

P96000025387



ACCOUNT NO. : 072100000032

REFERENCE : 599611 4325609

AUTHORIZATION :

*Patricia Pizut*

COST LIMIT : \$ 122.50

ORDER DATE : November 13, 1997

ORDER TIME : 2:22 PM

ORDER NO. : 599611-005

CUSTOMER NO: 4325609

600002347096--0

CUSTOMER: Rosie Zamora, Legal Assistant  
Shapo Freedman & Fletcher, Pa  
Suite 4750  
200 South Biscayne Boulevard  
Miami, FL 33131

ARTICLES OF MERGER

THE HAVANA REPUBLIC, INC.

INTO

THE HAVANA REPUBLIC, INC.

PLEASE RETURN THE FOLLOWING AS PROOF OF FILING:

XX \_\_\_\_\_ CERTIFIED COPY  
\_\_\_\_\_ PLAIN STAMPED COPY

CONTACT PERSON: Deborah Schroder

EXAMINER'S INITIALS:

*SP*

*merger*

*11/25*

FILED  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
97 NOV 25 PM 2:47  
97 NOV 14 AM 9:52  
STATE OF FLORIDA

ARTICLES OF MERGER  
Merger Sheet

-----  
MERGING:

THE HAVANA REPUBLIC, INC., a nonqualified Colorado corp.

INTO

**THE HAVANA REPUBLIC, INC.,** a Florida corporation, P96000025387

File date: November 25, 1997

Corporate Specialist: Susan Payne

Account number: 072100000032

Account charged: 122.50

**SHAPO, FREEDMAN & BLOOM, P.A.**

COUNSELLORS AT LAW

FIRST UNION FINANCIAL CENTER

SUITE 4750

200 SOUTH BISCAYNE BOULEVARD

MIAMI, FLORIDA 33131

(305) 358-4440

FACSIMILE NO.  
(305) 358-0521

November 24, 1997

Ms. Suzanne Payne  
Fla. Secretary of State  
Division of Corporations  
409 East Gaines Street  
P.O. BOX 6327  
Tallahassee, FL 32399

**Re: The Havana Republic, Inc.**

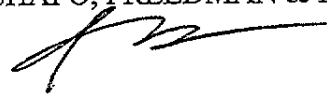
Dear Ms. Payne:

As we discussed, enclosed is the replacement Page 2 to the Plan of Merger of The Havana Republic, Inc., the Colorado parent corporation, into its wholly owned subsidiary, The Havana Republic, Inc., a Florida corporation. Also enclosed is the reinstatement papers and a letter from the President of the Corporation indicating the renewal documents were never received because the address of the corporation was incorrect in the state's computer.

Thank you for all your help in this matter.

Very truly yours,

SHAPO, FREEDMAN & BLOOM



IRWIN M. FROST

IMF:rz  
Encls.  
1coc459a.26a

**ARTICLES OF MERGER  
OF  
THE HAVANA REPUBLIC, INC.  
*a Colorado corporation*  
INTO  
THE HAVANA REPUBLIC, INC.  
*a Florida corporation***

---

FILED  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
97 NOV 25 PM 2:47

**ARTICLE I**

**PARTIES.** The Havana Republic, Inc., *a Colorado corporation*, (the "Disappearing Corporation") and The Havana Republic, Inc. *a Florida Corporation* (the "Surviving Corporation") are the parties to an Agreement of Merger whereby The Disappearing Corporation will merge into The Surviving Corporation and the shareholders of The Disappearing Corporation will receive shares of the Surviving Corporation.

**ARTICLE I**

**ADOPTION.** A. The Agreement of Merger was adopted by all directors of the Surviving Corporation on October 14, 1997. Shareholder's approval of the Surviving Corporation was not required pursuant to F.S. § 607.1104.

B. The Agreement of Merger was adopted by all directors on October 14, 1997 of the Disappearing Corporation and by a majority of the shareholders of the Disappearing Corporation on November 6, 1997.

**ARTICLE II**

**EFFECTIVE DATE.** The merger will become effective on the date of filing of these Articles of Merger with the Secretary of State of the State of Florida.

