

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” or “the Company”). 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 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 initial filing in March of 2011 and this section provides a summary of the material changes that have been since the last filing. Mr. John Frawley retired from TAM in June of 2011 and no longer serves on the investment committee. In addition, two new members were added to TAM's investment committee.

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Advisory Business

The Company was formed in February of 2002 to manage a fund of funds portfolio which had been 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 sole owner of the Company is Mr. Nathan Leight, and his shares in the Company are held in a family trust. The Company primarily manages several private investment funds that make investments in other private funds and as of December 31, 2010 the Company had \$373,291,000 of assets under management on a discretionary basis. The Company also serves as sub-advisor to another registered investment advisor, and as of December 31, 2010 managed \$25,346,000 of those assets on a non-discretionary basis.

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"). TAM also serves as a sub-advisor to another registered investment adviser (the "Sub-Advised Account"; together with Client Funds, "Clients").

In providing such services to each Client Fund, the Company formulates its investment objective, directs and manages the investment and reinvestment of such 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.

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.

Interests in the Client Funds that are collective investment vehicles sponsored by the Company are not registered under the Securities Act of 1933, as amended, and such Client Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Client 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.

For the Sub-Advised Account, TAM manages the assets in accordance with the terms of the advisory agreement and the investment restrictions placed on the account.

The Company's objective is to achieve consistently high, risk-adjusted returns by investing in a diversified group of Investment Funds managed by Investment Managers. From time to time, Investment

Funds may make distributions in-kind of securities in lieu of or in addition to cash to satisfy redemptions. In the event that the Investment Funds makes distributions of securities in-kind, such securities would be liquidated as soon as possible by the Company on behalf of the Client.

Fees and Compensation

Compensation received by the Company from the Client 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), although reductions may be negotiated with investors on a case-by-case basis. Asset based fees are generally billed quarterly at the commencement of the calendar quarter during which the Company 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 of 5% of the amount by which the net asset value 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.

Fees are charged to each investor's capital account. Investors generally will be permitted to make complete or partial redemptions in accordance with the terms of the Client Fund's governing documents. Management fees are paid at the beginning of each quarter or up to three months in advance and are not refundable. In addition to TAM's 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 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 Client 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 herein shall have the meanings set forth in the offering documents for the respective Client 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. TAM'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 TAM, the Sub-Advised Account will bear other fees and expenses charged by Investment Managers and/or Investment Funds.

Performance-Based Fees and Side-by-Side Management

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.

TAM will enter into performance-based fee arrangements and the fact that TAM does so may create an incentive for TAM to make investments on behalf of Client Funds that are riskier or more speculative than would be the case in the absence of such compensation. Performance-based fees received by TAM 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 are not charged a performance-based fee. Although TAM has an incentive to favor Client Funds for which it receives a performance-based fee, in no instance will TAM favor Client Funds paying performance-based fees over Client Funds not paying performance-based fees. As a fiduciary, TAM recognizes its duties to act in good faith and with fairness in all of our dealings with all Client Funds, and it is TAM's policy to allocate securities across all Client Funds in a fair and equitable manner.

Types of Clients

The Company provides investment advice to privately-offered investment funds structured as limited partnerships/companies and one Sub-Advised Account. The Client Funds have a minimum investment amount 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 Client 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

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 20-plus 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, provide 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.

Indemnification of Investment Funds. 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.

Disciplinary Information

TAM and its 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 TALF Management Company, LLC (“TALF”) and Terrapin Partners, LLC (“TP”). Both firms are under common control with the Company. TALF was created in June of 2009 to manage Terrapin TALF Investments, LP and the Terrapin TALF Fund, LP (the master fund). This product was created to capitalize on the opportunity afforded by the Term Asset-Backed Securities Loan Facility program created by the US Treasury Department and the Federal Reserve Board. The master fund invests in newly issued AAA-rated asset backed securities and a portfolio of short duration bonds backed by consumer-related loans. This investment vehicle is closed and not available to new investors. TP was created in 1998 and is wholly owned by Nathan Leight. TP focuses on venture capital and private equity investing. The Company will not invest any of the Client Fund assets with TP or TALF; however, investors may be solicited to invest in products offered by TP or TALF.

As discussed above in “Advisory Business,” the Company and other related persons act as general partners or investment managers to the Client Funds formed as limited partnerships or other collective investment related vehicles, or as managed accounts. These Client Funds are organized to invest in Investment Funds. Investments in any such Client Funds of which the Company or other related person 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 Client Fund. The Company and related persons 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 as the Client Funds (but will not do so on more favorable terms than the Client Funds). In case of a conflict between the Client Fund’s account or 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 Client Funds first. The Company maintains transaction records for all employee securities transactions and has 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 Company has 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.

TAM serves as the general partner, investment manager and/or investment adviser to the Client Funds. TAM, its employees or a related entity will generally have a material investment in the Client Funds. Therefore TAM is considered to participate in transactions effected for the Client Funds. In addition, TAM benefits from recommending that investors invest in the Client Funds because it receives 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.

To the limited extent TAM engages in transactions other than investments in Investment Funds, TAM has 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. TAM negotiates such compensation on a case-by-case basis and does not seek to obtain products, research or services other than transactional services from such intermediaries.

TAM 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 Company does not adhere to any rigid formulas in selecting brokers, but weighs a combination of factors. Investment personnel for the Company 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 Client Funds. Because of the range of factors considered by the Company, it is possible that the Company 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.

Review of Accounts

The Company continuously reviews the Client Funds and the Sub-Advised Account. 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 investment committee, which includes Nathan Leight, Nathalie Cunningham, Darren Rabenou, and Stephen Spence, has final authority over all investment decisions for the Client Funds.

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 net asset value of the investor's interest in the partnership. In addition, the Company may agree to provide certain investors more frequent or more detailed reports of the Client Fund's portfolio holdings or performance. The Company furnishes clients with the annual tax information relating to the Client 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 Company will compensate unaffiliated persons or entities for acting as selling agents for interests in Client Funds. The Company has entered into contractual agreements with individuals or organizations ("agents") who solicit investors for the Client 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.

Custody

All Client 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 Client 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

TAM typically manages Client Funds on a discretionary basis. The offering memorandum and governing document for each Client 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. In voting proxies, the Company is guided by general fiduciary principles. The Company’s goal is to act prudently, solely in the best interest of its client funds and their investors. The Company attempts to consider all factors of its vote that could affect the value of the underlying Investment Fund. The Company votes proxies in the manner that it believes is consistent with efforts to achieve a client fund’s stated objectives, including maximizing portfolio values. The Company maintains a record of all proxy votes cast on behalf of Client 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.

Financial Information

TAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

