

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) APRIL 10, 1998

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

(Exact Name of Registrant as Specified in its Charter)

MARYLAND

(State or Other Jurisdiction of Incorporation)

1-13991

13-3974868

(Commission
File Number)

(IRS Employer
Identification No.)

399 PARK AVENUE, 36TH FLOOR, NEW YORK, NEW YORK 10022

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code (212) 935-8760

ITEM 2: ACQUISITION OR DISPOSITION OF ASSETS

(a) On April 10, 1998, America First Mortgage Investments, Inc., a Maryland corporation (the "Company"), consummated a combination transaction (the "Merger") with America First Participating/Preferred Equity Mortgage Fund Limited Partnership, a Delaware limited partnership ("Prep Fund 1"), America First Prep Fund 2 Limited Partnership, a Delaware limited partnership ("Prep Fund 2"), and America First Prep Fund 2 Pension Series Limited Partnership, a Delaware limited partnership ("Pension Fund," and together with Prep Fund 1 and Prep Fund 2, the "Partnerships"). The Merger was approved by the holders of interests in the Partnerships representing a majority in interest of the outstanding interests in each of such Partnerships.

In connection with the Merger, (i) Prep Fund 1 and Prep Fund 2 merged with and into the Company, (ii) Pension Fund merged with AF Merger, L.P., a Delaware limited partnership subsidiary of the Company, and survived the merger becoming a subsidiary of the Company, (iii) all of the outstanding Exchangeable Units representing assigned limited partnership interests in Prep Fund 1 ("Prep Fund 1 Units") were converted (at the rate of 1.00 share for each Prep Fund 1 Unit) into an aggregate of 5,775,797 shares of common stock, par value \$.01 per share (the "Common Stock"), of the Company, (iv) all of the outstanding Beneficial Unit Certificates representing assigned limited partnership interests in Prep Fund 2 ("Prep Fund 2 BUCs") were converted (at the rate of approximately 1.26 shares for each Prep Fund 2 BUC) into an aggregate of 2,012,269 shares of Common Stock and (v) 1,160,821 of the 1,183,373 outstanding Beneficial Unit Certificates representing assigned limited partnership interests in Pension Fund ("Pension BUCs") were converted (at the rate of approximately 1.31 shares for each Pension BUC) into an aggregate of 1,153,552 shares of Common Stock. In addition to the foregoing, holders of 22,552 Pension BUCs elected to continue their current investment in Pension Fund by remaining as investors in Pension Fund through the retention of the same security that was originally

issued to, or subsequently acquired by, such holders (the "Retention Option").

Pursuant to the terms of the Merger, the Company will also make a one-time cash payment of \$1.06 per share (the "Cash Merger Payment"), which will be paid in four equal quarterly payments during the first year following the Merger, to stockholders entitled to receive distributions; provided, however, any distributions paid to stockholders by the Company out of earnings during this first year will have the effect of reducing the amount of the Cash Merger Payment so that the amount paid to stockholders will still be, in the aggregate, equal to \$1.06 per share.

As a result of the Merger, the Company has become the direct and indirect owner, subject to liabilities, of five fixed-rate mortgage-backed securities collateralized by first mortgage loans on multifamily properties which are guaranteed by the Government National Mortgage Association ("Ginnie Mae"), fixed-rate mortgage-backed securities collateralized by pools of single-family mortgages which are guaranteed by Ginnie Mae or the Federal National Mortgage Association, eight preferred real estate participations representing limited partnership interests in partnerships that own the multifamily properties collateralizing such mortgage-backed securities, all of the equity interest in one limited partnership owning a multifamily property and one participating first mortgage loan on a multifamily property (collectively, the "Assets").

The shares of Common Stock issued in the Merger were allocated among the Partnerships in proportion to their respective net asset values, which were intended to represent fairly the relative value of the Assets held by the Partnerships. Based on Prep Fund 1's net asset value of \$53,169,546, Prep Fund 2's net asset value of \$18,533,307 and Pension Fund's net asset value of \$10,896,068, an aggregate of 5,775,797 shares of Common Stock had been allocated in the Merger to Prep Fund 1, 2,012,336 shares of Common Stock had been allocated in the Merger to Prep Fund 2 and a maximum of 1,183,373 shares of Common Stock had been allocated in the Merger to Pension Fund. The number of shares of Common Stock issued in the Merger to each holder of interests in the Partnerships was rounded to the nearest whole share and, in lieu of issuing

fractional shares, the Company made cash payments to such holders equal in amount to the fair market value of such fractional shares. In addition, to the extent that holders of Pension BUCs elected the Retention Option in lieu of receiving shares of Common Stock in the Merger, the aggregate number of shares of Common Stock issued to Pension Fund in the Merger was reduced by the number of shares of Common Stock that would have been issued in exchange for such retained Pension BUCs. In connection with the organization of the Company and pursuant to the merger agreement among the parties, the general partners of the Partnerships (the "General Partners") were issued 90,621 shares of Common Stock and were not issued any additional shares as a result of the Merger.

Stewart Zimmerman, President and Chief Executive Officer of the Company, William S. Gorin, Executive Vice President of the Company, and Ronald A. Freyberg, Senior Vice President of the Company, were, until the consummation of the Merger, employed by America First Companies, L.L.C., the entity which controlled the General Partners ("America First"). Michael B. Yanne, the Chairman of the Board of Directors of the Company, is currently Chairman of the Board of Directors and Chief Executive Officer of America First. Gary Thompson, Chief Financial Officer of the Company, is currently a Vice President of America First. George Krauss, a director of the Company, is currently a director of America First. All of the foregoing individuals are currently employed by, or affiliated with, America First Mortgage Advisory Corporation, a corporation which is majority-owned by America First and manages the day-to-day activities of, and provides other related services to, the Company.

(b) The multifamily property which is indirectly wholly-owned by the Company through its ownership of all of the equity interest in the one limited partnership owning such property is Morrowood Townhouses in Morrow, Georgia. The Company intends to continue to have the property operate as a multifamily residence.

ITEM 7: FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) FINANCIAL STATEMENTS:

Audited Financial Statements of Prep Fund 1 as of December 31, 1997 and 1996 and for the years ended December 31, 1997, 1996 and 1995 are incorporated by reference herein from Prep Fund 1's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-15854)).

Audited Financial Statements of Prep Fund 2 as of December 31, 1997 and 1996 and for the years ended December 31, 1997, 1996 and 1995 are incorporated by reference herein from Prep Fund 2's Annual Report on Form 10-K for the year ended December 31, 1997 (File No.

1-10022)).

Audited Financial Statements of Pension Fund as of December 31, 1997 and 1996 and for the years ended December 31, 1997, 1996 and 1995 are incorporated by reference herein from Pension Fund's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-17582)).

(b) PRO FORMA FINANCIAL INFORMATION:

As of the date of this report, it is impracticable for the Company to file the required pro forma financial information with respect to the Merger. Accordingly, such required pro forma financial information will be filed as soon as it is available, but in no event later than 60 days after the date on which this report must be filed.

(c) EXHIBITS:

- 3.1 Amended and Restated Articles of Incorporation of the Company
- 3.2 Amended and Restated Bylaws of the Company
- 10.1 Advisory Agreement, dated April 9, 1998, by and between the Company and the Advisor
- 10.2 1997 Stock Option Plan of the Company

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 23, 1998 AMERICA FIRST MORTGAGE INVESTMENTS, INC.

By: /s/STEWART ZIMMERMAN

Stewart Zimmerman
President and Chief Executive Officer

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

AMERICA FIRST MORTGAGE INVESTMENTS, INC., a Maryland corporation, having its principal office in Baltimore, Maryland (which is hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The Charter of the Corporation is hereby amended and restated to read in its entirety as follows:

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

AMENDED AND RESTATED ARTICLES OF INCORPORATION

FIRST: THE UNDERSIGNED, Billie J. Swoboda, whose address is 32 South Street, Baltimore, Maryland 21202, being at least eighteen years of age, acting as incorporator, does hereby form a corporation under the general laws of the State of Maryland.

SECOND: The name of the corporation (which is hereinafter called the "Corporation") is:

America First Mortgage Investments, Inc.

THIRD: (a) The purposes for which, and any of which, the Corporation is formed and the business and objects to be carried on and promoted by it are:

(1) To engage in the business of a REIT as that phrase is defined in the Code, and to engage in any lawful act or activity for which corporations may be organized under the Maryland General Corporation Law; and

(2) To engage in any one or more businesses or transactions, or to acquire all or any portion of any entity engaged in any one or more businesses or transactions, which the Board of Directors may from time to time authorize or approve, whether or not related to the business described elsewhere in this Article or to any other business at the time or theretofore engaged in by the Corporation.

(b) The foregoing enumerated purposes and objects shall be in no way limited or restricted by reference to, or inference from, the terms of any other clause of this or any other Article of the Charter of the Corporation, and each shall be regarded as independent; and they are intended to be and shall be construed as powers as well as purposes and objects of the Corporation and shall be in addition to and not in limitation of the general powers of corporations under the general laws of the State of Maryland.

FOURTH: The present address of the principal office of the Corporation in this State of Maryland is 32 South Street, Baltimore, Maryland 21202.

FIFTH: The name and address of the resident agent of the Corporation in this State are: The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202. Said resident agent is a Maryland corporation.

SIXTH: (a) The total number of shares of stock of all classes which the Corporation has authority to issue is 500,000,000 shares of capital stock (par value \$.01 per share), amounting in aggregate par value to \$5,000,000, of which shares 375,000,000 are initially classified as "Common Stock," and 125,000,000 are initially classified as "Excess Stock." Subject to Article NINTH, the Board of Directors may classify and reclassify any unissued shares of capital stock by

setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of capital stock.

(b) Subject to Article NINTH, the following is a description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Common Stock of the Corporation:

(1) Each share of Common Stock shall have one vote and, except as otherwise provided in respect of any class of stock hereafter classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock. Shares of Common Stock shall not have cumulative voting rights;

(2) Subject to the provisions of law and any preferences of any class of stock hereafter classified or reclassified, dividends or other distributions, including dividends or other distributions payable in shares of another class of the Corporation's stock, may be paid ratably on the Common Stock at such time and in such amounts as the Board of Directors may deem advisable;

(3) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, together with the holders of Excess Stock and any other class of stock hereafter classified or reclassified not having a preference on distributions in the liquidation, dissolution or winding up of the Corporation, to share ratably in the net assets of

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the Corporation remaining, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any class of stock hereafter classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation shall be entitled; and

(4) Each share of Common Stock is convertible into Excess Stock as provided in Article NINTH.

(c) A description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Excess Stock of the Corporation is set forth in Article NINTH.

(d) Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of capital stock shall include, without limitation, subject to the provisions of the Charter, authority to classify or reclassify any unissued shares of such stock into a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing or altering one or more of the following:

(1) The distinctive designation of such class or series and the number of shares to constitute such class or series; provided, that, unless otherwise prohibited by the terms of such or any other class or series, the number of shares of any class or series may be decreased by the Board of Directors in connection with any classification or reclassification of unissued shares and the number of shares of such class or series may be increased by the Board of Directors in connection with any such classification or reclassification, and any shares of any class or series which have been redeemed, purchased,

otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized capital stock and be subject to classification and reclassification as provided in this subparagraph;

(2) Whether or not shares of such class or series shall have dividend rights and, if so, the rates, amounts and times at which, and the conditions under which, dividends shall be payable on shares of such class or series, whether any such dividends shall rank senior or junior to or on a parity with the dividends payable on any other class or series of stock, and the status of any such dividends as cumulative, cumulative to a limited extent or non-cumulative and as participating or non-participating;

(3) Whether or not shares of such class or series shall have voting rights, in addition to any voting rights provided by law and, if so, the terms of such voting rights; provided, that there shall be no increase in the number of directors except as set forth in paragraph (a) of Article SEVENTH;

(4) Whether or not shares of such class or series shall have conversion or exchange privileges and, if so, the terms and conditions thereof, including provision for adjustment of the conversion or exchange rate in such events or at such times as the Board of Directors shall determine;

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(5) Whether or not shares of such class or series shall be subject to redemption and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether or not there shall be any sinking fund or purchase account in respect thereof, and if so, the terms thereof;

(6) The rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock;

(7) Whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of, any stock of the Corporation, or upon any other action of the Corporation, including action under this subparagraph, and, if so, the terms and conditions thereof; and

(8) Any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the Charter of the Corporation.

(e) For the purposes hereof and of any articles supplementary to the Charter providing for the classification or reclassification of any shares of capital stock or of any other charter document of the Corporation (unless otherwise provided in any such articles or document), any class or series of stock of the Corporation shall be deemed to rank:

(1) prior to another class or series either

as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(2) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(3) junior to another class or series either as to dividends or upon liquidation, if the

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rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

SEVENTH: (a) The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation shall be seven, which number may be increased or decreased by at least two-thirds of the entire Board of Directors pursuant to the Bylaws of the Corporation, but shall never be less than the minimum number permitted by the general laws of the State of Maryland now or hereafter in force. After the closing of the Combination Transaction at least a majority of the directors shall be Independent Directors.

(b) Subject to the rights of the holders of any class of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by the required vote of the stockholders or the directors then in office. A director so chosen by the stockholders shall hold office for the balance of the term then remaining. A director so chosen by the remaining directors shall hold office until the next annual meeting of stockholders, at which time the stockholders shall elect a director to hold office for the balance of the term then remaining. No decrease in the number of directors constituting the Board of Directors shall affect the tenure of office of any director.

(c) Whenever the holders of any one or more series of Preferred Stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the Board of Directors shall consist of said directors so elected in addition to the number of directors fixed as provided in paragraph (a) of this Article SEVENTH or in the Bylaws. Notwithstanding the foregoing, and except as otherwise may be required by law, whenever the holders of any one or more series of Preferred Stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders.

(d) Subject to the rights of the holders of any class separately entitled to elect one or more directors, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and then only by the affirmative vote of

the holders of at least 80% of the combined voting power of all classes of shares of capital stock entitled to vote in the election for directors voting together as a single class.

(e) The directors shall be divided into three classes as follows:

(a) The term of office of Class I shall be until the 1999 annual meeting of stockholders and until their successors shall be elected and have qualified and thereafter shall be for three years and until their successors shall be elected and have qualified;

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(b) the term of office of Class II shall be until the 2000 annual meeting of stockholders and until their successors shall be elected and have qualified and thereafter shall be for three years and until their successors shall be elected and have qualified; and

(c) the term of office of Class III shall be until the 2001 annual meeting of stockholders and until their successors shall be elected and have qualified and thereafter shall be for three years and until their successors shall be elected and have qualified.

