

May 23 234 PM '98

SECY OF STATE OF IDAHO

FILED

**CERTIFICATE OF RESTATEMENT OF THE
RESTATED ARTICLES OF INCORPORATION
OF
R HOMES CORP.**

(Pursuant to Section 30-1-1003 and 30-1-1007 of
The Idaho Business Corporation Act)

I, the President of R Homes Corp. (the "Corporation"), DO HEREBY CERTIFY
THAT:

I. Attached to this Certificate as Exhibit A is the form of Second Restated
Articles of Incorporation of the Corporation.

II. The Second Restated Articles of Incorporation restate and integrate and
further amend the Articles of Incorporation of the Corporation filed in the State of Idaho on
February 18, 1994, as amended and restated on March 23, 1994, and as in effect on the date
hereof, as follows:

A. Article FOURTH is amended to read:

FOURTH: The governing board of the corporation shall be styled as a
"Board of Directors," and any member of such Board shall be styled as a
"Director."

The number of Directors of the corporation may be increased or decreased
in the manner provided in the Bylaws of the corporation; provided, that the
number of Directors shall never be less than three. In the interim between
elections of Directors by stockholders entitled to vote, all vacancies, including
vacancies caused by an increase in the number of Directors and including
vacancies resulting from the removal of Directors by the stockholders entitled to
vote which are not filled by said stockholders, may be filled by the remaining
Directors, though less than a quorum.

B. Article FIFTH is deleted.

C. Article THIRD has been amended to read as follows:

THIRD: The corporation is authorized to issue two (2) classes of shares
of capital stock designated respectively as Series A Preferred Stock and Common
Stock. The total number of authorized shares of each class of shares is as
follows: Series A Preferred Stock, 100,000; Common Stock, 900,000. Each

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authorized share of the two (2) classes of capital stock of this Corporation shall have no par value.

The rights, preferences, privileges and restrictions granted to or imposed upon the respective classes of the authorized shares of the capital stock of this Corporation are as follows:

(a) Series A Preferred Stock

(1) Priority. So long as any of the Preferred Stock remains outstanding, in no event shall any dividend whatever, whether in cash or other property (other than in shares of Common Stock), be paid or declared on the Common Stock by the Corporation unless the full dividends of the Preferred Stock for all past dividend periods from the respective date or dates on which they became cumulative shall have been paid and the dividend thereon for the then current quarter-yearly period shall have been paid or declared and a sum set apart sufficient for the payment thereof. Subject to the foregoing provisions and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of the remaining assets or funds of the Corporation legally available therefor, and the Preferred Stock shall not be entitled to participate in any such dividend.

(2) Dividends. The dividend rate on the Preferred Stock shall be \$.20 per share per annum. The holders of the shares shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, cumulative preferential dividends in cash at but not exceeding such annual rate, payable quarter-annually on the last day of March, June, September and December, cumulative from the date of issuance with the initial quarterly dividend for such shares based upon the pro rata portion of the annual dividend and payable on the last day of March, June, September or December which is at least 45 days after the date of issuance.

(3) Liquidation. In the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of Preferred Stock shall be entitled, whether from capital or surplus, before any assets of the Corporation shall be distributed among or paid over to the holders of the Common Stock, to be paid \$2.00 per share plus in any such case an amount owing equal to any and all dividends accrued in arrears but without interest. A consolidation or merger of the Corporation shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this paragraph (3).

(4) Voting Rights. The Preferred Stock shall have the same voting rights as the Common Stock, calculated as if the Preferred Stock had been converted into Common Stock as provided in paragraph (5) below; provided, however, that an affirmative majority vote of the outstanding shares of Preferred Stock is required in the event of (a) a proposed amendment to the Articles of Incorporation of the Corporation as provided in (i) through (vii) below, or (b) action is proposed to be taken by the Corporation as provided in (viii) and (ix) below, which would:

- (i) increase or decrease the aggregate or authorized shares of such class, other than an increase incident to a stock split;
- (ii) effect an exchange, reclassification or cancellation of all or part of the shares of such class, other than a stock split;
- (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class;
- (iv) change the rights, preferences, privileges or restrictions of the shares of such class;
- (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class;
- (vi) divide the shares of such class into series having different rights, preferences, privileges or restrictions or authorize the board to do so;
- (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid;
- (viii) dividends are declared or paid on Common Stock; or
- (ix) Common Stock is repurchased or redeemed by the Corporation except repurchases or redemptions made in connection with the termination of a Shareholder's employment with the Corporation.

