

*This Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities.*

*This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.*

**NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS IS A RISKY INVESTMENT. SEE ITEM 8.**

**DATE: May 31, 2011**

## **OFFERING MEMORANDUM**

# **Terrapin Mortgage Investment Corp.**

### **THE ISSUER**

Name: Terrapin Mortgage Investment Corp. (“Terrapin”, the “Company”, “we”, “our”, or “us”)

Head Office: Suite 2200, Four Bentall Centre  
1055 Dunsmuir Street  
PO Box 49214  
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Currently listed or quoted: These securities do not trade on any exchange or market.  
Reporting Issuer: No  
SEDAR Filer: No

### **THE OFFERING**

Securities Offered: Class A Preferred Shares and Class B Preferred shares (collectively, the “Preferred Shares”)

Price: Price per Preferred Share – See Attached Schedule “A”.

Minimum/  
Maximum Offering: Minimum: 25,000 Preferred Shares (\$25,000). You may be the only purchaser.  
Maximum: 25,000,000 Preferred Shares (maximum \$26,625,000)

Payment Terms: Bank draft or cheque payable to the Company on the execution of a subscription agreement.

Closing: In numerous tranches as subscriptions are received from now until February 28, 2012.

Sellers: Sold directly by the Company or through its authorized agents. See Item 7.

Offering Jurisdictions: The Preferred Shares are being offered for sale only to residents of British Columbia and outside of Canada. Residents of Alberta, Saskatchewan and Quebec will need to meet the requirements under National Instrument 45-106 (“NI 45-106”) “Accredited investor”, “Family, friends and business associates”, “Minimum amount investment”, or “Employee, executive officer, director and consultant”.

Tax Consequences: There are important tax consequences to these securities. See Item 6.

**RESALE**  
**RESTRICTIONS:**

You will be restricted from selling your securities for an indefinite period. See Item 10.

**PURCHASERS'**  
**RIGHTS:**

If you are resident in British Columbia or outside of Canada and are purchasing these securities under the Offering Memorandum exemption, you have two business days after agreeing to purchase these securities to cancel your agreement to purchase. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel your agreement. See Item 11.

Purchasers resident in a province of Canada other than the province of British Columbia may be provided with a copy of this Offering Memorandum, but only for information purposes and not in conjunction with or to facilitate a sale of Preferred Shares to them. As a result, these purchasers do not have statutory or contractual rights of action in the event of a misrepresentation in this Offering Memorandum.

**No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8.**

# OFFERING MEMORANDUM

## TERRAPIN MORTGAGE INVESTMENT CORP.

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**ITEM 1. USE OF NET PROCEEDS**

**Net Proceeds and Available Funds**

The following table summarizes the net proceeds of the offering and the funds that will be available to us after the offering:

|   | <u>Net Proceeds<br/>(minimum offering)</u> | <u>Net Proceeds<br/>(maximum offering)</u> |
|---|--|--|
| Amount to be raised by this offering:                                 | \$25,000                                   | \$26,625,000                               |
| Less: Selling commissions and fees                                    | (\$0)                                      | (\$0) <sup>(1)</sup>                       |
| Less: Estimated offering costs (e.g., legal, accounting, audit, etc.) | (\$0)                                      | (\$0)                                      |
| <b>Net cash proceeds:</b>   | <b>\$25,000</b>                            | <b>\$26,625,000</b>                        |

*Notes:*

(1) The Company reserves the right to pay fees to sellers, finders or any other authorized agent consistent with commissions normally paid in the securities industry. See Item 7.

**Use of Net Proceeds**

The following table provides a breakdown of how we will use the available funds:

| <u>Description of intended use of available<br/>funds listed in order of priority</u> | <u>Assuming minimum<br/>offering</u> | <u>Assuming maximum<br/>offering</u> |
|---|--------------------------------------|--------------------------------------|
| Advancing funds to borrowers in order to earn fees and interest                       | \$24,625                             | \$26,225,625                         |
| General working capital   | \$375                                | \$399,375                            |
|   | <b>\$25,000</b>                      | <b>\$26,625,000</b>                  |

**Reallocation**

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

**ITEM 2. BUSINESS OF THE COMPANY**

**Structure**

The Company was formed on March 1, 2007 under the British Columbia *Business Corporations Act* as a result of an amalgamation with English Mortgage Investment Corp., Century Mortgage Investment Corp. and Latimer Mortgage Investment Corp. (the “**pre-amalgamation companies**”) under the provisions of the British Columbia *Business Corporations Act*. The company is also extra-provincially registered in Alberta and Manitoba in order to facilitate lending opportunities in those jurisdictions.

**Our Business**

We are a mortgage investment corporation (“**MIC**”) in the business of investing directly or indirectly in mortgages granted as security for loans to builders, developers and owners of commercial, industrial and residential real estate located in the provinces of British Columbia, Alberta and Manitoba.

We currently intend to conduct our business mainly in the provinces of British Columbia, Alberta and Manitoba but may expand our business into other provinces as opportunities arise.

As a MIC, we are allowed to deduct dividends that we pay from our income. We intend to pay out all of our net income and net realized capital gains as dividends within the time period specified in the *Income Tax Act* (Canada) (the “**Tax Act**”) with the result that we will not pay any income tax. See “Income Tax Consequences”.

## Development of Our Business

The present Company was formed through the amalgamation of four mortgage investment corporations at March 1, 2007. Prior to amalgamation, the pre-amalgamation Companies operated separately, but invested in a similar portfolio of mortgages and shared common Directors and Officers. The amalgamation was done to increase the efficiency of operations, thereby improving the Company's ability to raise capital and provide a favourable return to shareholders. The combined average annual return on investment and growth in capital for the amalgamated Companies over the past three fiscal years was as follows:

|                  | Combined<br>Average Annual<br>Return on<br>Investment | Combined Growth in Capital<br>Year over Year (% and \$) |              |
|------------------|---|---|--------------|
| Fiscal Year 2011 | 6.2%  | 21.9%   | \$19,433,195 |
| Fiscal Year 2010 | 7.1%  | 17.1%   | \$12,963,625 |
| Fiscal Year 2009 | 9.2%  | 16.3%   | \$10,601,519 |
| Fiscal Year 2008 | 11.2%   | 15.3%   | \$ 8,679,203 |
| Fiscal Year 2007 | 10.4%   | 10.6%   | \$ 5,422,907 |

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### Notes:

Of the 2011 dividends declared in the amount of \$6,921,118, of which over 64% were re-invested in Preferred Shares of the Company, signifying continued shareholder confidence.

The Directors and Officers of the Company have extensive real estate and financial experience which, along with an in depth loan approval process, enables the Company to objectively evaluate potential mortgage lending opportunities. The Company works closely with Terrafund Financial Inc. to secure viable mortgage lending opportunities in Western Canada. We continue to raise capital through the sale of Preferred Shares.

## Objectives and Strategy

Our principal investment objective is to provide holders of Preferred Shares with sustainable income while preserving capital for re-investment. We will work to achieve this principal investment objective by investing in eligible investments and, subject to such working capital or reserve requirements as the Company's Board of Directors ("Directors") determine is necessary or desirable from time to time to meet our current and future expenses, liabilities, commitments and obligations and for the conduct, promotion and protection of our business and activities, our assets and shareholders, paying out cash or stock dividends to our Preferred Shareholders.

Our mortgage portfolio will mainly consist of commercial, industrial and residential construction financing and land development loans, as well as term mortgages made for the purpose of acquiring or re-financing income-producing property. We will also invest in demand loans and term loans that are secured by income-producing real property.

