

Terrapin Asset Management, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Terrapin Asset Management, LLC (“TAM,” “the Company” or “Filing Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-710-4100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about TAM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

This brochure has been updated since its most recent filing in August of 2011 and this section provides a summary of the material changes that have been made since the last filing. This brochure has been restructured in compliance with new regulatory standards. This brochure has been updated to include reference to a new TAM affiliate, TICO Management Company, LP (“TICO”), and additional reference to an existing TAM affiliate, Terrapin TALF Management Company, LLC (“TTALF”). The brochure has also been updated to include reference to a proprietary fund managed by TAM.

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Advisory Business

The Company was formed in February of 2002 to manage a fund of funds portfolio which was founded by an affiliate of the Company in January of 2001. The Company registered as an investment adviser with the United States Securities and Exchange Commission in May of 2005. The principal owner of the Company is a New York trust of which Mr. Nathan Leight is settlor. Mr. Leight is also Chairman of the Company. The Company primarily manages several private investment funds that make investments in other private funds.

The principal executive officers of the Company are associated with TTALF and TICO (collectively “Relying Advisers”; together with TAM, “Terrapin Advisers”). Both Relying Advisers are under common control with the Company and do not manage fund of funds portfolios. Mr. Leight is a principal owner of TTALF and TICO.

TTALF was created in June of 2009 to manage a private investment fund that makes investments in a portfolio of securities eligible to be financed through the U.S. government’s Term Asset-Backed Securities Loan Facility (“TALF”) program. TICO was created in February of 2012 to manage a private investment fund that makes investments in collateralized, short-duration debt or debt-like

instruments. Additionally, in 2010, the Company launched a proprietary investment company that is wholly owned by principals of the Company, is not offered to the public and is not a fund of funds (the "Proprietary Fund").

As of December 31, 2011, the Terrapin Advisers managed \$418,375,000 of regulatory assets under management on a discretionary basis. The Company also serves as sub-advisor to another registered investment advisor (the "Sub-Advised Account"), and, as of December 31, 2011, managed \$25,824,000 of those assets on a non-discretionary basis. In total, as of December 31, 2011, the Terrapin Advisers managed \$444,199,000 of regulatory assets under management.

TAM

The Company serves as an investment manager or adviser to several related collective investment vehicles, including private investment partnerships and foreign investment companies, organized to invest in securities and other financial instruments (each, a "Client Fund"). Also, TAM serves as investment manager to the Proprietary Fund and as a sub-advisor to the Sub-Advised Account.

In providing such services to each Client Fund, the Company formulates its investment objective, directs and manages the investment and reinvestment of the Client Fund's assets and provides reports to investors. The Company manages the assets of each Client Fund in accordance with the terms of the governing documents applicable to such Client Fund. The Company will invest Client Fund assets in private investment funds or separate account vehicles (together, the "Investment Funds") managed by other investment managers (the "Investment Managers") who employ different absolute and relative return investment strategies across diverse sectors and asset classes in pursuit of attractive risk-adjusted returns consistent with the preservation of capital. Such Investment Managers, in turn, invest and trade primarily in securities and other financial instruments. The Company's objective is to achieve consistently attractive, risk-adjusted returns by investing in a diversified group of Investment Funds managed by Investment Managers.

Currently, the Company provides these services to the following Client Funds:

- Terrapin Fund of Funds, LP, a Delaware limited partnership (the "U.S. Client Fund"). The Company serves as the U.S. Client Fund's investment manager.
- Terrapin Offshore Fund of Funds Ltd., a Cayman Islands exempted limited company (the "Offshore Client Fund"). The Company serves as the Offshore Client Fund's investment manager. The Offshore Client Fund acts solely as a feeder into the U.S. Client Fund.
- Terrapin Fund of Funds II, LP, a Delaware limited partnership (the "U.S. Terrapin Fund"). The Company serves as the U.S. Terrapin Fund's investment manager.
- Terrapin Offshore Fund of Funds II Ltd., a Cayman Islands exempted limited company (the "Offshore Terrapin Fund"). The Company serves as the Offshore Terrapin Fund's investment manager. The Offshore Terrapin Fund acts solely as a feeder into the U.S. Terrapin Fund.
- Terrapin Offshore Fund of Funds Euro Ltd., a Cayman Islands exempted limited company (the "Euro Client Fund"). The Company serves as the Euro Client Fund's investment manager. The Euro Client Fund acts solely as a feeder into the U.S. Client Terrapin Fund.

