

ARTICLES OF INCORPORATION

Funds for construction of University Square No. 1 were provided through the Federal Housing Administration (FHA). These Articles of Incorporation reflect operational constraints and requirements that were placed on the Corporation by the FHA to protect their interest as insurer of the original mortgage. Over the years, a number of amendments were made with FHA approval. In 1996, repayment of the mortgage was completed and the Preferred Stock was retired and cancelled. **All references herein to the mortgage, the FHA, the Preferred Stock, etc. no longer apply.**

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To The Department of State:
Commonwealth of Pennsylvania:

In Compliance with the requirements of the "Business Corporation Law," approved the 5th day of May, A.D. 1933, P.L. 364, as amended, the undersigned, desiring that they may be incorporated as a business corporation, do hereby certify:

1st. The name of the Corporation is University Square No. 1, Inc.

2nd. The location and post office address of its initial registered office in this Commonwealth is 602 Frick Building, Pittsburgh, Allegheny County, Pennsylvania.

3rd. The purpose or purposes of the Corporation are:

(a) to create a corporation to provide housing for rent or for sale to be regulated by the Federal Housing Commissioner as to sales, charges, capital structure, and methods of operation, in the manner and for the purposes provided in Section 213 of Title II of the National Housing Act and the Administrative Rules and Regulations thereunder to enable the financing of the construction of such housing to be obtained with the assistance of mortgage insurance under the National Housing Act as amended, and as such to acquire any real estate or interest or rights therein or appurtenant thereto and any and all personal property in connection therewith. So long as any property of this Corporation is encumbered by a Mortgage or Deed of Trust insured under the National Housing Act it shall engage in no other business than the construction and operation of a housing project.

(b) to construct, operate, maintain and improve, and to sell, convey, assign, mortgage or lease any real estate and any personal property.

(c) to borrow money and issue evidences of indebtedness in furtherance of any or all of the objects of its business; to secure the same by mortgage, deed of trust, pledge or other lien.

(d) to enter into, perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of any one or more of the purposes of the Corporation.

4th. The term of its existence is perpetual.

5th. The total amount of the authorized capital stock of the Corporation is Eight Hundred Thousand One Hundred (800,100.00) Dollars divided into two classes of shares, of which five (5) shares, of the par value of Twenty (\$20.00) Dollars per share, shall be Preferred Stock, and Eight Thousand (8,000) shares, of the par value of One Hundred (\$100.00) Dollars per share shall be Common Stock, which shares of capital stock shall have the preferences and restrictions as hereinafter provided. Upon insurance by the Commissioner of a certain Mortgage or Deed of Trust (hereinafter called the Mortgage) said Preferred Stock shall be issued to the Federal Housing Administration and delivered to the Federal Housing Commissioner in order that the Commissioner, in connection with the insurance of said Mortgage under the National Housing Act, may regulate and restrict the Corporation as to rents or sales, charges, capital structure, rate of return and methods of operation as provided in this charter and to enable the Commissioner to protect the contingent liability of the Federal Housing Administration as insurer of such Mortgage. So long as said mortgage insurance shall be in effect said Preferred Stock shall be held by the Commissioner or his successors and shall be registered upon the books of the Corporation in the name of the Federal Housing Administration or its nominees. During such period the Corporation shall not be required to change such registration, nor to recognize any persons other than the Administration or representatives of the Administration, as the holders of Preferred Stock.

(a) 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 par value of each share held, before any distribution of such assets shall be made to the holders of the Common Stock.

(b) The Preferred Stock at any time outstanding may be redeemed by the Corporation at par, 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 canceled.

(c) In the event of any default by the Corporation, as hereinafter defined, and during the period of such default the Federal Housing Commissioner as holder of the Preferred Stock, voting as a class, and for the purpose of making effective the regulation and restriction set forth in these Articles of Incorporation and to protect the interest of the Federal Housing Administration as insurer of the Mortgage, 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 may be the owner or holder of one or more shares of Common Stock. When such default or defaults

shall have been cured and the Commissioned as holder of the Preferred Stock is assured by the holders of the Common Stock, in such manner and to the extent as the Commissioner in his sole discretion may determine, that further defaults of a similar nature will not occur, the right to elect directors shall again vest in the holders of the Common Stock.

(d) Except as otherwise provided by law or as set forth in these Articles of Incorporation, all voting rights shall be vested in the holders of the Common Stock.

6th. The value of the property with which the Corporation will begin business is Five Hundred (\$500.00) Dollars.

