

The Trustees intend to make investments in such a manner as to comply with the requirements of the Internal Revenue Code with respect to the composition of the investments and the derivation of the income of a real estate investment trust as defined in the REIT Provisions of the Internal Revenue Code; provided, however, that no Trustee, officer, employee or agent of the Trust shall be liable for any act or omission resulting in the loss of tax benefits under the Internal Revenue Code, unless such loss arises from his own willful misfeasance, bad faith, gross negligence or reckless disregard of duty or his not having acted in good faith in the reasonable belief that his action was in the best interests of the Trust. The Trust intends generally to invest not more than 5% of the Total Assets or 10% of the Net Assets of the Trust Estate, whichever is greater, in any single transaction. Certain transactions may be participated in by the Trust with other lenders, including the Adviser. It is expected that investments will be spread throughout the areas in the United States where favorable yields prevail, commensurate with risk.

The Trustees may alter the above-declared investment policy in the light of changes in economic circumstances and other relevant factors, and the methods of implementing the Trust's investment policies may change as new investment forms are developed or money market condition changes.

5.2. *Prohibited Investments and Activities.* The Trustees shall not engage in any of the following investment practices or activities:

(a) Invest in the ownership of, or participations in the ownership of, or in First Mortgage Loans on, unimproved non-income-producing real property which investments, in the aggregate, are more than five percent (5%) of the Total Assets of the Trust Estate, except for First Mortgage Development Loans.

(b) Invest in commodities, bullion or chattels except such chattels as are employed in the day to day business of the Trust or in connection with its Mortgage Loans or Real Property.

(c) Invest in any contracts for the sale of real estate in excess of a value of 1% of the Trust's Total Assets; provided, however, that nothing herein shall prevent the holding of contracts of sale as additional security for loans made by the Trust and the ownership of such contracts of sale upon foreclosure of or realization upon such security interests.