- Terrapin Legends Fund, LP, a Delaware limited partnership (the “Legends Client Fund”) organized for the benefit of taxable U.S. investors. The Company serves as the Legends Client Fund’s investment manager.
- Terrapin Select, LP, a Delaware limited partnership (the “Select Client Fund”). The Company serves as the Select Client Fund’s investment manager. Presently the Select Client Fund acts as a feeder into the U.S. Client Fund.

The Company serves as manager to one Delaware limited liability company and serves as investment manager to one Cayman Islands exempted limited company, which were created in 2009 for the purpose of holding certain illiquid investments. TAM does not actively manage those investments. Such liquidating vehicles, as they were formed for the purpose of holding illiquid assets, are being maintained until orderly liquidation can be achieved. For the Proprietary Fund, the Company manages the assets in accordance with the terms of the operating agreement. For the Sub-Advised Account, the Company manages the assets in accordance with the terms of the advisory agreement and the investment restrictions placed on the account.

Relying Advisers

The Relying Advisers serve as investment managers or advisers to their respective collective investment vehicles, which are private investment limited partnerships and a Cayman Islands exempted limited partnership, organized to invest in securities and other financial instruments (each, an “Affiliated Fund”; together with the Proprietary Fund, and Client Funds, “Terrapin Funds”; together with the Sub-Advised Account, “Clients”). Each Relying Adviser formulates its investment objective, directs and manages the investment and reinvestment of its respective Affiliated Fund’s assets and provides reports to investors. Each Relying Adviser manages the assets of its respective Affiliated Fund in accordance with the terms of the governing documents applicable to such Affiliated Fund.

Currently, the Relying Advisers provide these services to the following Affiliated Funds:

- Terrapin TALF Fund, LP, a Delaware limited partnership (the “TALF Master Fund”). TTALF serves as the TALF Master Fund’s investment manager. This investment vehicle is closed and not available to new investors.
- Terrapin TALF Investments, LP, a Cayman Islands exempted limited partnership (the “TALF Fund”). TTALF serves as the TALF Fund’s investment manager. This investment vehicle is closed and not available to new investors. The TALF Fund acts solely as a feeder into the TALF Master Fund.
- Terrapin Income and Credit Opportunities Partnership, LP, a Delaware limited partnership (the “TICO Fund”). TICO serves as the TICO Fund’s investment manager.

Interests in the Terrapin Funds that are collective investment vehicles sponsored by the Terrapin Advisers are not registered under the Securities Act of 1933, as amended, and such Terrapin Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Terrapin Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions. Typically, these investors are high net worth individuals, institutions and other entities.

Fees and Compensation

Compensation received by the Terrapin Advisers from the Terrapin Funds is generally comprised of fees based on a percentage of assets under management and/or performance-based amounts.

The Company's asset-based fees range up to 1.50% (per annum), and the Relying Adviser's asset-based fees range up to 2.00% (per annum), although reductions may be negotiated with investors on a case-by-case basis. The Company's asset-based fees are generally billed quarterly and the Relying Advisers' asset-based fees are generally billed monthly. Asset-based fees are generally billed at the commencement of the fiscal period during which the Company or Relying Advisers will perform the services to which the fees relate.

The Company may also receive an Incentive Allocation as of each December 31 with respect to the Capital Account of Limited Partners in certain Client Funds of up to 5% of the amount by which the net asset value ("NAV") of each Capital Account exceeds the High Water Mark. The Company may waive all or any portion of the Incentive Allocation with respect to any Limited Partner in any fiscal period.

TTALF may receive Incentive Fees with respect to the Capital Account of Limited Partners in the TALF Fund of up to 20% of the net capital appreciation of such Limited Partner's account from time to time, subject to and/or in excess of specified performance thresholds as set forth in the TALF Fund's Confidential Private Placement Memorandum provided to prospective investors. Due to the structure of the TALF Fund and the nature of its investments, investors generally are not permitted to make redemptions. TTALF may waive all or any portion of the Incentive Fees with respect to any Limited Partner in any fiscal period.

TICO may receive performance-based Carried Interest with respect to the accounts of Limited Partners in the TICO Fund of up to 20% of the net capital appreciation of such Limited Partner's account from time to time, subject to and/or in excess of specified performance thresholds as set forth in the TICO Fund's Confidential Private Placement Memorandum provided to prospective investors. While, due to the structure of the TICO Fund and the nature of its investments, investors generally are not permitted to make redemptions, investors may cease reinvestment of their capital with proper notice half-yearly, but only after an initial investment period. TICO may waive all or any portion of Carried Interest with respect to any Limited Partner in any fiscal period.

