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(FNU) 5/22/03 9:46/ST. 9:39/NO. 4861814/93

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BASIC AMENDMENT
FOURTH HOUSE SECURITY, INC.

Certificate of Status	0
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FLORIDA DEPARTMENT OF STATE

Glenda H. Hood
Secretary of State

May 21, 2003

FOURTH HOUSE SECURITY, INC.
16467 TURNBURY OAK DRIVE
ODESSA, FL 33556

SUBJECT: FOURTH HOUSE SECURITY, INC.
REF: P01000095747

We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refax the complete document, including the electronic filing cover sheet.

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Teresa Brown
Document Specialist

FAX Aud. #: H03000196701
Letter Number: 403A00031713

FOURTH HOUSE SECURITY, INC.**ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION****CERTIFICATE OF DESIGNATION OF RIGHTS, PREFERENCES, AND
LIMITATIONS OF SERIES A CONVERTIBLE PREFERRED STOCK**

Pursuant to Sections 607.0602, 607.1002, and 607.1006 of the Florida Business Corporation Act (the "FBCA"), Fourth House Security, Inc., a Florida corporation (the "Corporation"), hereby certifies that:

FIRST: Pursuant to the authority of the Board of Directors of the Corporation pursuant to its Articles of Incorporation and Section 607.0602 of the FBCA, the Board of Directors of the Corporation, by resolutions adopted as of April 15, 2003, has: i) designated a series of Preferred Stock, par value \$0.001 per share, of the Corporation, to be designated "Series A Convertible Preferred Stock," consisting of 875,000 shares of the authorized but unissued Preferred Stock (the "Series A Preferred"), ii) authorized the issuance of a maximum of 875,000 shares of Series A Preferred, and iii) set the rights, preferences, limitations, and other terms and conditions of the Series A Preferred. Approval of the shareholders of the Corporation was not required.

SECOND: The Series A Preferred shall have the following designation, number of shares, rights, preferences, limitations, and other terms and conditions:

1. **Designation and Amount.** A total of 875,000 shares of Preferred Stock, \$0.001 par value per share, shall be designated "Series A Convertible Preferred Stock." The Series A Preferred shall rank senior to all other series of Preferred Stock that may hereinafter be designated by the Corporation.
2. **Dividends.**
 - a. **General.** The holders of the Series A Preferred shall be entitled to receive dividends at the annual rate of 10% of the purchase price paid to the Corporation for the Series A Preferred. Such dividends shall be non-cumulative, and shall be payable only (i) when, as, and if declared by the Board of Directors or (ii) upon the liquidation of or winding up of the

Corporation or upon redemption of the Series A Preferred. Such dividends shall be payable in cash.

- b. Preference. No dividends shall be paid or declared on any Common Stock of the Corporation during any fiscal year of the Corporation until all dividends on the Series A Preferred shall have been first paid or declared and set apart, provided, however, that in the event that the Corporation has funds legally sufficient to pay the holders of Series A Preferred its dividends as provided in subsection (a) above, the Corporation's dividends shall be paid to the outstanding shares of Common Stock and Series A Preferred ratably on a per-share basis (in the case of the Series A Preferred, based upon the number of shares of Common Stock into which each share of the Series A Preferred is then convertible).

3. Liquidation Preference.

- a. Preferential Amount to Series A Preferred. In the event of any liquidation, dissolution, or winding up of the Corporation (a "Liquidation Event"), either voluntarily or involuntarily, the holders of the Series A Preferred shall be entitled to receive, prior and in preference to any payment or distribution to the holders of Common Stock or any other shares of capital stock ranking junior as to liquidation, dissolution, or winding up to the Series A Preferred, an amount equal to \$0.1142 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares) for each share of Series A Preferred then so held, and the amount of any dividend declared but then unpaid with respect to the Series A Preferred. If upon the occurrence of a Liquidation Event, the assets and funds of the Corporation are insufficient to permit the full payment of the liquidation preference to the holders of the Series A Preferred, then the entire assets of the Corporation legally available for distribution shall be distributed ratably among the holders of Series A Preferred in proportion to the amount of Series A Preferred owned by each such holder.
- b. Distribution of Remaining Assets. Notwithstanding subsection (a) above, in the event that the Corporation has funds legally sufficient to pay the holders of Series A Preferred the liquidation preference set forth in subsection (a), the Corporation's liquidation proceeds shall be paid to the outstanding shares of Common Stock and Series A Preferred ratably on a per-share basis (in the case of the Series A Preferred, based upon the number of shares of Common Stock into which each share of the Series A Preferred is then convertible).

