

(a) The holders of the preferred stock shall be entitled to receive, when and as declared by the Board of Directors, noncumulative dividends at the rate of five cents (5¢) per share per annum, before any sum or sums shall be set apart for or applied to the purchase or redemption of the preferred stock and before any dividends or other distribution shall be declared, set apart, paid or made in respect of the common stock.

(b) The net earnings of the corporation, after providing therefrom dividends on preferred stock and all reserves hereinafter required, may be applied each year in payment of dividends to stockholders.

(c) The preferred stock at any time outstanding may be redeemed by the corporation at par and dividends declared thereon, but unpaid to the date of such redemption, provided, however, that such stock shall be so redeemed, upon, but in no event before, the termination of any contract of mortgage insurance covering any indebtedness of the corporation without obligation upon the Commissioner to issue debentures as a result of such termination. Preferred stock so redeemed shall be retired and cancelled.

(d) Anything to the contrary herein notwithstanding, no dividends shall be paid upon any of the capital stock of the corporation (except with the consent of the holders of a majority of the shares of each class of stock then outstanding) until all amortization payments due under the Mortgage insured by the Commissioner have been paid, and until a reserve fund for replacements is first established and maintained by the allocation to such reserve fund in a separate account with the mortgage (or in the case of a Deed of Trust with the Beneficiary) or in a safe and responsible depository designated by the mortgagee commencing on the date of the first payment towards amortization of the principal of the mortgage insured by the Commissioner unless a later date is approved in writing by the holders of the preferred stock, of an amount equal to \$ 63.59 and a like amount monthly thereafter. Such fund whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal and interest by the United States of America shall at all times be under the control of the mortgagee. Disbursements from such funds, whether for the purpose of effecting replacements of structural elements, furnishings and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the holders of the preferred stock.

(e) 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 or defaults shall have been cured, the right to elect directors shall again vest in the holders of the common stock.

(f) Except as otherwise provided by law or as set forth elsewhere in this certificate of incorporation, all voting rights of the stockholders shall be vested exclusively in the holders of the common stock.

Seventh. The corporation shall not without prior approval of the holders of a majority of the shares of preferred stock, given either in writing or by vote at a meeting of the preferred stockholders called for that purpose (a) assign, transfer, dispose of or encumber any real or personal property, including rents, except as