(f) The names of the individuals who will serve as directors of the Corporation until their successors are elected and qualify are as follows:

(d) The following persons shall serve as Class I directors:

Michael B. Yanney
Gregor Medinger

(e) The following persons shall serve as Class II directors:

George H. Krauss
Michael L. Dahir

(f) The following persons shall serve as Class III directors:

George V. Janzen
Stewart Zimmerman
W. David Scott

If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one. Stockholder votes to elect directors shall be conducted in the manner provided in the Bylaws.

EIGHTH: (a) The following provisions are hereby adopted for the purpose of defining, limiting and regulating the powers of the Corporation and of the directors and the stockholders:

(1) The Board of Directors is hereby empowered to authorize the issuance from time to time of shares of its stock of any class, whether

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now or hereafter authorized, or securities convertible into shares of its stock of any class

or classes, whether now or hereafter authorized, for such consideration as may be deemed advisable by the Board of Directors and without any action by the stockholders.

(2) No holder of any stock or any other securities of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or purchase any stock or any other securities of the Corporation other than such, if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(3) The Board of Directors of the Corporation shall, consistent with applicable law, have power in its sole discretion to determine from time to time in accordance with sound accounting practice or other reasonable valuation methods what constitutes annual or other net profits, earnings, surplus or net assets in excess of capital; to fix and vary from time to time the amount to be reserved as working capital, or determine that retained earnings or surplus shall remain in the hands of the Corporation; to set apart out of any funds of the Corporation such reserve or reserves in such amount or amounts and for such proper purpose or purposes as it shall determine and to abolish any such reserve or any part thereof; to redeem or purchase its stock or to distribute and pay distributions or dividends in stock, cash or other securities or property, out of surplus or any other funds or amounts legally available therefor, at such times and to the stockholders of record on such dates as it may, from time to time, determine; to determine the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); to determine the fair value and any matters relating to the acquisition, holding and disposition of any assets by the Corporation; and to determine whether and to what extent and at what times and places and under what conditions and regulations the books, accounts and documents of the Corporation, or any of them, shall be open to the inspection of stockholders, except as otherwise provided by statute or by the Bylaws, and, except as so provided, no stockholder shall have any right to inspect any book, account or document of the Corporation unless authorized so to do by resolution of the Board of Directors.

(4) The Board of Directors shall, in connection with the exercise of its business judgment involving a Business Combination (as defined in Section 3-601 of the Maryland General Corporation Law) or any actual or proposed transaction which would or may involve a change in control of the Corporation (whether by purchases of shares of stock or any other securities of the Corporation, in the open market or otherwise, tender offer, merger, consolidation, dissolution, liquidation, sale of all or substantially all of

the assets of the Corporation, proxy solicitation or otherwise), in determining what is in the best interests of the Corporation and its stockholders and in making any recommendation to its stockholders, give due consideration to all

relevant factors, including, but not limited to (A) the economic effect, both immediate and long-term, upon the Corporation's stockholders, including stockholders, if any, who do not participate in the transaction; (B) the social and economic effect on the employees, customers of, and others dealing with, the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located; (C) whether the proposal is acceptable based on the historical and current operating results or financial condition of the Corporation; (D) whether a more favorable price could be obtained for the Corporation's stock or other securities in the future; (E) the reputation and business practices of the offeror and its management and affiliates as they would affect the employees of the Corporation and its subsidiaries; (F) the future value of the stock or any other securities of the Corporation; (G) any antitrust or other legal and regulatory issues that are raised by the proposal; and (H) the business and financial condition and earnings prospects of the acquiring person or entity, including, but not limited to, debt service and other existing financial obligations, financial obligations to be incurred in connection with the acquisition, and other likely financial obligations of the acquiring person or entity. If the Board of Directors determines that any proposed Business Combination (as defined in Section 3-601 of the Maryland General Corporation Law) or actual or proposed transaction which would or may involve a change in control of the Corporation should be rejected, it may take any lawful action to defeat such transaction, including, but not limited to, any or all of the following: advising stockholders not to accept the proposal; instituting litigation against the party making the proposal; filing complaints with governmental and regulatory authorities; acquiring the stock or any of the securities of the Corporation; selling or otherwise issuing authorized but unissued stock, other securities or granting options or rights with respect thereto; acquiring a company to create an antitrust or other regulatory problem for the party making the proposal; and obtaining a more favorable offer from another individual or entity.

(5) The Corporation may provide any indemnification permitted by the general laws of Maryland and shall indemnify current and former directors, officers, agents and employees as follows: (A) the Corporation shall indemnify its directors and officers, whether serving the Corporation or, at its request, any other entity, to the full extent required or permitted by the general laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) the Corporation shall indemnify other employees and agents, whether serving the Corporation or at its request any other entity, to such extent as shall be authorized by the Board of Directors or the Corporation's Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions

occurring prior to such amendment or repeal or shall limit or eliminate the rights granted under indemnification agreements entered into by the Corporation and its directors, officers, agents and employees.

(6) To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no current and former director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.

(7) For any stockholder proposal to be presented in connection with an annual meeting of stockholders of the Corporation, including any proposal relating to the nomination of a director to be elected to the Board of Directors of the Corporation, the stockholders must have given timely notice thereof in writing to the Secretary of the Corporation in the manner and containing the information required by the Bylaws. Stockholder proposals to be presented in connection with a special meeting of stockholders will be presented by the Corporation only to the extent required by Section 2-502 of the Maryland General Corporation Law.

(8) Notwithstanding any provision of law requiring the authorization of any action by a greater proportion than a majority of the total number of shares of all classes of capital stock or of the total number of shares of any class of capital stock, such action shall be valid and effective if authorized by the affirmative vote of the holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon, except as otherwise provided in the Charter.

(b) The Corporation reserves the right from time to time to amend, alter, change or repeal any provision contained in the Charter, including any amendments changing the terms or contract rights, as expressly set forth in the Charter, of any of its outstanding stock by classification, reclassification or otherwise, by a majority of the directors' adopting a resolution setting forth the proposed change, declaring its advisability, and either calling a special meeting of the stockholders entitled to vote on the proposed change, or directing the proposed change to be considered at the next annual stockholders meeting. Unless otherwise provided herein, the proposed change will be effective only if it is adopted upon the affirmative vote of the holders of not less than a majority of the aggregate votes entitled to be cast thereon (considered for this purpose as a single class); provided, however, that any amendment to, repeal or adoption of any provision inconsistent with Article SEVENTH or subparagraphs (a) (4), (a) (5), (a) (6) or (a) (7) or this paragraph (b) of this Article EIGHTH will be effective only if it is adopted upon the affirmative vote of not less than 80% of the aggregate votes entitled to be cast thereon (considered for this purpose as a single class), and any amendment of the definition of "America First Group" in Article ELEVENTH will be effective only if it is adopted upon the affirmative vote of not less than a majority of votes entitled to be cast thereon by members of the America First Group.

(c) In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the Bylaws of the Corporation.

(d) The enumeration and definition of particular

powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the Charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the general laws of the State of Maryland now or hereafter in force.

NINTH: (a) (1) Except as provided in paragraph (h) of this Article NINTH, from the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, no Person shall Beneficially Own or Constructively Own shares of the outstanding Equity Stock in excess of the Ownership Limit; (2) except as provided in paragraph (h) of this Article NINTH, from the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, any Transfer or other event that, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Stock in excess of the Ownership Limit shall be void ab initio as to that number of shares of Equity Stock which would be otherwise Beneficially or Constructively Owned by such Person in excess of the Ownership Limit, and the intended transferee or the holder, as the case may be, shall acquire no rights in such excess shares of Equity Stock; (3) except as provided in paragraph (h) of this Article NINTH, from the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, any Transfer or other event that, if effective, would result in the Equity Stock's being Beneficially Owned by fewer than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to that number of shares of Equity Stock which would be otherwise Beneficially or Constructively Owned by the transferee or holder, and the intended transferee or the holder, as the case may be, shall acquire no rights in such excess shares of Equity Stock; and (4) from the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, any Transfer of shares of Equity Stock or other event that, if effective, would result in the Corporation's being "closely held" within the meaning of Section 856(h) of the Code shall be void ab initio as to that number of shares of Equity Stock which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code, and the intended transferee or the holder, as the case may be, shall acquire no rights in such excess shares of Equity Stock.

(b) (1) If, notwithstanding the other provisions contained in this Article NINTH, at any time after the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, there is a purported Transfer or other event such that any Person would either Beneficially Own or Constructively Own Equity Stock in excess of the Ownership Limit, then, except as otherwise provided in paragraph (h) of this Article NINTH, such shares of Equity Stock in excess of the Ownership Limit (rounded up to the nearest whole share) shall be automatically converted into an equal

number of shares of Excess Stock (such conversion shall be effective as of the close of business on the Business Day prior to the date of the Transfer or other event); and (2) if, notwithstanding the other provisions contained in this Article NINTH (but subject to paragraph (m) of this Article NINTH), at any time after the date of the closing of the Combination Transaction and prior to the Restriction Termination Date, there is a purported Transfer or other event which, if effective, would cause the Corporation to become "closely held" within the meaning of Section 856(h) of the Code, then the shares of Equity Stock being Transferred or which are otherwise affected by the other event and which, in either case, would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code (rounded up to the nearest whole share) shall be automatically converted

into an equal number of shares of Excess Stock (such conversion shall be effective as of the close of business on the Business Day prior to the date of the Transfer, change in capital structure or other event).

(c) If the Board of Directors or its designees at any time determines in good faith that a Transfer or other event has taken place in violation of paragraph (a) of this Article NINTH or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Equity Stock in violation of paragraph (a) of this Article NINTH, the Board of Directors or its designees shall take such action as it or they deem advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, refusing to give effect to such Transfer or other event on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or other event or any attempted Transfer or other event in violation of paragraph (a) of this Article NINTH shall be void ab initio and automatically result in the conversion described in paragraph (b) of this Article NINTH, irrespective of any action (or non-action) by the Board of Directors or its designees.

(d) Any Person who acquires or attempts or intends to acquire shares of Equity Stock in violation of paragraph (a) of this Article NINTH, or any Person who is a transferee or holder such that Excess Stock results under paragraph (b) of this Article NINTH, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request, in good faith, in order to determine the effect, if any, of such Transfer or other event or such attempted Transfer or other event on the Corporation's status as a REIT.

(e) From the date of the closing of the Combination Transaction and prior to the Restriction Termination Date: (1) every Beneficial Owner or Constructive Owner of 5% or more (or such other percentage at the time prescribed by the Code or the regulations promulgated thereunder) of the outstanding Equity Stock of the Corporation shall, within 30 days after January 1 of each year, give written notice to the Corporation stating the name and address of such Beneficial Owner or Constructive Owner, the number of shares of Equity Stock Beneficially Owned or Constructively Owned and a description of the manner in which such shares are held and shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Ownership Limit; and (2) each Person who is a Beneficial Owner or Constructive Owner of Equity Stock and each Person (including the stockholder of record) who is holding Equity Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

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(f) Nothing contained in this Article NINTH (but subject to paragraph (m) of this Article NINTH) shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

(g) In the case of an ambiguity in the application of any of the provisions of this Article NINTH or any definition contained in Article ELEVENTH, the Board of Directors shall have the power to determine the application of the provisions of this Article NINTH or any definition contained in Article

ELEVENTH with respect to any situation based on the facts known to it. In the event this Article NINTH requires any action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this Article NINTH or any definition contained in Article ELEVENTH.

(h) The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence satisfactory to the Board of Directors and upon such other conditions as the Board of Directors may direct, in each case to the effect that the restrictions contained in subparagraph (a) (3) and/or subparagraph (a) (4) of this Article NINTH will not be violated, may exempt a Person from the Ownership Limit if (1) such Person is not an individual for purposes of Section 542(a) (2) of the Code or is an underwriter which participates in an offering of the Equity Stock for a period of 90 days following the purchase by such underwriter of the Equity Stock; (2) the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial or Constructive Ownership of Equity Stock will violate the Ownership Limit; and (3) such Person agrees that any violation or attempted violation will result in such Equity Stock being converted into Excess Stock in accordance with paragraph (b) of this Article NINTH; provided, however, this exemption shall be available only if the intended transferee has given written notice to the Board of Directors of the proposed transfer no later than the fifteenth day prior to such transfer that, if consummated, would result in the intended transferee's owning shares of Equity Stock in excess of the Ownership Limit.

(i) Each certificate for Equity Stock shall bear the following legend:

The securities represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended (the "Code"). Except as otherwise provided in the Charter of the Corporation, (1) no Person may Beneficially Own or Constructively Own shares of Equity Stock in

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excess of 9.8% (in value or number) of the outstanding Capital Stock of the Corporation; or (2) there shall be no Transfer or other event that would cause a violation of the Ownership Limit, that would result in Equity Stock of the Corporation being Beneficially Owned by fewer than 100 persons or that would result in the Corporation's being "closely held" under section 856(h) of the Code. Any Person who violates, or attempts to Beneficially Own or Constructively Own shares of Equity Stock in excess of, the above limitations must immediately notify the Corporation in writing. If the restrictions on transfer or ownership are violated, the shares of Equity Stock represented hereby will be automatically converted into shares of Excess Stock which will be held in trust for the benefit of one or more Charitable

Beneficiaries as provided in the Charter. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge.

(j) (1) Upon any purported Transfer or other event that results in Excess Stock pursuant to paragraph (b) of this Article NINTH, such Excess Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in Equity Stock being converted into Excess Stock. The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in subparagraph (j)(6) of this Article NINTH.

(2) Shares of Excess Stock so held in trust shall be issued and outstanding stock of the Corporation. The Prohibited Owner shall have no rights in the Excess Stock held by the Trustee except as set forth in paragraph (j) of this Article NINTH. The Prohibited Owner shall not benefit economically from ownership of any Excess Stock held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

(3) The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Excess Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to

the discovery by the Corporation that the shares of Equity Stock have been converted into Excess Stock shall be paid with respect to such shares of Excess Stock to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of Excess Stock held in the Trust and, subject to Maryland law, effective as of the date that the shares of Equity Stock have been converted into Excess Stock and transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Equity Stock have been converted into Excess Stock and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary. Notwithstanding the provisions of this Article EIGHTH, until the Corporation has received notification that shares of Equity Stock have been converted into Excess Stock and transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders

entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

(4) Within 20 days of receiving notice from the Corporation that Excess Stock has been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in this Article NINTH and who upon purchase of the shares will receive shares of the class or series which was converted into Excess Stock. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this subparagraph (j)(4) of this Article NINTH. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the Excess Stock or, if the Prohibited Owner did not give value for the Excess Stock in connection with the event causing the Excess Stock to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the Excess Stock on the day of the event causing the Excess Stock to be held in the Trust and (2) the price per share of Excess Stock received by the Trustee from the sale or other disposition of the Excess Stock held in the Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that Excess Stock has been transferred to the Trustee, such Excess Stock is sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such Excess Stock that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this subparagraph (j)(4) of this Article NINTH, such excess shall be paid to the Trustee upon demand. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of assets of, the Corporation prior to the sale of the Excess Stock by the Trustee as set forth in this subparagraph (j)(4) of this Article NINTH, the Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the Excess Stock or, if the Prohibited Owner did not give value for the Excess Stock in connection with the event causing the Excess Stock to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the Excess Stock on the day of the event causing the Excess Stock to be held in the Trust and (2) the amount of assets received in respect of the Excess

Stock in any liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation. Any net sales proceeds or assets received in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary.