### ARTICLE III

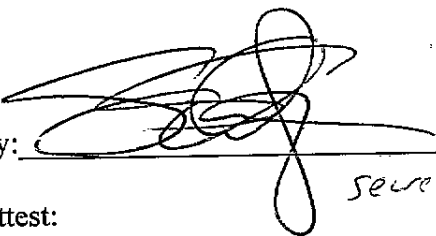
**PLAN OF MERGER.** The Plan of Merger provides for an exchange of shares in the corporations party to the merger effected in the following manner: All of the shares of the Disappearing Corporation will be surrendered to the Surviving Corporation and all shares so acquired shall be extinguished by virtue of the merger. Thereupon, there shall be issued to the shareholders of the Disappearing Corporation shares of the Surviving Corporation, one share of the Surviving Corporation's Common Stock for each share of the Disappearing Corporation's Common Stock and One Share of the Surviving Corporation's Preferred Stock for each share of the Disappearing Corporation's Preferred Stock. The Plan of Merger is attached as Exhibit "A" hereto.

### ARTICLE IV

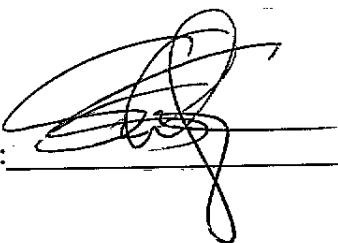
The Articles of Incorporation of the Surviving Corporation shall be amended and restated in the manner as attached hereto as Exhibit "B". The Designation of Series A Convertible Preferred Stock attached as Exhibit "C" is hereby adopted as an amendment to the Articles of Incorporation.

**DATED:** this 6 day of November, 1997.

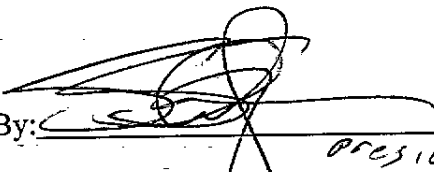
Attest:

By:   
Secretary

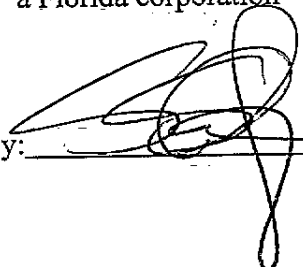
Attest:

By:   
Secretary

**The Havana Republic, Inc.**  
a Colorado corporation

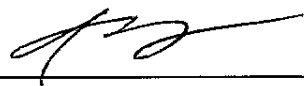
By:   
President

**The Havana Republic, Inc.**  
a Florida corporation

By:   
President

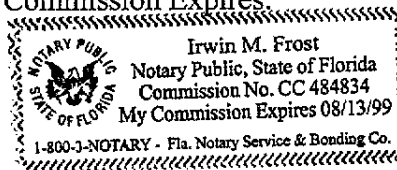
STATE OF FLORIDA                     )  
                                                      )SS:  
COUNTY OF DADE                     )

The foregoing instrument was acknowledged before me this 6 day of November, 1997, by Stephen Schatzman, as President and Secretary of **The Havana Republic, Inc.** a Colorado corporation, on behalf of the Corporation.

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

My Commission Expires:

STATE OF FLORIDA                     )  
                                                      )SS:  
COUNTY OF DADE                     )



The foregoing instrument was acknowledged before me this 6 day of November, 1997, by Stephen Schatzman, as President and Secretary of **The Havana Republic, Inc.**, a Florida corporation, on behalf of the Corporation.

  
\_\_\_\_\_  
Notary Public, State of Florida at Large

My Commission Expires:

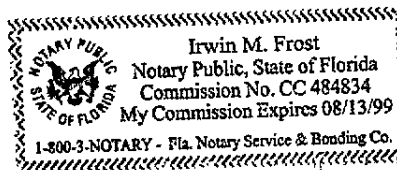


Exhibit "A"

## **PLAN OF MERGER**

This Plan of Merger between The Havana Republic, Inc. a Colorado Corporation, (the "Disappearing Corporation") and The Havana Republic, Inc., a Florida corporation, (the "Surviving Corporation") and collectively said corporations hereinafter referred to as the "Constituent Corporation."

1. **Plan to Merge.**

The Disappearing Corporation shall be merged into the Surviving Corporation.

2. **Name of Merged Corporation.**

The name of the Surviving Corporation shall be The Havana Republic, Inc.