Our current investment policies, practices and restrictions are as follows:

- (a) we will invest in commercial and/or residential mortgages;
- (b) we may make investments by purchasing interests in investments offered for sale by third parties, which may include mortgages on, or investments in, products, investments and properties;
- (c) following funding, all of our mortgages will be registered on title to the subject property in our name or a nominee bare trustee for the Company;
- (d) all mortgage investments will be made in Canada;
- (e) at least 50% of the cost of all property will consist of residential mortgages and cash;
- (f) we will not make any investment that would result in our failing to qualify as a MIC as that term is defined in the Tax Act, as amended from time to time;
- (g) we will not invest in a mortgage or loan any funds to be secured by a mortgage unless at the date the mortgage is acquired or funds are initially committed (as the case may be) the indebtedness secured by such mortgage plus the amount of additional third party indebtedness of the borrower in priority to us, if any, generally does not exceed, on a property by property basis, 80% of the appraised value of the real property securing the mortgage, as determined by our Directors or such person(s) authorized by our Directors from time to time; provided that the appraised value may

be based on stated conditions including without limitation, construction, completion, rehabilitation or lease-up of improvements located on the real property;

- (h) if the independent appraisal reports an appraised value for the real property securing the mortgage other than on an "as is basis", we may advance funds under a loan by way of progress payments upon completion of specified stages of construction or development supported by receipt of reports of qualified inspectors which may include professional engineers, architects or quantity surveyors, as applicable, or upon completion of other specified milestones;
- (i) to the extent that, from time to time, our funds are not invested in mortgages or mortgage backed securities, we will hold such funds in cash or money market accounts deposited with a Canadian chartered bank; and

Our investment policies, practises and restrictions set out above may be amended, supplemented or replaced from time to time by unanimous approval of our Directors.

### **Target Markets**

We lend to borrowers located in British Columbia, Alberta, Manitoba and Ontario.

### **Market Opportunity**

We are able to finance projects which are secured by real estate assets but that may be identified as too risky by conventional bank lenders. Due to the industry knowledge of the Company's Directors and Officers and their ability to oversee development of properties securing defaulted loans, the Company is generally able to fully recover on defaulted loans and may realize a profit on these projects over the long term.

### **Competition**

Competitors in the Company's main market of British Columbia and Alberta include, Bancorp Financial Services Inc., Carevest Capital Inc., Cooper Pacific Mortgage Investment Corp., Trez Capital Corp., and other mortgage investment corporations, mortgage brokers and private lenders. Banks and Trust Companies are minor competitors in lower risk loans.

### **Short Term Objectives and How We Intend to Achieve Them**

Short term objectives over the next 12 months are to increase capital to \$115 million to \$130 million and to achieve a return on investment of 6% to 8%. Capital will be increased through further investment by existing shareholders, reinvestment of dividends by existing shareholders and introduction of new shareholders. Return on investment will be achieved through Company mortgage brokers identifying and closing loans of acceptable quality and yield that are approved by the Loan Approval Committee while keeping operating costs within budget. As at the end of the company's fiscal year of February 28, 2011, capital was \$108,236,222. There will be no additional costs directly associated with the increase in capital as the Company does not pay commissions on share transactions.

### **Insufficient Proceeds**

The proceeds of this offering may not be sufficient to accomplish all of our business objectives for the next 12 months. Management anticipates that revenue received from product sales and funds from additional financings will be sufficient for the Company to meet its objectives, however there is no assurance that such revenue will occur or that additional financings will be available.

### **Material Agreements of Terrapin**

The following is a list of material agreements to which Terrapin is currently a party and any material agreements with a related party:

1. The Company has entered into an Exclusive Agency Agreement with Terrafund Financial Inc. (TFI) to secure viable mortgage lending opportunities in western Canada. TFI will provide exclusive mortgage broker services to the Company for 10 years commencing April 1, 2007. Under this Agreement, the Company shall maintain 1,520 square feet of rentable office space for use by TFI and provide overhead and office services as named in the Agreement. In exchange for broker services, a fee will be paid by the Company, which will be dependent on each deal, but generally provides for 50% of fees generated on funds to be advanced to be paid to TFI subject to a minimum of 1.0% of the authorized borrowing limit (principal amount) of each loan negotiated by TFI. Anything below the minimum may be made up through participation by TFI in the interest earned on the loan. Additionally, TFI will be entitled to a performance bonus based on the annual return of the Company per the audited financial statements and payable within 90 days of the fiscal year end of the Company as follows:

10% of the TMIC annual return that exceeds the First Return Standard up to and including the Second Return Standard and 12.5% of any annual return in excess of the Second Return Standard. The First Return Standard is defined as the greater of 8.0% per annum or the fiscal year average 2-year Government of Canada Benchmark Bond Yield plus 4.0%. The Second Return Standard is defined as the greater of 10.0% per annum or the fiscal year average 2-year Government of Canada Benchmark Bond Yield plus 6.0%.

- The Company has entered into a Management and Consulting Agreement with Adera Capital Corp. (ACC) to secure the services of the Company's management and administration and provide the Company with access to resources required for day-to-day operations. Under this agreement, management fees may be negotiated from time to time to reflect the value of goods and services provided. ACC is currently paid a fee based on 0.35% of current assets plus a small fee for miscellaneous expenses. A fixed charge of \$10,000 per month is paid to Adera Development Corp. (ADC) for the Company's portion of overhead and operating costs paid by ADC. Additionally, ACC will be entitled to a performance bonus based on the annual return of the Company per the audited financial statements and payable within 90 days of the fiscal year end of the Company as follows:

10% of the TMIC annual return that exceeds the First Return Standard up to and including the Second Return Standard and 12.5% of any annual return in excess of the Second Return Standard. The First Return Standard is defined as the greater of 8.0% per annum or the fiscal year average 2-year Government of Canada Benchmark Bond Yield plus 4.0%. The Second Return Standard is defined as the greater of 10.0% per annum or the fiscal year average 2-year Government of Canada Benchmark Bond Yield plus 6.0%.

- The Company has entered into a line of credit agreement with HSBC Finance Corporation Canada. This agreement is an annual, on demand credit facility that provides margining on certain of the Company's current and performing loans subject to various conditions. The rate of interest is HSBC's prime rate plus 1.25% and the line of credit is capped at \$20 million.

### ITEM 3. DIRECTORS, OFFICERS, PROMOTERS AND PRINCIPAL HOLDERS

#### Compensation and Securities Held

The names, municipality of principal residence, positions held, compensation paid and expected to be paid, and securities owned by the directors, officers and promoters of the Company, and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company, are set out below:

| Name and municipality of principal residence | Positions held and the date of obtaining that position | Compensation paid by Terrapin in the most recently completed financial year | Base compensation anticipated to be paid in the current financial year | Number, type and percentage of voting securities of Terrapin held after completion of minimum offering | Number, type and percentage of voting securities of Terrapin held after completion of maximum offering | Number of Warrants Or Options <sup>(1)</sup> to purchase Common shares of Terrapin |
|--|--|---|--|--|--|--|
| Kenneth W. Mahon, FCA<br>Vancouver, B.C.     | President and Director                                 | \$10,000  | Nil  | 1,500 Common Shares, 15.79% of Issued Common Shares  | 1,500 Common Shares, 21.05% of Issued Common Shares  | Nil  |
| Alan F. Wolrige, CA<br>Vancouver, B.C.       | Secretary and Director                                 | \$10,000  | Nil  | 1,500 Common Shares, 15.79% of Issued Common Shares  | 1,500 Common Shares, 15.79% of Issued Common Shares  | Nil  |
| Kevin K. Mahon<br>West Vancouver, B.C.       | Treasurer and Director                                 | \$10,000  | Nil  | 400 Common Shares, 4.21% of Issued Common Shares   | 400 Common Shares, 4.21% of Issued Common Shares   | Nil  |
| Jeffrey Morgan, CA<br>Burnaby, B.C.          | CFO and Director                                       | \$10,000  | \$61,686   | 300 Common Shares, 3.16% of Issued Common Shares   | 300 Common Shares, 3.16% of Issued Common Shares   | Nil  |
| Randolph Pratt<br>Richmond, B.C.             | Director   | \$10,000  | Nil  | 250 Common Shares, 2.63% of Issued Common Shares   | 250 Common Shares, 2.63% of Issued Common Shares   | Nil  |

(1) Warrants and Options – the Company has no warrants or options outstanding.

## Management Experience

The principal occupations of Directors and senior Officers over the past five years, as well as all relevant experience in a business similar to ours, are set out below:

| Name                         | Principal occupation and related experience  |
|------------------------------|--|
| <b>Kenneth W. Mahon, FCA</b> | President and director of Terrapin Mortgage Investment Corp. since 1978.   |
| <b>Alan F. Wolrige, CA</b>   | Secretary and director of Terrapin Mortgage Investment Corp. since 1978.   |
| <b>Kevin K. Mahon</b>        | CEO Adera Group of Companies. Treasurer of Terrapin Mortgage Investment Corp since 1989.                                 |
| <b>Jeffrey Morgan, CA</b>    | CFO and Director of Terrapin Mortgage Investment Corp. since 1999.   |
| <b>Randolph Pratt, CA</b>    | Director of Terrapin Mortgage Investment Corp. 1994 – 1999, and since 2007. President of Adera Capital Corp. since 2005. |

## Penalties, Sanctions and Bankruptcy

None.