(5) Excess Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a gift, devise or other such transaction, the Market Price at the time of such gift, devise or other such transaction) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Trustee has sold the Excess Stock held in the Trust pursuant to subparagraph (j)(4) of this Article NINTH. Upon such sale to the Corporation, the interest of the

Charitable Beneficiary in the Excess Stock sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

(6) By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that (i) the Excess Stock held in the Trust would not violate the restrictions set forth in subparagraph (a) of this Article NINTH in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

(k) Nothing contained in this Article NINTH (but subject to paragraph (m) of this Article NINTH) or in any other provision of the Charter shall limit the authority of the Board of Directors to take such other action as it in its sole discretion deems necessary or advisable to protect the Corporation and the interests of the stockholders by maintaining the Corporation's eligibility to be, and preserving the Corporation's status as, a qualified REIT under the Code.

(l) If any of the foregoing restrictions on transfer of Excess Stock are determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Prohibited Owner may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such Excess Stock and to hold such Excess Stock on behalf of the Corporation.

(m) Nothing in this Article NINTH precludes the settlement of transactions entered into through the facilities of the New York Stock Exchange. Notwithstanding the fact that such settlement occurs, certain transactions may be settled by providing Excess Stock as set forth in this Article NINTH.

TENTH: The duration of the Corporation shall be perpetual.

ELEVENTH: The following terms shall have the following meanings in the Charter:

"Beneficial Ownership" shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned

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through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have correlative meanings.

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

"Bylaws" shall mean the Bylaws of the Corporation.

"Capital Stock" shall mean all classes and series of stock which the Corporation shall have authority to issue and shall include stock that is Common Stock, Excess Stock, Preferred Stock or other stock.

"Charitable Beneficiary" shall mean one

or more beneficiaries of the Trust as determined pursuant to subparagraph (j)(6) of Article NINTH; provided, however, that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Combination Transaction" means the proposed combination of the Corporation and America First Participating/Preferred Equity Mortgage Fund Limited Partnership, America First Prep Fund 2 Limited Partnership and, if applicable, America First Prep Fund 2 Pension Series Limited Partnership.

"Constructive Ownership" shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by nominee), and shall include interests that would be treated as owned through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have correlative meanings.

"Equity Stock" shall mean stock that is either Common Stock or Preferred Stock.

"Independent Director" means a director of the Corporation who is neither an employee of the Corporation nor an employee or director of America First Mortgage Advisory Corporation, a Maryland corporation.

"Market Price" on any date shall mean the average of the Closing Prices for each of the five preceding Trading Days. The "Closing Price" on any date shall mean the last sale price, regular way, or, in case no

such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Equity Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Equity Stock is listed or admitted to trading or, if the Equity Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Equity Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Equity Stock selected by the Board of Directors of the Corporation. "Trading Day" shall mean a day on which the principal national securities exchange on which the Equity Stock is listed or admitted to trading is open for the transaction of business or, if the Equity Stock is not listed or admitted

to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Ownership Limit" shall mean 9.8% (in value or number) of the outstanding Capital Stock of the Corporation.

"Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"Prohibited Owner" shall mean, with respect to any purported Transfer or other event, any Person who, but for the provisions of subparagraph (j)(1) of Article NINTH, would Beneficially Own or Constructively Own shares of Excess Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares of Excess Stock that the Prohibited Owner would have so owned.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

"Restriction Termination Date" shall mean the first day after the date of the closing of the Combination Transaction on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

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"Transfer" shall mean any sale, transfer, gift, hypothecation, pledge, assignment, devise or other disposition of Capital Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Equity Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Capital Stock), whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise.

"Trust" shall mean the trust created pursuant to subparagraph (j)(1) of Article NINTH.

"Trustee" shall mean the Person unaffiliated with the Corporation and any Prohibited Owner that is appointed by the Corporation to serve as trustee of the Trust.

"Voting Stock" shall mean the outstanding shares of Capital Stock of the Corporation entitled to vote generally in the election of directors.

TWELFTH: In the event any term, provision, sentence or paragraph of the Charter of the Corporation is declared by a court of competent jurisdiction to be invalid or unenforceable, such term, provision,

sentence or paragraph shall be deemed severed from the remainder of the Charter, and the balance of the Charter shall remain in effect and be enforced to the fullest extent permitted by law and shall be construed to preserve the intent and purposes of the Charter. Any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such term, provision, sentence or paragraph of the Charter in any other jurisdiction.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation, acknowledging the same to be my act, on the 24th day of July, 1997.

/s/Billie J. Swoboda

SECOND: The foregoing amendment to the charter of the Corporation does not increase the authorized stock of the Corporation.

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THIRD: The foregoing amendment to the charter of the Corporation has been approved by the Board of Directors. No stock entitled to be voted on the matter was outstanding or subscribed for at the time of approval by the Board of Directors.

IN WITNESS WHEREOF, AMERICA FIRST MORTGAGE INVESTMENTS, INC. has caused these presents to be signed in its name and on its behalf by its Chief Executive Officer and President and witnessed by its Secretary on April 8, 1998.

/s/ Stewart Zimmerman

Name: Stewart Zimmerman
Title: Chief Executive
Officer and
President

Witness:

/s/ William S. Gorin

Name: William S. Gorin
Title: Secretary

THE UNDERSIGNED, Chief Executive Officer and President of AMERICA FIRST MORTGAGE INVESTMENTS, INC., who executed on behalf of the corporation the foregoing Articles of Amendment and Restatement of which this certificate is made a part hereby acknowledges in the name and on behalf of said corporation the foregoing Articles of Amendment and Restatement to be the corporate act of said corporation and hereby certifies that to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ Stewart Zimmerman

Name: Stewart Zimmerman
Title: Chief Executive
Officer and
President

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AMERICA FIRST MORTGAGE INVESTMENTS, INC.

AMENDED AND RESTATED BYLAWS

ARTICLE I.

STOCKHOLDERS

SECTION 1.1 Annual Meetings. America First Mortgage Investments, Inc. (the "Corporation") shall hold an annual meeting of its stockholders to elect directors and transact any other business within its powers, either at 10:00 a.m. on the first Wednesday of May in each year if not a legal holiday, or at such other time on such other day falling on or before the 30th day thereafter as shall be set by the Board of Directors. Except as the Corporation's Articles of Incorporation, as amended and supplemented (the "Charter"), or statute provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts. The Corporation shall hold its first annual meeting of stockholders beginning with the year 1999.

SECTION 1.2 Special Meeting. At any time in the interval between annual meetings, a special meeting of the stockholders may be called by the Chairman of the Board or the President or by a majority of the Board of Directors by vote at a meeting or in writing (addressed to the Secretary of the Corporation) with or without a meeting. Special meetings of the stockholders shall be called by the Secretary at the request of stockholders only on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at it. The Secretary shall inform the stockholders who make the request of the reasonably estimated costs of preparing and mailing a notice of the meeting and, on payment of these costs to the Corporation, notify each stockholder entitled to notice of the meeting. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of stockholders held in the preceding 12 months.

SECTION 1.3 Place of Meetings. Meetings of stockholders shall be held at such place in the United States as is set from time to time by the Board of Directors.

SECTION 1.4 Notice of Meetings; Waiver of Notice. Not less than ten nor more than 90 days before each stockholders' meeting, the Secretary shall give written notice of the meeting to each stockholder

entitled to vote at the meeting and each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Notice is given to a stockholder when it is personally delivered to him, left at his residence or usual place of business or mailed to him at his address as it appears on the records of the Corporation. Notwithstanding the foregoing provisions, each person who is entitled to notice waives notice if before or after the meeting he signs a waiver of the notice which is filed with the records of stockholders' meetings or is present at the meeting in person or by proxy.

SECTION 1.5 Quorum; Voting. Unless the Charter or statute provides otherwise, at a meeting of

stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum and a majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting, except that a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

SECTION 1.6 Adjournments. Whether or not a quorum is present, a meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice by a majority vote of the stockholders, present in person or by proxy, to a date not more than 120 days after the original record date. Any business which might have been transacted at the meeting as originally notified may be deferred and transacted at any such adjourned meeting at which a quorum shall be present.

SECTION 1.7 General Right to Vote; Proxies. Unless the Charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders. In all elections for directors, each share of stock may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A stockholder may vote the stock he owns of record either in person or by written proxy signed by the stockholder or by his duly authorized attorney in fact. Unless a proxy provides otherwise, it is not valid more than 11 months after its date. A proxy is revocable by a stockholder at any time without condition or qualification unless the proxy states that it is irrevocable and the proxy is coupled with an interest. A proxy may be made irrevocable for so long as it is coupled with an interest. The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy or another general interest in the Corporation or its assets or liabilities.

SECTION 1.8 List of Stockholders. At each meeting of stockholders, a full, true and complete list of all stockholders entitled to vote at such meeting, showing the number and class of shares held by each and certified by the transfer agent for such class or by the Secretary, shall be furnished by the Secretary.

SECTION 1.9 Conduct of Business and Voting. At all meetings of stockholders, unless the voting is conducted by inspectors, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies, the acceptance or rejection of votes and

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procedures for the conduct of business not otherwise specified by these Bylaws, the Charter or law, shall be decided or determined by the chairman of the meeting. If demanded by stockholders, present in person or by proxy, entitled to cast 10% in number of votes entitled to be cast or if ordered by the chairman of the meeting, the vote upon any election or question shall be taken by ballot and, upon like demand or order, the voting shall be conducted by two inspectors, in which event the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided, by such inspectors. Unless so demanded or ordered, no vote need be by ballot and voting need not be conducted by inspector or inspectors to act at such meeting, and in default of such election the chairman of the meeting may appoint an inspector or inspectors. No candidate for election as a director at a meeting shall serve as an inspector thereat.

SECTION 1.10 Informal Action by Stockholders. Any action required or permitted to be taken at a meeting of stockholders may be taken without

a meeting if there is filed with the records of stockholders meetings a unanimous written consent which sets forth the action and is signed by each stockholder entitled to vote on the matter and a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote at it.

SECTION 1.11 Stockholder Proposals. For any stockholder proposal to be presented in connection with an annual meeting of stockholders of the Corporation, including any proposal relating to the nomination of a director to be elected to the Board of Directors of the Corporation, the stockholders must have given timely written notice thereof in writing to the Secretary of the Corporation. In order for such notice to be timely, such notice must be received by the Corporation not less than 60 nor more than 90 days prior to the first anniversary of the previous year's annual meeting. For the 1999 annual meeting the previous year's meeting shall be deemed to have taken place on May 7, 1998; provided that this sentence shall cease to be a part of the Bylaws after the holding of the 1999 annual meeting and any adjustments thereof.

ARTICLE II.

BOARD OF DIRECTORS

SECTION 2.1 Function of Directors. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. All powers of the Corporation may be exercised by or under authority of the Board of Directors, except as conferred on or reserved to the stockholders by statute or by the Charter or Bylaws.

SECTION 2.2 Number of Directors. The Corporation shall have at least three directors; provided that, if there is no stock outstanding, the number of Directors may be less than three but not less than one and, if there is stock outstanding and so long as there are less than three stockholders, the number

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of Directors may be less than three but not less than the number of stockholders. The Corporation shall have three directors, which shall be the number of directors until changed as herein provided. Except as the Charter provides otherwise, a majority of the entire Board of Directors may alter the number of directors set by the Charter to not exceeding 15 nor less than the minimum number then permitted herein, but the action may not affect the tenure of office of any director.

SECTION 2.3 Election and Tenure of Directors. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, at each annual meeting, the stockholders shall elect directors to hold office until the next annual meeting and until their successors are elected and qualify.

SECTION 2.4 Removal of Director. Any director or the entire Board of Directors may be removed only in accordance with the provisions of the Charter.

SECTION 2.5 Vacancy on Board. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, the stockholders may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a director. A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, a majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Directors

which results from any cause except an increase in the number of directors and a majority of the entire Board of Directors may fill a vacancy which results from an increase in the number of directors. A director elected by the Board of Directors to fill a vacancy serves until the next annual meeting of stockholders and until his successor is elected and qualifies.

SECTION 2.6 Regular Meetings. After each meeting of stockholders at which directors shall have been elected, the Board of Directors shall meet as soon thereafter as practicable for the purpose of organization and the transaction of other business. In the event that no other time and place are specified by resolution of the Board of Directors or announced by the President or the Chairman at such stockholders meeting, the Board of Directors shall meet immediately following the close of, and at the place of, such stockholders meeting. Any other regular meeting of the Board of Directors shall be held on such date and time and at such place as may be designated from time to time by the Board of Directors. No notice of such meeting following a stockholders meeting or any other regular meeting shall be necessary if held as hereinabove provided.

SECTION 2.7 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board or the President or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting. A special meeting of the Board of Directors shall be held on such date and at any place as may be designated from time to time by the Board of Directors. In the absence of designation such meeting shall be held at such place as may be designated in the call.

SECTION 2.8 Notice of Meeting. Except as provided in Section 2.6, the Secretary shall give notice to each director of each regular and special meeting of the Board of Directors. The notice shall

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state the time and place of the meeting. Notice is given to a director when it is delivered personally to him, left at his residence or usual place of business, or sent by telegraph, facsimile transmission or telephone, at least 24 hours before the time of the meeting or, in the alternative by mail to his address as it shall appear on the records of the Corporation, at least 72 hours before the time of the meeting. Unless the Bylaws or a resolution of the Board of Directors provides otherwise, the notice need not state the business to be transacted at or the purposes of any regular or special meeting of the Board of Directors. No notice of any meeting of the Board of Directors need be given to any director who attends except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened or to any director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 2.9 Quorum; Action by Directors. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. Unless statute or the Charter or Bylaws requires a greater proportion, the action of a majority of the directors present at a meeting at which a quorum is present is action of the Board of Directors. Any action required or permitted to be taken at a meeting

of the Board of Directors may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the Board of Directors and filed with the minutes of proceedings of the Board of Directors.

