

BY-LAWS
OF
INDEPENDENCE SQUARE TOWNHOUSES, INC.

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ARTICLE I – NAME AND LOCATION OF CORPORATION

Section 1. The name of this corporation is INDEPENDENCE SQUARE TOWNHOUSES, Inc. Its principal office is located in the City of Independence, Missouri.

ARTICLE II – PURPOSE

Section 1. The purpose of this corporation is to provide its members with housing on a nonprofit basis consonant with the provisions set forth in its Articles of Incorporation.

ARTICLE III – MEMBERSHIP

Section 1. Eligibility. Any natural person approved by the Board of Directors shall be eligible for membership, provided that they execute a Subscription Agreement and an Occupancy Agreement in the usual form employed by the corporation covering a specific unit in a particular area of the housing complex.

Section 2. Application for Membership. Application for Membership shall be presented in person on a form prescribed by the Board of Directors, and all such applications shall be acted upon promptly by the Board of Directors.

Section 3. Subscription Funds. All subscription funds (except funds required for the credit reports) shall be deposited promptly without deduction in a special account or accounts (savings or checking) of the Corporation as escrowee or trustee for the Subscribers to Membership which monies shall not be general corporate funds, but shall be held solely for the benefit of the subscribers until transferred to the account of the Corporation as hereinafter provided. Such account or accounts may be interest bearing, with the interest earned to be retained and owned by the Corporation. Such funds shall be subject to withdrawal, or transfer to the account of the Corporation or disbursed in a manner directed by the Corporation only upon certification by the President or Vice President and Secretary or any Assistant Secretary of the Corporation to the above-named institution or institutions that:

- (a) The Subscription Agreement of a named applicant has been terminated pursuant to its terms and such withdrawal is required to repay the amount paid by him under such agreement; or
- (b). A named applicant has signed a Subscription Agreement and Membership Purchase Agreement and has been approved as to their credit and has been approved for occupancy by the Board of Directors. If these requirements have been met the funds in the subscription escrow account may be transferred to the Corporation, at which time the membership certificate shall be issued.

Section 4. Members, Authorized Member and Occupancy Agreements.

(a) The members shall consist of the individuals who have paid for their membership and received membership certificates.

(b) The authorized membership of the Corporation shall consist of 188 memberships, all of one class, with par value of \$75.00 each. There shall be one vote cast per membership certificate (unit) on each matter voted on by the members.

(c) The Corporation will offer Occupancy Agreements on the dwellings in the housing complex, which Occupancy Agreements shall all be of one class. The down payment under an Occupancy Agreement (which down payment is hereinafter sometimes referred to as "Value of Occupancy Agreement") shall be in the amount established by the Corporation.

Section 5. Membership Certificates. Each membership certificate shall state that the Corporation is organized under the laws of the State of Missouri, the name of the registered holder of the membership represented thereby, the Corporation lien rights as against such membership as set forth in this Article, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued there from upon certification as to full payment. Every membership certificate shall be signed by the President or Vice President, and the Secretary or Assistant Secretary, and shall be sealed with the corporate seal.

Section 6. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered owner of such a lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Corporation a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the Corporation.

Section 7. Lien. The Corporation shall have a lien on the outstanding regular memberships in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any occupancy agreements.

Section 8. Transfer of Membership. Except as provided herein, membership shall not be transferable and, in any event, no transfer of membership shall be made upon the books of the Corporation within ten (10) days next preceding the annual meeting of the members.

(a) Death of Member. If, upon death of a member, the membership in the Corporation passes by TOD designation will or intestate distribution, such legatee or distributee may, (if they qualify for membership under the established membership criteria) assume in writing the terms of the Subscription Agreement, Membership Purchase Agreement and Occupancy Agreement within sixty (60) days after member's death, and paying all amounts due thereunder, become a member of the Corporation. If member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the membership from the deceased member's estate in the manner provided in paragraph (b) of this Section, written notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of paragraph (c) of this section shall be applicable, the reference to "member" therein to be construed as references to the legal representative of the deceased member.

(b) Option of Corporation to Purchase. If the member desires to leave the project, they shall notify the Corporation in writing of such intention and the Corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the membership, together with all of the member's rights with respect to the dwelling unit, at an amount to be determined by the corporation as representing the transfer value thereof, less any amounts due by the member to the Corporation under the Occupancy Agreements, and less the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant. The purchase by the Corporation of the membership will immediately terminate the member's rights and the member shall forthwith vacate the premises.