## ITEM 4. CAPITAL STRUCTURE OF TERRAPIN

### Outstanding Securities

The following table provides information about the Company's outstanding securities. There are currently no options, warrants and other securities convertible into shares.

| Description of Security  | Number of Shares Authorized to be Issued | Number of Shares Outstanding as at April 30, 2011 | Number of Shares Outstanding after Minimum Offering (25,000 shares) | Number of Shares Outstanding after Maximum Offering (25,000,000 shares) |
|--|--|---|---|---|
| Voting common shares with no par value                                   | Unlimited                                | 9,500   | 9,500   | 9,500   |
| Non-voting preferred shares with par value of \$1.00 per preferred share | Unlimited                                | 108,709,543                                       | 108,734,543   | 133,709,543   |
| <b>TOTAL</b>   | Unlimited                                | <b>108,719,043</b>                                | <b>108,744,043</b>  | <b>133,719,043</b>  |

### Long Term Debt

The Company currently has no long term debt outstanding.

### Prior Sales

See attached Schedule "B" for a summary of Preferred Shares sold by Terrapin Mortgage Investment Corp. since June 1, 2010.

## ITEM 5. DESCRIPTION OF SECURITIES OFFERED

### Terms of Securities

#### *Description of Preferred Shares*

We are offering a minimum of 25,000 and a maximum of 25,000,000 Preferred Shares at the price per share stated on Schedule "A" which assuming the maximum share purchase price of \$1.065 per share would result in aggregate gross proceeds of \$26,625,000 to the Company. Preferred shares are valued at their par value of \$1.00 per share. The minimum investment amount for an investor in the Class B Preferred shares is \$250,000.

The rights and restrictions attaching to the Preferred Shares are as follows:

### ***Voting Rights***

Subject to the provisions of the *Business Corporations Act* (British Columbia), the holders of Preferred Shares shall not, as such, have any voting rights for the election of Directors or for any other purpose, nor shall they be entitled to attend general meetings of the shareholders.

### ***Dividend Entitlement***

Subject to the BCBCA, the Directors may from time to time declare and authorize the payment of dividends to the holders of Preferred Shares, in such amounts, in such manner, on such payment and other terms and subject to such conditions as they determine in their sole discretion; however, notwithstanding the foregoing, the Preferred Shares are entitled to rank at least *pari passu* with all other classes or series of shares in respect of the declaration and payment of dividends.

Notwithstanding the preceding paragraph, holders of Preferred Shares are entitled, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of Common Shares of the Company, to participate *pari passu* with the holders of the Common Shares in any further payment of dividends.

Subject to the sole discretion of the Directors, the dividends on the Class A Preferred shares are payable annually and the dividends on the Class B Preferred shares are payable quarterly. All dividends paid to the Class B Preferred shareholders shall be discounted by 30 basis points (0.30%) from dividends concurrently paid to the Class A and Common shareholders on an annual basis. This discount reflects the annual costs of administration and tying up capital.

Subject to such working capital or reserve requirements as our Directors determine is necessary or desirable from time to time to meet the current and future expenses, liabilities, commitments and obligations of the Company and for the conduct, promotion and protection of the business and activities of the Company, its assets and shareholders, for income tax purposes, the Company currently intends to distribute as dividends substantially all of its net income. See "Income Tax Consequences and RRSP Eligibility".

### ***Retraction Rights***

The BCBCA does not permit the Company to make any payment to purchase or otherwise acquire Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes.

### ***Redemption Rights***

The BCBCA does not permit the Company to make any payment to purchase or redeem Preferred Shares issued by it if there are reasonable grounds for believing that: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would after the payment be less than the aggregate of (i) its liabilities; and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or prior to the holders of the Preferred Shares.

Subject to the provisions of the BCBCA, the Company may at any time or times at the discretion of the Directors redeem all or any of the Preferred Shares by paying to the registered holder or holders thereof the amount of \$1.00 per share together with all dividends declared thereon and unpaid (the "Redemption Amount").

If less than all of the outstanding Preferred Shares are to be redeemed at any time and such shares are held by more than one registered holder, the Preferred Shares to be redeemed shall be selected in such manner as determined by the Directors.

The Company shall give notice of any redemption to each holder of Preferred Shares by delivering the same to such holder not less than 24 hours prior to the date fixed for redemption. Such notice shall specify the provisions hereof under which such redemption shall be effected, the date fixed for redemption, the place in the Province of British Columbia where redemption shall be effected, the Redemption Amount and, in case of partial redemption, the number or portion of each holder's Preferred Shares to be redeemed. Notwithstanding the foregoing, the holders of Preferred Shares may waive notice of any such redemption by instrument or instruments in writing.

On the date fixed for any redemption, the Company shall pay or cause to be paid the Redemption Amount to or to the order of the holders of the Preferred Shares to be redeemed upon presentation and surrender at the place of redemption of the respective certificates representing such shares. The holders of the Preferred Shares so redeemed shall cease to exercise any of the rights of holders in respect thereof unless payment of the Redemption Amount shall not be made in accordance with the foregoing provisions, in which case the rights of such holder shall remain unimpaired.

The Company shall have the right at any time after delivering a notice of redemption to deposit the Redemption Amount of the shares thereby called for redemption or such part thereof as at the time of deposit has not been claimed by the shareholders entitled thereto, in any Canadian chartered bank in the Province of British Columbia specified in such notice or in a subsequent notice to the holders of shares in respect of which the deposit is made, in a special account for the holder of such shares, and upon deposit being made or upon the date fixed for redemption, whichever is the later, the Preferred Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and the rights of each holder thereof shall be limited to receiving without interest, his proportionate part of the Redemption Amount so deposited upon presentation and surrender of the certificate representing the Preferred Shares so redeemed. Any interest on such deposit shall belong to the Company.

If less than all the Preferred Shares represented by any certificate shall be redeemed, a new certificate for the balance of shares valued at their par value of \$1.00 per share shall be issued at the expense of the Company.

#### ***Entitlement on Liquidation, Dissolution or Winding Up***

Subject to the rights of the holders of the Preferred Shares, in the event of the liquidation, dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the common shares shall be entitled to receive the remaining property of the Company;

In the event of the liquidation, dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Preferred Shares shall be entitled to receive before the distribution of assets to the holders of the common shares, the amount of \$1.00 per share, together with any dividends declared thereon and unpaid.

#### ***Constraints on Transferability***

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a MIC, a corporation must have at least twenty shareholders and no one shareholder may be a Specified Shareholder (defined below) of the corporation. A Specified Shareholder, as defined in the Tax Act, would include a taxpayer who, alone or together with any person related to the taxpayer, owns, directly or indirectly, more than 25% of the issued shares of any class of the capital stock of the Company (a “**Specified Shareholder**”).

The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder.

The Directors intend to refuse registration of an allotment or any transfer of shares which would result in the Company ceasing to meet the qualifications of a MIC.

As the Company is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. See “Resale Restrictions”.

#### **Subscription Qualification**

We are offering the Preferred Shares in various provinces of Canada.

The offering is being made in accordance with certain statutory registration and prospectus exemptions contained in securities legislation in such provinces. Such exemptions relieve the Company from provisions under such statutes requiring the Company to utilize a registered dealer to sell the Preferred Shares (except in Ontario) and file a prospectus. As such, you will not receive the benefits associated with the involvement of such registrants, except in Ontario, or the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by the securities commission or similar regulatory authority in such jurisdictions.

In order for the Company to rely on these exemptions to sell the Preferred Shares, you must qualify to purchase the Preferred Shares with the requirements of the various exemptions. These qualifications are set out in the accompanying subscription agreement and vary depending upon your province of residence. **Please carefully review the accompanying subscription agreement to determine the exemption requirements that apply to you.**

#### **Other Jurisdictions**

We may offer the Preferred Shares to residents of jurisdictions outside of Canada. Purchasers in these jurisdictions may be asked to provide representations or complete forms other than those listed below in order to ensure compliance with the applicable securities laws. The Company reserves the right to reject subscriptions from persons resident in any jurisdiction on the basis that it is impossible or impractical to comply with the securities laws of such jurisdiction.

