

or any other distribution shall be declared, set apart paid or made in respect of the Common Stock.

(b) The holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the net earnings or earned surplus of the Corporation, legally available for dividends, and after proper provision for reserves as hereinafter provided and after or concurrently with payment of or provision for full dividends on the Preferred Stock, then outstanding, through the end of the then current semi-annual period, non-cumulative dividends which shall not, except with the consent of the holders of the preferred stock, exceed in the aggregate \$2840.00 of the net earnings in any fiscal year except that in any fiscal year after provision shall have been made for the full reserves below required and if the principal of the insured mortgage of the corporation shall, in addition to reserve allocations, be prepaid in an amount equal to at least required interest and principal payments for the first amortization year, additional dividends not to exceed in the aggregate \$2840.00 may be paid out of net earnings. Common Stock dividends shall be payable semi-annually as of the first days of May and November of each year.

(c) The Preferred Stock at any time outstanding may be redeemed by the Corporation, in whole or in part at its election, at par and dividends declared thereon, but unpaid to the date of such redemption, in the manner provided by resolution of the Board of Directors or by the by-laws; Provided, however, that such stock shall be so redeemed upon, but in no event before, termination of any contracts of mortgage insurance, covering any indebtedness of the Corporation without obligation upon the Administrator to issue debentures as a result of such termination Preferred Stock so redeemed shall be retired and cancelled.

(d) In the event of any voluntary or involuntary liquidation or dissolution of the Corporation, the holders of the Preferred Stock shall be entitled to receive for each share held, out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, an amount equal to the sum of One Dollar (\$1.00) per share, plus dividends thereon to said date of liquidation or dissolution before any distribution of such assets shall be made to the holders of the Common Stock; but the holders of the Common Stock shall be entitled thereafter, to the exclusion of the holders of the Preferred Stock, to the remainder of such assets of the Corporation available for distribution to the stockholders.

(e) Anything to the contrary herein notwithstanding, no dividends shall be paid upon any of the capital stock of the Corporation, whether Preferred or Common (except with the consent of the holders of a majority of the shares of each class of stock then outstanding given either at a meeting duly called for that purpose, or in writing) until all amortization payments due under the Mortgage insured by the Administrator have been paid, including amortization payments permitted by the terms of such Mortgage to be waived as a result of prepayments theretofore made, and until a cash fund is provided and reserves are first established and thereafter maintained as set forth below:

(1) A cash fund on hand or in a safe and responsible depository in at least the sum of \$1,800 in excess of allocations then required to be made to the reserves below provided and the dividends then to paid.

(2) A reserve fund for replacements of \$965.00 per annum by equal monthly allocations to such reserve fund in a separate account in a depository approved in writing by the holders of the Preferred Stock, commencing on the 15th. day of the second full calendar month after the completion of the project for occupancy. Such fund shall be maintained in such account in cash or invested in obligations of, or fully guaranteed as to principal and interest by, the United States of America, or may be used to anticipate payments next accruing on any insured mortgage upon the property of the Corporation. Disbursements from such fund may be made only upon the direction of the Board of Directors for the purpose of effecting major repairs to and replacements of structural elements of the project or furnishings or mechanical equipment of the Corporation used in connection with the project and for such other purposes as may be consented to in writing by the holders of the Preferred Stock.

(3) After the reserve for replacements provided for in the immediately preceding subdivision, a general reserve in the sum of \$8400.00. Such reserve may, however, be created and set apart over a period of three years from the completion of the project ready for occupancy by the allocation to such reserve each year of one-third of the aggregate required amount, commencing with the fiscal year of the Corporation during which such Project is completed for occupancy. Dividends, if otherwise payable under the provisions of this Certificate, may be paid in any year during which such reserve is being accumulated after allocation to such reserve of the required proportion of such aggregate amount. Such fund shall be maintained in cash in a separate account in a depository approved in writing by the holders of the Preferred Stock, or may be invested in obligations of, or fully guaranteed as to principal and interest by, the United States of America or, in the discretion of the Board of Directors, all or any part thereof may be used to anticipate payments upon the insured mortgage of the Corporation. Disbursements from such fund may be made only upon the direction of the Board of Directors, with the prior approval of the holders of the shares of Preferred Stock, for the payment of obligations of the Corporation for which no other funds are available.

(f) So long as any of the Preferred Stock shall be outstanding, the holders of the Preferred Stock, voting as a class, shall be entitled to elect one of the five Directors of the Corporation hereinabove provided, and the holders of the Common Stock, voting as a class, shall be entitled to elect the remaining four of the said five Directors of the said Corporation. In the event of any default by the Corporation, as hereinafter defined, and during the period of such default, the holders of the Preferred Stock, voting as a class, shall be entitled to remove all existing Directors of the Corporation, and to elect new Directors in their stead, provided, however, that one of said Directors shall be the owner or holder of one or more shares of Common Stock. When such default shall have been cured, the right to elect Directors shall again vest in the holders of the Preferred Stock and in the holders of the Common Stock as provided in the first sentence of this subdivision (f). Except as otherwise provided herein the voting powers of all shares of capital stock of the Corporation shall be alike and each share of the Preferred Stock and each share of the Common Stock shall entitle the holders thereof to one vote.

7th. Before the issuance of Preferred Stock there shall have been paid into the Corporation in cash the sum of Twenty-Five Thousand Dollars (\$25,000). Upon the insurance by the Administrator of a certain Mortgage or Deed of Trust (herein called the Mortgage) said Preferred Stock shall be delivered to the Administrator and so long as said insurance shall be in effect such stock shall be held by him or his successors and shall be registered upon the books of the Corporation in the name of "Federal Housing Administration." During such period the Corporation shall not be required to change said registration or to recognize any persons other than the representatives of the Administration, as the holders of any of said shares of Preferred Stock.