(c) Procedure Where Corporation Does Not Exercise Option. If the Corporation waives in writing its rights to purchase the membership under the foregoing option, or if the Corporation fails to exercise such option within the thirty (30) day period, the member may sell the membership to any person who has been duly approved by the Corporation as a member and occupant. If the Corporation agrees, at the request of the member, to assist the member in finding a purchaser, the Corporation shall be entitled to charge the member a fee it deems reasonable for this service. When the transferee has been approved for membership and has executed the prescribed Occupancy Agreement, the retiring member shall be released of his obligations under his Occupancy Agreement, provided he has paid all amounts due the Corporation to date.

(d) TOD Registration. At the request of a member, the Secretary shall record on the membership certificate a transfer on death direction to transfer the member’s interest in the membership certificate to a person or persons designated by the member who survive the death of the member. The Secretary shall implement the direction to transfer the membership certificate to the member’s designated TOD beneficiaries on proof of death of the member, or last surviving member of multiple members with survivorship rights, surrender of the outstanding certificate with the direction thereon, and under such regulations as may be prescribed by the Board of Directors. TOD registration of the membership certificates shall be governed by the Nonprobate Transfers Law of Missouri, Chapter 461, Revised Statutes of Missouri.

(e) Transfer Value. The term “transfer value” shall mean the sum of the following:

- (1) The consideration (i.e. down payment) paid for the membership by the first occupant of the unit involved as shown on the books of the Corporation; plus
- (2) The Value of Occupancy Agreement as provided in Section 4 of this Article ; plus
- (3) The value, as determined by the Directors, or its designee, of any improvements installed at the expense of the member with the prior approval of the Directors; plus
- (4) The Equity Value according to the following table:

Constitution	One bedroom	\$5,750
Republic	Two bedroom	\$6,750
Bostonian	Three bedroom	\$7,250
Federalist	Four Bedroom	\$8,000

The Equity Value may be increased or decreased by the Board of Directors, not more than once annually at any special or regular meeting.

Section 9. Termination of Membership for Cause. In the event the Corporation has terminated the rights of a member under the Occupancy Agreement, the member shall be required to deliver promptly to the Corporation his membership certificate and his Occupancy Agreement, both endorsed in such manner as may be required by the Corporation. The Corporation shall thereupon at its election either (1) repurchase said membership at its Transfer Value, (as hereinabove defined) or the amount the retiring member originally paid for the acquisition of the membership certificate, whichever is the lesser, or (2) proceed with reasonable diligence to effect a sale of the membership to a purchaser and at a sales price acceptable to the Corporation. The retiring member shall be entitled to receive the amount so determined, less the following amounts (the determination of such amounts by the Corporation to be conclusive):

- (a) any amounts due to the Corporation from the member under the Occupancy Agreement;

(b) the cost or estimated cost of all deferred maintenance, including painting; redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant; and

(c) Legal and other expenses incurred by the Corporation in connection with the default of such member and the resale of the membership. In the event the retiring member for any reason should fail for a period of 10 days after demand to deliver to the Corporation the endorsed membership certificate, said membership certificate shall forthwith be deemed to be cancelled and may be reissued by the Corporation to a new purchaser.

Section 10. Sales Price. Memberships may be sold by the Corporation or the member only to a person approved by the Board of Directors in accordance with the member selection plan, and the sale price may exceed the Transfer Value as provided in this Article, except that in sales effected by the Corporation a service charge not in excess of \$200 may be charged by the Corporation. Where the sale is accomplished by a member, a certificate as to the price paid shall be executed by the seller and purchaser and delivered to the Corporation.

ARTICLE IV – MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The annual meetings of the Corporation shall be held during the third week of September, the specific day to be determined each year by the Board of Directors, of each succeeding year. At such meeting there shall be elected by the ballot of the members a Board of Directors in accordance with the requirements of Section 3 of Article V of these By-laws. The members may also transact such other business of the Corporation as may properly come before them.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors or upon a petition signed by twenty (20) percent of the members having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the members present, either in person or by proxy.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each member of record, at his address as it appears on the membership book of the Corporation, or if no such address appears, at his last known place of address, at least ten (10) but not more than sixty (60) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the member at his dwelling unit or last known address. Notice by either such method such be considered as notice served.

Section 5. Quorum. The presence, either in person or by proxy, of at least twenty (20) percent of the members of record of the Corporation shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of members. If the number of members at the meeting drops below the quorum and the question of a lack of quorum, no business may thereafter transacted.