- c. Deemed Liquidation. For purposes of this Section 3, a "Liquidation Event" includes (i) a sale of all or substantially all of the assets of the Corporation or (ii) a merger, acquisition or similar transaction, any of which results in the Corporation's stockholders immediately prior to such transaction holding less than 50% of the voting power of the surviving, continuing or purchasing entity.
 - d. Non-cash Distribution. If any of the assets of the Corporation are to be distributed to shareholders other than in cash under this Section 3 or for any purpose, the value of the assets to be distributed will be deemed its fair market value. Any securities to be distributed to the shareholders shall be valued as follows:
 - i. If traded on a securities exchange or on the Nasdaq national market list, the value shall be deemed to be the average of the closing prices of the securities on such exchange or the Nasdaq national market list over the thirty (30) day period ending three (3) business days prior to the closing of the transaction;
 - ii. If actively traded over-the-counter (but not on the Nasdaq national market list), the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) business days prior to the closing of the transaction; and
 - iii. If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Board of Directors of the Corporation and the holders of a majority of the Series A Preferred; and in the absence of an agreement as to same, said valuation issue shall be submitted to arbitration for resolution, and the costs of such arbitration shall be born by the Corporation.
4. Voting Rights.
- a. Number of Votes. Except as otherwise required by law and the provisions of this Section 4, the Holders of Series A Preferred and the holders of the Common Stock shall be entitled to notice of any stockholders' meeting and to vote together as a single class of capital stock upon any matter submitted to a stockholder for a vote, on the following basis:
 - i. Holders of Common Stock shall have one vote per share; and
 - ii. Holders of Series A Preferred Stock shall have that number of votes per share as is equal to the number of shares of Common

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Stock into which each such share of Series A Preferred Stock held by such holder is convertible at the time of such vote.

- b. Quorums. Except as otherwise required by law, the following shall constitute quorums at meetings of stockholders:
 - i. The presence in person, by teleconference or by proxy of the holders of shares constituting fifty-one percent (51 %) of the votes entitled to vote thereat, calculated in accordance with Section 4(a) hereof, shall constitute a quorum for the purpose of transaction of business at all meetings of stockholders.

5. **Conversion.** The holders of the Series A Preferred have conversion rights as follows:

- a. Right to Convert. Each share of Series A Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Series A Preferred into such number of shares of Common Stock as is determined by dividing \$0.1142 by the Conversion Price in effect at the time of conversion. The "Conversion Price" shall initially be \$0.1142 and shall be subject to adjustment as provided below.
- b. Automatic Conversion. Each share of Series A Preferred shall be converted automatically into the number of shares of Common Stock into which such shares of Series A Preferred are convertible pursuant to this Section 5, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, upon the earlier of (i) the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation at a public offering price per share (prior to underwriting commissions and expenses and subject to adjustment as set forth herein) that values the Common Stock at least at \$0.34 per share in an offering of not less than \$30,000,000, before deduction of underwriting discounts and registration expenses (a "Qualified IPO"), or (ii) the election of holders of a majority of the then outstanding Series A Preferred to convert such shares into Common Stock, or (iii) the employment agreement of Mark E. Swanson with the Corporation of even date herewith is terminated within one year of the date hereof, or (iv) upon the demand of the Board of Directors, Lane Five, LLC or its designee fails to (X) purchase an additional \$150,000 of Series A Preferred at the price of \$0.1142 per share or (Y) provide the Company

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with \$150,000 in convertible debt financing (with an interest rate of 12% and a three year term) on or before July 31, 2003.