3. **Place of Office of Surviving Corporation.**

The place in Florida where the principal office of the Surviving Corporation is to be located is 1360 Weston road, Weston, FL 33324.

4. **Purposes of Surviving Corporation.**

The purposes of the surviving corporation are to engage in any lawful act or activity for which corporations may be formed in accordance with the Florida Business Corporation Act.

5. **Authorized Shares of Surviving Corporation.**

The present number of shares which the Disappearing Corporation is authorized to issue is 50,000,000 shares of no par value Common Stock, of which 9,159,460 shares are now issued and outstanding and 2500 shares of \$1,000 par value Series A Convertible Preferred Stock of which 2,100 shares are now issued and outstanding. The present number of shares which the Surviving Corporation is authorized to issue is 1,000 shares of no par value Common Stock of which 1,000

shares are now issued and outstanding, all of which are owned by the Disappearing Corporation. The total number of shares of capital stock which Surviving Corporation is authorized to issue from and after the effective date of the merger is 50,000,000 shares of Common Stock of no par value and 2,500 shares of \$1,000 par value Series A Convertible Preferred Stock. The authorized shares of Common Stock of the Surviving Corporation shall have the same rights and privileges as the common stock of the Disappearing Corporation. The authorized convertible preferred shares of the Surviving Corporation shall have the same rights and privileges as the Series A Convertible Preferred Stock of the Disappearing Corporation.

6. **First Directors and Officers.**

The present directors and officers of the Surviving Corporation shall continue as such until their successors are duly elected or designated after the effective date of the merger.

7. **Name and Address of Agent of Corporation.**

Stephen Schatzman, 1360 Weston Road, City of Weston, Broward County, Florida 33324, shall be, and is hereby, appointed as the person on whom process, tax notices, and demands against said Surviving Corporation, or either of the said Constituent Corporations, may be served.

8. **Plan of Merger.**

The plan of carrying said merger into effect, and the manner and basis of converting the shares of the Disappearing Corporation (the parent corporation) into shares of the Surviving Corporation (its wholly owned subsidiary) shall be as follows:

Each shareholder of the Disappearing Corporation shall surrender his certificate or certificates to the Surviving Corporation or to its transfer agent, on the date of filing of Articles of

Merger which shall be the "Effective Date" or thereafter. Upon surrender to the Surviving Corporation or its transfer agent of the respective certificates for outstanding shares of the Disappearing Corporation, there shall be issued to the respective holders thereof, in substitution therefor, certificates for fully paid and nonassessable shares of the Surviving Corporation in the ratio of one common share of the Surviving Corporation for each common share of the Disappearing Corporation and one Series A Convertible Preferred Share of the Disappearing Corporation for each Series A Convertible Preferred Share of the Disappearing Corporation.

9. **Reporting of Assets at Book Value in Accounts of Surviving Corporation; Pooling of Interest.**

The assets of the Disappearing Corporation shall be reported in the accounts of the Surviving Corporation at their book value as of the effective date. The aggregate stated capital, capital surplus, and earned surplus of the Constituent Corporations shall be, respectively, the stated capital, capital surplus, and earned surplus of the Surviving Corporation.

10. **Articles of Incorporation.**

The Articles of Incorporation of the Disappearing Corporation shall become the Articles of Incorporation of the Surviving Corporation, until amended as provided by law.

11. **Bylaws.**

The Bylaws of the Disappearing Corporation shall become the Bylaws of the Surviving Corporation.

12. **Effective Date of Merger.**

This Plan of Merger shall become effective on the Effective Date.

13. **Directors' Right to Abandon Merger.**

The Board of Directors of each of the Constituent Corporations shall have the power in its discretion to abandon the merger provided for herein prior to the filing of the Articles of Merger.

Iccc459a.08b

Exhibit "B"

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
THE HAVANA REPUBLIC, INC.**

**ARTICLE I  
Name**

The name of the Corporation is **THE HAVANA REPUBLIC, INC.**

**ARTICLE II  
Purposes**

This Corporation is organized for the purpose of transacting any and all lawful activities or business for which corporations may be formed under the laws of the State of Florida, including but not limited to the sale of premium cigars, wine, microbeers and coffee in connection with the operation of combination retail premises and private clubs. The existence of the Corporation shall be perpetual.