Section 6. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, or a meeting has been ended because the number of members at said meeting has dropped below the quorum, the members who are present, either in person or by proxy, may, except as otherwise

provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, at which subsequent meeting the quorum requirement shall be ten (10) percent.

Section 7. Voting. At every meeting of the members, each member present, as provided in Article III, Section 4 (b), either in person or by proxy, shall have the right to cast one vote on each question, and never more than one vote per membership certificate (unit). The vote of the majority of those present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. No member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books or management accounts of the Corporation to be more than 30 days delinquent in payments due the Corporation under his Occupancy Agreement.

Section 8. Proxies. A member may appoint as his proxy any other member. In no case may a member cast more than one vote by proxy in addition to his own vote. Any proxy must be filed with the Secretary before the appointed time of each meeting.

Section 9. Order of Business. The order of business at all regular scheduled meetings of the regular members shall be as follows:

- (a) roll call;
- (b) proof of notice of meeting or waiver of notice;
- (c) reading of minutes of preceding meeting;
- (d) reports of officers;
- (e) reports of committees.
- (f) report of manager or managing agent;
- (g) election of inspectors of election;
- (h) election of directors;
- (i) unfinished business; and
- (j) new business.

In case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of items specified in the notice of meeting.

ARTICLE V – DIRECTORS

Section 1. Number and Qualification. The affairs of the Corporation shall be governed by a Board of Directors composed of five (5) persons, a majority of whom shall be members of the corporation.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers of the Board of Directors shall include but not be limited:

- (a) To accept or reject all applications for membership and admission to occupancy of a dwelling unit in the cooperative housing project, either directly or through an authorized representative;
- (b) To establish monthly carrying charges as provided for in the Occupancy Agreement, based on an operating budget formally adopted by such Board;
- (c) To terminate membership and occupancy rights for cause;
- (d) To promulgate such rules and regulations pertaining to use and occupancy of the premises as may be deemed proper and which are consistent with these By-Laws, the Articles of Incorporation; and

- (e) To prescribe additional monthly carrying charges to be paid by eligible individual members and families whose income exceed the limitations
- (f) To engage firms or individuals for the management of the cooperative that;
 - i. Have no identity - of – interest relationship with any member or employee;
 - ii. Be in good standing with all applicable licensing authorities;
 - iii. Demonstrate recent effective management experience with multi-family housing complexes, and acceptable operating procedures;
 - iv. Carry adequate fidelity bond coverage;
 - v. Be in compliance with fair housing laws and civil rights laws, regulations and requirements;
 - vi. Demonstrate a positive record of communication and cooperation with legitimate resident associations.

Section 3. Election and Term of Office. The term of office of two Directors shall be fixed for three (3) years; the term of office of two Directors shall be fixed at two (2) years, and the term of office of one Director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, their successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting to serve out the unexpired portion of the term.

Section 5. Removal of Directors.

(a) At any regular or special meeting duly called, any Director elected by the members may be removed with or without cause by the affirmative vote of the majority of the entire regular membership of record and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting. The term of any Director who becomes more than 30 days delinquent in payment of his carrying charges shall be automatically terminated and the remaining Directors shall appoint his successor as provided in Section 4 above.

(b) If a Director shall be absent, except for reasons of ill health or absence from the country, from three (3) consecutive meetings of the board, including regularly scheduled meetings and special meetings duly called and noticed, the board of directors may in its discretion declare the office of such director vacated by reason of neglect, and a successor shall be appointed as provided in Section 4 above.

Section 6. Compensation. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him for the Corporation in any other capacity. A Director may not be an employee of the Corporation.

Section 7. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such

Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. Regular Meetings. Regular Meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least four such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the date named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three days notice to each Director, given personally or by mail, electronic mail, or telephone which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. Where all of the Directors unanimously approve and sign a corporate resolution or authorization (which is to be included in the minute book), this shall be recognized as proper corporate action taken at a duly authorized meeting, without proceeding under the provisions hereof that would otherwise be applicable for calling and holding Directors meetings.

Section 11. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Corporation handling or responsible for corporate or trust funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Corporation.

Section 13. Safeguarding Subscription Funds. It shall be the duty of the Board of Directors to see to it that all sums received in connection with membership are deposited and withdrawn only in the manner provided for in Article III, Section 3 of these By-Laws.