- c. Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of Series A Preferred. The Corporation shall round up fractional shares to which the holder would otherwise be entitled to the nearest whole number. Before any holder of Series A Preferred shall be entitled to convert such shares into shares of Common Stock and receive certificates therefor, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A Preferred and shall give written notice to the Corporation at such office that it elects to convert the same. The Corporation shall issue and deliver at such office to such holder of Series A Preferred a certificate or certificates for the number of shares of Common Stock to which it shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.
- d. Reservation of Stock Issuable upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized and unissued shares of Common Stock, free from preemptive or other preferential rights, restrictions, reservations, dedications, allocations, options, other warrants and other rights under any stock option, conversion option or similar agreement, solely for the purpose of effecting the conversion of the shares of the Series A Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred.
- e. Anti-Dilution Adjustments.
- i. For purposes of this Section 5.e., the following definitions shall apply:
- (1) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or deemed to be issued) by the Corporation after the Original Issue Date, other than:
- (a) shares of Common Stock issued upon conversion of the Series A Preferred;

- (b) shares of Common Stock issued pursuant to a stock dividend, split or other similar transaction;
 - (c) up to 3,072,110 shares of Common Stock or options to purchase such shares issued to employees, consultants, officers or directors in accordance with stock plans approved by the Board of Directors, and such other shares of Common Stock or options to purchase such shares as may be authorized by the Board of Directors;
 - (d) shares of Common Stock issued pursuant to any warrants, options, notes or other rights outstanding as of the effective date hereof;
 - (e) shares of Common Stock issued in a public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended; and
 - (f) up to 444,000 shares of Common Stock issued in connection with loan agreements, lease agreements, licensing agreements, corporate partnership agreements and merger or acquisition agreements to the extent that the transaction in which such issuance is to be made, subject to the provisions below, is approved by the Corporation's Board of Directors and is for purposes other than equity financing in each case.
- (2) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than Series A Preferred outstanding on the Original Issue Date) or other securities directly or indirectly convertible into or exchangeable for Common Stock.
 - (3) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.
 - (4) "Original Issue Date" for the Series A Preferred shall mean the date on which the first share of Series A Preferred was issued.
- ii. No Adjustment of Conversion Price. No adjustment in the Conversion Price of the Series A Preferred shall be made in

respect of the issuance of Additional Shares of Common Stock unless the consideration per share for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the applicable Conversion Price of such series in effect on the date of and immediately prior to such issue.

- iii. Deemed Issue of Additional Shares of Common Stock. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number that would result in an adjustment pursuant to clause (2) below) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, or the exercise of such Options therefor, shall be deemed to be Additional Shares of Common Stock issued as of the time of the issue of such Options or Convertible Securities or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to subsection 5.e.v. hereof) of such Additional Shares of Common Stock would be less than the applicable Conversion Price of the Series A Preferred in effect on the date of and immediately prior to such issue, or such record date, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

- (1) No further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;
- (2) Notwithstanding anything to the contrary set forth herein, if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Conversion Price

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computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

- (3) Upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:
- (a) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and
 - (b) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation upon the issue of the Convertible

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Securities with respect to which such Options were actually exercised;

- (4) No readjustment pursuant to clause (3)(a) or (3)(b) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of the Conversion Price on the original adjustment date, or the Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date; and
 - (5) In the case of any Options which expire by their terms not more than thirty (30) days after the date of issue thereof, no adjustment of the Conversion Price shall be made until the earlier of the conversion of any shares of Preferred Stock or the expiration or exercise of all such Options, whereupon such adjustment shall be made in the manner provided in clause (3) above.
- iv. Adjustment of Conversion Price of Series A Preferred upon Issuance of Additional Shares of Common Stock. In the event that after the Original Issue Date the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to subsection 5.e.iii.) without consideration or for a consideration per share less than the Conversion Price of the Series A Preferred in effect on the date of and immediately prior to such issue, then such Conversion Price of the Series A Preferred shall be reduced, concurrently with such issue, to a price (calculated to the nearest one tenth (1/10) of a cent) determined by multiplying such Conversion Price of the Series A Preferred, by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; and provided further that, for the purposes of this subsection 5.e.iv., all shares of Common Stock issuable upon conversion of outstanding Series A Preferred and outstanding Convertible Securities or exercise of outstanding Options shall be deemed to be outstanding, and immediately after any Additional Shares of Common Stock are deemed issued, such

Additional Shares of Common Stock shall be deemed to be outstanding.