**ARTICLE III  
Capital Structure**

The maximum number of shares of stock which this Corporation is authorized to issue or to have outstanding at any time shall be 55,000,000 shares, of which 50,000,000 shares shall be common stock, no par value per share, and of which 5,000,000 shares shall be preferred stock, no par value per share.

The holders of common stock shall have one vote for each share of such stock held.

The holders of record of the preferred stock shall be entitled to cash dividends when, as and if declared by the Board of Directors at the time, in the manner and at the rate per share determined by the Board of Directors in the resolution authorizing each series of preferred stock. Dividends payable on the preferred stock must be paid or set apart for payment before any dividends may be declared and paid on the common stock with respect to the same time period.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of this Corporation, the holders of record of the outstanding preferred stock shall be entitled to the amount payable upon their shares as determined by the Board of Directors in the resolution authorizing each series of preferred stock. After payment to the holders of the preferred stock of the amount payable to them as above set forth, the remaining assets of this Corporation shall be payable to, and distributed ratably among, the holders of record of the common stock.

The common stock may also be subject to other rights and preferences that the Board of Directors may give to any series of the preferred stock.

The Board of Directors is hereby expressly authorized to issue the preferred stock of this Corporation in one or more series as it may determine by resolution from time to time. In the resolution establishing a series, the Board of Directors shall give to the series a distinctive designation so as to distinguish it from all other series and classes of stock, shall determine the number of shares in such series and shall fix the preferences, limitations and relative rights thereof. All of the shares of any one series shall be alike in every particular. Except to the extent otherwise provided in the description of each series, all of the shares of all series of preferred stock shall be alike in every particular.

No holder of shares of any class of this Corporation shall have (1) any preemptive right to subscribe for or acquire additional shares of this Corporation of the same or any other class, whether such shares shall be hereby or hereafter authorized, or (2) any right to acquire any shares which may be held in the treasury of this Corporation. All such additional or treasury shares may be issued or reissued for such consideration, at such time, and to such persons as the Board of Directors may from time to time determine.

#### **ARTICLE IV**

##### **No Cumulative Voting by Shareholders**

Cumulative voting shall not be allowed in the election of Directors of this Corporation and every shareholder entitled to vote at such election shall have the right to vote the number of shares owned by him for as many persons as there are Directors to be elected, and for whose election he has a right to vote.

#### **ARTICLE V**

##### **Registered and Principal Office and Registered Agent**

The registered office and principal office of the Corporation is located at 1360 Weston Road, Weston, FL 33326, and the name of the registered agent of the Corporation at such address is Stephen Schatzman.

#### **ARTICLE VI**

##### **Board of Directors**

The number of individuals to serve on the Board of Directors shall be set forth in the Bylaws of the Corporation; provided, however, that the Initial Board of Directors shall consist of two persons below-named:

Name of Director

Address

Stephen Schatzman

1360 Weston Road  
Weston, FL 33326

Alex Gimelstein

1360 Weston Road  
Weston, FL 33326

**ARTICLE VII**  
**Corporate Opportunity**

The Directors, officers and other member of management of this Corporation shall be subject to the doctrine of "corporate opportunities" only insofar as it applies to business opportunities in which this Corporation has expressed an interest as determined from time to time by this Corporation's Board of Directors as evidenced by resolutions appearing in this Corporation's minutes. Once such areas of interest are delineated, all such business opportunities within such areas of interest which come to the attention of the Directors, officers and other members of management of this Corporation shall be disclosed promptly to this Corporation and made available to it. The Board of Directors may reject any business opportunity presented to it and thereafter any Director, officer or other member of management may avail himself of such opportunity. Until such time as this Corporation, through its Board of Directors, has designated an area of interest, the Directors, officers and other members of management of this Corporation shall be free to engage in such areas of interest on their own and this doctrine shall not limit the right of any Director, officer or other member of management of this Corporation to continue a business existing prior to the time that such area of interest is designated by the Corporation. This provision shall not be construed to release any employee of this Corporation (other than a Director, an officer or member of management) from any duties which he may have to this Corporation.

**ARTICLE VIII**  
**Indemnification of Directors, Officers and Others**

This Corporation shall:

A. Indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation and, with respect to any criminal action or proceedings, had no reasonable cause to believe

his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that such person did not meet the foregoing standard of conduct.

B. Indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of the Corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation; but no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged liable to the Corporation.

C. Indemnify a Director, officer, employee or agent of the Corporation who has been wholly successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Subparagraph A or B of this Article against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith.

D. Authorize payment of expenses (including attorney's fees) incurred in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding as authorized in Subparagraph E of this Article if.

1. The Director, officer, employee or agent furnishes to this Corporation a written affirmation of such person's good faith belief that he has met the applicable standard of conduct required to receive indemnification;
2. Such person furnishes to this Corporation an undertaking, executed personally or on behalf of such person to repay such amount if it is ultimately determined that he did not meet the applicable standard of conduct; and
3. A determination is made that the facts then known to those making the determination would not preclude indemnification pursuant to this Article.

E. Authorize indemnification under Subparagraph A or B of this Article (unless ordered by a court) in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in said Subparagraph A or B. Such determination shall be made:

1. By the Board of Directors by a majority vote of those present at a meeting at which a quorum is present, and only those Directors not parties to such action, suit or proceeding shall be counted in satisfying the quorum requirement; or

2. If such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors designated by the Board of Directors, which committee shall consist of two or more Directors not parties to such action, suit or proceeding; except that Directors who are parties to such action, suit or proceeding may participate in the designation of Directors for the committee, or
3. If such a quorum cannot be obtained, and such a committee cannot be established, or even if such quorum is obtained or such a committee is designated, if a majority of the Directors constituting such quorum or such committee so directs, either:
  - (a) By independent legal counsel selected by a vote of the Board of Directors or such committee in the manner specified in Subparagraph E. 1. or E.2. of this Article or, if a quorum of the full Board of Directors cannot be obtained and such a committee cannot be established, by independent legal counsel selected by a majority vote of the full Board of Directors; or
  - (b) By the shareholders.

Authorization of indemnification and advance of expenses shall be made in the same manner as the determination that indemnification or advance of expenses is permissible; except that, if such determination is made by independent legal counsel, authorization of indemnification and advance of expenses shall be made by the body that selected such counsel.

F. Purchase and maintain insurance, if economically feasible for the Corporation to do so in the sole judgment of the Corporation's Board of Directors, on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him, incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provision of this Article.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under these Articles of Incorporation, the Bylaws, or any agreement, vote of shareholders or disinterested directors or otherwise, and any procedure provided for by any of the foregoing, 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 heirs, executors and administrators of such a person.

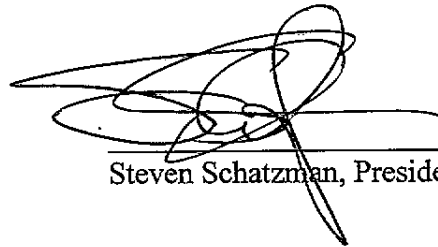
**ARTICLE IX**  
**Amendment**

This Corporation reserves the right to amend or repeal any provision contained in these Articles of Incorporation or any amendment to them, and all right and privileges conferred upon the shareholders, directors and officers are subject to this reservation. The Articles of Incorporation may be amended in accordance with the provisions of the laws of the State of Florida, as amended from time to time, unless more specific provisions for amendments are adopted by this Corporation pursuant to law.

**ARTICLE X**  
**Adoption**

These amended and restated Articles of Incorporation were adopted by the Shareholders on November 6, 1997 pursuant to a Plan of Merger between The Havana Republic, Inc., a Colorado corporation and The Havana Republic, Inc. a Florida corporation.

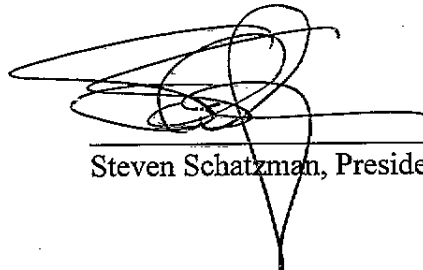
IN WITNESS WHEREOF, the undersigned has set his hand and seal this 6 day of November, 1997.



Steven Schatzman, President

**CONSENT OF REGISTERED AGENT**

The undersigned hereby consents to the appointment as registered agent for the above named corporation under Section 48.091 of the Florida Statutes, until such time as he resigns such position.