**You will be restricted from selling your securities for an indefinite period. See “Resale Restrictions”.**

## Subscription Procedure

You may subscribe for Preferred Shares by delivering the following documents to us at the address shown in the Subscription Agreement:

- (a) a completed and executed subscription agreement in the form provided with this Offering Memorandum;
- (b) a cheque or bank draft made payable to the Company in the amount of the subscription price for the Preferred Shares or an irrevocable direction to a financial institution to deliver to the Company full payment for the Preferred Shares upon delivery of certificates representing such Preferred Shares to the financial institution or to the Subscriber;
- (c) unless waived by the Company, a completed and executed Form 45-106F4 provided with this Offering Memorandum; and
- (d) if required by the Company, a completed and executed Certificate of Eligible Investor or Certificate of Accredited Investor provided with this Offering Memorandum.

We will hold your subscription funds in trust until midnight on the second business day after the day on which we received your signed subscription agreement. After this, we will hold the subscription funds in trust pending a closing under this Offering. Within a reasonable period following the closing, we will deliver to you a certified copy of a certificate representing the Preferred Shares purchased by you. See "Purchaser's Rights".

We will collect, use and disclose your individual personal information in accordance with the Company privacy policy. If required, we will obtain your consent to such collection, use and disclosure from time to time as required by our policy and the law. A copy of our privacy policy will be provided to you with your subscription agreement and your consent will be sought at that time.

This offering is subject to a minimum of \$25,000 being raised on or before February 28, 2012, failing which the investment funds will be returned without interest or deduction. We anticipate that there will be multiple closings under this offering and we may close the offering on such date on or before February 28, 2012 as we may determine in our sole discretion.

We reserve the right to accept or reject a subscription for the Preferred Shares in whole or in part and the right to close the subscription books at any time without notice. Any investment funds for subscriptions that we do not accept will be promptly returned without interest after we have determined not to accept the investment funds.

## ITEM 6. INCOME TAX CONSEQUENCES

*The following income tax disclosure is provided by Kenneth W. Mahon, FCA. The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be and should not be interpreted as legal or tax advice to any particular subscriber. You should consult with your own tax advisor regarding the income tax consequences to you of acquiring, holding and disposing of the Preferred Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority.*

### General

The following is a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Preferred Shares by a subscriber who, at all relevant times, is a resident of Canada, deals with the Corporation at arm's length, and who acquires and holds the Preferred Shares as capital property. Subscribers to whom the Preferred Shares might not constitute capital property may elect, in certain circumstances, to have such property treated as capital property by making the election permitted by s. 39(4) of the Tax Act. This summary is not applicable to any holder Preferred Shares which is a "financial institution", as defined in section 142.2 of the Tax Act or to any holder Preferred Shares, an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary, provided by management of the Company, is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "Tax Proposals") to amend the Tax Act, including the proposed amendments set out in the 2008 federal budget, and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

This summary is based on the assumption that the Company meets certain conditions which are imposed by the Tax Act on the Company in order for the Company to qualify as a MIC thereunder. These conditions will generally be satisfied if, throughout a taxation year of the Company:

- (a) the Company was a Canadian company as defined in the Tax Act;
- (b) the Company's only undertaking was the investing of funds and it did not manage or develop any real property;
- (c) no debts were owed to the Company by non-residents unless such debts were secured on real property situated in Canada;
- (d) the Company did not own shares of non-resident Companies;
- (e) the Company did not hold real property located outside of Canada or any leasehold interest in such property;
- (f) the Company did not loan funds where the security for such loans is real property located outside of Canada;
- (g) the cost amount of the Company's property represented by mortgages on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*), together with cash on hand and deposits with a bank or any other Company or a credit union, (collectively, the "**Qualifying Property**") was at least 50% of the cost amount to it of all of its property;
- (h) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Company) owned by the Company did not exceed 25% of the cost amount to it of all of its property;
- (i) the Company had at least 20 shareholders (in its first taxation year the Company must have at least 20 shareholders on the last day of that year) and no person would have been a Specified Shareholder of the Company at any time in the taxation year;
- (j) holders of Preferred Shares had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Common Shares to participate *pari passu* with holders of Common Shares in any further payment of dividends; and
- (k) the Company's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities, where at any time in the year the cost amount to it of its Qualifying Property is less than 2/3 of the cost amount to it of all of its property, or, where throughout the taxation year the cost amount to it of its Qualifying Property equalled or exceeded 2/3 of the cost amount of all of its property, the Company's liabilities did not exceed five times the amount by which the cost amount to it of all of its property exceeded its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied so that the Company will qualify as a MIC at all relevant times. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described below.

### **Taxation of the Company**

The Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the company in computing its income for the preceding year. As a MIC is deemed to be a public company, no capital dividends can be paid by the Company. However, a MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct one-half of such dividend from its taxable income. As discussed below, a capital gains dividend is taxed in the hands of a shareholder as a capital gain arising from a notional disposition of capital property. The combination of the Company's deduction for capital gains dividends and the shareholder's deemed capital gain will allow the Company to flow capital gains through to a shareholder on a tax efficient basis. As a public company, the Company will be subject to tax at the highest company rates. However, at this time the Company intends to declare dividends and capital gains dividends each year in sufficient amounts to reduce its taxable income to nil.

### **Taxation of Shareholders**

Dividends other than capital gains dividends which are paid by the Company on Preferred Shares will be included in shareholders' incomes as bond interest. Capital gains dividends will be treated as realized capital gains of shareholders, and will be subject to the general rules relating to the taxation of capital gains. **SINCE THE DIVIDENDS RECEIVED ARE TAXED AS BOND INTEREST, THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON A PREFERRED SHARE AND SHAREHOLDERS THAT ARE COMPANIES WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY FROM THEIR TAXABLE INCOME.**

The cost to a Subscriber of Preferred Shares acquired pursuant to this offering will equal the purchase price of the Preferred Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other Preferred Shares held by the subscriber to determine the adjusted cost base of each Preferred Share.

A disposition or a deemed disposition of Preferred Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of Preferred Shares exceed (or are exceeded by) the adjusted cost base of the Preferred Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Preferred Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Preferred Share which is in excess of the paid-up capital of such Preferred Share will be deemed to be a dividend and will be included in the income of a holder of Preferred Shares, in accordance with the rules described above.

Fifty percent of any capital gain realized by a Shareholder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Shareholder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in taxation year may be deducted against any taxable capital gains realized by the shareholder in such year, in the three preceding taxation years or in any subsequent taxation year.

The taxable gains realized by a shareholder that is an individual may give rise to alternative minimum tax depending upon the shareholder's circumstances. A Shareholder that is a "Canadian Controlled Private Company" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6.66% (six and 2/3s) on certain investment income, including amounts in respect of interest and taxable capital gains. The 6.66% (six and 2/3s) tax is to be added to such company's refundable dividend tax on-hand account and will be eligible for refund at a rate of \$1.00 for every \$3.00 of dividends paid by the Company.

#### **Eligibility for Investment by Deferred Income Plans**

The Preferred Shares will be qualified investment for a Registered Retirement Savings Plan ("RRSP"), Registered Educational Savings Plan ("RESP"), Deferred Profit Sharing Plan or a Registered Retirement Income Fund ("RRIF") (collectively a "Deferred Income Plan") at a particular time if the Company qualifies as a MIC under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Company does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber, as the case may be, under the relevant Deferred Income Plans will generally not be liable for tax in respect of any dividends received from the Company.

If the Company ceases to qualify as a MIC throughout any period of time, the Preferred Shares of the Company will cease to qualify as investments for Deferred Income Plans throughout such period. A Deferred Income Plan will be subject to a penalty tax if it holds any non-qualified investments at the end of a month. The tax is equal to 1% of the fair market value at the time of acquisition of the non-qualified investment and is payable for each month end in which the non-qualified property is held.

If an RRSP or RRIF holds a non-qualified investment at any time during a particular year, the RRSP or RRIF will be subject to a tax under Part I of the Tax Act on income attributable to the non-qualified investment. RESPs which hold non-qualified investments can have their registration revoked by the Canada Revenue Agency.

#### **ITEM 7. COMPENSATION PAID TO SELLERS AND FINDERS**

The Preferred Shares being offered are planned to be sold directly by the Company. However, the Company reserves the right to pay commissions or referral fees to registered dealers and other persons permitted by law to receive them, in consideration of the referral of qualified investors who complete a subscription agreement that is accepted by us. Such commissions and referral fees will be negotiated on a case-by-case basis and may involve cash commissions and/or securities (including options and warrants) but the amounts negotiated will not exceed commissions normally paid in the securities industry.