- v. Determination of Consideration. For purposes of this Section 5, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

- (1) Cash and Property. Except as provided in clause (2) below, such consideration shall:

- (a) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;
- (b) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the board of directors; provided, however, that no value shall be attributed to any services performed by any employee, officer or director of the Corporation; and
- (c) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both such Additional Shares of Common Stock and such other shares or securities or other assets, be the proportion of such consideration so received with respect to such Additional Shares of Common Stock as determined in good faith by the Board of Directors.

- (2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 5.iii., relating to Options under Plans and Convertible Securities, shall be determined by dividing:

- (a) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision

contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by

- (b) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

vi. Adjustments for Stock Dividends, Subdivisions, Combinations or Consolidations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock dividends, splits, or otherwise) into a greater number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

vii. Adjustments for Other Distributions. In the event the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive any distribution payable in securities or assets of the Corporation other than shares of Common Stock, in each such event provision shall be made so that the holders of Series A Preferred shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities or assets of the Corporation which they would have received had their Series A Preferred been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities or assets receivable by them as aforesaid during such period, subject to all

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other adjustments called for during such period under this Section 5 with respect to the rights of the holders of the Series A Preferred.

- viii. Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Series A Preferred shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then and in each such event the holder of each share of Series A Preferred shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization or reclassification or other change by holders of the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Series A Preferred immediately before that change, all subject to further adjustment as provided herein.
- ix. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to Section 5, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Series A Preferred.
- x. Special Antidilution Protection. Without giving effect to the issuance of Additional Shares, the holder of the Series A Preferred shall not bear any dilution of its holdings in the Corporation in connection with the issuance and sale of the next 1,750,000 shares of capital stock of the Corporation of any class whatsoever. At such time as the Corporation has 10,500,000 shares of capital stock of all classes issued and outstanding or reserved for issuance pursuant to stock option grants, this subsection x shall cease to have any force or effect.

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6. Protective Provisions. In addition to any other rights provided by law, so long as the Series A Preferred shall be outstanding, the Corporation shall not:

- a. Without first obtaining the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series A Preferred, voting separately as a single class:
 - i. Take any action or add, amend or repeal any provision of the Corporation's Certificate of Incorporation or Bylaws if such action, amendment or repeal would adversely alter or change the rights, preferences, or privileges of the Series A Preferred; or
 - ii. Increase the authorized number of shares of the Series A Preferred.
- b. Without first obtaining the affirmative vote or written consent of the holders of two-thirds of the outstanding shares of Series A Preferred, voting separately as a single class:
 - i. Authorize or issue shares of any equity security senior to or *pari passu* with the Series A Preferred as to dividend rights, redemption rights, or liquidation preferences;
 - ii. Merge, consolidate or effect any other form of corporate reorganization, including any transaction or series of transactions in which 50% or more of the Corporation's voting power is transferred or in which all or substantially all of the assets of the Corporation are sold;
 - iii. Borrow, make any loan or advance or guarantee in excess of \$100,000;
 - iv. Pay any dividend to or redeem any security that is junior to the Series A Preferred;
 - v. Engage in any business other than the business engaged in by the Corporation on the closing date;
 - vi. Increase or decrease the authorized number of directors constituting the Board of Directors; or
 - vii. Change the provisions of this Section 6.

7. Limitations on Reissuance. No share or shares of Series A Preferred acquired by the Corporation by reason of purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

FROM FOLEY & LARDNER

813-221-4210

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THIRD: These Articles of Amendment have been approved by the Board of Directors of the Corporation in the manner and by the vote required by the FBCA.

FROM FOLEY & LARDNER

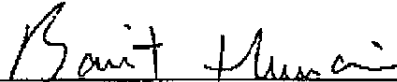
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IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed as of April 15, 2003.

FOURTH HOUSE SECURITY, INC.



Basit Hussain, President and Chief Executive Officer

FROM FOLEY & LARDNER

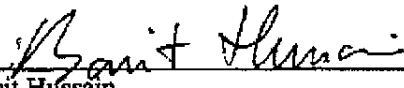
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IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed as of April 15, 2003.

FOURTH HOUSE SECURITY, INC.



Basit Hussain
Chairman of the Board

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