SECTION 2.10 Meeting by Conference Telephone. Members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

SECTION 2.11 Compensation. By resolution of the Board of Directors a fixed sum and expenses, if any, for attendance at each regular or special meeting of the Board of Directors or of committees thereof, and other compensation for their services as such or on committees of the Board of Directors, may be paid to directors. Directors who are full-time employees of the Corporation need not be paid for attendance at meetings of the board or committees thereof for which fees are paid to other directors. A director who serves the Corporation in any other capacity also may receive compensation for such other services, pursuant to a resolution of the directors.

SECTION 2.12 Advisory Directors. The Board of Directors may by resolution appoint advisory directors to the Board of Directors, who may also serve as directors emeriti, and shall have such authority and receive such compensation and reimbursement as the Board of Directors shall provide. Advisory directors or directors emeriti shall not have the authority to participate by vote in the transaction of business.

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ARTICLE III.

COMMITTEES

SECTION 3.1 Committees. The Board of Directors may appoint from among its members an Audit Committee, Compensation Committee, Investment Committee, and other committees composed of one or more directors and delegate to these committees any of the powers of the Board of Directors, except the power to declare dividends or other distributions on stock, elect directors, issue stock other than as provided in the next sentence, recommend to the stockholders any action which requires stockholder approval, amend the Bylaws or approve any merger or share exchange which does not require stockholder approval. The entire Audit Committee and a majority of the Compensation Committee shall be directors who are independent of management. If the Board of Directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee of the Board of Directors, in accordance with that general authorization or any stock option or other plan or program adopted by the Board of Directors, may authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the Board of Directors.

SECTION 3.2 Committee Procedure. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the committee. The members of a committee present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of an absent member. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if an unanimous written consent which sets forth the action is signed by each member of the

committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 2.10.

SECTION 3.3 Emergency. In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of the Corporation by its directors and officers as contemplated by the Charter and the Bylaws, any two or more available members of the then incumbent Executive Committee shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Corporation in accordance with the provisions of Section 3.1. In the event of the unavailability, at such time, of a minimum of two members of the then incumbent Executive Committee, the available directors shall elect an Executive Committee consisting of any two members of the Board of Directors, whether or not they be officers of the

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Corporation, which two members shall constitute the Executive Committee for the full conduct and management of the affairs of the Corporation in accordance with the foregoing provisions of this Section. This Section shall be subject to implementation by resolution of the Board of Directors passed from time to time for that purpose, and any provisions of the Bylaws (other than this Section) and any resolutions which are contrary to the provisions of this Section or to the provisions of any such implementary resolutions shall be suspended until it shall be determined by any interim Executive Committee acting under this Section that it shall be to the advantage of the Corporation to resume the conduct and management of its affairs and business under all the other provisions of the Bylaws.

ARTICLE IV.

SECTION 4.1 Executive and Other Officers. The Corporation shall have a President, a Secretary and a Treasurer. It may also have a Chairman of the Board. The Board of Directors shall designate who shall serve as chief executive officer, who shall have general supervision of the business and affairs of the Corporation, and may designate a chief operating officer, who shall have supervision of the operations of the Corporation. In the absence of any designation, the Chairman of the Board, if there be one, shall serve as chief executive officer and the President shall serve as chief operating officer. The same person may hold both offices. The Corporation may also have one or more Vice-Presidents, assistant officers and subordinate officers as may be established by the Board of Directors. A person may hold more than one office in the Corporation except that no person may serve concurrently as both President and Vice-President of the Corporation. The Chairman of the Board shall be a director; the other officers may be directors.

SECTION 4.2 Chairman of the Board. The Chairman of the Board, if one be elected, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. Unless otherwise specified by the Board of Directors, he or she shall be the chief executive officer of the Corporation. In general, he or she shall perform such duties as are customarily performed by the chief executive officer of a corporation and may perform any duties of the President and shall perform such other duties as are from time to time assigned to him or her by the Board of Directors.

SECTION 4.3 President. Unless otherwise provided by resolution of the Board of Directors, the President, in the absence of the Chairman of the Board, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. Unless otherwise specified by the Board of Directors, the President shall be the chief operating officer of the Corporation and perform the duties

customarily performed by chief operating officers. He or she may sign and execute, in the name of the Corporation, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Corporation. In general, he or she shall perform such other duties customarily performed by a president of a corporation and shall perform such other duties and have such other powers as are from time to time assigned to him by the Board of Directors or the chief executive officer of the Corporation.

SECTION 4.4 Vice-Presidents. The Vice-President or Vice-Presidents, at the request of the

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chief executive officer or the President, or in the President's absence or during his or her inability to act, shall perform the duties and exercise the functions of the President, and when so acting shall have the powers of the President. If there be more than one Vice-President, the Board of Directors may determine which one or more of the Vice-Presidents shall perform any of such duties or exercise any of such functions, or if such determination is not made by the Board of Directors, the chief executive officer or the President may make such determination; otherwise any of the Vice-Presidents may perform any of such duties or exercise any of such functions. The Vice-President or Vice-Presidents shall have such other powers and perform such other duties, and have such additional descriptive designations in their titles (if any), as are from time to time assigned to them by the Board of Directors, the chief executive officer or the President.

SECTION 4.5 Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and the meetings of the Board of Directors and any committees thereof, in books provided for the purpose; the Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; he or she shall be custodian of the records of the Corporation; he or she may witness any document on behalf of the Corporation, the execution of which is duly authorized, see that the Corporation's seal is affixed where such document is required or desired to be under its seal, and, when so affixed, may attest the same. In general, he or she shall perform such other duties customarily performed by a secretary of a corporation and shall perform such other duties and have such other powers as are from time to time assigned to him or her by the Board of Directors, the chief executive officer or the President.

SECTION 4.6 Treasurer. the Treasurer shall have charge of, and be responsible for, all funds, securities, receipts and disbursements of the Corporation and shall deposit, or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by the Board of Directors; he shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Corporation; and, in general, he shall perform all the duties incident to the office of a treasurer of a corporation, and such other duties as are from time to time assigned to him by the Board of Directors, the chief executive officer or the President.

SECTION 4.7 Assistant and Subordinate Officers. The assistant and subordinate officers of the Corporation are all officers below the office of Vice-President, Secretary or Treasurer. The assistant or subordinate officers shall have such duties as are from time to time assigned to them by the Board of Directors, the chief executive officer or the President.

SECTION 4.8 Election, Tenure and Removal of Officers. The Board of Directors shall elect the officers. The Board of Directors may from time to time authorize any committee or officer to appoint assistant and subordinate officers. Election or appointment of an officer, employee or agent shall not of itself create contract rights. All officers shall be appointed to hold their offices, respectively, during

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the pleasure of the Board of Directors. The Board of Directors (or, as to any assistant or subordinate officer, any committee or officer does not prejudice any of his or her contract rights. The Board of Directors (or, as to any assistant or subordinate officer, any committee or officer authorized by the Board of Directors) may fill a vacancy which occurs in any office for the unexpired portion of the term.

SECTION 4.9 Compensation. The Board of Directors or the Compensation Committee thereof shall have power to fix the salaries and other compensation and remuneration, of whatever kind, of all officers of the Corporation. No officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation. The Board of Directors may authorize any committee or officer, upon whom the power of appointing assistant and subordinate officers may have been conferred, to fix the salaries, compensation and remuneration of such assistant and subordinate officers.

ARTICLE V.

DIVISIONAL TITLES

SECTION 5.1 Conferring Divisional Titles. The Board of Directors may from time to time confer upon any employee of a division of the Corporation the title of President, Vice-President, Treasurer or Controller of such division or any other title or titles deemed appropriate, or may authorize the Chairman of the Board or the President to do so. Any such titles so conferred may be discontinued and withdrawn at any time by the Board of Directors or by the Chairman of the Board or the President if so authorized by the Board of Directors. Any employee of a division designated by such a division title shall have the powers and duties with respect to such division as shall be prescribed by the Board of Directors, the Chairman of the Board or the President.

SECTION 5.2 Effect of Divisional Titles. The conferring of divisional titles shall not create an office of the Corporation under Article IV unless specifically designated as such by the Board of Directors; but any person who is an officer of the Corporation may also have a divisional title.

ARTICLE VI.

STOCK

SECTION 6.1 Certificates for Stock. The Board of Directors may determine to issue certificated or uncertificated shares of capital stock and other securities of the Corporation. For certificated stock, each stockholder is entitled to certificates which represent and certify the shares of stock he or she holds in the Corporation. Each stock certificate shall include on its face the name of the Corporation, the name of the stockholder or other person to whom it is issued, and the class of stock and number of shares it represents. It shall also include on its face or back (a) a statement of any restrictions on transferability and (b) a statement which provides in substance that the Corporation will furnish to any stockholder on

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request and without charge a full statement of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation is authorized to issue, of the differences in the relative rights and preferences between the shares of each series of a preferred or special class in series which the Corporation is authorized to issue, to the extent they have been set, and of the authority of the Board of Directors to set the relative rights and preferences of subsequent series of a preferred or special class of stock and any restrictions on transferability. Such request may be made to the Secretary or to its transfer agent. Upon the issuance of uncertificated shares of capital stock, the Corporation shall send the stockholder a written statement of the same information required above on the certificate and by the Maryland Uniform Commercial Code - Investment Securities. It shall be in such form, not inconsistent with law or with the Charter, as shall be approved by the Board of Directors or any officer or officers designated for such purpose by resolution of the Board of Directors. Each stock certificate shall be signed by the Chairman of the Board, the President, or a Vice-President, and countersigned by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer. Each certificate may be sealed with the actual corporate seal or a facsimile of it or in any other form and the signatures may be either manual or facsimile signatures. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. A certificate may not be issued until the stock represented by it is fully paid.

SECTION 6.2 Transfers. The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock; and may appoint transfer agents and registrars thereof. The duties of transfer agent and registrar may be combined.

SECTION 6.3 Record Dates and Closing of Transfer Books. The Board of Directors may set a record date or direct that the stock transfer books be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to notice of a meeting, vote at a meeting, receive a dividend or be allotted other rights. The record date may not be prior to the close of business on the day the record date is fixed nor, subject to Section 1.6, more than 90 days before the date on which the action requiring the determination will be taken; the transfer books may not be closed for a period longer than 20 days; and, in the case of a meeting of stockholders, the record date or the closing of the transfer books shall be at least ten days before the date of the meeting.

SECTION 6.4 Stock Ledger. The Corporation shall maintain a stock ledger which contains the name and address of each stockholder and the number of shares of stock of each class which the stockholder holds. The stock ledger may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. The original or a duplicate of the stock ledger shall be kept at the offices of a transfer agent for the particular class of stock, or, if none, at the principal office in the State of Maryland or the principal executive offices of the Corporation.

SECTION 6.5 Certification of Beneficial Owners. The Board of Directors may adopt by resolution a procedure by which a stockholder of the Corporation may certify in writing to the Corporation that any

shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution

shall set forth the class of stockholders who may certify; the purpose for which the certification may be made; the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of a certification which complies with the procedure adopted by the Board of Directors in accordance with this Section, the person specified in the certification is, for the purpose set forth in the certification, the holder of record of the specified stock in place of the stockholder who makes the certification.

SECTION 6.6 Lost Stock Certifications.

The Board of Directors of the Corporation may determine the conditions for issuing a new stock certificate in place of one which is alleged to have been lost, stolen or destroyed, or the Board of Directors may delegate such power to any officer or officers of the Corporation. In their discretion, the Board of Directors or such officer or officers may require the owner of the certificate to give bond, with sufficient surety, to indemnify the Corporation against any loss or claim arising as a result of the issuance of a new certificate. In their discretion, the Board of Directors or such officer or officers may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

SECTION 6.7 Exemption from Control Share Acquisition Statute. The provisions of Sections 3-701 to 3-709 of the Corporations and Associations Article of the Annotated Code of Maryland shall not apply to any share of the capital stock of the Corporation now or hereafter beneficially held (during the period of such beneficial ownership) by American First Companies, L.L.C., any of its present or future affiliates and associates or any person acting in concert or as part of a group with any of the foregoing persons. Such shares of capital stock are exempted from such Sections to the fullest extent permitted by Maryland law.

ARTICLE VII.

FINANCE

SECTION 7.1 Checks, Drafts, Etc. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Corporation, shall, unless otherwise provided by resolution of the Board of Directors, be signed by the President, a Vice-President or an Assistant Vice-President and countersigned by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary.

SECTION 7.2 Annual Statement of Affairs. The President or chief accounting officer shall prepare annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and, within 20 days after the meeting, place on file at the Corporation's principal office.

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SECTION 7.3 Fiscal Year. The fiscal year of the Corporation shall be the twelve calendar months period ending December 31 in each year, unless otherwise provided by the Board of Directors.

SECTION 7.4 Dividends. If declared by the Board of Directors at any meeting thereof, the Corporation may pay dividends on its shares in cash, property or in shares of the capital stock of the

Corporation, unless such dividend is contrary to law or to a restriction contained in the Charter.

SECTION 7.5 Contracts. To the extent permitted by the applicable law, and except as otherwise prescribed by the Charter or these Bylaws with respect to certificates for shares, the Board of Directors may authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances.

ARTICLE VIII.

SUNDRY PROVISIONS

SECTION 8.1 Books and Records. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any executive or other committee when exercising any of the powers of the Board of Directors. The books and records of a Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of the Bylaws shall be kept at the principal office of the Corporation.

SECTION 8.2 Corporate Seal. The Board of Directors shall provide a suitable seal, bearing the name of the Corporation, which shall be in the charge of the Secretary. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof. If the Corporation is required to place its corporation seal to a document, it is sufficient to meet the requirement of any law, rule or regulation relating to a corporate seal to place the word "Seal" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

SECTION 8.3 Bonds. The Board of Directors may require any officer, agent or employee of the Corporation to give a bond to the Corporation, conditioned upon the faithful discharge of his duties, with one or more sureties and in such amount as may be satisfactory to the Board of Directors.

SECTION 8.4 Voting Upon Shares in Other Corporations. Stock of other corporations or associations, registered in the name of the Corporation, may be voted by the President, a Vice-

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President or a proxy appointed by either of them. The Board of Directors, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

SECTION 8.5 Mail. Any notice or other document which is required by these Bylaws to be mailed shall be deposited in the United States mails, postage prepaid.

SECTION 8.6 Execution of Documents. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge or verify an instrument required by law to be executed, acknowledged or verified by more than one officer.

