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SECRETARY OF STATE  
STATE OF IDAHO

ARTICLES OF INCORPORATION  
OF  
SANDPOINT EXTENDED HOUSING CORPORATION

Pursuant to the provisions of Idaho Nonprofit Corporation Act, Chapter 3, Title 30, of the Idaho Code (the "Act"), Sandpoint Extended Housing Corporation ("Corporation"), by and through the undersigned incorporator, hereby adopts the following Articles of Incorporation ("Articles") for the corporation.

Article I. Name

The name of the Corporation is Sandpoint Extended Housing Corporation.

Article II. Purposes

The Corporation is organized, and will be operated and supervised, for the following purposes:

A. To own and maintain a Christian health care housing facility in support of the operation of a nursing home, assisted living facility, residential care and/or apartment living for the elderly and disabled located at 220 S. Division, Sandpoint, Idaho 83864, and within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended from time to time, for the benefit of Valley Vista Care Corporation, a non-profit corporation, organized under the laws of the state of Idaho, and recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

B. To acquire, purchase, lease or procure assets, materials and equipment for the carrying out of any of the purposes of the Corporation, and to hire any personnel required to meet the goals thereof.

C. To pursue charitable, religious, educational or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, including, for such purposes, the making of distributions to Valley Vista Care Corporation, an organization that qualifies as exempt under such Section 501(c)(3).

D. To exercise all powers granted by law necessary and proper to carry out the foregoing purposes, including, but not limited to, the power to accept donations of money, property, or any other things of value. Nothing herein contained shall be deemed to authorize or permit the Corporation to carry on any business for profit, or to do any act that a corporation formed under the Act, or any amendment thereto or substitute therefor, may not at that time lawfully carry on.

ARTICLES OF INCORPORATION  
OF SANDPOINT EXTENDED HOUSING  
CORPORATION

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E. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

### **Article III. Period of Duration**

The period of duration of the Corporation is perpetual.

### **Article IV. Nonprofit Status**

The Corporation is not for profit.

### **Article V. Registered Office and Agent**

The address of the Corporation's initial registered office in the State of Idaho is 820 Elm Street, City of St. Maries, County of Benewah, State of Idaho, 83861. The name of the Corporation's initial registered agent at such address is Valley Vista Care Corporation, an Idaho nonprofit Corporation.

### **Article VI. No Members**

The Corporation shall not have any members.

### **Article VII. Board of Directors**

The affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors shall consist of not less than three (3) nor more than fifteen (15) persons. The Directors shall be appointed by the Board of Directors of Valley Vista Care Corporation.

### **Article VIII. Distribution upon Dissolution**

At the time of the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, distribute all of the assets of the Corporation to Valley Vista Care Corporation, consistent with the purposes described in Article II hereof, and within the meaning of Section 501 of the Internal Revenue Code. Any such assets not so distributed shall be distributed by the district court of the county in which the principal office of the Corporation is then located, exclusively for the purposes or to such organizations, as such court shall determine to be consistent with the purposes of the Corporation. Provided, that any dissolution of the Corporation shall be in conformance with Article XII of the Articles.

### **Article IX. Bylaws**

Provisions for the regulation of the internal affairs of the Corporation shall be set forth in its Bylaws. The Bylaws may be amended by majority vote of the Board of Directors, and subject to approval, in writing, by the Board of Directors of Valley Vista Care Corporation.

### **Article X. Amendment or Restatement of Articles**

Any amendment or restatement to these Articles may be made by a majority vote of the Board of Directors, subject to approval, in writing, by the board of directors of Valley Vista Care Corporation, and consistent with Article XII of the Articles.

### **Article XI. Initial Directors**

The names and addresses of the initial Directors of the Corporation are as follows:

Scott Burpee, 820 Elm Street, St. Maries, Idaho 83861  
Kay Miller, 1 J Lane, St. Maries, Idaho 83861  
Gilbert Laidlaw, PO Box 231, St. Maries, Idaho 83861  
Mike Stokes, 1630 Cottonwood Drive, St. Maries, Idaho 83861  
Bill Cowin, 1022 Park Drive, St. Maries, Idaho 83861  
Gwen Wadley, Rt. 2 Box 124-A, St. Maries, Idaho 83861  
Don Ferrell, HCR1 Box 57B, St. Maries, Idaho 83861  
Brian Balsiger, 82169 Hwy 3 South, St. Maries, Idaho 83861

### **Article XII. Provisions Regarding FHA Financing**

The Provisions of this Article XII shall be applicable only during such period of time as the Note (as defined below) is either insured or held by the Secretary, his successors and assigns (the

“Secretary”) of the United States Department of Housing and Urban Development (“HUD” or “FHA”) acting by and through the Federal Housing Commissioner.

