies on the use of various quantitative tools, which are used extensively to support asset selection and performance monitoring of the underlying collateral. Portfolio managers have access to internal and external information sources and make use of such resources in managing CDO portfolios. A review of research materials and investment write-ups presented for investment committee consideration indicate analyses that address the related risks and specific metrics for making relative value comparisons.

Cohen & Company Financial Management’s trust preferred investment management activities are strongly influenced by the company’s original business activities related to generating proprietary research for the bank and insurance sectors. Although Cohen & Company recently ceased providing external research on the bank sector, these activities enabled the company to leverage its market awareness in the monitoring of CDO trust preferred assets. The company was also able to form alliances with several regional investment banks and broker-dealers with longstanding relationships in the community bank and insurance markets.

SNL Datasource and related information sources serve as the primary vehicle for obtaining publicly available financial information on bank credits already in CDO pools as well as potential bank issuers. These services allow users to look at demographic and financial trends in every banking market in the US and construct peer group and market share analyses. Each member of Cohen & Company Financial Management’s CDO group has access to SNL Datasource directly from their desktop. Similarly, for insurance company investments, Cohen & Company Financial Management uses not only public company and statutory-filing information provided by SNL Financial but the A.M. Best Company’s Statement Database, which provides statutory financial data for US domiciled insurance operating companies. Information garnered from these sources is complimented with internally generated

analysis and direct due diligence conducted by Cohen & Company Financial Management analysts.

CDO Administration ‘2+’

Cohen & Company Financial Management’s CDO administration capabilities include indenture review procedures, internal modeling of each transaction, and the investor reporting capabilities of the organization, which includes password-protected web-based reporting. Structuring capabilities also provide Cohen & Company Financial Management with a more detailed understanding of CDO cash flow mechanics in the context of investment or remediation decisions. For each transaction managed by Cohen & Company Financial Management, a deal model is created for performance spread and ratings sensitivity analysis, and to forecast credit scores and weighted-average rating factor calculations for portfolio holdings. The company’s web site allows investors to access monthly trustee reports for each of the CDOs. More importantly, investors can access quarterly reports on every bank in every CDO, as well as semiannual reports on every insurance company in every CDO.

Technology ‘1-’

Cohen & Company Financial Management uses a variety of technological products to aid in the underwriting and collateral management process. Central tools for the company are several SNL products, including SNL Datasource, which provides access to regulatory financial statement data on banks, thrifts, credit unions, savings institutions, and insurance companies. Cohen & Company Financial Management also uses SNL Interactive, which allows users to access financial information housed by SNL Datasource from any PC with internet access. The SNL Interactive program sends Cohen & Company Financial Management analysts e-mails containing information about issuers in the CDO pools, as well as general industry information. In addition, the company uses SNL Add-In – a vendor-provided user interface that allows users to download data found in the SNL Datasource for use in internal tools.

To monitor insurance companies, Cohen & Company Financial Management uses Best’s Statement Database, which provides statutory financial data for US domiciled insurance operating companies. In addition, Best’s Statement Product allows users to download both industry and company-specific data directly into Microsoft Excel. Cohen & Company Financial Management also uses Best’s Insurance Reports – a web-based product that allows users to download A.M. Best ratings reports on insurance operating companies.

The company also uses rating agency tools/models to administer its CDO portfolios. For example, Cohen & Company Financial Management uses the Fitch US Bank Scoring Model to assess current and potential bank issuers.

Cohen & Company Financial Management uses a fully-functioning database application complete with a user interface in Microsoft Access and data management in Microsoft SQL. This proprietary system, known as Deal Information Manager, provides a centralized organization and surveillance platform for all of the company’s trust preferred underwriting. Cohen & Company Financial Management licenses Wall Street Analytics’ CDonet product to further enhance its CDO administration and portfolio management capabilities, allowing it to facilitate cash reconciliation with the trustee as well as to monitor issuer risk across deals.