SECTION 8.7 Amendments. Subject to the special provisions of Section 2.02, in accordance with the Charter, these Bylaws may be repealed, altered, amended or rescinded (a) by the stockholders of the Corporation only by vote of not less than 80% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors

(considered for this purpose as one class) cast at any meeting of the stockholders called for that purpose (provided that notice of such proposed repeal, alteration, amendment or rescission is included in the notice of such meeting) or (b) by vote of a majority of the Board of Directors at a meeting held in accordance with the provisions of these Bylaws.

ARTICLE IX.

INDEMNIFICATION

SECTION 9.1 Procedure. Any indemnification, or payment of expenses in advance of the final disposition of any proceeding, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer entitled to seek indemnification (the "Indemnified Party"). The right to indemnification and advances hereunder shall be enforceable by the Indemnified Party in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part or (ii) no disposition thereof is made within 60 days. The Indemnified Party's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be reimbursed by the Corporation. It shall be a defense to any action for advance of expenses that (a) a determination has been made that the facts then known to those making the determination would preclude indemnification or (b) the Corporation has not received either (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met or (ii) a written affirmation by the Indemnified Party of such Indemnified Party's good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met.

SECTION 9.2 Exclusivity, Etc. The indemnification and advance of expenses provided by the Charter and these Bylaws shall not be deemed exclusive of any other rights to which a person seeking

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indemnification or advance of expenses may be entitled under any law (common or statutory) or any agreement, vote of stockholders or disinterested directors or other provision that is consistent with law, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, shall continue in respect of all events occurring while a person was a director or officer after such person has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. The Corporation shall not be liable for any payment under this Bylaw in connection with a claim made by a director or officer to the extent such director or officer has otherwise actually received payment under insurance policy, agreement, vote or otherwise, of the amounts otherwise indemnifiable hereunder. All rights to indemnification and advance of expenses under the Charter of the Corporation and hereunder shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Bylaw is in effect. Nothing herein shall prevent the amendment of this Bylaw, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this Bylaw shall not in any way diminish any rights to indemnification or advance of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Bylaw or any provisions hereof is in force.

SECTION 9.3 Severability; Definitions.

The invalidity or unenforceability of any provision of this Article IX shall not affect the validity or enforceability of any other provisions hereof. The phrase "this Bylaw" in this Article IX means this Article IX in its entirety.

ADVISORY AGREEMENT

THIS AGREEMENT is entered into as of April 9, 1998 by and between AMERICA FIRST MORTGAGE INVESTMENTS INC., a Maryland corporation (the "COMPANY"), and AMERICA FIRST MORTGAGE ADVISORY CORPORATION, a Maryland corporation (the "ADVISOR").

W I T N E S S E T H:

WHEREAS, the Company is a newly-formed corporation that intends to qualify as a real estate investment trust (a "REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "CODE");

WHEREAS, the Company, directly or through its Subsidiaries, invests in adjustable-rate Mortgage Securities, Mortgage Loans and other real estate related investments meeting the investment criteria established from time to time by its Board of Directors (collectively, "MORTGAGE ASSETS"); and

WHEREAS, the Company desires to retain the Advisor to manage the operations and investments of the Company and its Subsidiaries and to perform administrative services for the Company and its Subsidiaries, each in the manner and on the terms set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used herein shall have the respective meanings assigned them in this Section 1:

(a) "Agreement" means this Advisory Agreement between the Company and the Advisor, as amended from time to time.

(b) "Closing Date" means April 9, 1998.

(c) "Common Stock" means the common stock, par value \$0.01 per share, of the Company.

(d) "Governing Instruments" means the articles of incorporation and bylaws, in the case of a corporation, the limited liability company agreement, in the case of a limited liability company and the partnership agreement, in the case of a partnership.

(e) "Independent Directors" means those members of the Board of Directors of the Company who are neither executive officers of the Company nor executive officers or directors of the Advisor.

(f) "Mortgage Loans" means mortgage loans that are eligible for inclusion in a pool that would collateralize Mortgage Securities.

(g) "Mortgage Securities" means mortgaged-backed securities, including adjustable- rate securities and private-issue securities.

(h) "Net Income" means the net income of the Company determined in accordance with GAAP before the Advisor's incentive compensation, the deduction for dividends paid and any net operating loss deductions arising from losses in prior periods. The Company's interest expenses for borrowed money shall be deducted in calculating Net Income.

(i) "Qualified REIT Subsidiary" means a corporation 100% of the stock of which is held by the Company at all times during the existence of the corporation, consistent with the definition of Qualified REIT Subsidiary in Section 856(i)(2) of the Code.

(j) "Return on Equity" for any period means that amount produced by dividing the Company's Net Income for such period by its Stockholder's Equity for such period. For purposes of calculating the incentive compensation payable to the Advisor, Return on Equity is not related to the actual distributions received by stockholders.

(k) "Stockholders' Equity" means the excess of total assets of the Company minus its total liabilities as determined in accordance with GAAP.

(l) "Subsidiary" shall mean any corporation, whether now existing or in the future established, of which the Company, directly or indirectly, owns more than 50% of the outstanding voting securities of any class or classes, any business trust, partnership or similar non-corporate form in which the Company, directly or indirectly, owns more than 50% of the beneficial interests.

(m) "Ten-Year US Treasury Rate" means the average of the weekly average yield to maturity for U.S. Treasury securities (adjusted to a constant maturity of ten years) as published weekly by the Federal Reserve Board during a quarter.

SECTION 2. GENERAL DUTIES OF THE ADVISOR.

Subject to the supervision of the Board of Directors, the Advisor shall provide services to the Company, and to the extent directed by the Board of Directors, shall provide similar services to any Subsidiary of the Company as follows:

(a) administer the day-to-day operations of the Company and its Subsidiaries and perform or supervise the performance of such administrative functions necessary in the management of the Company and its

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Subsidiaries as may be agreed upon by the Advisor and the Board of Directors including, without limitation, collection of revenues and payment of expenses, debts and obligations and maintenance of appropriate computer services to provide such administrative functions;

(b) serve as the Company's consultant with respect to formulation of investment criteria and preparation of policy guidelines by the Board of Directors ("GUIDELINES");

(c) represent the Company in connection with the purchase, accumulation, financing and securitization of Mortgage Assets;

(d) furnish reports and statistical and economic research to the Company regarding the investments, activities and results of operations of the Company and its Subsidiaries and the services performed for the Company and its Subsidiaries by the Advisor;

(e) monitor and provide to the Board of Directors on an on-going basis price information and other data regarding the market maintained by certain nationally recognized dealers in Mortgage Assets identified by the Board of Directors from time to time, and provide data and advice to the Board of Directors in connection with the selection and identification of such dealers;

(f) communicate on behalf of the Company with the holders of equity and debt securities of the Company as required to satisfy the continuous reporting and other requirements of any governmental or regulatory bodies or agencies and maintain effective relations with such holders of the Company's securities;

(g) to the extent not otherwise subject to an agreement executed by the Company, designate a servicer for those Mortgage Loans sold to the Company by originators or sellers that have elected not to service such loans and arrange for the monitoring and administering of such servicers;

(h) counsel the Company in connection with policy decisions to be made by the Board of Directors;

(i) upon request by, and in accordance with the directions of, the Board of Directors, invest or reinvest any money of the Company;

(j) engage in hedging activities on behalf of the Company or any of its Subsidiaries consistent with the Company's qualification as a REIT and any other directions of the Board of Directors;

(k) arrange for the issuance of Mortgage Securities from pools of Mortgage Loans acquired by the Company and its Subsidiaries, and provide to the Company directly or through another appropriate party all services in connection with the creation of Mortgage Securities including:

(i) serving as consultant with respect to the structuring of each series of Mortgage Securities;

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(ii) negotiating the rating requirements with rating agencies with respect to the rating of each series of Mortgage Securities;

(iii) accumulating and reviewing all Mortgage Loans which may secure or constitute the mortgage pool for each series of Mortgage Securities;

(iv) negotiating all agreements and credit enhancements with respect to each series of Mortgage Securities;

(v) issuing commitments on behalf of the Company and its Subsidiaries to purchase Mortgage Loans to be used to secure or constitute the mortgage pool for each series of Mortgage Securities;

(vi) organizing and administering all activities in connection with the closing of each series of Mortgage Securities, including all negotiations and agreements with underwriters, trustees, servicers, master servicers and other parties; and

(vii) performing such other services as may be required from time to time for completing the creation of each series of Mortgage Securities;

(l) provide to the Company directly or through another appropriate party all services in connection with the administration of each series of Mortgage Securities created by the Company;

(m) provide the executive and administrative personnel and services required in rendering the foregoing services to the Company and its Subsidiaries;

(n) supervise compliance with REIT provisions of the Code and maintain exemption from the Investment Company Act of 1940, as amended;

(o) qualify and cause the Company to qualify to do business in all applicable jurisdictions;

(p) cause the Company to retain qualified accountants and tax experts for at least a two year period to assist in developing appropriate accounting procedures and testing systems and conducting quarterly compliance reviews;

(q) comply with and use its best efforts to cause the Company to comply with all applicable laws; and

(r) as approved and directed by the Board of

Directors, perform such other services as may be required from time to time for management and other activities relating to the assets of the Company and its Subsidiaries as the Advisor shall deem appropriate under the particular circumstances.

SECTION 3. ADDITIONAL ACTIVITIES OF ADVISOR.

Nothing herein shall prevent the Advisor or any of its affiliates from engaging in other businesses or from rendering services of any kind to any other person or entity, including investment in or advisory service to others investing in any type of real estate investment, including investments which meet the principal investment objectives of the Company and its Subsidiaries. Directors, officers, employees and agents of the Advisor or affiliates of the Advisor may serve as directors, officers, employees, agents, nominees or signatories for the Company or any of its Subsidiaries, to the extent permitted by its Governing Instruments, as from time to time amended, or by any resolutions duly adopted by the Board of Directors pursuant to the Company's Governing Instruments. When executing documents or otherwise acting in such capacities for the Company, such persons shall use their respective titles in the Company.

SECTION 4. BANK ACCOUNTS. At the direction of the Board of Directors, the Advisor may establish and maintain one or more bank accounts in the name of the Company or any of its Subsidiaries, and may collect and deposit into any such account or accounts, and disburse funds from any such account or accounts, under such terms and conditions as the Board of Directors may approve; and the Advisor shall from time to time render appropriate accounting of such collections and payments to the Board of Directors and, upon request, to the auditors of the Company or any of its Subsidiaries.

SECTION 5. RECORDS; CONFIDENTIALITY. The Advisor shall maintain appropriate books of account and records relating to services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Company or any of its Subsidiaries at any time during normal business hours. The Advisor shall keep confidential any and all information it obtains from time to time in connection with the services it renders under this Agreement and shall not disclose any portion thereof to non-affiliated third parties except with the prior written consent of the Company or any of its Subsidiaries.

SECTION 6. OBLIGATIONS OF ADVISOR.

(a) The Advisor shall require each seller or transferor of Mortgage Assets to the Company to make such representations and warranties regarding such Mortgage Assets as may, in the judgment of the Advisor, be necessary and appropriate. In addition, the Advisor shall take such other action as it deems necessary or appropriate with regard to the protection of the Company's Mortgage Assets and other investments.

(b) The Advisor shall refrain from any action which, in its sole judgment made in good faith, would adversely affect the status of the Company as a REIT or, if applicable, any of its Subsidiaries as either a Qualified REIT Subsidiary or a partnership for federal income tax purposes or which, in its sole judgment made in good faith, would violate any law, rule or regulation of any governmental or regulatory body or agency having jurisdiction over the Company or any such Subsidiary or which would otherwise not be permitted by the Company's or any such Subsidiary's Governing Instruments. If the Advisor is ordered to take any such action by the Board of Directors, the Advisor shall promptly notify the Board of Directors of the Advisor's judgment that such action would adversely affect the status of the Company or any of its Subsidiaries under the Code or violate any such law, rule or regulation or the Governing Instruments. Notwithstanding the foregoing, the Advisor, its

directors, officers, stockholders and employees shall not be liable to the Company, any Subsidiary of the Company, the Independent Directors or the Company's or any Subsidiary's stockholders for any act or omission by the Advisor, its directors, officers, stockholders or employees except as provided in Section 11 of this Agreement.

SECTION 7. COMPENSATION.

(a) The Company shall pay to the Advisor, for services rendered under this Agreement, an annual base management fee in an amount equal to 1.10% of the first \$300 million of Stockholders' Equity of the Company, plus .80% of the portion of Stockholders' Equity of the Company above \$300 million, payable each month (pro rated based on the number of days elapsed during any partial month) in arrears, commencing with the month in which the Closing Date occurs. The base management fee shall be calculated by the Advisor within 15 days after the end of each month, and such calculation shall be promptly delivered to the Company. The Company shall pay the base management fee payable pursuant to this Section 7(a) for each month within 30 days after the end of each month.

(b) If the Company's annualized Return on Equity for any fiscal quarter (computed by multiplying the Return on Equity for such fiscal quarter by four) is in excess of the Ten-Year U.S. Treasury Rate plus 1%, the Company shall pay the Advisor as incentive compensation for such quarter an amount equal to 20% of the dollar amount by which the annualized Return on Equity of the Company for such fiscal quarter exceeds the amount necessary to provide an annualized Return on Equity equal to the Ten-Year U.S. Treasury Rate plus 1%. The Advisor shall compute the incentive compensation payable under this Section 7(b) within 45 days after the end of each fiscal quarter. The Company shall pay the incentive compensation with respect to each fiscal quarter within 15 days following the delivery to the Company of the Advisor's written statement setting forth the computation of the incentive fee for such quarter.

(c) If loans are made to the Company by an affiliate of the Advisor, the maximum amount of interest that may be charged by such affiliate shall be the prime rate publicly announced by Citibank, N.A. from time to time plus 1% per year.

SECTION 8. EXPENSES OF THE COMPANY. The Company or any of its Subsidiaries shall pay all of its expenses and shall reimburse the Advisor for documented expenses of the Advisor incurred on its behalf. Notwithstanding the foregoing, the Advisor shall be responsible for paying the compensation of the Company's officers and other personnel required for the Company's day-to-day operations.

SECTION 9. REIMBURSEMENT OF EXPENSES INCURRED BY THE ADVISOR.

Expenses incurred by the Advisor on behalf of the Company shall be reimbursed monthly to the Advisor within 30 days after the end of each month. The Advisor shall prepare a statement documenting the expenses of the Company and those incurred by the Advisor on behalf of the Company during each month, and shall deliver such statement to the Company within 15 days after the end of each month.