#### **ITEM 8. RISK FACTORS**

**In addition to factors set forth elsewhere in this Offering Memorandum, potential subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Preferred Shares. The following is a summary only of the risk factors involved in an investment in the Preferred Shares. Investors should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Preferred Shares.**

##### ***No Market for Our Securities***

Since there is no developed market for the Preferred Shares and the Preferred Shares are subject to overall restrictions under securities laws, you will not be able to liquidate your investment or withdraw your capital at will. Other than in accordance with the limited redemption rights attached to the Preferred Shares, you may never be able to sell your Preferred Shares and recover any part of your investment. Accordingly, an investment in Preferred Shares should only be considered by investors who do not require liquidity. See "Resale Restrictions".

### ***The Preferred Shares are not Insured***

The Company is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Preferred Shares are redeemable at the option of the holder, but only under certain circumstances and due to the illiquid nature of mortgage lending, the Company may not be in a position to redeem the shares for a period of up to six months from receipt of the notice of redemption. See "Description of Securities Offered".

### ***No Guaranteed Return***

There is no guarantee that an investment in Preferred Shares will earn any positive return or any return at all in the short or long term. Moreover, the interest rates being charged for mortgages reflect the general level of interest rates and, as interest rates fluctuate, management of the Company expect that the aggregate yield on mortgage investments will also change.

### ***Use of Estimates in Determining Price***

The selling price of Preferred Shares is based on an anticipated rate of return as estimated by Management. Although best efforts are made to closely approximate the actual return, the use of estimates is required to determine selling price and the actual rate of return may differ due to circumstances beyond our immediate control.

### ***Tax Treatment***

If for any reason the Company fails to maintain its qualification as a MIC under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company's income and the Preferred Shares, unless listed on a prescribed stock exchange for the purposes of the Tax Act, may cease to be qualified investments for Deferred Income Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments in Deferred Income Plans. See "Income Tax Consequences".

The normal gross-up and dividend tax credit rules do not apply to dividends paid on securities of the Company and corporate holders of the Preferred Shares will not be entitled to deduct the amount of any dividends paid on their Preferred Shares from their taxable income. See "Income Tax Consequences".

### ***Dilution***

The number of Preferred Shares the Company is authorized to issue is unlimited and the Directors have the sole discretion to issue additional Preferred Shares. The proceeds of this offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Preferred Shares in order to raise the funds required which will result in a dilution of the interests of the Preferred Shareholders in the Company and the income or loss from the Company.

### ***Reliance on Management***

In assessing the risks and rewards of an investment in Preferred Shares, potential investors should appreciate that they are relying on the good faith and judgement of the Directors in administering and managing the Company. Preferred Shareholders do not have the right to vote on most matters affecting the Company, including the election of Directors. It would be inappropriate for investors who are unwilling to rely on the Directors to this extent to subscribe for Preferred Shares. There is no certainty that the persons who are currently Directors will continue to be available to the Company for the entire period during which it requires the provision of their services.

### ***Nature of the Investments***

The Company's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of a property to purchasers or tenants, competition from other available properties and other factors. While independent appraisals are generally required before the Company makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment, there can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The Company may be required to incur such expenditures to protect its investment, even if the borrower is not making debt service required of it under the mortgage.

Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment. Such illiquidity may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were required to liquidate its real property mortgage investments, the proceeds to the Company might be significantly less than the total value of its investment.

The Company will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Company will not be able to be refinanced or that the terms of re-financing will not be as favourable as the terms of existing indebtedness.

#### ***Renewal of Mortgages***

There can be no assurances that any of the mortgages comprising the Company's mortgage portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage comprising the mortgage portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such mortgage. In addition, if the mortgages in the mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

#### ***Composition of the Mortgage Portfolio***

The composition of the Company's mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Company being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

#### ***Failure to Meet Commitments***

The Company may commit to making future mortgage investment in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Company may be able to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

#### ***Competition***

The Company will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek investments similar to those desired by the Company. Many of these investors will have greater financial resources than those of the Company, or operate without the investment or operating restrictions of the Company or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices and reducing the yield on the investments.

#### ***Changes in Legislation***

There can be no assurance that income tax laws and government incentive programs relating to the real estate industry will not be changed in a manner which adversely affects the Company or distributions received by its security holders.

#### ***Environmental and Other Regulatory Matters***

Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Company could become liable for the costs of effecting remedial work necessitated by the release, deposit, or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

### **ITEM 9. REPORTING OBLIGATIONS**

The Company is not a reporting issuer or its equivalent in any jurisdiction and there are no plans for the Company to become a reporting issuer in any jurisdiction.

### **ITEM 10. RESALE RESTRICTIONS**

The securities offered hereby will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation.

Unless permitted under applicable securities legislation, you cannot trade the securities before the date that is 4 months and a day after the later of:

- (a) the distribution date of the Preferred Shares, and
- (b) the date Terrapin becomes a reporting issuer in any province or territory.

Terrapin does not have any plans at present to become a reporting issuer in any jurisdiction.

#### **ITEM 11. PURCHASERS' RIGHTS**

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

##### **Two Day Cancellation Right – Investors in British Columbia and outside of Canada**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

##### **Statutory Rights of Action in the Event of a Misrepresentation –British Columbia investors**

If you are a resident of Alberta or British Columbia and there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy these securities, or
- (b) for damages against the Company, every director of the Company at the date of this Offering Memorandum and every person who signs this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the securities.

The foregoing rights are in addition to and without derogation from any other right or remedy available to you at law.

##### **Statutory Rights of Action in the event of a Misrepresentation – Quebec investors**

If you are a resident of Quebec and there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (c) to have the purchase rescinded or the price revised, without prejudice to any claim for damages; and
- (d) for damages from the Company, the senior executives of the Company and a dealer under contract to the Company.

##### **Statutory Rights of Action for Damages and Right of Rescission – Ontario investors**

If you are a resident of Ontario and this Offering Memorandum was delivered to you and there is a misrepresentation in this Offering Memorandum, you have the right, without regard to whether you relied on the misrepresentation:

- (a) of action for damages against the Company and a selling security holder on whose behalf the distribution was made; and
- (b) if you purchased the security from a person or company referred to in paragraph (a), you may elect to exercise a right of rescission against the person or company. If you exercise this right, you cease to have a right of action for damages against the person or company.

**ITEM 12. FINANCIAL STATEMENTS**

**TERRAPIN MORTGAGE  
INVESTMENT CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**28 FEBRUARY 2011**



**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Consolidated Financial Statements**  
For the Year Ended 28 February 2011

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**ROLFE, BENSON LLP**

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders,  
Terrapin Mortgage Investment Corp.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Terrapin Mortgage Investment Corp., which comprise the consolidated balance sheet as at 28 February 2011, and the consolidated statement of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





ROLFE, BENSON LLP

CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT - Continued**

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Terrapin Mortgage Investment Corp. as at 28 February 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Rolfe, Benson LLP*  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
17 May 2011

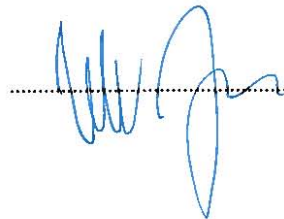


**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Consolidated Balance Sheet**  
28 February 2011

|                               | 2011                  | 2010                 |
|-------------------------------|-----------------------|----------------------|
| <b>Assets</b>                 |                       |                      |
| Cash                          | \$ 15,826,742         | \$ 406,007           |
| Accounts receivable           | 262,191               | 191,894              |
| Mortgages receivable (Note 5) | 99,945,357            | 99,303,077           |
|                               | <u>\$ 116,034,290</u> | <u>\$ 99,900,978</u> |
| <b>Liabilities</b>            |                       |                      |
| Accounts payable              | \$ 264,209            | \$ 80,843            |
| Accrued liabilities           | 1,128,470             | 125,748              |
| Loans payable (Note 7)        | -                     | 4,718,539            |
| Unearned placement fees       | 414,013               | 323,413              |
|                               | <u>1,806,692</u>      | <u>5,248,543</u>     |
| <b>Shareholders' Equity</b>   |                       |                      |
| Share capital (Note 8)        | 108,236,222           | 88,803,027           |
| Retained earnings             | 5,991,376             | 5,849,408            |
|                               | <u>114,227,598</u>    | <u>94,652,435</u>    |
|                               | <u>\$ 116,034,290</u> | <u>\$ 99,900,978</u> |

APPROVED BY THE DIRECTORS:

.....Director

.....Director

The accompanying notes are an integral part of these consolidated financial statements.

