

# P03000115939

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## BASIC AMENDMENT

### SECURITY INNOVATION, INC.

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*Amendment*

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**ARTICLES OF AMENDMENT  
OF THE ARTICLES OF INCORPORATION  
OF SECURITY INNOVATION, INC.**

The undersigned hereby submits to the Florida Secretary of State these Articles of Amendment of the Articles of Incorporation of Security Innovation, Inc., in accordance with Section 607.0602, *Florida Statutes*.

- A. The name of the corporation is Security Innovation, Inc.
- B. These Articles of Amendment were adopted on the 18 day of August, 2004.
- C. These Articles of Amendment were duly adopted by the board of directors of the Corporation under the authority of Section 607.0602, *Florida Statutes*, and Article VIII of the Corporation's Articles of Incorporation.
- D. Article XV of the Articles of Incorporation are amended to increase the number of Class A Preferred Shares authorized from 1,856,250 shares to 2,115,376 shares.
- E. These Articles of Amendment add the following Article XVI to the Articles of Incorporation.

**ARTICLE XVI – CLASS B PREFERRED SHARES**

Class B Preferred Shares shall have a stated value of \$0.48 per share (the "Class B Stated Value"). All Class B Preferred Shares shall be identical and shall entitle the holders thereof to the same rights and privileges. The Board of Directors may issue up to 3,859,500 Class B Preferred Shares. Holders of Class B Preferred Shares shall participate in *pari passu* with holders of Class A Preferred Shares in distributions of dividends and liquidation proceeds as hereinafter provided.

When, as and if dividends are declared by the Board of Directors, whether payable in cash, in property or in securities of the Corporation, the holders of Class B Preferred Shares shall be entitled to receive, prior to the payment of any dividends on Common Shares, the cumulative amount of \$0.48 per share (the "Class B Preferred Dividend") of Class B Preferred Shares. Dividends shall be paid to holders of Class A Preferred Shares

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and Class B Preferred Shares on a per-share basis in the ratio that the Class A Preferred Dividend bears to the Class B Preferred Dividend. In the event dividends declared by the Board of Directors are insufficient to pay the entire amount of the Class A Preferred Dividend and the Class B Preferred Dividend, the holders of Class A Preferred Shares and the holders of Class B Preferred Shares shall be paid all such dividends on a per-share basis in the ratio that the Class A Preferred Dividend bears to the Class B Preferred Dividend until each holder of Class A Preferred Shares and each holder of Class B Preferred Shares receives the entire amount of the Class A Preferred Dividend and the Class B Preferred Dividend, respectively. The Class B Preferred Dividend is a one-time preferential dividend and not an annual amount. After each holder of Class A Preferred Shares and each holder of Class B Preferred Shares have received dividends in the cumulative amount of the Class A Preferred Dividend and the Class B Preferred Dividend, respectively, the holders of Class A Preferred Shares and Class B Preferred Shares shall be entitled to share equally in and to receive, in accordance with the number of Class A Preferred Shares, Class B Preferred Shares and Common Shares held by the holders thereof, all such dividends which exceed the amount of the Class A Preferred Dividend and the Class B Preferred Dividend.

Dividends payable under this Article XVI shall be paid to the holders of record of the outstanding Class B Preferred Shares as their names shall appear on the stock register of the Corporation on the record date fixed by the Board of Directors in advance of the declaration and payment of each dividend.

The Corporation shall not in any manner subdivide (by any stock split, reclassification, stock dividend, recapitalization or otherwise) or combine the outstanding shares of either Common Shares, Class A Preferred Shares or Class B Preferred Shares without at the same time making a proportionate subdivision or combination of shares of all such classes; except that any dividends paid in shares shall be paid in Common Shares. The Corporation shall not issue fractions of Common Shares in payment of such dividend but shall issue a whole number of shares to such holder of Class B Preferred Shares rounded up or down, in the Corporation's sole discretion, to the nearest whole number, without compensation to any stockholder whose fractional share has been rounded down or from any stockholder whose fractional share has been rounded up.