7th. A Fund for Replacements shall be established and maintained by the Corporation by the allocation to such fund in a separate account with the mortgagee (or in the case of a Deed of Trust with the Beneficiary) or, under the control of the mortgagee, 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, unless a later date is approved in writing by the holders of the Preferred Stock, of an amount equal to \$475.09 and a like amount monthly thereafter. Such fund may be 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, and shall at all times be under control of the mortgagee. Such fund is for the purpose of effecting replacements of structural elements and mechanical equipment of the project and for such other purposes as may be agreed to in writing by the holders of the Preferred Stock. Disbursements from such fund may be made only after receiving the consent in writing of the holders of Preferred Stock.

A general operating reserve shall be established and maintained by allocation and payment thereto monthly of an amount equivalent to not less than 3% of the total monthly expenses to be charged to the holders of the Common Stock. The total monthly expenses charged to the holders of the Common Stock shall include the estimated debt service, operating expenses, managerial expenses, fund for replacements, taxes, special assessments, and ground rents, if any. This reserve shall remain in a special account and may be 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, and shall at all times be under the control of the Corporation. This reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payment by holders of the Common Stock, to provide funds for the re-purchase of stock of withdrawing holders of the Common Stock and other contingencies. Disbursements totaling in excess of 20% of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the holders of the Preferred Stock. Reimbursements shall be made to the account upon payment of delinquencies or sale of stock for which funds were withdrawn from the reserve.

8th. The Corporation shall not without prior approval of the holders of the Preferred Stock, given in writing:

(a) sell, assign, transfer, dispose of or encumber any real or personal property, except as specifically permitted by the terms of the Mortgage;

(b) remodel, reconstruct, demolish or subtract from the premises constituting the project and subject to the Mortgage;

(c) permit the occupancy of any of the dwelling accommodations of the Corporation except at the charges fixed by the schedule of charges provided for hereinafter;

(d) permit the occupancy of any of the dwelling accommodations of the Corporation except by a tenant-stockholder of the Corporation;

(e) consolidate or merge the Corporation into or with any other Corporation; go into voluntary liquidation; carry into effect any plan of reorganization of the Corporation; cancel any of its shares of Preferred Stock, or effect any changes whatsoever in its capital structure; alter or amend these Articles of Incorporation; or amend its By-Laws;

(f) fail to establish and maintain the Fund for Replacements and general operating reserve as set forth in these Articles of Incorporation;

(g) incur liabilities (direct or contingent) which will at any time exceed in the aggregate \$13,147.00, or any liability maturing more than one year from the creation thereof, except the indebtedness secured by the Mortgage or necessarily incidental to the execution and delivery thereof;

(h) fail to provide for the management of its housing project in a manner approved by the holders of the Preferred Stock;

(i) invest any funds of the Corporation in any property, real, personal or mixed, except obligations of, or fully guaranteed as to principal and interest by, the United States of America as provided in these Articles.

9th. (a) The happening of any of the following events shall constitute a default within the meaning of that word as used in these Articles:

(1) the failure of the Corporation to have dismissed, within thirty days after commencement, any bankruptcy, receivership, or any petition for reorganization filed by or against the Corporation under the provisions of any State insolvency law or under the provisions of the Bankruptcy Act of 1898, as amended, or upon the making by the Corporation of an assignment for the benefit of its creditors, unless said action is previously approved in writing by the holders of the Preferred Stock;

(2) the failure of the Corporation to pay the principal, interest, or any other payment due on any note, bond, or other obligation executed by it, as called for by the terms of such instrument;

(3) the failure of the Corporation to establish and maintain the Fund for Replacements and general operating reserve as provided in Article 7th hereof or the use of such Fund except as permitted in said Article;

(4) execution or filing for record by the Corporation of any instrument which imposes a restriction upon sale, leasing or occupancy of the property subject to the Mortgage or any part thereof, on the basis of race, color or creed;

(5) the violation of any of the terms of these Articles, or the failure of the Corporation, continuing for a period of fifteen days, to perform any of the covenants, conditions or provisions required by it to be performed by these Articles, the By-Laws of the Corporation, the Mortgage, or any

contract to which the Corporation and the Commissioner shall be parties, or the failure to carry out in full the terms of any agreement whereby the loan covered by the Mortgage is to be advanced or the project is to be constructed and operated;

(6) the failure of the Corporation to perform any of the covenants, conditions or provisions required to be performed by it under any indenture of lease creating a leasehold estate which is mortgaged to secure the insured loan.