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Consolidated Statement of Retained Earnings**  
**For the Year Ended 28 February 2011**

|                                    | 2011                | 2010                |
|------------------------------------|---------------------|---------------------|
| <b>Balance - beginning of year</b> | \$ 5,849,408        | \$ 6,943,734        |
| Net earnings for the year          | <u>6,702,433</u>    | <u>6,309,090</u>    |
|                                    | 12,551,841          | 13,252,824          |
| Dividends paid                     | <u>6,560,465</u>    | <u>7,403,416</u>    |
| <b>Balance - end of year</b>       | <u>\$ 5,991,376</u> | <u>\$ 5,849,408</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Consolidated Statement of Earnings**  
For the Year Ended 28 February 2011

|   | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>Revenue</b>  |                     |                     |
| Mortgage interest                                     | \$ 6,166,424        | \$ 6,394,907        |
| Placement fees  | 568,485             | 394,629             |
| Renewal fees  | 448,904             | 262,467             |
| Earnings (loss) on foreclosed properties              | 349,085             | (6,623)             |
| Premium on shares                                     | 224,521             | 129,559             |
| Interest income                                       | 64,802              | 3,642               |
|   | <u>7,822,221</u>    | <u>7,178,581</u>    |
| <b>Cost of borrowing</b>                              |                     |                     |
| Interest and bank charges                             | 82,570              | 49,412              |
|   | <u>7,739,651</u>    | <u>7,129,169</u>    |
| <b>Expenses</b>                                       |                     |                     |
| Administration  | 657,804             | 583,697             |
| Directors fees  | 56,000              | 52,500              |
| Office and miscellaneous                              | 49,062              | 27,043              |
| Collection fees                                       | 17,791              | 15,800              |
| Auditing  | 15,000              | 15,176              |
| Legal   | 7,869               | 25,863              |
|   | <u>803,526</u>      | <u>720,079</u>      |
| <b>Earnings from operations</b>                       | <b>6,936,125</b>    | <b>6,409,090</b>    |
| Provision for loss                                    | 233,692             | 100,000             |
| <b>Net earnings for the year</b>                      | <b>\$ 6,702,433</b> | <b>\$ 6,309,090</b> |
| <b>Return on investment before provision for loss</b> | <b>6.4%</b>         | <b>7.2%</b>         |
| <b>Return on investment after provision for loss</b>  | <b>6.2%</b>         | <b>7.1%</b>         |

The accompanying notes are an integral part of these consolidated financial statements.

**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 28 February 2011**

|  | 2011                 | 2010               |
|--|----------------------|--------------------|
| <b>Cash provided by (used in):</b>     |                      |                    |
| <b>Operating activities</b>            |                      |                    |
| Cash receipts from mortgages           | \$ 7,687,122         | \$ 7,030,812       |
| Cash unpaid (paid) to suppliers        | 473,163              | (1,243,167)        |
| Bank interest received                 | 64,802               | 3,642              |
| Interest paid                          | (82,570)             | (49,412)           |
|  | <u>8,142,517</u>     | <u>5,741,875</u>   |
| <b>Investing activities</b>            |                      |                    |
| Investments in mortgages               | (875,972)            | (17,636,024)       |
| <b>Financing activities</b>            |                      |                    |
| Decrease in loans payable              | (4,718,539)          | (436,453)          |
| Issue of preferred shares              | 20,138,943           | 21,077,746         |
| Redemption of preferred shares         | (705,749)            | (8,114,121)        |
| Dividends declared and paid            | (6,560,465)          | (7,403,416)        |
|  | <u>8,154,190</u>     | <u>5,123,756</u>   |
| <b>Net increase (decrease) in cash</b> | <b>15,420,735</b>    | <b>(6,770,393)</b> |
| <b>Cash - beginning of year</b>        | <b>406,007</b>       | <b>7,176,400</b>   |
| <b>Cash - end of year</b>              | <b>\$ 15,826,742</b> | <b>\$ 406,007</b>  |

The accompanying notes are an integral part of these consolidated financial statements.

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 28 February 2011**

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**1. Operations**

Terrapin Mortgage Investment Corp. (the "Company") was incorporated in 1978 in British Columbia. Its principle business activity is mortgage lending.

**2. Summary of Significant Account Policies**

(a) Income Taxes

The Company is a mortgage investment corporation and it complies with all the requirements of S.130.1 of the Income Tax Act. This means that the Company can distribute its net earnings to its shareholders within ninety-days of the fiscal year-end without the payment of corporate income tax. The net earnings are taxable in the hands of the Company shareholders provided that the shareholders are subject to income taxes.

(b) Revenue Recognition

Interest on mortgages is recognized on the accrual basis over the term of the mortgage. If the mortgage is deemed non-performing by management, interest is not accrued.

Renewal and placement fees on mortgages are recognized on a straight-line basis over the term of the mortgage.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Investments in Joint Ventures

As part of the recovery process for delinquent loans, the Company established joint venture companies to hold foreclosed properties and perform recovery work. These recovery companies are controlled by the Company and accounted for using the proportionate consolidation method.

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended 28 February 2011

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**2. Summary of Significant Account Policies - continued**

(e) Future Accounting Changes

Changes in accounting framework

The Company is a private enterprise. The Company will be required to adopt a new accounting framework and the options are Canadian Accounting Standards for Private Enterprises or International Financial Reporting Standards (IFRS), effective for fiscal years beginning on or after 1 January 2011. The Company is in the process of reviewing the potential impact of these two accounting standards on its reporting framework and financial statements.

**3. Management of Capital**

The Company manages its capital to ensure that it will be able to continue as a going concern while providing a return to its stakeholders. The Company's overall strategy remains unchanged from the prior year. The capital structure of the business consists of equity attributable to common and preferred shareholders, comprised of issued capital stock and accumulated retained earnings. The Company is subject to externally imposed capital requirements as follows:

As a condition of its loan agreement with certain lenders, the Company is required to maintain the following minimum financial covenants:

- Minimum ratio of total liabilities to Tangible Net Worth of 0.50:1
- Minimum interest coverage ratio of 2.00:1
- Minimum Tangible Net Worth of \$60,000,000
- The Company shall not grant or allow any lien, charge, security interest, privilege, hypothec or other encumbrance, whether fixed or floating, other than the Bank's security, to be registered against or exist on any of its assets without prior written approval from the bank.

Additionally, to maintain its status as a Mortgage Investment Corporation under the Canadian Income Tax Act the Company is required to adhere to the following regulations:

- 100% of net earnings must be paid to shareholders within 90 days of year end
- At least 50% of the assets invested in mortgages must be mortgages on residential property. The remaining 50% of investment in mortgages can be invested in any other type of mortgages that the Company's directors decide
- Maximum debt to equity ratio of 3:1
- The Company must have a minimum of 20 shareholders
- No shareholder or person related to any shareholder owns, directly or indirectly, more than 25% of the issued shares of any class
- Real property (except real property acquired by foreclosure or otherwise after default made on a mortgage) not to exceed 25% of the cost of all property

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended 28 February 2011

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**3. Management of Capital - continued**

Lastly, the Company must also be in compliance with the Conditions of Registration under the Mortgage Broker's Act.

Management is of the opinion that the Company has fully complied with these requirements throughout the year.

**4. Financial Instruments**

The fair value of all items that meet the definition of a financial instrument approximate their carrying values. These items include cash, accounts receivable, mortgages receivable, accounts payable and accrued liabilities and loans payable. Unless otherwise stated, it is management's opinion that the Company is not exposed to significant credit, currency or interest rate risks arising from these financial instruments.

**5. Mortgages Receivable**

The Company has provided for the possibility of a loss on mortgages. At some time in the future, the equity in the properties held as security may not be sufficient to satisfy the amount of the mortgages. The effect of the provision on mortgages receivable is as follows:

|                      | <u>2011</u>          | <u>2010</u>          |
|----------------------|----------------------|----------------------|
| Mortgages receivable | \$ 101,790,735       | \$ 100,471,388       |
| Accrued interest     | 1,154,622            | 1,831,689            |
|                      | <u>102,945,357</u>   | <u>102,303,077</u>   |
| Reserve for loss     | (3,000,000)          | (3,000,000)          |
|                      | <u>\$ 99,945,357</u> | <u>\$ 99,303,077</u> |

**6. Line of Credit**

The Company has available bank lending facilities of \$20,000,000 (2010 - \$20,000,000) with interest at the bank's prime lending rate plus 1.25% per annum, and due on demand. The lending facility is secured by a general security agreement and an assignment of mortgages receivable.