The Terrapin Advisers charge fees to each investor's capital account. Except where prohibited as noted above, investors generally will be permitted to make complete or partial redemptions in accordance with the terms of the Terrapin Fund's governing documents. Where redemptions are prohibited, in accordance with the relevant Affiliated Fund's Confidential Private Placement Memorandum, as investments mature or are sold by the Affiliated Fund, distributions are made to investors. The Company's management fees are generally paid at the beginning of each quarter or up to three months in advance and are not refundable. The Relying Advisers' management fees are paid at the beginning of each month or up to one month in advance and are not refundable. In addition to the Terrapin Advisers' fees, investors will bear indirectly other fees and expenses charged to the private fund. Those fees and expenses will vary, but typically will include fees associated with making or selling portfolio investments, legal and accounting fees, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors' and officers' liability insurance, travel expenses and other expenses associated with research and due diligence, and other expenses such as litigation. Investors should review all fees charged to fully understand the total amount of fees to be paid by the private funds and, indirectly, their investors.

Each Terrapin Fund sets forth its specific fee structure (including how it charges fees) in a confidential offering memorandum or similar offering document provided to prospective investors. All defined terms used and not otherwise defined in this brochure shall have the meanings set forth in the offering documents for the respective Terrapin Fund.

For the Sub-Advised Account the fee structure is outlined in the investment advisory agreement. It is an asset-based fee with a minimum floor. The Company's services may be terminated by either party upon written notification in accordance with the applicable contractual notice of termination. In addition to the fees charged by the Company, the Sub-Advised Account will bear other fees and expenses charged by Investment Managers and/or Investment Funds.

For the Proprietary Fund, the Company takes no fees. The Proprietary Fund bears all expenses incurred in connection with its trading activities, as well as all operating expenses.

Performance-Based Fees and Side-by-Side Management

Terrapin Adviser performance-based fee arrangements are disclosed above. Performance-based or incentive fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

The Terrapin Advisers will enter into performance-based fee arrangements and the fact that they do so may create an incentive for them to make investments on behalf of Terrapin Funds that are riskier or more speculative than would be the case in the absence of such compensation. Performance-based fees received by the Terrapin Advisers are based primarily on realized and unrealized gains and losses. As a result, a performance-based fee earned could be based on unrealized gains that clients may never realize. In addition, some Client Funds and some portfolios within Affiliated Funds ("Affiliated Portfolios") are not charged a performance-based fee. Although the Terrapin Advisers have an incentive to favor Client Funds and Affiliated Portfolios for which it receives a performance-based fee, in no instance will the Terrapin Advisers favor Client Funds and Affiliated Portfolios paying performance-based fees over Client Funds and Affiliated Portfolios not paying performance-based fees. As fiduciaries, the Terrapin Advisers recognize their duties to act in good faith and with fairness in all of their dealings with all Terrapin Funds, and it is the Terrapin Advisers' policy to allocate securities across all their respective Terrapin Funds in a fair and equitable manner.

TICO may set up other investment vehicles that may invest in similar assets to the TICO Fund or co-invest side-by-side with the TICO Fund in illiquid investments or liquid trading strategies that are similar to the TICO Fund. In case of a potential conflict of interest, where there is limited access to a limited supply of a particular investment or sale opportunity, such opportunities will be allocated in the manner TICO considers to be consistent with its advisory obligations to the TICO Fund, but it cannot assure equal treatment among all accounts and clients at all times.

Types of Clients

The Terrapin Advisers provide investment advice to privately-offered investment funds structured as limited partnerships, limited liability companies, Cayman Islands exempted limited companies,

Cayman Islands exempted limited partnerships and one Sub-Advised Account. The Terrapin Funds and Affiliated Funds have minimum investment amounts and investor suitability criteria which are set forth in their respective offering documents and subscription application materials. Investors will be required to make certain representations when investing in a Terrapin Fund, including but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and (iii) they have the ability to bear the economic risk of an investment in the fund.

Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that investors should be prepared to bear, including the potential for total capital loss.