SECTION 10. MONITORING SERVICING. The Advisor will monitor and administer the servicing of the Company's Mortgage Loans, other than those Mortgage Loans pooled to back Mortgage Securities. Such monitoring and administrative services will include, but not be limited to, the following activities: serving as the Company's consultant with respect to the

servicing of Mortgage Loans; collection of information and submission of reports pertaining to the Mortgage Loans and to moneys remitted to the Advisor or the Company by servicers; periodic review and evaluation of the performance of each servicer to determine its compliance with the terms and conditions of the Servicing Agreement and, if deemed appropriate, recommending to the Company the termination of such Servicing Agreement; acting as a liaison between servicers and the Company and working with servicers to the extent necessary to improve their servicing performance; review of and recommendations as to fire losses, easement problems and condemnation, delinquency and foreclosure procedures with regard to the Mortgage Loans; review of servicers' delinquency, foreclosing and other reports on Mortgage Loans; supervising claims filed under any mortgage insurance policies; and enforcing the obligation of any servicer to repurchase Mortgage Loans from the Company. The Advisor may enter into subcontracts with other parties, including its affiliates, to provide any such services for the Advisor.

SECTION 11. LIMITS OF ADVISOR RESPONSIBILITY.

(a) The Advisor assumes no responsibility under this Agreement other than to render the services called for hereunder in good faith and shall not be responsible for any action of the Board of Directors in following or declining to follow any advice or recommendations of the Advisor, including as set forth in Section 6(b) of this Agreement. The Advisor and its directors, officers, stockholders and employees will not be liable to the Company, any of its Subsidiaries, the Independent Directors or the Company's or its Subsidiary's stockholders for any acts or omissions by the Advisor, its directors, officers, stockholders or employees under or in connection with this Agreement, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties. The Company or its Subsidiary shall reimburse, indemnify and hold harmless the Advisor and its stockholders, directors, officers and employees of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including, without limitation, reasonable attorneys' fees) in respect of or arising from any acts or omissions of the Advisor or its stockholders, directors, officers and employees made in good faith in the performance of the Advisor's duties under this Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties.

(b) The Advisor shall reimburse, indemnify and hold harmless the Company, any Subsidiary, or any of their stockholders, directors, officers and employees from any and all expenses, losses, damages, liabilities, demands, charges and claims (including, without limitation, reasonable attorneys' fees) arising out of any intentional misstatements of fact made by the Advisor in connection with this Agreement and the services to be rendered hereunder.

SECTION 12. NO JOINT VENTURE. The Company and the Advisor are not partners or joint venturers with each other and nothing herein shall be construed to make them such partners or joint venturers or impose any liability as such on either of them.

SECTION 13. TERM. This Agreement shall commence on the Closing Date and shall continue in force for a period of five years and thereafter it may be extended only with the consent of the Advisor and by the affirmative vote of a majority of the Board of Directors, including a majority of the Independent Directors. Each extension shall be executed in writing by the parties hereto before the expiration of this Agreement or any extension thereof. Each such extension shall be effective for a period corresponding to the fiscal year of the Company, but in no case exceeding one year.

SECTION 14. TERMINATION BY COMPANY FOR CAUSE. At the option of the Company, this Agreement or any extension hereof shall be and become terminated upon 60 days' written notice of termination from the Board of Directors to the Advisor if any of the following events shall occur:

(a) if the Advisor shall materially breach any provision of this Agreement and, after notice of such breach, shall not cure such breach within 30 days; or

(b) there is entered an order for relief or similar decree or order with respect to the Advisor by a court having competent jurisdiction in an involuntary case under the federal bankruptcy laws as now or hereafter constituted or under any applicable federal or state bankruptcy, insolvency or other similar laws; or the Advisor (i) ceases or admits in writing its inability to pay its debts as they become due and payable, or makes a general assignment for the benefit of, or enters into any composition or arrangement with, creditors, (ii) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) for itself or for any substantial part of its assets or authorizes such an application or consent, (iii) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction, or authorizes such application or consent, or (iv) permits or suffers all or any substantial part of its assets to be sequestered or attached by court order and the order remains undismissed for 30 days; or proceedings seeking the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) for the Advisor or for any substantial part of its assets are commenced without authorization, consent or application against the Advisor and continue undismissed for 30 days; or proceedings to sequester or attach all or any substantial part of the Advisor's assets are instituted against the Advisor without authorization, consent and application and are approved as properly instituted and remain undismissed for 30 days or result in adjudication of bankruptcy or insolvency.

If any of the events specified in this Section 14 shall occur, the Advisor shall give prompt written notice thereof to the Board of Directors upon the happening of such event.

SECTION 15. TERMINATION WITHOUT CAUSE. Either party may terminate this Agreement without cause upon 60 days prior written notice, by (i) in the case of termination by the Company, a majority vote of the Independent Directors or by a vote of the holders of a majority of the outstanding shares of the Company's Common Stock, and (ii), in the case of termination by

the Advisor, by a majority vote of the Board of Directors of the Advisor. In the event this Agreement is terminated by the Company without cause, or in the event this Agreement is not renewed by the Company without cause, the Company, in addition to its obligations under Section 17, shall pay the Advisor a termination or non-renewal fee determined by an independent appraisal. Such appraisal shall be conducted by a nationally-recognized appraisal firm mutually agreed upon by the parties and the costs of such appraisal shall be borne equally by the parties. If the parties are unable to agree upon such appraisal firm within 30 days following notice of termination or, in the event of non-renewal, the termination date, then each party shall as soon as reasonably practicable, but in no event more than 45 days following notice of termination or, in the event of non-renewal, the termination date, choose a nationally-recognized independent appraisal firm to conduct an appraisal. In

such event, (i) the termination fee shall be deemed to be the average of the appraisals as conducted by each party's chosen appraiser and (ii) each party shall pay the costs of its appraiser so chosen. Any appraisal conducted hereunder shall be performed no later than 45 days following selection of the appraiser or appraisers.

SECTION 16. ASSIGNMENTS.

(a) Except as set forth in Section 16(b) of this Agreement, this Agreement shall terminate automatically in the event of its assignment, in whole or in part, by the Advisor, unless such assignment is consented to in writing by the Company with the approval of a majority of the Independent Directors. Any such assignment shall bind the assignee hereunder in the same manner as the Advisor is bound. In addition, the assignee shall execute and deliver to the Company a joinder agreement to this Agreement naming such assignee as Advisor. This Agreement shall not be assigned by the Company without the prior written consent of the Advisor, except in the case of assignment by the Company to a REIT or other organization which is a successor (by merger, consolidation or purchase of assets) to the Company, in which case such successor organization shall be bound hereunder and by the terms of such assignment in the same manner as the Company is bound hereunder.

(b) Notwithstanding any provision of this Agreement, the Advisor may subcontract and assign any or all of its responsibilities under Sections 2(k), 2(l) and 10 of this Agreement to any of its affiliates, and the Company hereby consents to any such assignment and subcontracting.

SECTION 17. ACTION UPON TERMINATION. From and after the effective date of termination of this Agreement, pursuant to Sections 14, 15 or 16 of this Agreement, the Advisor shall not be entitled to compensation for further services hereunder, but shall be paid all compensation accruing to the date of termination, including deferred incentive compensation which is recoverable in accordance with Section 7(c) of this Agreement. Upon such termination, the Advisor shall forthwith:

(a) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to the Company or any of its

Subsidiaries all money collected and held for the account of the Company or any of its Subsidiaries pursuant to this Agreement;

(b) deliver to the Board of Directors a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board of Directors with respect to the Company or any of its Subsidiaries; and

(c) deliver to the Board of Directors all property and documents of the Company or any of its Subsidiaries then in the custody of the Advisor.

SECTION 18. RELEASE OF MONEY OR OTHER PROPERTY UPON WRITTEN REQUEST. The Advisor agrees that any money or other property of the Company or any of its Subsidiaries held by the Advisor under this Agreement shall be held by the Advisor as custodian for the Company or any such Subsidiary, and the Advisor's records shall be appropriately marked clearly to reflect the ownership of such money or other property by the Company or any such Subsidiary. Upon the receipt by the Advisor of a written request signed by a duly authorized officer of the Company requesting the Advisor to release to the Company or any of its Subsidiaries any money or other property then held by the Advisor for the account of the Company or any of its Subsidiaries under this Agreement, the Advisor

shall release such money or other property to the Company or any of its Subsidiaries within a reasonable period of time, but in no event later than 60 days following such request. The Advisor shall not be liable to the Company, any Subsidiary of the Company, the Independent Directors, or the Company's or its Subsidiary's stockholders for any acts performed or omissions to act by the Company or any of its Subsidiaries in connection with the money or other property released to the Company or any of its Subsidiaries in accordance with this Section 18. The Company and any of its Subsidiaries shall indemnify the Advisor, its directors, officers, stockholders and employees against any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever, which arise in connection with the Advisor's release of such money or other property to the Company or any of its Subsidiaries in accordance with the terms of this Section 18. Indemnification pursuant to this provision shall be in addition to any right of the Advisor to indemnification under Section 11 of this Agreement.

SECTION 19. REPRESENTATIONS AND WARRANTIES.

(a) The Company hereby represents and warrants to the Advisor as follows:

(i) The Company is duly incorporated, validly existing and in good standing under the laws of Maryland, has full corporate power and authority to own its assets and to transact the business in which it is now engaged and is duly qualified or registered as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification or registration, except where the failure to be so qualified or registered would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of the Company and its Subsidiaries, taken as a whole. The Company does not do business under any fictitious business name.

(ii) The Company has the corporate power and authority to execute, deliver and perform this

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Agreement and all obligations required hereunder and has taken all necessary corporate action to authorize this Agreement on the terms and conditions hereof and the execution, delivery and performance of this Agreement and all obligations required hereunder. No consent of any other person including, without limitation, stockholders and creditors of the Company, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental or regulatory authority or agency is required by the Company in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and all obligations required hereunder. This Agreement has been, and each instrument or document required hereunder will be, executed and delivered by a duly authorized officer of the Company, and this Agreement constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium or similar laws now or hereafter in effect relating to the rights and remedies of creditors generally, and general principles of equity.

(iii) The execution, delivery and performance of this Agreement and the documents or instruments required hereunder, will not violate any provision of any existing law or regulation binding on the Company, or any order, judgment, award or decree of any court, arbitrator or governmental or regulatory authority or agency binding on the Company, or the Governing Instruments of, or any securities issued by,

the Company or any of its subsidiaries, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Company or any of its Subsidiaries is a party or by which the Company, any Subsidiary of the Company or any of their assets may be bound, the violation of which would have a material adverse effect on the business operations, assets or financial condition of the Company and its Subsidiaries, taken as a whole, and will not result in, or require, the creation or imposition of any lien on any of their property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

(b) The Advisor hereby represents and warrants to the Company as follows:

(i) The Advisor is duly incorporated, validly existing and in good standing under the laws of Maryland, has full corporate power and authority to own its assets and to transact the business in which it is now engaged and is duly qualified or registered to do business and is in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification or registration, except where the failure to be so qualified or registered would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of the Advisor and its Subsidiaries, taken as a whole. The Advisor does not do business under any fictitious business name.

(ii) The Advisor has the corporate power and authority to execute, deliver and perform this Agreement and all obligations required hereunder and has taken all necessary partnership action to authorize this Agreement on the terms and conditions hereof and the execution, delivery and performance of this Agreement and all obligations required hereunder. No

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consent of any other person including, without limitation, partners and creditors of the Advisor, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental or regulatory authority or agency is required by the Advisor in connection with this Agreement or the execution, delivery, performance, validity or enforceability of this Agreement and all obligations required hereunder. This Agreement has been and each instrument or document required hereunder will be executed and delivered by a duly authorized agent of the Advisor, and this Agreement constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of the Advisor enforceable against the Advisor in accordance with its terms.

(iii) The execution, delivery and performance of this Agreement and the documents or instruments required hereunder, will not violate any provision of any existing law or regulation binding on the Advisor, or any order, judgment, award or decree of any court, arbitrator, or governmental or regulatory authority or agency binding on the Advisor, or the partnership agreement of, or any securities issued by, the Advisor or any of its Subsidiaries, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Advisor or any of its Subsidiaries is a party or by which the Advisor or any Subsidiary of the Advisor or any of its assets may be bound, the violation of which would have a material adverse effect on the business operations, assets or financial condition of the Advisor and its Subsidiaries, taken as a whole, and will not result in, or require, the creation or imposition of any lien on any of their property, assets or revenues pursuant to the provisions of any such mortgage indenture, lease, contract or other agreement, instrument or undertaking.

SECTION 20. NOTICES. Unless expressly provided otherwise herein, all notices, request, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when delivered against receipt or upon actual receipt of registered or certified mail, postage prepaid, return receipt requested. The parties may deliver to each other notice by electronically transmitted facsimile copies provided that such facsimile notice is followed within 24 hours by any type of notice otherwise provided for in this paragraph. Any notice shall be duly addressed to the parties as follows:

(a) If to the Company:

399 Park Avenue
New York, New York 10022
Attention: Stewart Zimmerman
Telephone: (212) 935-8760

with a copy given in the manner
prescribed above, to:

Rogers & Wells
200 Park Avenue
New York, New York 10166
Attention: Jay L. Bernstein, Esq.
Telephone: (212) 878-8223

(b) If to the Advisor:

399 Park Avenue
New York, New York 10022
Attention: Stewart Zimmerman
Telephone: (212) 935-8760

with a copy given in the manner
prescribed above, to:

Rogers & Wells
200 Park Avenue
New York, New York 10166
Attention: Jay L. Bernstein, Esq.
Telephone: (212) 878-8223

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Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 20 for the giving of notice.

SECTION 21. BINDING NATURE OF AGREEMENT: SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns as provided herein.

SECTION 22. ENTIRE AGREEMENT. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

SECTION 23. CONTROLLING LAW. This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of Maryland, notwithstanding any Maryland or other conflict of law provisions to the contrary.

SECTION 24. SCHEDULES AND EXHIBITS. All

Schedules and Exhibits referred to herein or attached hereto are hereby incorporated by reference into, and made a part of, this Agreement.

SECTION 25. NO WAIVER. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the

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same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

SECTION 26. TITLES NOT TO AFFECT INTERPRETATION. The titles of paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation hereof.

SECTION 27. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

SECTION 28. PROVISIONS SEPARABLE. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others or them may be invalid or unenforceable in whole or in part.

