

Declaration of Trust
of
KMC Mortgage Investors

This First Amended and Restated Declaration of Trust made as of December 13, 1971 by William E. Ezzell, residing at Lexington, Kentucky; Homer A. Hail, residing at Lexington, Kentucky; Norman E. Burden, residing at Cleveland, Ohio; John D. Dupuis, residing at Cincinnati, Ohio; James C. Bishop, residing at Lexington, Kentucky; Irwin J. Eisinger, residing at Louisville, Kentucky; and William E. Jones, residing at Lexington, Kentucky, as Trustees, pursuant to Sections 386.370 through 386.440, inclusive, of the Kentucky Revised Statutes (hereinafter called the "Kentucky REIT Act") (such persons, so long as they shall continue in office in accordance with the terms of this Declaration of Trust, and all other persons who at the time in question have been duly elected or appointed as trustees in accordance with the provisions of this Declaration of Trust and are then in office, are hereinafter together called the "Trustees").

WITNESSETH:

WHEREAS, the Trustees have formed an unincorporated association in the form of a business trust, for the principal purpose of raising capital and investing such capital in obligations secured by Mortgages on Real Property and in Real Property and interests therein; and

WHEREAS, this instrument amends and restates the Declaration of Trust made as of November 3, 1971 by the Trustees, which Declaration of Trust is hereby amended and restated in its entirety pursuant to Section 13.1 thereof to read as hereinafter provided; and

WHEREAS, the Trustees desire that such trust qualify as a "real estate investment trust" under the REIT Provisions of the Internal Revenue Code; and

WHEREAS, the Trustees have acknowledged, as such Trustees as hereinafter stated, the receipt of Two Hundred Thousand and Twenty Dollars (\$200,020) and other good and valuable consideration and have agreed to hold, invest and dispose of the same and any property acquired or otherwise added thereto; and

WHEREAS, it is proposed that the beneficial ownership in the Trust shall be evidenced by transferable shares of beneficial interest, evidenced by certificates therefor, as hereinafter provided;

NOW, THEREFORE, the Trustees hereby declare that they will hold all property of every type and description which they are acquiring or may hereafter acquire as such Trustees, together with the proceeds, rents and income thereof and therefrom, in trust, to manage and dispose of the same for the benefit of the holders of record from time to time of the certificates for Shares being issued and to be issued hereunder and in the manner and subject to the provisions hereof, to wit:

ARTICLE I

THE TRUST

1.1 *Name.* The name of the trust created by this Declaration of Trust shall be "KMC Mortgage Investors" (hereinafter called the "Trust") and so far as may be practicable the Trustees shall conduct the Trust's activities, execute all documents and sue or be sued under that name, which name (and the word "Trust" wherever used in this Declaration of Trust, except where the context otherwise requires) shall refer to the Trustees in their capacity as Trustees, and not individually or personally, and shall not refer to the officers, agents, employees