TAM

The Company's research efforts focus on identifying new Investment Funds and performing due diligence on prospective Investment Managers. All of the fundamental research generated on prospective Investment Managers is internally generated. When evaluating a prospective Investment Fund the Company performs a host of quantitative and qualitative analyses. The quantitative research the Company generally performs includes:

- Historical performance risk/return analysis;
- Peer and benchmark performance comparisons;
- Analysis of performance during market turbulence;
- Historical performance volatility analysis;
- Downside deviation/drawdown analysis;
- Review of performance attribution, use of leverage, capacity and liquidity constraints, and portfolio construction; and
- Analysis of asset growth/reduction, and impact on return and exposure levels.

The qualitative research the Company generally performs includes:

- Background and reference checks on prospective Investment Managers, and review of employee turnover;
- Site visit, to include a review of back office and execution capabilities;
- Analysis of portfolio pricing procedures;
- Analysis of manager commitment to, and implementation of, risk controls;
- Review of audited financial statements;
- Legal review of all fund documents; and
- Review of agreements with existing investors and portfolio transparency policies.

The Company's research efforts are overseen by the Director of Research and are supported by a team of investment analysts. With respect to the main sources of information the Company uses to support its research process, the Company licenses databases for accessing regularly updated performance data from a wide range of prospective Investment Managers in order to complement its internal database of prospective Investment Managers. Additionally, the Company licenses a Bloomberg terminal in order to access index data, information about prospective Investment Managers' portfolio holdings and filings, and general market information.

The Company's network of personal contacts is its single best source of information, however. The Company's research team leverages its network of relationships with hedge fund professionals, financial markets professionals, and hedge fund investors to identify prospective Investment Managers, and to perform due diligence on such. Nathan Leight, the Company's Chairman and Chief Investment Officer has developed extensive professional and personal contacts throughout his more than 25 years of direct experience in the asset management and hedge fund industries. His extensive network, as well as the contacts of the other senior investment professionals, provides the Company with access to a number of Investment Managers that are otherwise closed to new investors.

The Investment Funds implement a wide range of strategies in diverse international markets. These strategies include investing and trading in both long and short positions in their respective portfolios, and may include investment in securities for which there is no ready market, or very limited liquidity. Some strategies may also involve elements of securities arbitrage and hedging, the purchase and sale of puts, calls and other options, and the use of leverage. The Company believes that such an investment program has the potential to achieve investment performance without the levels of volatility and risk that such assets, or the Investment Funds and Investment Managers, may individually experience. Each prospective Investment Fund investment is evaluated both on a stand-alone basis and in the context of the overall anticipated partnership portfolio. The Investment Managers are identified and monitored on an ongoing basis by the Company. The description provided above is a brief overview of the investment strategy and is not intended to be complete.

All investing involves a risk of loss and the investment strategy offered by TAM could lose money over short or even long periods. Acquiring interest in Client Funds involves a number of risks. An investment in the Client Fund is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Client Fund. No guarantee or representation is made that the Client Fund will achieve its investment objective or that limited partners will receive a return of their capital. The description contained below is a brief overview of different investment risks related to TAM's fund of fund investment strategies; the offering document for each Client Fund sets forth specific risk factors for an investment in such Client Funds.

Funds-of-funds generate multiple levels of fees and expenses. By investing in Investment Funds, the investor bears asset-based fees and performance-based fees or allocations of both the Client Fund and the Investment Funds. Thus, an investor in the Client Fund may be subject to higher operating expenses than if he or she invested in an Investment Fund directly. In addition, certain of the Investment Funds may be subject to a performance-based fee or allocation, irrespective of the performance of other Investment Funds. Accordingly, an advisor to an Investment Fund with positive performance may receive performance-based compensation from the Investment Fund even if the Client Fund's overall performance is negative. Generally, fees payable to advisors of Investment Funds will range from 1% to 2% (annualized) of the average NAV of each fund's investment. In addition, certain advisors charge an incentive allocation generally ranging up to 20% of an Investment Fund's net profits, although it is possible that such ranges may be higher for certain advisors. The performance-based compensation received by an advisor to an Investment Fund may also create an incentive for that advisor to make investments that are riskier or more speculative than those it might have made in the absence of the performance-based allocation.

Each Investment Fund invests independently. Each Investment Fund will generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that Investment Managers hold such positions, the Client Fund, considered as a whole, may not achieve any gain or loss despite incurring fees and expenses in connection with such positions.