(5) Conversion Ratio. The Board of Directors shall establish, by resolution, a ratio for the conversion of Series A Preferred Stock into Common Stock.

(6) Optional Conversion. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, into Common Stock of the Corporation. The number of shares of Common Stock to which a holder of Series A Preferred Stock shall be entitled upon conversion shall be based on the Conversion Ratio established by the Board of Directors pursuant to Section (5), above. To exercise this conversion privilege, a holder of Series A Preferred Stock shall surrender the holder's stock certificate to the Corporation at its principal office, endorsed to the Corporation and accompanied by written notice to the Corporation that the holder elects to convert a specified portion or all of the shares. Series A Preferred Stock converted under this section shall be deemed to be converted on the date that the certificate is surrendered to the Corporation in accordance with the provisions of this section. As promptly as practicable on or after the conversion date, the Corporation shall issue and mail or deliver to such holder a certificate or certificates for the shares of Common Stock issuable upon conversion.

(7) Automatic Conversion. At such time as the Corporation closes upon an underwritten public offering, pursuant to an effective registration statement under the Securities Act of 1933, as amended, each share of Series A Preferred Stock shall be automatically converted into Common Stock of the Corporation. Such conversion shall become effective upon the delivery of written notice of such an offering to the record holders of the Series A Preferred Stock, whether or not the certificates for such shares are surrendered to the Corporation; provided, however, that the Corporation shall not be required to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the holder's shares of Series A Preferred Stock are delivered to the Corporation, or the holder notifies the Corporation that the certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

(8) No Dilution. If the Corporation at any time or from time to time after the date that the first share of Series A Preferred Stock is issued (the "Original Issue Date") effects a subdivision of the outstanding Common Stock or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock, or otherwise increases the number of shares of issued and outstanding Common Stock, the Conversion Ratio that is then in effect shall be decreased as of the time of such issuance or subdivision or, in the event such record date is

fixed, as of the close of business on such record date. The decrease shall be determined by multiplying the Conversion Ratio then in effect by a fraction, the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or subdivision the close of business on such record date plus the number of additional shares of Common Stock resulting from such issuance or subdivision or payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Ratio shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Ratio shall be adjusted pursuant to this Section 8 to reflect the actual payment of such dividend or distribution. Conversely, if the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately before the combination shall be proportionately increased, effective at the close of business on the date the combination becomes effective.

(b) Common Stock

Subject to the preferences and rights of the Preferred Stock as set out above, the Common Stock shall have all rights and privileges established under Idaho law.

Every holder of Common Stock entitled to vote at any election of directors may cumulate such holder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the holder is entitled, or distribute the holder's votes using the same formula among as many candidates as the holder desires.

D. Article SEVENTH is intentionally deleted.

III. Except for the amendments described above, the Second Restated Articles of Incorporation in the form attached hereto as Exhibit A, correctly set forth without change the corresponding provisions of the Restated Articles of Incorporation as theretofore set forth, and the Second Restated Articles of Incorporation together with the designated amendments supersede the original Restated Articles of Incorporation and all amendments thereto.

IV. The persons signing the Second Restated Articles of Incorporation are the duly elected Directors of the Corporation.

V. The amendments to the Restated Articles of Incorporation and the Second Restated Amendment were approved by Unanimous Consents of the Directors and the sole Shareholder dated April 30, 1998.

VI. The only shares issued and outstanding of the Corporation on the date of the Shareholder's Unanimous Consent were 100 shares of common stock with a par value of \$.01 per share. All 100 shares voted for the amendments to the Restated Articles of Incorporation and the Second Restated Articles of Incorporation, and such number was sufficient to approve the amendments to the Restated Articles of Incorporation.

VII. Upon the filing of the Second Restated Articles of Incorporation, each share of \$.01 par value common stock shall be exchanged for 9,000 shares of no par value common stock.

VIII. The Second Restated Articles of Incorporation of the Corporation shall become effective upon the filing thereof with the Secretary of State of the State of Idaho.

IN WITNESS WHEREOF, I do hereby execute this Certificate of Restatement of the Restated Articles of Incorporation of the Corporation on this 50 day of April, 1998.

R HOMES CORP

By John
President

EXHIBIT A

SECOND RESTATED ARTICLES OF INCORPORATION OF R HOMES CORP.

Under the provisions and subject to the requirements of Title 30 of the Idaho Code and the acts amendatory thereof, and hereinafter sometimes referred to as the Idaho Business Corporation Act, the Board of Directors of R HOMES CORP. does hereby amend and restate the Articles of Incorporation as follows:

FIRST: The name of the corporation (hereinafter called the "corporation") is R Homes Corp.