(b) Upon any default by the Corporation, the president or the secretary, or either of them, as may be required by law, shall, at the request in writing of the holders of record of a majority of shares of the Preferred Stock, addressed to him at the office of the Corporation and stating the purpose of the meeting, forthwith call a special meeting, to take place within ten days after such call, of the preferred stockholders for the purpose of removal of existing directors and the election of new directors. If such officer shall fail to issue a call for such meeting within three days after the receipt of such request, then the holders of a majority of the shares of the Preferred Stock may do so by giving notice as provided by law, or, if not so provided, then by giving ten days' notice of the time, place and object of the meeting by advertisement inserted in any newspaper published in the country or city in which the principal office of the Corporation is situated. When such default shall have been cured, the president or the secretary, or either of them, as may be required by law, shall, at the written request of the holders of a majority of the outstanding shares of the Common Stock of the Corporation, call a special meeting of the common stockholders of the Corporation at which the then existing directors may be removed and new directors elected by the common stockholders. Such officer shall give notice as provided by law, or, if not so provided, he shall give ten day's notice of the time, place and object of such a meeting.

10th. The Corporation shall have seven (7) directors, elected by the common Shareholders except as hereinabove provided in Article 5th, who shall act as such until their successors are duly chosen and qualified. (Amended June 23, 1976)

11th. The following provisions are hereby adopted for the conduct of affairs of the Corporation and in regulation of the powers of the Corporation, the directors and stockholders:

(a) (1) Monthly carrying charges charged to holders of the Common Stock during the initial occupancy period shall be made by the Corporation in accordance with a schedule of charges filed with and approved in writing by the holders of the Preferred Stock prior to the opening of the project for occupancy. Such charges shall be in the amount sufficient to meet the FHA estimate of management expense, operating expense and maintenance expense, debt service, taxes, special assessments and ground rents, if any, reserves and all other expenses of the Corporation. Subsequent to the initial occupancy period charges made by the Corporation for its accommodations shall be in accordance with a schedule of charges filed with and approved in writing by the holders of the Preferred Stock and shall be in amounts sufficient to meet the Corporation's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the FHA sixty days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the project and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense, utilities, hazard insurance taxes and assessments, ground rent, interest and amortization, mortgage insurance premium, replacement reserve and operating reserve. The Corporation shall not permit occupancy of its accommodations except in accordance with a schedule of charges approved by the holders of the Preferred Stock

and such schedule shall not be changed except with the written approval of the preferred stockholders; nor shall occupancy be permitted by the Corporation except upon the execution of an occupancy agreement in a form approved by the holders of the Preferred Stock. The property of the Corporation shall not be rented as an entirety. Commercial accommodations and non-dwelling facilities, if any, shall be rented only according to a schedule of charges fixed by the directors and approved in writing by the holders of the Preferred Stock.

(b) (1) During the period between initial and final endorsement for mortgage insurance by the Federal Housing Administration, no compensation or fee shall be paid nor obligation therefor incurred by the Corporation except with the prior written approval of the holders of the Preferred Stock. Thereafter no compensation or fee shall be paid by the Corporation except for necessary services and except at such rate as is fair and reasonable in the locality for similar services, nor, except with the prior written approval of the holders of the Preferred Stock, shall any compensation be paid by the Corporation to its officers, directors, or stockholders, or to any person, or Corporation for supervisory or managerial services; nor shall any compensation be paid by the Corporation to any employee in excess of \$3,000.00 per annum, except with such prior written approval. No officer, director, stockholder, agent, or employee of the Corporation shall in any manner become indebted to the Corporation, except on account of approved occupancy charges.

(2) The Corporation shall maintain its project, the grounds, buildings, and equipment appurtenant thereto, in good repair in such condition as will preserve the health and safety of its tenants.

(3) The Corporation, its property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents, and papers shall be subject to inspection and examination by the holders of the Preferred Stock or their duly authorized agent at all reasonable times.

(4) The books and accounts of the Corporation shall be kept in accordance with the uniform system of accounting prescribed by the holders of the Preferred Stock. The Corporation shall file with the holders of the Preferred Stock the following reports verified by the signature of such officers of the Corporation as may be designated and in such form as may be prescribed by, the holders of the Preferred Stock:

(a) monthly or quarterly operating reports, when required by the holder of the Preferred Stock;

(b) a semi-annual financial statement within sixty (60) days after the semi-annual period when required by the holders of the Preferred Stock;

(c) annual reports prepared by a certified public accountant, within sixty (60) days after the end of each fiscal year;

(d) specific answers to questions upon which information is desired for time to time relative to the operation and condition of the property and the status of the Mortgage;

(e) copies of minutes of all stockholders' meetings certified to by the Secretary of the Corporation, within thirty (30) days after such meetings.