Investment Funds are illiquid. The Client Fund may make additional investments in or effect withdrawals from any Investment Fund only at certain times pursuant to limitations set forth in the governing documents of such Investment Fund. The redemption or withdrawal provisions regarding the Investment Funds vary from fund to fund. Some Investment Funds may impose lock-up periods prior to allowing withdrawals or impose early redemption fees, or impose gates or suspension provisions. After expiration of a lock-up period, withdrawals may be permitted only on a limited basis, such as annually. Therefore, the Client Fund may not be able to withdraw its investment in an Investment Fund promptly after it has made a decision to do so. This may adversely affect the Client Fund's investment return or increase the Client Fund's expenses or limit the Client Fund's ability to fund redemptions from investors at a given time.

Investment Funds may distribute securities instead of cash. Investment Funds are permitted to redeem their interests in-kind. Thus, upon the Client Fund's withdrawal of an interest in an Investment Fund, it may receive securities that are illiquid or difficult to value.

Investment Funds may be difficult to value. The valuation of the Client Fund's investments in Investment Funds is ordinarily determined based upon valuations calculated by TAM based on information provided by the Investment Funds and their auditors. Although TAM reviews the valuation procedures used by the Investment Funds, TAM may not be able to confirm or review the accuracy of such valuations. Furthermore, revisions to an Investment Fund's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the audits of the Investment Fund have been completed.

Investment Funds may have rights to indemnification. The Investment Fund managers may have broad indemnification rights and limitations on liability. The Client Fund may also agree to indemnify certain of the Investment Funds and their managers from liability arising out of, among other things, certain acts or omissions relating to the offer or sale of the shares of the Investment Funds.

TAM will not control the Investment Funds. TAM does not and will not control the Investment Funds, and there can be no assurances that Investment Funds will be managed in a manner consistent with the Client Fund's investment objective.

Relying Advisors

TTALF

TTALF is now closed to new investment. TTALF's research efforts focus on determining when to sell its existing portfolio of securities, which are financed through the TALF program created by the U.S. Treasury Department and the Federal Reserve Board. TTALF was created to capitalize on the opportunity afforded by the program. The TALF Master Fund invested in newly issued AAA-rated asset-backed securities. TTALF sought to capitalize on the opportunity afforded by the government's TALF program by leveraging Terrapin's relationships with underwriters to build a portfolio of newly-underwritten TALF-eligible collateral. From this pool of securities, TTALF selected securities that provided the most attractive risk-adjusted return. TTALF's research efforts are overseen by the Portfolio Manager. TTALF undertakes a cash flow analysis of potential investments to determine the expected return on investment as well as scenario analyses to determine potential downside risk. TTALF may also look at comparable securities to determine the appropriate return required for a given investment.

There can be no assurance that the TALF Master Fund or the TALF Fund will achieve their investment objective or generate any positive returns. An investment in these Affiliated Funds is

highly speculative and subject to a risk of total capital loss. In addition to the risks associated with investing in securities generally, there are also specific risks associated with the investment activity of these funds. The description contained below is a brief overview of different investment risks related to the TALF Master Fund's and the TALF Fund's investment strategies; the offering document for the TALF Fund sets forth specific risk factors for an investment in the private fund.

TALF Program parameters are subject to change. The TALF Program has been recently established by the U.S. government and has been subject to substantial revisions. As such, there can be no assurance that there will not be further changes made to the program and that these changes will not adversely impact the TALF Fund's or the TALF Master Fund's ability to execute its investment strategy.

TALF Program restrictions may reduce availability of eligible securities. The TALF program provides specific guidelines for the underlying collateral for Eligible Securities, as well as restrictions applicable to the issuers and sponsors of Eligible Securities. These restrictions may reduce the availability of Eligible Securities, and the TALF Master Fund may be unable to acquire sufficient amounts of Eligible Securities to meet its investment objectives. In addition, if the collateral used to secure a TALF loan becomes or is found to be ineligible, the TALF Master Fund may be required to immediately repay the loan or replace the collateral with other Eligible Securities, which may result in material losses to the TALF Master Fund.

There are fees and costs associated with TALF. The TALF Master Fund will be required to pay a non-refundable administrative fee to the custodian. Additionally, the TALF program is set up such that Eligible Borrowers must deal with the New York Fed through primary dealers. Some or all of the TALF Master Fund's primary dealers may elect to charge direct or indirect fees for their services. Any such fees incurred, including the administrative fee, will be borne by the TALF Master Fund and will reduce the return achieved by the TALF Master Fund. See the Confidential Private Placement Memorandum for more information.