**A. Purposes.** In addition to any other provisions hereinelsewhere contained, the Corporation is created:

1. To create a corporation to construct, acquire, and/or own a certain assisted living facility, nursing home and/or apartment project to be identified by the Corporation and HUD, located in Sandpoint, Idaho and identified as an FHA Project number as determined by HUD.

2. To enable the refinancing of said Project with the assistance of mortgage insurance under Section 232 pursuant to Section 223 (f) of the National Housing Act, as amended;

3. To enter into, perform, and carry out contracts of any kind necessary to, or in connection, or incidental to, the accomplishment of the purposes of the Corporation, including, expressly, any contract or contracts with the Secretary which may be desirable or necessary to comply with the requirements of the National Housing Act, as amended, and the Regulations of the Secretary thereunder, relating to the regulation or restriction of mortgagors as to rents, sales, charges, capital structure, rate of return and methods of operation;

4. To acquire any property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary for the construction and operation of the Project; and

5. To borrow money, and issue evidence of indebtedness, and to secure the same by mortgage, deed of trust, pledge or other lien in furtherance of any or all of the objects of its business in connection with the Project.

**B. Additional Powers of Corporation.**

1. The Corporation shall have the power to do and perform all things whatsoever set out in this Article XII, and necessary or incidental to the accomplishment of said purposes.

2. The Corporation, specifically and particularly, shall have the power and authority to enter into a Regulatory Agreement with the Secretary setting out the requirements of the Secretary; and

3. In the event of the dissolution of the Corporation, the Corporation shall have at all times the power to convey any or all of its property to the Secretary or his/her nominee.

**C. Authorization and Execution of FHA Loan Document.** The Corporation is specifically authorized and empowered to execute a Regulatory Agreement with the Secretary, to

execute a non-recourse promissory note (the "Note"), a mortgage, deed of trust, security deed or equivalent instrument (the "Mortgage"), a security agreement, financing statements, contracts, assurances, agreements, certifications and other documents (hereinafter collectively called the "FHA Loan Documents"), to execute such other documents and to take such actions as may be necessary, desirable or appropriate to secure the closing and funding of the Mortgage Loan.

**D. Business of Corporation.** So long as the Note is insured or held by the Secretary, the sole business, purpose and assets of the Corporation shall be the ownership and operation of the Project.

**E. Conflicts.**

1. In the event of a conflict between any of the provisions of the Articles of Incorporation and any of the FHA Loan Documents, the FHA Loan Documents shall govern and be controlling in all respects.

2. In the event of a conflict between any of the provisions of the Bylaws and any of the FHA Loan Documents, the FHA Loan Documents shall govern and be controlling in all respects.

3. In the event of a conflict between any other provisions of the Articles of Incorporation and this Article XII, this Article XII shall govern and be controlling in all respects.

**F. Dissolution.**

1. The Corporation may not be voluntarily dissolved or changed to a different type of entity without the prior written approval of the Secretary.

2. No act of voluntary dissolution of the Corporation shall operate to affect or relieve the Corporation of obligations under the Regulatory Agreement until a successor owner has been approved by the Secretary.

3. Upon any dissolution of the Corporation, no title or right to possession and control of the Property, and no right to collect the rents from the Project, shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to the Secretary.

**G. Indemnification.** So long as the Note is insured or held by the Secretary the Corporation shall not provide indemnity to any of its officers, employees, agents or shareholders in any circumstances whatsoever, except to the extent mandated by state law or to the extent that such indemnification is limited to liability insurance coverage or distribution approved by HUD from residual receipts or surplus cash.

**H. Distributions of Funds.** So long as the Note is insured or held by the Secretary, the Secretary's financial requirements as to cash control and distributions as set forth in Paragraph 6 of the Regulatory Agreement shall supersede to the extent they are in conflict with any of the financial provisions of these Articles of Incorporation.

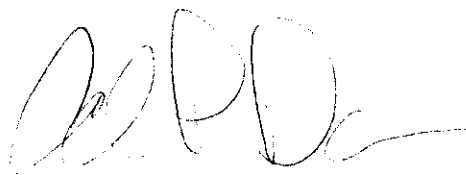
**I. Amendments.** So long as the Note is insured or held by the Secretary, no amendment to these Articles of Incorporation which results in any of the following shall be of any force or effect without the prior written consent of the Secretary:

1. Any amendment that modified the duration of the Corporation's existence;
2. Any amendment that activates the requirement that a HUD Previous Participation Certification be obtained for any additional or new Officer or Director;
3. Any amendment that in any way affects the Note, the Mortgage, or security agreement applicable to the Project, or the Regulatory Agreement; and
4. The deletion of, or any amendment to, this Article XII.

#### **Article XIII. Incorporator**

The name and address of the Incorporator of the Corporation is as follows:

Andrew P. Doman  
CHRISTENSEN & DOMAN, P.C.  
907 Main Avenue  
St. Maries, Idaho 83861



Andrew P. Doman, Incorporator

Date:

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