Appendix A: Staffing Summary

Staffing Summary

Staff member	Background highlights
Daniel G. Cohen & Company Financial Management Chairman & Chief Investment Officer 19 years of industry experience 9 years co. tenure	<ul style="list-style-type: none"> • CIO of Cohen & Company Financial Management • Chairman and CEO of Taberna Realty Finance Trust • Chairman of The Bancorp, Inc. since 2005, CEO 1999-2000 • Chairman of TRM Corp. since 2003
Christopher Riccardi Chief Executive Officer 17 years of industry experience 3 years co. tenure	<ul style="list-style-type: none"> • Chief executive officer of Cohen & Company and its subsidiaries • From 2003-2006, managing director & global head of structured credit products for Merrill Lynch, Pierce, Fenner & Smith • Head of US structured credit products at Credit Suisse First Boston from 2000-2003 • MBS and ABS trader at Prudential Securities from 1991-2000
James J. McEntee, III Chief Operating Officer 18 years of industry experience 9 years co. tenure	<ul style="list-style-type: none"> • Chief operating officer of Cohen & Company and its subsidiaries • Chief executive officer of Alesco Financial, Inc., a publicly held REIT • Co-founder and co-manager of Harron Capital LP, a USD100m private equity fund, from 1999 to 2000 • Thirteen years as an attorney in private practice, handling banking clients at Lamb, Windle & McErlane, P.C.
Joseph W. Pooler, Jr. Chief Financial Officer 15 years of industry experience 2 years co. tenure	<ul style="list-style-type: none"> • Chief financial officer at Cohen & Company and its subsidiaries since November 2007 • Joined as senior vice president - finance, July 2006 • Previously CFO of Pegasus Communications Corporation, a publicly held broadcast and satellite television company • Six years at MEDIQ, Inc., including serving as corporate comptroller and director of operations
Samuel H. Hiller Director 8 years of industry experience 4 years co. tenure	<ul style="list-style-type: none"> • Credit underwriting and monitoring of regional and community banks and thrift institutions • Previously an equity analyst at CBT Investment Management, focusing on investments in banks and thrifts • Had been a hedge fund analyst at Cambridge Associates, an investment advisory firm • B.A. from Kenyon College in Economics & Applied Mathematics
Peter Addei Director 10 years of industry experience 4 years co. tenure	<ul style="list-style-type: none"> • Credit underwriting and monitoring of insurance companies • Previously two years as a capital markets associate at Wachovia Securities, underwriting debt for financial institutions • Debt and equity securities trader on the Ghana Stock Exchange for Databank Financial Services, Ltd. • M.B.A. from Vanderbilt University; undergraduate degree from Kwame Nkrumah University of Science & Technology
Paul Devine Director 22 years of industry experience 2 years co. tenure	<ul style="list-style-type: none"> • Credit underwriting and monitoring of insurance companies • Previously credit officer for the insurance industry at PNC Bank, N.A., and PNC Capital Markets • B.A., M.A., University of Connecticut; Ph.D., Vanderbilt; C.B.A., Wharton • Member of the editorial advisory board of The Journal of Enterprise Risk Management
Nick Daly Director 6 years of industry experience 5 years co. tenure	<ul style="list-style-type: none"> • Origination, structuring, and portfolio management of bank and insurance trust preferred securities • Previously at Wachovia Securities in corporate finance and investment banking • B.A. in business administration from Loyola College, Maryland • Chartered Financial Analyst

Staffing Summary (cont.)

Staff member	Background highlights
Leena Amin Vice President 6 years of industry experience 3 years co. tenure	<ul style="list-style-type: none"> • Origination, structuring, and portfolio management of bank trust preferred securities • Had joined Cohen & Company as a research associate in the equity research department • Previous professional experience at the law firm of Morgan Lewis Bockius • B.A., Temple University; M.B.A., Drexel University
Mike Lardis Vice President 6 years of industry experience 3 years co. tenure	<ul style="list-style-type: none"> • Credit underwriting and monitoring of regional and community banks and thrift institutions • Previously in the valuation and financial opinions group at the investment banking firm of Stout Risius Ross • Began his career as a credit analyst at Mercantile Bankshares, Baltimore • B.B.A. from Kent State University

Source: Cohen & Company Financial Management

Rating Summary

Cohen & Company Financial Management, LLC

Composite Ratings

To capture the combined effects of asset manager attributes, as measured by CDO Asset Manager Ratings, the six category ratings are weighted as detailed below in calculating a composite rating.

CDO Asset Manager Rating Category

	Weight (%)
Company and management experience	20
Staffing	12
Procedures and controls	12
Portfolio management	32
CDO administration	12
Technology	12
Total	100

Source: Fitch

The composite rating is used to establish a systematically applied quantitative link between asset manager ratings and CDO rating criteria as detailed in Fitch’s “*Global Criteria for Reviewing and Rating CDO Asset Managers*”, criteria published on 16 October 2008, available at www.fitchratings.com. CDO Asset Manager Ratings are reviewed annually and surveilled quarterly.

For any future trust preferred CDO issued by Cohen & Company Financial Management, LLC, Fitch will use the composite rating to calibrate the maximum allowable adjustment to its modeled rating default rate at each rating level with a Fitch rating.

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