Default in the underlying asset pool could result in loss of principal. Investments in ABS may be speculative and the holders have risk of principal loss if the underlying pool of assets (including, but not limited to, auto loans, consumer credit, small business loans, and student loans) does not perform as expected. An increase in default rates on the underlying pool of loans may result in a diminishment of the amount of collateral support available for ABS of the type that the TALF Master Fund intends to purchase. This could increase the likelihood that statutory payments may not be made to holders of such asset-backed securities resulting in loss of principal on any securities acquired.

TICO

TICO was created to capitalize on credit market dislocation by acquiring short-duration, income-generating instruments, and distributing income on a regular basis. TICO's investment strategy involves investing in undervalued credit investments, including asset-based transactions, loan originations and corporate securities. TICO's research efforts are overseen by the Portfolio Manager. Like TTALF, TICO undertakes a cash flow analysis of potential investments to determine the expected return on investment as well as scenario analyses to determine potential downside risk. TICO undertakes due diligence review of documentation with respect to direct loans made to small businesses.

TICO implements a number of strategies in a variety of markets, for a mixture of illiquid and liquid assets. A list of potential strategies, for illustrative purposes only, would include investing in the

areas of equipment leasing, small business loans secured by liquid collateral, high-yield bonds and “hard-money” lending. TICO may invest in illiquid securities. Some strategies may also involve elements of securities arbitrage and hedging, the purchase and sale of puts, calls and other options, and the use of leverage. While TICO intends to avoid strategies that utilize significant amounts of leverage, TICO reserves the right to utilize leverage, both at the TICO Fund and individual investment levels, on an opportunistic basis. Each prospective investment is evaluated both on a stand-alone basis and in the context of the overall anticipated partnership portfolio. The investments are identified and monitored on an ongoing basis by TICO. The description provided above is a brief overview of the investment strategy and is not intended to be complete.

Any decision to invest in any of these strategies would be predicated upon further due diligence to stress-test the investment assumptions and the potential for loss. In addition, in the case of illiquid assets, once an investment passes through the due diligence process, the Partnership will typically make the investment only after significant structuring to ensure adequate safeguards such as tight underwriting standards, milestone provisions for funding, real-time collateral monitoring and lock-box features.

There is the potential for insufficient investment opportunities. TICO may not be able to secure a sufficient number of investment opportunities for the Interests. The activity of identifying, completing and realizing attractive distressed and newly-underwritten credit investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions as well as to the prevailing regulatory and political climate.

There are no withdrawal rights. Limited Partners may not withdraw from the TICO Fund. While periodic Distributions will be made and Limited Partners may elect “Reinvestment-End Dates” with respect to their Interests, there is no assurance as to the amount or timing of such Distributions or as to how long a particular Interest will be required to remain at risk.

There is significant “long bias” in the partnership’s portfolio. The TICO Fund has been formed primarily to acquire long positions in instruments identified by TICO as undervalued — including making Illiquid Investments in credit sectors with inadequate access to the capital. The “long bias” to the TICO Fund’s portfolio will mean that a substantial percentage of its positions may be highly correlated, or will be similarly influenced, in the case of certain events — such as interest-rate “shocks” or a resumption of the “market crisis” which characterized 2007-2009.

Recovery value of collateral can be uncertain. One component of TICO’s analysis of the desirability of making a given Illiquid Investment may relate to the estimated residual or recovery value of such Illiquid Investments in the event of the insolvency of the borrower. The value of the collateral underlying certain instruments acquired by the TICO Fund can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets, resulting in such Illiquid Investments becoming substantially worthless.

Disciplinary Information

The Terrapin Advisers and their employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Principal executive officers of the Company are also associated with Terrapin Partners, LLC (“TP”). TP is under common control with the Company. TP was created in 1998 and is owned by Nathan Leight and a family trust. TP focuses on venture capital and private equity investing.

The Company will not invest any of the Client Fund assets with the Relying Advisers or TP. TICO has the authority as disclosed in its Confidential Private Placement Memorandum to invest TICO Fund assets with affiliated investment managers. The TICO Fund currently holds a position in the TALF Fund, for which TTALF does not take a fee. No other Relying Adviser will invest any of its Affiliated Fund assets with the Company or any other Relying Adviser or TP. Nevertheless, investors may be solicited to invest in products offered by the Relying Advisers or TP.

As discussed above in “Advisory Business,” the Terrapin Advisers act as general partners or investment managers to the Terrapin Funds formed as limited partnerships or other collective investment related vehicles, or as managed accounts. Investments in any Terrapin Funds of which a Terrapin Adviser is a general partner or manager are conducted on a private placement basis and prospective investors are solicited by means of the current prospectus or private placement memorandum of the relevant Terrapin Fund. The Terrapin Advisers also act as investment managers to offshore entities that are not formed as limited partnerships or limited liability companies.