SECTION 29. GENDER. Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

SECTION 30. COMPUTATION OF INTEREST. Interest will be computed on the basis of a 360-day year consisting of twelve months of thirty days each.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Company:

AMERICA FIRST MORTGAGE
INVESTMENTS, INC.
a Maryland corporation

By: /s/ Stewart Zimmerman

Name: Stewart Zimmerman
Title: President and Chief
Executive Officer

Advisor:

AMERICA FIRST MORTGAGE ADVISORY
CORPORATION
a Maryland corporation

By: /s/ Stewart Zimmerman

Name: Stewart Zimmerman
Title: President and Chief
Executive Officer

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

1997 STOCK OPTION PLAN

1. PURPOSE. The Plan is intended to provide incentive to key employees, officers, directors and others expected to provide significant services to the Company, including the employees, officers and directors of the Participating Companies, to encourage proprietary interest in the Company, to encourage such key employees to remain in the employ of the Company and the other Participating Companies, to attract new employees with outstanding qualifications, and to afford additional incentive to others to increase their efforts in providing significant services to the Company and the other Participating Companies. In furtherance thereof, the Plan permits awards of equity-based incentives to key employees, officers and directors of, and certain other providers of services to, the Participating Companies.

2. DEFINITIONS.

a. "Act" shall mean the Securities Act of 1933, as amended.

b. "Advisor" shall mean America First Mortgage Advisory Corporation, a Maryland Corporation.

c. "Agreement" shall mean a written agreement entered into between the Company and the recipient of a Grant pursuant to section 7(b)(i) hereof.

d. "Board" shall mean the Board of Directors of the Company.

e. "Cause" shall mean, unless otherwise provided in the Optionee's Agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company, (iii) the commission of a felony or a crime of moral turpitude, or any crime involving the Company, (iv) fraud, misappropriation, embezzlement or material or repeated insubordination, (v) a material breach of the Optionee's employment agreement (if any) with the Company (other than a termination of employment by the Optionee), or (vi) any illegal act detrimental to the Company; all as determined by the Committee.

f. "Class I Participant" shall mean any director of the Company who is also appointed to serve on the Committee and who at the time of his appointment qualifies as a "Non-Employee Director" under Rule 16b-3(b)(3)(i) promulgated under the Exchange Act and, to the extent that relief from the limitation of Section 162(m) of the Code is sought, as an "Outside Director" under Section 1.162-27(e)(3)(i) of the Treasury Regulations. The Plan is intended to provide Grants to Class I Participants pursuant to the formula set forth in Section 7(a).

g. "Class II Participant" shall mean all Eligible Persons, except the Class I Participants.

h. "Code" shall mean the Internal Revenue Code of 1986, as amended.

i. "Committee" shall mean the Compensation Committee, consisting solely of Class I Participants, appointed by the Board in accordance with Section 4 of the Plan.

j. "Common Stock" shall mean the Company's Common Stock, par value \$0.01, either currently existing or authorized hereafter.

k. "Company" shall mean America First Mortgage Investments, Inc., a Maryland corporation.

l. "DER" shall mean a dividend equivalent right consisting of the right to receive, as specified by the Committee or the Board at the time of Grant, cash in an amount equal to the dividend distributions paid on a share of Common Stock subject to an option.

m. "Disability" shall mean the occurrence of an event which would entitle an employee of the Company to the payment of disability income under one of the Company's approved long-term disability income plans or a long-term disability as determined by the Committee in its absolute discretion pursuant to any other standard as may be adopted by the Committee.

n. "Eligible Persons" shall mean officers, directors and employees of the Participating Companies and other persons expected to provide significant services (of a type expressly approved by the Committee as covered services for these purposes) to the Company. For purposes of the Plan, a director (other than a member of the Committee), in his or her capacity as such, or a consultant, vendor, customer, or other provider of significant services to the Company shall be deemed to be an Eligible Person, but will be eligible to receive Non-qualified Stock Options, or DERs, only after a finding by the Committee or Board in its discretion that the value of the services rendered or to be rendered to the Participating Company is at least equal to the value of the Grants being awarded.

o. "Employee" shall mean an individual, including an officer of a Participating Company, who is employed (within the meaning of Code Section 3401 and the regulations thereunder) by the Participating Company.

p. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

q. "Exercise Price" shall mean the price per Share of Common Stock, determined by the Board or the Committee, at which an Option may be exercised.

r. "Fair Market Value" shall mean the value of one share of Common Stock, determined as follows:

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i. If the Shares are then listed on a national stock exchange, the closing sales price per Share on the exchange for the last preceding date on which there was a sale of Shares on such exchange, as determined by the Committee.

ii. If the Shares are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for the Shares in such over-the-counter market for the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee.

iii. If neither (i) nor (ii) applies, such value as the Committee in its discretion may in good faith determine.

Notwithstanding the foregoing, where the Shares are listed or traded, the Committee may make discretionary determinations in good faith where the Shares have not been traded for 10 trading days.

s. "Grant" shall mean the issuance of an Incentive Stock Option, Non-qualified Stock Option, DER or any combination thereof to an Eligible Person. The Committee will determine the eligibility of employees, officers, directors and others expected to provide significant services to the Participating Companies based on, among other factors, the position and responsibilities of such individuals, the nature and value to the Participating Company of such individuals

accomplishments and potential contribution to the success of the Participating Company whether directly or through its subsidiaries.

t. "Incentive Stock Option" shall mean an Option of the type described in Section 422(b) of the Code issued to an Employee.

u. "Non-qualified Stock Option" shall mean an Option not described in Section 422(b) of the Code.

v. "Option" shall mean any option, whether an Incentive Stock Option or a Non-qualified Stock Option, to purchase, at a price and for the term fixed by the Committee in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Agreement, a number of Shares determined by the Committee.

w. "Optionee" shall mean any Eligible Person to whom an Option is granted, or the Successors of the Optionee, as the context so requires.

x. "Participating Companies" shall mean the Company, Advisor and any subsidiary of any of them which with the consent of the Board participates in the Plan.

y. "Plan" shall mean the Company's 1997 Stock Option Plan, as set forth herein, and as the same may from time to time be amended.

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z. "Purchase Price" shall mean the Exercise Price times the number of Shares with respect to which an Option is exercised.

aa. "Retirement" shall mean, unless otherwise provided by the Committee in the Optionee's Agreement, (i) the Termination (other than for Cause) of Service of an Optionee on or after the Optionee's attainment of age 65 (ii) on or after the Optionee's attainment of age 55 with five consecutive years of service with the Participating Companies or (iii) as determined by the Committee in its absolute discretion pursuant to such other standard as may be adopted by the Committee.

bb. "Shares" shall mean shares of Common Stock of the Company, adjusted in accordance with Section 10 of the Plan (if applicable).

cc. "Subsidiary" shall mean any corporation, partnership, or other entity at least 50% of the economic interest in the equity of which is owned by the Company or by another Subsidiary.

dd. "Successors of the Optionee" shall mean the legal representative of the estate of a deceased Optionee or the person or persons who shall acquire the right to exercise an Option by bequest or inheritance or by reason of the death of the Optionee.

ee. "Termination of Service" shall mean the time when the employee-employer relationship or directorship, or other service relationship (sufficient to constitute service as an Eligible Person) between the Optionee and the Participating Companies is terminated for any reason, with or without Cause, including but not limited to any termination by resignation, discharge, death or Retirement; provided, however, Termination of Service shall not include a termination where there is a simultaneous reemployment of the Optionee by a Participating Company or other continuation of service (sufficient to constitute service as an Eligible Person) for a Participating Company. The Committee, in its absolute discretion, shall determine the effects of all matters and questions relating to Termination of Service, including but not limited to the question of whether any Termination of Service was for Cause and all questions of whether particular leaves of absence constitute Terminations of Employment.

3. EFFECTIVE DATE. Unless already approved by shareholders, the Plan will be submitted to shareholders for their approval within twelve months after receipt of Board approval. Any Grants awarded before approval of the Plan by the Company's shareholders shall be accrued for the benefit of the participant until the Plan has been approved by the shareholders.

4. ADMINISTRATION.

a. Membership on Committee. The Plan shall be administered by the Committee appointed by the Board. If no Committee is designated by the Board to act for those purposes, the full Board shall have the rights and responsibilities of the Committee hereunder.

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b. Committee Meetings. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member.

c. Grant Awards. The Committee shall from time to time at its discretion select the Class II Participants who are to be issued Grants, determine the number of Shares (i) to be optioned or (ii) with respect to which the Grant is to be issued, to each Class II Participant and designate any Options granted as Incentive Stock Options or Non-qualified Stock Options, or both, except that no Incentive Stock Options may be granted to an Eligible Person who is not an Employee of the Company. The Committee shall (i) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Grants awarded hereunder, (including, but not limited to the performance goals and periods applicable to the award of Grants); (ii) determine the time or times when and the manner and condition in which each Option shall be exercisable and the duration of the exercise period; and (iii) determine or impose other conditions to the Grant or exercise of Options under the Plan as it may deem appropriate. The Committee shall cause each Option to be designated as an Incentive Stock Option or a Non-qualified Stock Option. The Optionee shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry or effect one or more of the obligations or restrictions imposed on the Optionee pursuant to the express provisions of the Plan and the Agreement. DERs will be exercisable separately or together with Options, and paid in cash or other consideration at such times and in accordance with such rules, as the Committee shall determine in its discretion. Unless expressly provided hereunder, the Committee, with respect to any Grant, may exercise its discretion hereunder at the time of the award or thereafter. The interpretation and construction by the Committee of any provision of the Plan or of any Option granted thereunder shall be final. Without limiting the generality of Section 18, no member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant hereunder.

5. PARTICIPATION.

a. Eligibility. Only Eligible Persons shall be eligible to receive Grants under the Plan.

b. Limitation of Ownership. No Options shall be granted under the Plan to any person who after such Grant would beneficially own more than 9.8% of the outstanding shares of Common Stock of the Company, unless expressly and specifically waived by action of the independent Directors of the Board.

c. Stock Ownership. For purposes of (b) above, in determining stock ownership an Optionee shall be considered as owning the stock owned, directly or indirectly, by or for his brothers, sisters, spouses, ancestors and lineal descendants. Stock owned,

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directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. Stock with respect to which any person holds an Option shall be considered to be owned by such person.

d. Outstanding Stock. For purposes of (b) above, "outstanding shares" shall include all stock actually issued and outstanding immediately after the grant of the Option to the Optionee. With respect to the Stock Ownership of any Optionee, "outstanding shares" shall include shares authorized for issue under outstanding Options held by such Optionee, but not options held by any other person.

6. STOCK. Subject to adjustments pursuant to Section 10, Options with respect to an aggregate of no more than 1,000,000 Shares may be granted under the Plan, nor may the number of Shares subject to Options outstanding at any time exceed 10% of the total outstanding shares of the Company's Common Stock. In no event may any Optionee receive Options for more than 100,000 Shares of Common Stock over the life of the Plan. Notwithstanding the foregoing provisions of this Section 6, Shares as to which an Option is granted under the Plan that remains unexercised at the expiration, forfeiture or other termination of such Option may be the subject of the grant of further Options. Shares of Common Stock issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. The certificates for Shares issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Agreement, or as the Committee may otherwise deem appropriate.

7. TERMS AND CONDITIONS OF OPTIONS.

a. Class I Participants.

i. Initial Awards. Awards under this Section 7(a) shall be made to Class I Participants only. Each Class I Participant shall automatically be granted a Non-qualified Stock Option to purchase 5,000 shares of Common Stock upon the date such person is initially appointed to the Committee.

ii. Periodic Awards. Subject to the limitations set forth in Sections 5 and 6, without any further action by the Board or the Committee, each Class I Participant shall be granted Non-qualified Stock Options to purchase:

(1) Fixed offering. As of the pricing date of any firm commitment public offering or direct placement of the Common Stock, a number of shares of Common Stock equal to the total number of shares of Common Stock sold under the offering (including shares sold under the underwriter's overallotment) multiplied by .0075; and

(2) Continuous offering. As of the last business day on which the New York Stock Exchange is open for trading during each fiscal quarter of the Company, a number

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of shares of Common Stock equal to the total number of shares of Common Stock sold by the Company during such fiscal quarter multiplied by .0075, excluding (A) Options granted

pursuant to the sale of Common Stock during the calendar quarter under subsection (1) above, (B) any shares of Common Stock issued under any compensatory dividend reinvestment or other stock purchase plan maintained by the Company and (C) shares acquired pursuant to the exercise of Options granted under the Plan.

iii. Exercise Price. Each Option granted to Class I Participants shall be exercisable at the Fair Market Value of the Common Stock on the date of Grant.

iv. Option Period and Adjustments. Each Option granted to a Class I Participant shall become exercisable commencing one year after the date of Grant (unless otherwise provided in the applicable Agreement) and shall expire 10 years thereafter. Options granted to Class I Participants shall be subject to adjustment as provided in Section 10 provided that such adjustment and any action by the Board or the Committee with respect to the Plan and such Options satisfies the requirements for exemption under Rule 16b-3 and does not cause any member of the Committee to be disqualified as a Non-Employee Director under such Rule.

v. Phase-in of DERs for Class I Participants. The Company will issue DERs at the same time as the Options in the amount of: 25% of the Options granted to each Class I Participant in 1997, 35% of the Options granted to each Class I Participant in 1998, 45% of the Options granted to each Class I Participant in 1999, 55% of the Options granted to each Class I Participant in 2000, 65% of the Options granted to each Class I Participant in 2001, and 75% of the Options granted to each Class I Participant in following years.

vi. Notwithstanding the foregoing, the Board may prospectively, from time to time, discontinue, reduce or increase the amount of any or all of the Grants otherwise to be made under this Section 7(a).

b. Class II Participants.

i. Agreements. Grants to Class II Participants shall be evidenced by written Agreements in such form as the Committee shall from time to time determine. Such Agreements shall comply with and be subject to the terms and conditions set forth below.

ii. Number of Shares. Each Option or other Grant granted to a Class II Participant shall state the number of Shares to which it pertains and shall provide for the adjustment thereof in accordance with the provisions of Section 10 hereof.

c. Grants. Subject to the terms and conditions of the Plan and consistent with the Company's intention for the Committee to exercise the greatest permissible flexibility under Rule 16b-3 in awarding Grants, the Committee shall have the power:

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i. to determine from time to time the Grants to be granted to Eligible Persons under the Plan and to prescribe the terms and provisions (which need not be identical) of Grants granted under the Plan to such persons;

ii. to construe and interpret the Plan and Grants thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, in any Agreement, or in any related agreements, in the

manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Participating Companies and the Optionees and Grantees;

iii. to amend any outstanding Grant, subject to Section 12, and to accelerate or extend the vesting or exercisability of any Grant and to waive conditions or restrictions on any Grants, to the extent it shall deem appropriate; and

iv. generally to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan.

