

P02000085672

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BASIC AMENDMENT

1STPALM FINANCIAL, INC.

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FLORIDA DEPARTMENT OF STATE

Glenda E. Hood
Secretary of State

June 6, 2003

1STPALM FINANCIAL, INC.
4905 BELFORT RD STE 110
JACKSONVILLE, FL 32256

SUBJECT: 1STPALM FINANCIAL, INC. !
REF: P02000085672

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.

Our records show the first amendment was filed on August 9, 2002 and not August 8, 2002. Please correct your document.

The name of the person signing the document must be typed or printed beneath or opposite the signature.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 245-6869.

Teresa Brown
Document Specialist

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H03000207762 3

**ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION OF
1stPALM FINANCIAL, INC.**

SERIES A PREFERRED STOCK

- I. The name of this Corporation is 1stPalm Financial, Inc. (the "Corporation").
- II. Articles of Amendment were filed by the Corporation with the Secretary of State of Florida on August 9, 2002, creating a series of preferred stock of the Corporation known as the Series A Preferred Stock. On December 4, 2002, Articles of Amendment were filed with the Secretary of State amending the terms and provisions of the Series A Preferred Stock (the "Series A Designation").
- III. On April 1, 2003, the Corporation's Board of Directors duly adopted the following amendment to the Series A Designation. Shareholder approval of these Articles of Amendment was obtained from the holders of the Corporation's Common Stock, Series A Preferred Stock, and Series B Preferred Stock on April 1, 2003, each voting separately as a class. The number of votes cast in favor thereof was sufficient for approval by each such voting group.
- IV. These Articles of Amendment hereby amend the provisions of the Articles of Incorporation as follows:
1. Increase Authorized Shares. The first paragraph of Article V - Capital Stock of the Articles of Incorporation is hereby amended to increase the total number of shares of all classes that that Corporation shall have authority to issue to 80 million consisting of (i) 30 million shares of preferred stock having a par value of \$.01 per share ("Preferred Stock") and (ii) 50 million shares of common stock having a par value of \$.01 per share ("Common Stock").
 2. Increase Authorized Series A Shares. The Series A Designation is hereby amended so that the number of shares of Preferred Stock authorized as Series A Preferred Stock is hereby increased from Two Million (2,000,000) shares to Five Million (5,000,000) shares.
 3. Voting Rights. Section 2 of the Series A Designation is hereby amended and restated in its entirety as follows:
 - "2. Voting Rights. Except as required by law or otherwise expressly stated herein, prior to the Conversion Eligibility Date, the holders of the Series A Preferred Stock shall vote with the holders of Common Stock on an as converted basis as a single class (except the holders of Series A Preferred Stock shall not be entitled to vote for directors other than the Series A Directors as hereinafter provided) and, after the Conversion Eligibility Date, the holders of the Series A Preferred Stock shall not be entitled to vote on any matter; provided, however, so long as twenty-five percent of the Series A Preferred Stock issued by the Corporation remains outstanding, the Corporation

H03000207762 3

shall not, without the consent of a majority of the Series A Preferred Stock then outstanding:

- (a) alter the rights, preferences or privileges of the Series A Preferred Stock, including but not limited to issuing any class or series of preferred stock that is senior to the Special Dividends or senior to the Series A Preferred Stock as to liquidation;
- (b) amend or waive any provision of the Corporation's Articles of Incorporation or its Bylaws in a manner that would adversely affect the rights of the holders of the Series A Preferred Stock, including but not limited to issuing additional shares of preferred stock that is senior in liquidation preference or dividend preference to the Series A Preferred Stock;
- (c) directly, or indirectly through a subsidiary, sell, license, transfer or otherwise dispose of all or substantially all of the Company's technology or intellectual property;
- (d) redeem any shares of Common Stock or preferred stock other than the Series A Preferred Stock or the Series B Preferred Stock pursuant to the stated terms thereof or other than pursuant to agreements with any of the Corporation's employees, officers, directors or consultants giving the Corporation the right to repurchase their shares (i) upon termination of their services to the Corporation or (ii) for any other reason;
- (e) form, or transfer any assets to, any subsidiary (other than 1stPalm Financial Services, LLC) unless the transfer is disclosed to the Corporation's Board of Directors and Series A Preferred Shareholders not later than the quarterly delivery of financial information as stipulated in paragraph 3.1 of the Shareholders Agreement; or
- (f) directly, or indirectly through a subsidiary, enter into any agreement or transaction with any of the Corporation's shareholders, officers, directors or affiliates (other than wholly-owned subsidiaries of the Corporation), or any individual related by blood or marriage to any such person, or any entity in which any such person owns a beneficial interest (other than a non-controlling interest in a public corporation) unless the agreement or transaction is made on terms at least as favorable as those that could reasonably be obtained from unaffiliated third parties in the ordinary course of business and is disclosed to the Corporation's Board of Directors and Series A Preferred Shareholders not later than the quarterly delivery of financial information as stipulated in paragraph 3.1 of the Shareholders Agreement.

In addition, after the Conversion Eligibility Date without the consent of the holders of a majority of the outstanding Series A Preferred Stock voting on an as converted basis together with the holders of Common Stock as a single class, the Corporation shall not issue or incur any obligation to issue any securities in a transaction if the effect of such issuance would cause the

H03000207762 3

shareholders of the Corporation immediately prior to the transaction to own less than fifty percent (50%) of the voting power of the Corporation immediately following the transaction (a "Change of Control").


The foregoing restrictions on the Corporation and right to consent of the holders of Series A Preferred Stock shall terminate immediately prior to the closing of a firm commitment underwriting of the Corporation's common stock.

Notwithstanding any other provision hereof, so long as twenty-five percent (25%) of the Series A Preferred Stock issued by the Corporation remains outstanding, the holders of the Series A Preferred Stock voting separately as a class shall have the right to elect two members of the Board of Directors (the "Series A Directors"). The Series A Directors may be removed with or without cause by a majority of the holders of the outstanding shares of Series A Preferred Stock at any time and, if a vacancy in the seat filled by a Series A Director shall exist at any time, such vacancy shall be filled only by a vote of the majority of the holders of the Series A Preferred Stock then outstanding provided twenty-five percent (25%) of the shares of Series A Preferred Stock issued by the Corporation are then outstanding."

4. Liquidation Preference Increase. Section 3(a) of the Series A Designation is hereby amended to increase the Series A Liquidation Preference to "One Dollar 20/100 (\$1.20) in cash, securities or other property for each share of Series A Preferred Stock (together with any declared but unpaid dividends thereon)".

5. Conversion Price Increase. Section 5(b) of the Series A Designation is hereby amended to increase the Conversion Price to Two Dollars 40/100 (\$2.40) subject to adjustment.

6. Conforming Redemption Amendments. Section 4 of the Series A Designation is hereby amended (i) to increase the Series A Redemption Price to "\$1.32 per share plus declared and unpaid dividends (appropriately adjusted for stock splits, reverse stock splits or similar combinations)", and (ii) to increase the Mandatory Redemption Price to "\$1.20 per share, plus declared but unpaid dividends".


Co-Chair of the Board of Directors
Ann R. Mackey

JAX1 #698721 v2