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

The Principals and related parties may invest in the same Investment Funds and other securities as the Terrapin Funds (but will not do so on more favorable terms than the Terrapin Funds). In case of a conflict between the Terrapin Fund’s account and one or more Investment Funds’ accounts, in situations where there is limited access to a limited supply of a particular investment or sale opportunity, such opportunities shall be allocated to the Terrapin Funds first. The Terrapin Funds maintain transaction records for all employee securities transactions and have also adopted policies and procedures to prevent the misuse of material non-public information and trading on inside information. To avoid any potential conflicts of interest involving personal account dealing, the Terrapin Advisers have adopted a Code of Ethics (the “Code”), which includes personal trading and insider trading policies and procedures. The Code requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Company above one’s own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;

- Practice and encourage others to practice in a professional and ethical manner;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

The Code also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of the Code shall be provided to any investor or prospective investor upon request.

Each Terrapin Adviser serves as the general partner, investment manager and/or investment adviser to its respective Terrapin Funds. TAM, its employees or a related entity will generally have a material investment in the Terrapin Funds. Therefore, the Terrapin Advisers are considered to participate in transactions effected for the Terrapin Funds. In addition, the Terrapin Advisers benefit from recommending that investors invest in the Terrapin Funds because they receive fees including management and incentive fees.

Brokerage Practices

When investing in Investment Funds, TAM ordinarily contracts directly with Investment Managers without the involvement of any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments. Many of the TICO Fund's illiquid investments will be held directly by the partnership (through its custodian) and not in any brokerage account. Nevertheless, the TICO Fund will also maintain brokerage and custody arrangements with banks and other established financial institutions. In the case of TTALF and TICO, any purchase or sale of securities and other investment products may require financial intermediaries such as broker-dealers to be compensated through a commission or other compensation arrangement.

To the limited extent the Terrapin Advisers engage in transactions that require the involvement of a financial intermediary such as a broker-dealer, the Terrapin Advisers have the authority to determine the financial intermediaries to be used in connection with such transactions and to negotiate the amount of commission or other compensation to be paid to such intermediaries in connection with such transactions. The Terrapin Advisers negotiate such compensation on a case-by-case basis and do not seek to obtain products, research or services other than transactional services from such intermediaries. Nevertheless, while TTALF and TICO have not historically obtained other services such as research from these broker-dealers in the past and do not seek such other services, they may do so in the future should they be deemed necessary.

The Terrapin Advisers will take into account a number of factors including, among other things, commission rates (and other transactional charges), the broker's financial strength, stability and responsibility, reputation, reliability, responsiveness to the Company, ability to execute trades, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions, efficiency of execution, and error resolution. Accordingly, transactions will not always be executed at the lowest available price or commission. The Terrapin Advisers do not adhere to any rigid formulas in selecting brokers, but weigh a combination of factors. Investment personnel for the Terrapin Advisers evaluate brokers based on the criteria listed above and on the products and services provided by the broker. There is, however, no formulaic correlation between this evaluation and the allocations of brokerage for Terrapin Funds. Because of the range of factors considered by

the Terrapin Advisers, it is possible that the Terrapin Advisers may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Nevertheless, the Company will make a good faith determination that the amount of commission is reasonable in relation to the value of the products and services received, the broker's execution ability, and other factors.

In the case of the TICO Fund, TICO looks at a range of criteria including pricing offered on the specific transaction for which the broker-dealer is being considered, as well as broader considerations. Those broader considerations include, but are not limited to, other support offered by the broker-dealer such as market feedback and potential for future deal-flow. Since broker-dealers in the fixed-income markets make markets rather than charge commission, it is difficult to determine their actual level of commission. TICO strives to ensure that the prices at which transactions are conducted are consistent with other comparable transactions.

In the case of the TALF Master Fund, TTALF receives pricing services from select TALF-program banks and therefore has an incentive to transact business with those banks.