Each Agreement with a Class II Participant shall state the Exercise Price. The Exercise Price for any Option shall not be less than the Fair Market Value on the date of Grant.

d. Medium and Time of Payment. Except as may otherwise be provided below, the Purchase Price for each Option granted to a Class II Participant shall be payable in full in United States dollars upon the exercise of the Option. In the event the Company determines that it is required to withhold taxes as a result of the exercise of an Option, as a condition to the exercise thereof, an Employee may be required to make arrangements satisfactory to the Company to enable it to satisfy such withholding requirements in accordance with Section 15. If the applicable Agreement so provides, and the Committee otherwise so permits, the Purchase Price may be paid in one or a combination of the following:

i. by a certified or bank cashier's check;

ii. by the surrender of Shares in good form for transfer, owned by the person exercising the Option and having a Fair Market Value on the date of exercise equal to the Purchase Price, or in any combination of cash and Shares, as long as the sum of the cash so paid and the Fair Market Value of the Shares so surrendered equals the Purchase Price;

iii. by cancellation of indebtedness owed by the Company to the Optionee;

iv. by a loan or extension of credit from the Company evidenced by a full recourse

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promissory note executed by the Optionee. The interest rate and other terms and conditions of such note shall be determined by the Committee (in which case the Committee may require that the Optionee pledge his or her Shares to the Company for the purpose of securing the payment of such note, and in no event shall the stock certificate(s) representing such Shares be released to the Optionee until such note shall have been paid in full); or

v. by any combination of such methods of payment or any other method acceptable to the Committee in its discretion.

Except in the case of Options exercised by certified or bank cashier's check, the Committee may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option. Any fractional Shares resulting from an Optionee's election that are accepted by the Company shall in the discretion of the Committee

be paid in cash.

e. Term and Nontransferability of Grants and Options.

i. Each Grant shall state the time or times which all or part thereof becomes exercisable, subject to the following restrictions.

ii. No Grant shall be exercisable except by the Optionee or a transferee permitted hereunder.

iii. No Option shall be assignable or transferable, except by will or the laws of descent and distribution of the state wherein the Optionee is domiciled at the time of his death; provided, however, that the Committee may (but need not) permit other transfers, where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code and (iii) is otherwise appropriate and desirable.

iv. No Option shall be exercisable until such time as set forth in the applicable

Agreement (but in no event after the expiration of such Grant).

v. Unless otherwise provided in the Agreement, no DERs shall be exercisable (i) until such time as set forth in the applicable agreement or (ii) the expiration of such Grant.

vi. The Committee may not modify, extend or renew any Option granted to any Class I Participant unless such modification, extension or renewal shall satisfy any and all applicable requirements of Rule 16b-3. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

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f. Termination of Service, Except by death, Retirement or Disability. Unless otherwise provided in the applicable Agreement, upon any Termination of Service for any reason other than his or her death, Retirement or Disability, an Optionee shall have the right, subject to the restrictions of subsection (c) above, to exercise his or her Grant at any time within three months after Termination of Service, but only to the extent that, at the date of Termination of Service, the Optionee's right to exercise such Grant had accrued pursuant to the terms of the Agreement and had not previously been exercised; provided, however, that, unless otherwise provided in the Agreement, if there occurs a Termination of Service by a Participating Company for Cause or a termination of Service by the Optionee (other than on account of death, Retirement or Disability), any Grant not exercised in full prior to such termination shall be canceled. For this purpose, the service relationship shall be treated as continuing intact while the Optionee is on military leave, sick leave or other bona fide leave of absence (to be determined in the discretion of the Committee).

g. Death of Optionee. Unless otherwise provided in the applicable Agreement, if the Optionee dies while an Eligible Person or within three months after any Termination of Service other than for Cause or a termination of Service by the Optionee (other than on account of death, Retirement or Disability), and has not fully exercised the Grant, then the Grant may be exercised in full, subject to the restrictions of subsection (c) above, at any time within 12 months after the Optionee's death, by the Successor of the Optionee, but only to the extent that, at the date of

death, the Optionee's right to exercise such Grant had accrued and had not been forfeited pursuant to the terms of the Agreement and had not previously been exercised.

h. Disability or Retirement of Grant Recipient. Unless otherwise provided in the Agreement, upon Termination of Service for reason of Disability or Retirement, such Grant recipient shall have the right, subject to the restrictions of subsection (c) above, to exercise the Grant at any time within 24 months after Termination of Service, but only to the extent that, at the date of Termination of Service, the Grant recipient's right to exercise such Grant had accrued pursuant to the terms of the applicable Agreement and had not previously been exercised.

i. Rights as a Shareholder. An Optionee, a Successor of the Optionee, or the holder of a DER shall have no rights as a shareholder with respect to any Shares covered by his or her Grant until, in the case of an Optionee, the date of the issuance of a stock certificate for such Shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 10.

j. Modification, Extension and Renewal of Option. Within the limitations of the Plan, and only with respect to Options granted to Class II Participants, the Committee may modify, extend or renew outstanding Options or accept the cancellation of outstanding Options (to the extent not previously

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exercised) for the granting of new Options in substitution therefor. The Committee may modify, extend or renew any Option granted to any Class I Participant, unless such modification, extension or renewal would not satisfy any applicable requirements of Rule 16b-3. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

k. Other Provisions. The Agreement authorized under the Plan may contain such other provisions not inconsistent with the terms of the Plan (including, without limitation, restrictions upon the exercise of the Option) as the Committee shall deem advisable.

8. SPECIAL RULES FOR INCENTIVE STOCK OPTIONS.

a. In the case of Incentive Stock Options granted hereunder, the aggregate Fair Market Value (determined as of the date of the Grant thereof) of the Shares with respect to which Incentive Stock Options become exercisable by any Optionee for the first time during any calendar year (under the Plan and all other plans maintained by the Participating Companies, their parent or Subsidiaries) shall not exceed \$100,000.

b. In the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners), the Exercise Price with respect to an Incentive Stock Option shall not be less than 110% of the Fair Market Value of a Share on the day the Option is granted and the term of an Incentive Stock Option shall be no more than five years from the date of grant.

c. If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by an Optionee prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Optionee pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Optionee shall notify

the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company thereupon has a tax-withholding obligation, shall pay to the Company an amount equal to any withholding tax the Company is required to pay as a result of the disqualifying disposition.

9. TERM OF PLAN. Options may be granted pursuant to the Plan until the expiration of 10 years from the effective date of the Plan.

10. RECAPITALIZATION AND CHANGES OF CONTROL.

a. Subject to any required action by shareholders, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock

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other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Options or rights under the Grant of a DER, then the Committee shall forthwith take any such action as in its judgment shall be necessary to preserve to the Optionees rights substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under Section 6 (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (x) the number and kind of shares subject to Options, (y) the Option Price, and (z) the number and kind of shares available under Section 6; provided that this provision shall not be effective to the extent that the Company or the Committee determines that the accelerated vesting of the Options upon the occurrence of a Change of Control as contemplated hereby would adversely affect the ability of the Company or acquiror (in the case of a Change of Control in connection with which the Company is not the surviving corporation) to use the pooling method of accounting in connection with a Change of Control transaction, if such method of accounting would otherwise be available and desired by the Company or acquiror. To the extent that such action shall include an increase or decrease in the number of shares subject to outstanding Options, the number of shares available under Section 6 above shall be increased or decreased, as the case may be, proportionately.

b. Subject to any required action by shareholders, if the Company is the surviving corporation in any merger or consolidation, each outstanding Option and the rights under the Grant of a DER shall pertain and apply to the securities to which a holder of the number of Shares subject to the Option would have been entitled. In the event of a merger or consolidation in which the Company is not the surviving corporation, the date of exercisability of each outstanding Grant shall be accelerated to a date prior to such merger or consolidation, unless the agreement of merger or consolidation provides for the assumption of the Grant by the successor to the Company.

c. To the extent that the foregoing adjustment related to securities of the Company, such adjustments shall be made by the Committee, whose determination shall be conclusive and binding on all persons.

d. Except as expressly provided in this Section 10, the recipient of the Grant shall have no rights by reason of subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of

any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option.

e. Grants made pursuant to the Plan shall not affect in any way the right or power to the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business assets.

f. Upon the occurrence of a Change of Control:

i. The Committee as constituted immediately before the Change of Control may make such adjustments as it, in its discretion,

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determines are necessary or appropriate in light of the Change of Control (including, without limitation, the substitution of stock other than stock of the Company as the stock optioned hereunder, and the acceleration of the exercisability of the Options), provided that the Committee determines that such adjustments do not have a substantial adverse economic impact on the Optionee as determined at the time of the adjustments.

ii. All restrictions and conditions on each DER shall automatically lapse and all Grants under the Plan shall be deemed fully vested.

g. "Change of Control" shall mean the occurrence of any one of the following events:

i. any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Affiliates or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Affiliates) together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of either (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board of Directors ("voting securities") or (B) the then outstanding Shares (in either such case other than as a result of an acquisition of securities directly from the Company); or

ii. persons who, as of the effective date of the Plan, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a Director of the Company subsequent to the effective date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of the Plan, be considered an Incumbent Director; or

iii. there shall occur (A) any consolidation or merger of the Company or any Subsidiary where the shareholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or

indirectly, shares representing in the aggregate 50% or more of the voting securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an

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acquisition of securities by the Company which, by reducing the number of Shares or other voting securities outstanding, increases (x) the proportionate number of Shares beneficially owned by any person to 30% or more of the Shares then outstanding or (y) the proportionate voting power represented by the voting securities beneficially owned by any person to 30% or more of the combined voting power of all then outstanding voting securities; provided, however, that, if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional Shares or other voting securities (other than pursuant to a stock split, stock dividend, or similar transaction), then a "Change of Control" shall be deemed to have occurred for purposes of this subsection (g).

11. EFFECT OF CERTAIN TRANSACTIONS. In the case of (i) the dissolution or liquidation of the Company, (ii) a merger, consolidation, reorganization or other business combination in which the Company is acquired by another entity or in which the Company is not the surviving entity, or (iii) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, the Plan and the Grants issued hereunder shall terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of Grants theretofore granted, or the substitution for such Grants of new Grants, by the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise prices, as provided in Section 10. In the event of such termination, all outstanding Options and Grants shall be exercisable in full for at least fifteen days prior to the date of such termination whether or not otherwise exercisable during such period.

12. SECURITIES LAW REQUIREMENTS.

a. Legality of Issuance. The issuance of any Shares upon the exercise of any Option and the grant of any Option shall be contingent upon the following:

i. the obligation of the Company to sell Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee;

ii. the Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to stock options; and

iii. each Option is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable

pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory

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body is necessary or desirable as a condition of, or in connection with, the grant of an Option or the issuance of Shares, no Options shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

b. Restrictions on Transfer. Regardless of whether the offering and sale of Shares under the Plan has been registered under the Act or has been registered or qualified under the securities laws of any state, the Company may impose restrictions on the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable in order to achieve compliance with the provisions of the Act, the securities laws of any state or any other law. In the event that the sale of Shares under the Plan is not registered under the Act but an exemption is available which requires an investment representation or other representation, each Optionee shall be required to represent that such Shares are being acquired for investment, and not with a view to the sale or distribution thereof, and to make such other representations as are deemed necessary or appropriate by the Company and its counsel. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on all persons. Without limiting the generality of the last sentence of Section 6, stock certificates evidencing Shares acquired under the Plan pursuant to an unregistered transaction shall bear the following restrictive legend and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law.

"THE SALE OF THE SECURITIES REPRESENTED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT"). ANY TRANSFER OF SUCH SECURITIES WILL BE INVALID UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER OR IN THE OPINION OF COUNSEL FOR THE ISSUER SUCH REGISTRATION IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT."

c. Registration or Qualification of Securities. The Company may, but shall not be obligated to, register or qualify the issuance of Options and/or the sale of Shares under the Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the issuance of Options or the sale of Shares under the Plan to comply with any law.

d. Exchange of Certificates. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under the Plan is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but lacking such legend.

13. AMENDMENT OF THE PLAN. The Board may from time to time, with respect to any Shares at the time not subject to Options, suspend or discontinue the Plan or revise or amend it in any respect whatsoever. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect an

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Optionee with respect to Options previously granted unless such amendments are in connection with compliance with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Common Stock, cause the Plan to fail to comply with any requirement or applicable law or regulation, unless and until the approval of the holders of such Common Stock is obtained.

14. APPLICATION OF FUNDS. The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of an Option will be used for general corporate purposes.

15. TAX WITHHOLDING. Each recipient of a Grant shall, no later than the date as of which the value of any Grant first becomes includable in the gross income of the recipient for federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Company regarding payment of any federal, state or local taxes of any kind that are required by law to be withheld with respect to such income. An Optionee may elect to have such tax withholding satisfied, in whole or in part, by (i) authorizing the Company to withhold a number of Shares to be issued pursuant to a Grant equal to the Fair Market Value as of the date withholding is effected that would satisfy the withholding amount due, (ii) transferring to the Company Shares owned by the Optionee with a Fair Market Value equal to the amount of the required withholding tax, or (iii) in the case of an Optionee who is an Employee of the Company at the time such withholding is effected, by withholding from the Optionee's cash compensation. Notwithstanding anything contained in the Plan to the contrary, the Optionee's satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Optionee, and the failure of the Optionee to satisfy such requirements with respect to the exercise of an Option shall cause such Option to be forfeited.

16. NOTICES. All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Optionee or recipient of a Grant, shall be delivered personally or mailed to the Optionee or recipient of a Grant at the address appearing in the records of the Participating Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 16.

17. RIGHTS TO EMPLOYMENT OR OTHER SERVICE. Nothing in the Plan or in any Option or Grant granted pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company (if applicable) or interfere in any way with the right of the Company and its shareholders to terminate the individual's employment or other service at any time.

18. EXCULPATION AND INDEMNIFICATION. To the maximum extent permitted by law, the Company shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

19. NO FUND CREATED. Any and all payments hereunder to recipients of Grants hereunder shall be made from the general funds of the Company (or, if applicable, a Participating Company), and no special or separate fund shall be established or other segregation of assets made to assure such payments; provided that

bookkeeping reserves may be established in connection with the satisfaction of payment obligations hereunder. The obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future, and, to the extent that any person acquires a right to receive payments under the Plan from the Company (or, if applicable, a Participating Company), such right shall be no greater than the right of an general unsecured creditor of the Company (or, if applicable, a Participating Company).

20. CAPTIONS. The use of captions in the Plan is for convenience. The captions are not intended to provide substantive rights.

21. GOVERNING LAW. THE PLAN SHALL BE GOVERNED BY THE LAWS OF MARYLAND, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.

22. EXECUTION. The Company has caused the Plan to be executed in the name and on behalf of the Company by an officer of the Company thereunto duly authorized.

DATED: December 12, 1997

AMERICA FIRST MORTGAGE
INVESTMENTS, INC.
a Maryland corporation

By: /s/ Stewart Zimmerman

Name: Stewart Zimmerman
Title: President and
 Chief
 Executive Officer