SECOND: The principal office of the corporation within the State of Idaho is to be located at 877 Main Street, City of Boise, ID 83702-5858. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The corporation is authorized to issue two (2) classes of shares of capital stock designated respectively as Series A Preferred Stock and Common Stock. The total number of authorized shares of each class of shares is as follows: Series A Preferred Stock, 100,000; Common Stock, 900,000. Each authorized share of the two (2) classes of capital stock of this Corporation shall have no par value.

The rights, preferences, privileges and restrictions granted to or imposed upon the respective classes of the authorized shares of the capital stock of this Corporation are as follows:

(a) Series A Preferred Stock

(1) Priority. So long as any of the Preferred Stock remains outstanding, in no event shall any dividend whatever, whether in cash or other property (other than in shares of Common Stock), be paid or declared on the Common Stock by the Corporation unless the full dividends of the Preferred Stock for all past dividend periods from the respective date or dates on which they became cumulative shall have been paid and the dividend thereon for the then current quarter-yearly period shall have been paid or declared and a sum set apart sufficient for the payment thereof. Subject to the foregoing provisions and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of the remaining assets or funds of the Corporation legally available therefor, and the Preferred Stock shall not be entitled to participate in any such dividend.

(2) Dividends. The dividend rate on the Preferred Stock shall be \$.20 per share per annum. The holders of the shares shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, cumulative preferential dividends in cash at but not exceeding such annual rate, payable quarter-annually on the last day of March, June, September and December, cumulative from the date of issuance with the initial quarterly dividend for such shares based upon the pro rata portion of the annual dividend and payable on the last day of March, June, September or December which is at least 45 days after the date of issuance.

(3) Liquidation. In the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of Preferred Stock shall be entitled, whether from capital or surplus, before any assets of the Corporation shall be distributed among or paid over to the holders of the Common Stock, to be paid \$2.00 per share plus in any such case an amount owing equal to any and all dividends accrued in arrears but without interest. A consolidation or merger of the Corporation shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this paragraph (3).

(4) Voting Rights. The Preferred Stock shall have the same voting rights as the Common Stock, calculated as if the Preferred Stock had been converted into Common Stock as provided in paragraph (5) below; provided, however, that an affirmative majority vote of the outstanding shares of Preferred Stock is required in the event of (a) a proposed amendment to the Articles of Incorporation of the Corporation as provided in (i) through (vii) below, or (b) action is proposed to be taken by the Corporation as provided in (viii) and (ix) below, which would:

- (i) increase or decrease the aggregate or authorized shares of such class, other than an increase incident to a stock split;
- (ii) effect an exchange, reclassification or cancellation of all or part of the shares of such class, other than a stock split;
- (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class;
- (iv) change the rights, preferences, privileges or restrictions of the shares of such class;
- (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class;

- (vi) divide the shares of such class into series having different rights, preferences, privileges or restrictions or authorize the board to do so;
- (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid;
- (viii) dividends are declared or paid on Common Stock; or
- (ix) Common Stock is repurchased or redeemed by the Corporation except repurchases or redemptions made in connection with the termination of a Shareholder's employment with the Corporation.

(5) Conversion Ratio. The Board of Directors shall establish, by resolution, a ratio for the conversion of Series A Preferred Stock into Common Stock. At no time shall the ratio be less than the proportion of the original issue price of the Series A Preferred Stock to the original issue price of the Common Stock.

(6) Optional Conversion. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, into Common Stock of the Corporation. The number of shares of Common Stock to which a holder of Series A Preferred Stock shall be entitled upon conversion shall be based on the Conversion Ratio established by the Board of Directors pursuant to Section (5), above. To exercise this conversion privilege, a holder of Series A Preferred Stock shall surrender the holder's stock certificate to the Corporation at its principal office, endorsed to the Corporation and accompanied by written notice to the Corporation that the holder elects to convert a specified portion or all of the shares. Series A Preferred Stock converted under this section shall be deemed to be converted on the date that the certificate is surrendered to the Corporation in accordance with the provisions of this section. As promptly as practicable on or after the conversion date, the Corporation shall issue and mail or deliver to such holder a certificate or certificates for the shares of Common Stock issuable upon conversion.