Review of Accounts

The Terrapin Advisers continuously review Client accounts. The investment personnel of the Company continually supervise the Investment Funds and the Investment Managers and assess the appropriateness of the investments in connection with each Client's investment objectives and the general economic environment. In addition, investment personnel perform ongoing monitoring of Investment Funds held in accounts by reviewing such factors as performance return, performance volatility, adherence to investment guidelines, and portfolio management changes. The TAM investment committee, which includes the Chief Investment Officer, the Portfolio Manager & Director of Research, a Managing Director, and the Director of Quantitative Analysis, has final authority over all investment decisions for the Client Funds. Each Relying Adviser has designated in the confidential offering memorandum of its respective Affiliated Fund specific individuals or groups of individuals to have final authority over all investment decisions related to such fund. For TTALF, the Investment Team, which includes the Chief Investment Officer and the Portfolio Manager has such authority. For TICO, the Chief Investment Officer and the Portfolio Manager have that authority.

Investors receive annual audited financial statements prepared in accordance with generally accepted accounting principles and reports issued no less than quarterly which include a statement of the NAV of the investor's interest in the partnership. In addition, the Terrapin Advisers may agree to provide certain investors more frequent or more detailed reports of the Terrapin Fund's portfolio holdings or performance. The Terrapin Advisers furnish clients with the annual tax information relating to the Terrapin Fund necessary for the preparation of their federal income tax returns. However, such information is unlikely to be furnished in time for an April 15 tax filing. Therefore, clients will be required to obtain an extension of their tax return filing dates.

The nature and frequency of reports to the Sub-Advised Account are determined primarily by their particular needs.

Client Referrals and Other Compensation

From time to time, the Terrapin Advisers will compensate unaffiliated persons or entities for acting as selling agents for interests in some Terrapin Funds. Some of the Terrapin Advisers have entered

into contractual agreements with individuals or organizations (“agents”) who solicit investors for certain of the Terrapin Funds. While the specific terms of each arrangement may differ, generally an agent’s compensation is based upon the value of the assets under management of the referred investor(s) and the amount of fees collected. All referral fee arrangements will be fully disclosed to investors.

Custody

All Terrapin Fund assets are held in custody by unaffiliated broker/dealers or banks; however, a registered investment adviser who, directly or through an affiliate, acts as the general partner or managing member to a limited partnership or other comparable pooled investment vehicle is considered to have custody over client assets. Rule 206(4)-2 under the Investment Advisers Act of 1940 imposes a number of requirements on an SEC-registered investment adviser that is deemed to have custody of its clients’ funds and securities.

To comply with Rule 206(4)-2 and to provide meaningful protection to investors, each Terrapin Fund is subject to an annual financial statement audit by an independent public account registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles, and are distributed to each investor within 180 days of the Client Fund’s fiscal year end.

Investment Discretion

The Terrapin Advisers typically manage Terrapin Funds on a discretionary basis. The offering memorandum and governing document for each Terrapin Fund provides that the general partner or investment manager has exclusive and absolute discretion and authority in managing and controlling the business and affairs of the Client, subject only to specific and express limitations provided therein. TAM sub-advises the Sub-Advised Account on a non-discretionary basis.

Voting Client Securities

As a “fund-of-hedge funds” adviser, the Company is rarely, if ever, requested to vote the proxies of traditional operating companies. Rather, the Company from time to time is requested to vote on behalf of its Client Funds in their capacities as investors in other Investment Funds. As an adviser to a private fund that invests primarily in illiquid securities, TICO is also rarely, if ever, requested to vote the proxies of traditional operating companies. In the event that any Terrapin Adviser is requested to engage in voting proxies, the Terrapin Advisers are guided by general fiduciary principles. The Terrapin Advisers’ goal is to act prudently, solely in the best interest of the Terrapin Funds and their investors. The voting Terrapin Adviser attempts to consider all factors of its vote that could affect the value of the underlying Investment Fund. The Company and TICO vote proxies in the manner that they believe is consistent with efforts to achieve a Client or Affiliated Fund’s stated objectives, including maximizing portfolio values. The Company and TICO maintain records of all proxy votes cast on behalf of Client or Affiliated Funds. If a material conflict of interest over proxy voting arises between the Company and the Client Funds, the Company will vote the proxy as recommended by the Investment Committee. Investors may contact the Company for a copy of the policy or information with respect to a specific client proxy vote, at no cost.

TTALF does not invest in traditional operating companies and does not receive proxies to vote any client securities.

In managing the Proprietary Fund, while requests to vote the proxies of traditional operating companies are relatively more frequent, they are nevertheless rare. Here too, the Company is guided by general fiduciary principles and the Company's goal is to act prudently, solely in the best interests of its investors.

Financial Information

None of the Terrapin Advisers have ever filed for bankruptcy and are not aware of any financial condition that is expected to affect their ability to manage client accounts.