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended 28 February 2011

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7. **Loans Payable**

As part of the loan recovery process, the Company has established joint ventures to work out non-performing loans. For two projects the Company obtained third party financing from credit unions to fund the redevelopment costs and free up the Company's capital for operations. The Company's proportionate share of the two loans payable were on the following terms:

|  | <u>2011</u> | <u>2010</u>         |
|--|-------------|---------------------|
| Interest accrued at the credit union's prime rate plus 1.5% per annum, due on demand, and secured by a first charge on the property and general security agreement pledged by the Company. | \$ -        | \$ 2,968,286        |
| Interest accrued at the credit union's prime rate plus 2% per annum, due on demand, and secured by a first charge on the property and general security agreement pledged by the Company.   | -           | <u>1,750,253</u>    |
|  | <u>\$ -</u> | <u>\$ 4,718,539</u> |

During the year, the Company repaid the loans in full.

**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended 28 February 2011

**8. Share Capital**

|            |   |                       |                      |
|------------|---|-----------------------|----------------------|
| Authorized |   |                       |                      |
| unlimited  | common voting shares with a par value of \$1 each                                     |                       |                      |
| unlimited  | fully participating, redeemable class A preferred shares with a par value of \$1 each |                       |                      |
| unlimited  | fully participating, redeemable class B preferred shares with a par value of \$1 each |                       |                      |
|            |   | <u>2011</u>           | <u>2010</u>          |
| Issued     |   |                       |                      |
| 9,500      | common shares   | \$ 9,500              | \$ 9,500             |
| 93,708,771 | class A preferred shares  | 93,708,771            | 78,570,139           |
| 14,517,951 | class B preferred shares  | <u>14,517,951</u>     | <u>10,223,388</u>    |
|            |   | <u>\$ 108,236,222</u> | <u>\$ 88,803,027</u> |

During the year, the Company redeemed and issued preferred shares as follows:

|                   | 2011              |                   | 2010              |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | Shares            | Amount<br>\$      | Shares            | Amount<br>\$      |
| Class A preferred |                   |                   |                   |                   |
| Opening balance   | 78,570,139        | 78,570,139        | 75,829,902        | 75,829,902        |
| Issued            | 15,819,381        | 15,819,381        | 10,854,358        | 10,854,358        |
| Redemptions       | (680,749)         | (680,749)         | (8,114,121)       | (8,114,121)       |
|                   | <u>93,708,771</u> | <u>93,708,771</u> | <u>78,570,139</u> | <u>78,570,139</u> |
| Class B preferred |                   |                   |                   |                   |
| Opening balance   | 10,223,388        | 10,223,388        | -                 | -                 |
| Issued            | 4,319,563         | 4,319,563         | 10,223,388        | 10,223,388        |
| Redemptions       | (25,000)          | (25,000)          | -                 | -                 |
|                   | <u>14,517,951</u> | <u>14,517,951</u> | <u>10,223,388</u> | <u>10,223,388</u> |

**9. Related Party Transactions**

The Company paid various expenses to companies with common directors. These transactions are in the normal course of operations and are contracted at prevailing market prices and credit terms and consist of the following:

|                 |                   |                   |
|-----------------|-------------------|-------------------|
|                 | <u>2011</u>       | <u>2010</u>       |
| Administration  | \$ 641,686        | \$ 583,696        |
| Collection fees | 17,791            | 15,800            |
|                 | <u>\$ 659,477</u> | <u>\$ 599,496</u> |

Administration fees are paid to a company with common directors for the provision of office administration, rent, overhead, salaries and management fees.

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**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 28 February 2011**

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**9. Related Party Transactions - continued**

Directors fees of \$56,000 (2010 - \$52,500) were paid to directors of the Company during the year.

Included in accrued liabilities is \$Nil (2010 - \$234) owing to related parties.

**Management and Advisory Agreement**

Pursuant to a management and advisory agreement with a company with common directors, a performance incentive fee is paid to this company based on net income after all provisions for all expenses including a provision of reserves against potential losses. The performance incentive fees paid are based on the following parameters:

- 10% of earnings in excess of the greater of 8% or the two-year Government of Canada Benchmark Bond Rate plus 4%.
- 12.5% of earnings in excess of the greater of 10% or the two-year Government of Canada Benchmark Bond Rate plus 6%.

The fees will be paid annually based on the net income of the Company, as reported in its audited annual consolidated financial statements, within ninety days after the Company's fiscal year-end. Included in administration fees are performance incentive fees of \$Nil (2010 - \$Nil)

**10. Contingent Liability**

The Company has guaranteed letters of credit totalling \$179,816 (2010 - \$217,818) to facilitate servicing development projects held by the loan recovery companies. The Company could be liable for repayment if the borrowers default. However in management's opinion, the majority of the work required to draw down the letters of credit was completed and management considers it unlikely that the Company will be liable for any payment related to these matters.

**11. Trust Funds**

Trust funds held by the Company for third parties amounting to \$4,389,291 (2010 - \$1,964,789) are not included in the consolidated financial statements.

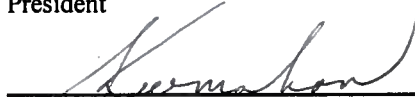
**ITEM 13. DATE AND CERTIFICATE**

Dated this 31st day of May, 2011.

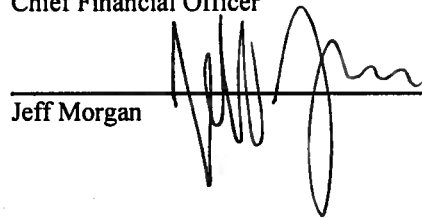
**This Offering Memorandum does not contain a misrepresentation.**

**TERRAPIN MORTGAGE INVESTMENT CORP.**

President


  
\_\_\_\_\_  
Kenneth W. Mahon

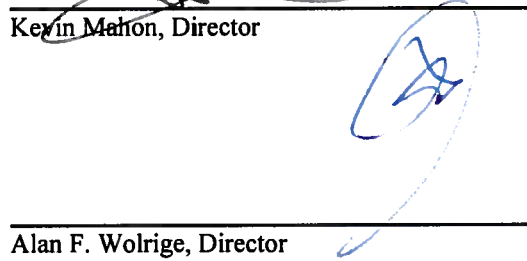
Chief Financial Officer

  
\_\_\_\_\_  
Jeff Morgan

**ON BEHALF OF THE DIRECTORS**

  
\_\_\_\_\_  
Kevin Mahon, Director

  
\_\_\_\_\_  
Randy Pray, Director

  
\_\_\_\_\_  
Alan F. Wolrige, Director

**SCHEDULE "A"**  
**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**PREFERRED SHARE PURCHASE PRICES**

|                              |                   |
|------------------------------|-------------------|
| March 1 – 31, 2011 .....     | \$1.000 per share |
| April 1 – 30, 2011 .....     | \$1.006 per share |
| May 1 – 31, 2011 .....       | \$1.012 per share |
| June 1 – 30, 2011 .....      | \$1.018 per share |
| July 1 – 31, 2011 .....      | \$1.024 per share |
| August 1 – 31, 2011 .....    | \$1.030 per share |
| September 1 – 30, 2011 ..... | \$1.035 per share |
| October 1 – 31, 2011 .....   | \$1.041 per share |
| November 1 – 30, 2011 .....  | \$1.047 per share |
| December 1 – 31, 2011 .....  | \$1.053 per share |
| January 1 – 31, 2012 .....   | \$1.059 per share |
| February 1 – 28, 2012 .....  | \$1.065 per share |

Note: Shares issued in payment of dividends declared to shareholder of record at February 28, 2012 and payable on or before May 29, 2012 are issued at their par value of \$1.00 per share.