ARTICLE VI – OFFICERS

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. The President shall preside at all meetings of the members and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the president of the corporation, including but not limited to the power to appoint committees from among the membership from time to time as the President may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform the duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation and shall have the custody of the seal of the Corporation, and shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct; and shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have the responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. The Treasurer shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VIII – AMENDMENTS

Section 1. These by-laws may be amended by the affirmative vote of the majority of the entire regular membership of record at any regular or special meeting or at a special election held solely for the purpose of amending said by-laws. The Board of Directors shall determine which of the foregoing procedures shall be used for a particular proposed amendment.

Section 2. If the by-laws are to be amended by a special election, said election shall be held as follows:

- a. The board of Directors shall set a date for said election date,
- b. Voting shall be conducted in the main office of Independence Square townhouses, Inc., at 1360 Baker Drive, Independence, Missouri, between the hours of 8:00 a.m. and 7:00 p.m.
- c.

Section 3. Amendments may be proposed by the Board of Directors or by petition signed by at least 20% of the members.

Section 4. A description of any proposed amendment shall accompany the notice of any regular or special meeting or special election at which such proposed amendment is to be voted upon.

ARTICLE IX – CORPORATE SEAL

Seal. The Board of Directors shall provide a suitable corporate seal containing the name of the Corporation, which seal shall be in charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE X – FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of July of each year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.

Section 2. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer and in accordance with Generally Accepted Auditing Standards. That amount of carrying charges required for payment on the principal of the mortgage of the Corporation or any other capital expenditures shall be credited upon the books of the Corporation to the “Paid-in-Surplus” accounts as a capital contribution by the members.

Section 3. Auditing. At the closing of each fiscal year, the books and records of the Corporation shall be audited by a Certified Public Accountant whose report will be prepared and certified in accordance with Generally Accepted Auditing Standards. Based on such reports, the Corporation will furnish its members with an annual financial statement including the income and disbursements of the Corporation. The Corporation will also supply the members, as soon as practical after the end of each calendar year, with a statement showing each member’s prorate share of the real estate taxes and mortgage interest paid by the Corporation during the preceding calendar year.

Section 4. Inspection of Books. Financial reports, and the membership records of the Corporation shall be available at the principal office of the Corporation for inspection at reasonable times by any member.

Section 5. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by any officer of the Corporation.

Section 6. Association with Other Cooperatives. The Corporation may become a member of an association of cooperatives who join together for purposes of mutual aid and of advancing the cooperative movement as a means of providing housing for consumers.

Section 7. Replacement Reserve Account. The Cooperative shall establish and maintain a reserve fund entitled Replacement Reserve for replacements for the property by the allocation and payment thereto monthly of a sum equivalent to not less than two (2) percent of the monthly amount otherwise chargeable to the members residing in the property (hereinafter referred to as “Members”) pursuant to their occupancy agreements. Upon accrual in said Replacement Reserve Account of an amount equal to twenty five (25) percent of the current annual amount otherwise chargeable to the Members pursuant to their Occupancy Agreements, such monthly deposits may, by appropriate action of the Board of Directors, be discontinued and no further deposits need be made into such Replacement Reserve so long as said twenty five (25) percent level is maintained and provided, further, that upon any reduction of such reserve below said twenty five (25) percent level, monthly deposits shall forthwith be made at the two (2) percent rate until the twenty five (25) percent level is restored. 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 by, the United States of America. Such fund is for the purpose of effecting replacement of structural elements and mechanical equipment of the Property and for such other purposes as may be agreed to by the Board of Directors.

Section 8. Miscellaneous Improvement Reserve Account. The Cooperative shall establish and maintain a Miscellaneous Improvement Reserve account for the property by allocation and payment thereto monthly of a sum equivalent to not less than two (2) percent of the monthly amount otherwise chargeable to the members residing in the property upon accrual in said Miscellaneous Improvement Reserve account of an amount equal to twenty five (25) percent of the current annual amount otherwise chargeable to the Members pursuant to their Occupancy Agreements, such monthly deposits may, by appropriate action of the Board of Directors, be discontinued and no further deposits need be made into such Miscellaneous Improvement Reserve so long as said twenty five (25) percent level is maintained and provided, further, that upon any reduction of such reserve below said twenty five (25) percent level, monthly deposits shall forthwith be made at the two (2) percent rate until the twenty five (25) percent level is restored. 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 by, the United States of America. This cumulative reserve is intended to provide a measure of financial stability to the property during the periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payments by individual Members, to provide funds for the re-purchase of memberships of withdrawing Members, and for such other purposes as may be agreed to by the Board of Directors.

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