(7) Automatic Conversion. At such time as the Corporation closes upon an underwritten public offering, pursuant to an effective registration statement under the Securities Act of 1933, as amended, each share of Series A Preferred Stock shall be automatically converted into Common Stock of the Corporation. Such conversion shall become effective upon the delivery of written notice of such an offering to the record holders of the Series A Preferred Stock, whether or not the certificates for such shares are surrendered to the Corporation; provided, however, that the Corporation shall not be required to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing the holder's shares of Series A Preferred Stock are delivered to the Corporation, or the holder notifies the Corporation that the certificates have been lost, stolen or destroyed and executes an

agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

(8) **No Dilution.** If the Corporation at any time or from time to time after the date that the first share of Series A Preferred Stock is issued (the "Original Issue Date") effects a subdivision of the outstanding Common Stock or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock, or otherwise increases the number of shares of issued and outstanding Common Stock, the Conversion Ratio that is then in effect shall be decreased as of the time of such issuance or subdivision or, in the event such record date is fixed, as of the close of business on such record date. The decrease shall be determined by multiplying the Conversion Ratio then in effect by a fraction, the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or subdivision the close of business on such record date plus the number of additional shares of Common Stock resulting from such issuance or subdivision or payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Ratio shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Ratio shall be adjusted pursuant to this Section 8 to reflect the actual payment of such dividend or distribution. Conversely, if the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately before the combination shall be proportionately increased, effective at the close of business on the date the combination becomes effective.

(b) **Common Stock**

Subject to the preferences and rights of the Preferred Stock as set out above, the Common Stock shall have all rights and privileges established under Idaho law.

Every holder of Common Stock entitled to vote at any election of directors may cumulate such holder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the holder is entitled, or distribute the holder's votes using the same formula among as many candidates as the holder desires.

FOURTH: The governing board of the corporation shall be styled as a "Board of Directors," and any member of such Board shall be styled as a "Director."

The number of Directors of the corporation may be increased or decreased in the manner provided in the Bylaws of the corporation; provided, that the number of Directors shall never

be less than three. In the interim between elections of Directors by stockholders entitled to vote, all vacancies, including vacancies caused by an increase in the number of Directors and including vacancies resulting from the removal of Directors by the stockholders entitled to vote which are not filled by said stockholders, may be filled by the remaining Directors, though less than a quorum.

FIFTH: Intentionally deleted.

SIXTH: The holders of the majority of the outstanding shares of stock which have voting power shall constitute a quorum at a meeting of stockholders for the transaction of any business unless the action to be taken at the meeting shall require a greater proportion.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to fix the amount to be reserved as working capital over and above its paid-in capital stock and to authorize and cause to be executed, mortgages and liens upon the real and personal property of the corporation.

SEVENTH: Intentionally deleted.

EIGHTH: The personal liability of the directors of the corporation is hereby eliminated to the fullest extent permitted by the Idaho Business Corporation Act as the same may be amended and supplemented.

NINTH: The corporation shall, to the fullest extent permitted by the Idaho Business Corporation Act, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said Law from and against any and all of the expenses, liabilities or other matters referred to in or covered by said Law, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaws, agreements, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

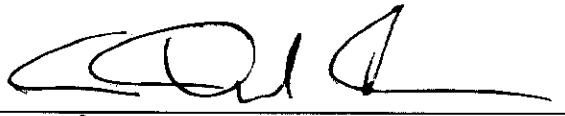
TENTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

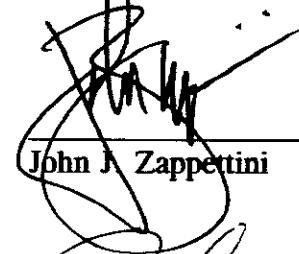
ELEVENTH: The purpose of this corporation is to engage in any lawful act or activity for which a corporation may engage under the Idaho Business Corporation Act.

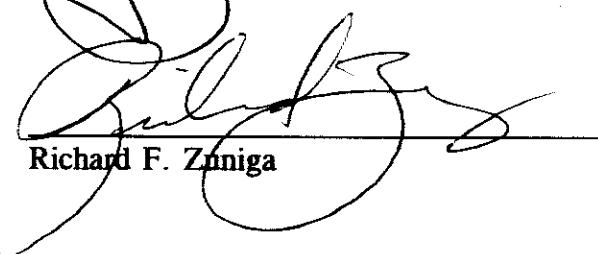
TWELFTH: The corporation shall have perpetual existence.

IN WITNESS WHEREOF, the undersigned Directors of the Corporation execute these Second Restated Articles of Incorporation on the 30th day of April, 1998.

DIRECTORS:


C. Derek Anderson


John J. Zappettini


Richard F. Zniga