**SCHEDULE "B"**  
**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**PRIOR SALES OF PREFERRED SHARES**  
**FROM JUNE 1, 2010 TO MAY 31, 2011**

| <b>Date of Issuance</b> | <b>Type of Security Issued</b> | <b>Shares comma</b> | <b>Price per share</b> | <b>Total Funds</b> |
|-------------------------|--------------------------------|---------------------|------------------------|--------------------|
| July 20, 2010           | Preferred Shares               | 97,561              | 1.025                  | 100,000            |
| July 20, 2010           | Preferred Shares               | 97,561              | 1.025                  | 100,000            |
| July 20, 2010           | Preferred Shares               | 275,000             | 1.019                  | 280,225            |
| July 20, 2010           | Preferred Shares               | 250,000             | 1.019                  | 254,750            |
| July 20, 2010           | Preferred Shares               | 7,000               | 1.019                  | 7,133              |
| July 20, 2010           | Preferred Shares               | 98,135              | 1.019                  | 100,000            |
| July 20, 2010           | Preferred Shares               | 20,000              | 1.013                  | 20,260             |
| July 20, 2010           | Preferred Shares               | 30,000              | 1.013                  | 30,390             |
| July 20, 2010           | Preferred Shares               | 75,000              | 1.025                  | 76,875             |
| July 20, 2010           | Preferred Shares               | 75,000              | 1.025                  | 76,875             |
| July 21, 2010           | Preferred Shares               | 39,487              | 1.013                  | 40,000             |
| July 21, 2010           | Preferred Shares               | 19,361              | 1.033                  | 20,000             |
| July 30, 2010           | Preferred Shares               | 146,341             | 1.025                  | 150,000            |
| July 30, 2010           | Preferred Shares               | 195,122             | 1.025                  | 200,000            |
| July 30, 2010           | Preferred Shares               | 4,661               | 1.025                  | 4,778              |
| July 30, 2010           | Preferred Shares               | 100,000             | 1.025                  | 102,500            |
| August 31, 2010         | Preferred Shares               | 5,000               | 1.032                  | 5,160              |
| August 31, 2010         | Preferred Shares               | 208,905             | 1.032                  | 215,590            |
| August 31, 2010         | Preferred Shares               | 400,000             | 1.032                  | 412,800            |
| September 23, 2010      | Preferred Shares               | 200,000             | 1.038                  | 207,600            |
| November 9, 2010        | Preferred Shares               | 9,761               | 1.045                  | 10,200             |
| November 9, 2010        | Preferred Shares               | 239,234             | 1.045                  | 250,000            |
| November 9, 2010        | Preferred Shares               | 9,569               | 1.045                  | 10,000             |
| November 9, 2010        | Preferred Shares               | 1,139,000           | 1.045                  | 1,190,255          |
| November 9, 2010        | Preferred Shares               | 724,000             | 1.045                  | 756,580            |
| November 9, 2010        | Preferred Shares               | 20,000              | 1.045                  | 20,900             |
| November 9, 2010        | Preferred Shares               | 30,000              | 1.045                  | 31,350             |
| November 9, 2010        | Preferred Shares               | 6,029               | 1.045                  | 6,300              |
| November 25, 2010       | Preferred Shares               | 475,000             | 1.051                  | 499,225            |
| November 25, 2010       | Preferred Shares               | 9,515               | 1.051                  | 10,000             |
| November 30, 2010       | Preferred Shares               | 9,515               | 1.051                  | 10,000             |
| November 30, 2010       | Preferred Shares               | 9,515               | 1.051                  | 10,000             |
| March 1, 2011           | Preferred Shares               | 2,000               | 1.000                  | 2,000              |
| March 1, 2011           | Preferred Shares               | 2,000               | 1.000                  | 2,000              |
| March 1, 2011           | Preferred Shares               | 2,000               | 1.000                  | 2,000              |
| March 17, 2011          | Preferred Shares               | 50,000              | 1.000                  | 50,000             |
| March 17, 2011          | Preferred Shares               | 50,000              | 1.000                  | 50,000             |
| March 17, 2011          | Preferred Shares               | 49,000              | 1.000                  | 49,000             |
| March 25, 2011          | Preferred Shares               | 1,000,000           | 1.000                  | 1,000,000          |
| March 25, 2011          | Preferred Shares               | 12,000              | 1.000                  | 12,000             |
| March 25, 2011          | Preferred Shares               | 2,000               | 1.000                  | 2,000              |
| March 25, 2011          | Preferred Shares               | 5,000               | 1.000                  | 5,000              |
| March 25, 2011          | Preferred Shares               | 100,000             | 1.000                  | 100,000            |
| March 25, 2011          | Preferred Shares               | 80,000              | 1.000                  | 80,000             |
| March 25, 2011          | Preferred Shares               | 10,936              | 1.000                  | 10,936             |
| March 25, 2011          | Preferred Shares               | 2,000               | 1.000                  | 2,000              |
| March 25, 2011          | Preferred Shares               | 27,000              | 1.000                  | 27,000             |
| March 25, 2011          | Preferred Shares               | 20,200              | 1.000                  | 20,200             |
| March 25, 2011          | Preferred Shares               | 7,400               | 1.000                  | 7,400              |
| March 25, 2011          | Preferred Shares               | 2,185               | 1.000                  | 2,185              |
| March 25, 2011          | Preferred Shares               | 22,000              | 1.000                  | 22,000             |
| March 25, 2011          | Preferred Shares               | 22,000              | 1.000                  | 22,000             |
| March 25, 2011          | Preferred Shares               | 12,000              | 1.000                  | 12,000             |

**SCHEDULE "B"**  
**TERRAPIN MORTGAGE INVESTMENT CORP.**  
**PRIOR SALES OF PREFERRED SHARES**  
**FROM JUNE 1, 2010 TO MAY 31, 2011**

|                |                  |         |       |         |
|----------------|------------------|---------|-------|---------|
| March 25, 2011 | Preferred Shares | 10,000  | 1.000 | 10,000  |
| March 25, 2011 | Preferred Shares | 21,091  | 1.000 | 21,091  |
| March 25, 2011 | Preferred Shares | 25,000  | 1.000 | 25,000  |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 100,000 | 1.000 | 100,000 |
| March 25, 2011 | Preferred Shares | 31,900  | 1.000 | 31,900  |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 22,450  | 1.000 | 22,450  |
| March 25, 2011 | Preferred Shares | 6,000   | 1.000 | 6,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 3,000   | 1.000 | 3,000   |
| March 25, 2011 | Preferred Shares | 2,000   | 1.000 | 2,000   |
| March 25, 2011 | Preferred Shares | 250,000 | 1.000 | 250,000 |
| March 25, 2011 | Preferred Shares | 5,000   | 1.000 | 5,000   |
| March 25, 2011 | Preferred Shares | 5,000   | 1.000 | 5,000   |
| March 31, 2011 | Preferred Shares | 6,000   | 1.000 | 6,000   |
| March 25, 2011 | Preferred Shares | 25,000  | 1.000 | 25,000  |
| March 25, 2011 | Preferred Shares | 300,000 | 1.000 | 300,000 |
| March 25, 2011 | Preferred Shares | 8,000   | 1.000 | 8,000   |
| March 31, 2011 | Preferred Shares | 3,000   | 1.000 | 3,000   |
| March 31, 2011 | Preferred Shares | 60,000  | 1.000 | 60,000  |
| March 31, 2011 | Preferred Shares | 60,000  | 1.000 | 60,000  |
| March 31, 2011 | Preferred Shares | 4,000   | 1.000 | 4,000   |
| March 31, 2011 | Preferred Shares | 5,000   | 1.000 | 5,000   |
| March 31, 2011 | Preferred Shares | 5,000   | 1.000 | 5,000   |
| March 31, 2011 | Preferred Shares | 5,000   | 1.000 | 5,000   |
| March 31, 2011 | Preferred Shares | 250,000 | 1.000 | 250,000 |
| March 31, 2011 | Preferred Shares | 100,000 | 1.000 | 100,000 |
| March 25, 2011 | Preferred Shares | 20,000  | 1.000 | 20,000  |
| March 31, 2011 | Preferred Shares | 22,000  | 1.000 | 22,000  |
| March 31, 2011 | Preferred Shares | 100,000 | 1.000 | 100,000 |
| April 25, 2011 | Preferred Shares | 198,807 | 1.006 | 200,000 |
| April 25, 2011 | Preferred Shares | 51,865  | 1.006 | 52,176  |
| May 27, 2011   | Preferred Shares | 9,880   | 1.012 | 9,998   |
| May 27, 2011   | Preferred Shares | 21,739  | 1.012 | 22,000  |
| May 27, 2011   | Preferred Shares | 197,628 | 1.012 | 200,000 |
| May 31, 2011   | Preferred Shares | 9,881   | 1.012 | 10,000  |