Each holder of Class B Preferred Shares shall be entitled to one vote for each share of such stock issued and outstanding and registered in such holder's name, subject to adjustment as provided below. In the event the Corporation shall issue any voting Common Shares (including shares issued upon exercise of a convertible debt instrument or of a warrant or option, other than an option granted pursuant to a stock option plan

adopted for the benefit of employees of the Corporation) or issue any additional class or series of Preferred Shares, which Common Shares or Preferred Shares have an Effective Voting Ratio (as hereinafter defined) per share of greater than one, each holder of Class B Preferred Shares shall then be entitled to a number of votes for each share of such stock which equals the highest Effective Voting Ratio of any Common Shares or any class or series of Preferred Shares. The Effective Voting Ratio shall equal the result of dividing the (a) product of the Class B Stated Value and the number of votes which each such Common Share or Preferred Share is assigned by (b) the per share issue price of the Common Shares or the liquidation preference or Preferred Dividend Amount (as hereinafter defined), whichever is less, of each Preferred Share. Voting rights of Class B Preferred Shares shall be adjusted for each subsequent issue of any additional class or series of Preferred Shares or Common Shares. The "Preferred Dividend Amount" of a Preferred Share shall equal ten times the stated annual amount (whether or not cumulative) of a dividend payable annually or the total amount of a dividend limited to a single sum.

Holders of issued and outstanding Class B Preferred Shares shall have preference over Common Shares upon the voluntary or involuntary liquidation of the Corporation but only to the extent that holders of Class A Preferred Shares and holders of Class B Preferred Shares shall be paid the Class A Stated Value and the Class B Stated Value, respectively, prior to any distribution being made to holders of Common Shares, except the amount to be paid holders of Class A Preferred Shares and Class B Preferred Shares on liquidation of the Corporation shall be reduced by the amount of dividends not exceeding the Class A Preferred Dividend and the Class B Preferred Dividend, respectively, paid to holders of Class A Preferred Shares and Class B Preferred Shares prior to liquidation. In the event proceeds payable on liquidation of the Corporation shall be insufficient to pay holders of Class A Preferred Shares and holders of Class B Preferred Shares the entire Class A Stated Value and the entire Class B Stated Value, respectively (as reduced by dividends previously paid), such holders shall be paid such liquidation proceeds on a per-share basis in the ratio that the Class A Stated Value bears to the Class B Stated Value. After holders of Class A Preferred Shares and Class B Preferred Shares have received the stated value of their shares from liquidation of the Corporation (as reduced by dividends previously paid), holders of Class A Preferred Shares, Class B Preferred Shares and Common Shares shall share equally in the remaining liquidation proceeds in accordance with the number of Class A Preferred Shares, Class B Preferred Shares and Common Shares held by each such holder, subject to adjustment as provided below.

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In the event the Corporation shall issue Common Shares for a price of less than \$0.48 per share (including Common Shares issued upon exercise of a convertible debt instrument or of a warrant or option, other than an option granted pursuant to a stock option plan adopted for the benefit of employees of the Corporation) or issue any additional class or series of Preferred Shares which has an Effective Price (as hereinafter defined) of less than \$0.48 per share, holders of Class B Shares shall be entitled to receive liquidation proceeds (after payment of the Class B Stated Value) in participation with Common Shares and Class A Preferred Shares on a per share basis in an amount which equals the product of the amount received by each Common Share and the result of dividing \$0.48 by the lesser of the issue price of Common Shares (at the lowest price of issue) of any Common Shares or by the Effective Price of Preferred Shares, if any. The Effective Price of Preferred Shares shall equal the lesser of the amount of the liquidation preference of such Preferred Shares or, if such Preferred Shares are convertible into Common Shares, the result of dividing the liquidation preference of such Preferred Shares by the number of Common Shares into which such Preferred Shares are convertible.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Amendment this 18 day of August, 2004.



GORDON M. BURNS, Secretary and  
Chairman of the Board of Directors

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