Steven Schatzman, President

lpc459a.13b

Exhibit "C"

**CERTIFICATE OF DESIGNATION  
THE HAVANA REPUBLIC, INC.  
OF SERIES A CONVERTIBLE PREFERRED STOCK**

Stephen Schatzman certifies that he is the President and Secretary of The Havana Republic, Inc., a Florida corporation (hereinafter referred to as the "Corporation" or the "Company"); that, pursuant to the Articles of Incorporation, as amended and restated, and Section 607.0602 of the Florida Business Corporation Act, the Board of Directors of the Corporation duly adopted the following Designation of Series A Convertible Preferred Stock on November 6, 1997 and that shareholder action was not required.

1. Creation of Series A Convertible Preferred Stock. There is hereby created a series of preferred stock consisting of 2,500 shares and designated as the Series A Convertible Preferred Stock, no par value, having the voting powers, preferences, relative, participating, limitations, qualifications optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth below.

2. Dividend Provisions. In the event a dividend is declared with respect to the Company's Common Stock prior to Conversion of the Series A Convertible Preferred Stock, upon such conversion, such dividend shall be paid with respect to the Shares of Common Stock into which the Series A Convertible Preferred Stock were converted. Each share of Series A Convertible Preferred Stock shall rank on a parity with each other share of Series A Convertible Preferred Stock with respect to dividends.

3. Redemption Provisions. Each share of the Series A Convertible Preferred Stock is redeemable on the following manner, at a price of \$1,350.00 per Share (the "Redemption Price"). The Corporation shall have the right to redeem each Share within twenty-four hours after the Notice of Conversion (as defined in Section 5(a)) is given by a Holder with respect to such Shares. The Corporation shall effect such redemption by payment to the Holder by wire transfer or certified check payable to the Holder on or before the Redemption Date, which shall be the later of (i) the tenth calendar after the Notice of Conversion or (ii) the date on which the Holder has delivered the certificates representing the Preferred Stock proposed to be converted pursuant to Section 5(a)(1). In the event the Corporation shall not make such payment it shall be deemed to have waived its right to redemption as to those Shares. The Corporation shall have the right to redeem less than all of the Shares which are the subject of the Notice of Conversion.

4. Liquidation Provisions. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the Series A Convertible Preferred Stock shall be entitled to receive an amount equal to \$1,350.00 per share. After the full preferential liquidation amount has been paid to, or determined and set apart for the Series A Convertible Preferred Stock and all other series of Preferred Stock hereafter authorized and issued, if any, the remaining assets of the Corporation available for distribution to shareholders shall be distributed ratably to the holders of the common stock. In the event the assets of the Corporation available for distribution to its shareholders are insufficient to pay the full preferential liquidation amount per share required to be paid the Corporation's Series A Convertible Preferred Stock, the entire amount of assets of the

Corporation available for distribution to shareholders shall be paid up to their respective full liquidation amounts first to the Series A Convertible Preferred Stock, then to any other series of Preferred Stock hereafter authorized and issued, all of which amounts shall be distributed ratably among holders of each such series of Preferred Stock, and the common stock shall receive nothing. A reorganization or any other consolidation or merger of the Corporation with or into any other corporation, or any other sale of all or substantially all of the assets of the Corporation, shall not be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4, and the Series A Convertible Preferred Stock shall be entitled only to (i) the right provided in any agreement or plan governing the reorganization or other consolidation, merger or sale of assets transaction, (ii) the rights contained in the Florida Business Corporation Act and (iii) the rights contained in other Sections hereof.

5. Conversion Provisions. The holders of shares of Series A Convertible Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert - Option of Holder. Subject to Section 5(h) hereof, each share of Series A Convertible Preferred Stock (the "Preferred Shares") shall be convertible, at the option of its holder, at any time, into a number of shares of common stock of the Company (the "Common Stock") at the initial conversion rate (the "Conversion Rate") defined below. The initial Conversion Rate, subject to the adjustments described below, shall be a number of shares of Common Stock equal to \$1,000, divided by the lower of (i) Seventy Percent (70%) of the average Market Price of the Common Stock for the five trading days immediately prior to the Conversion Date (defined below) or (ii) 75% of Market Price on date of first closing ("Closing Date"), increased proportionally for any reverse stock split and decreased proportionally for any forward stock split or stock dividend. For purposes of this Section 5(a), Market Price for any date shall be the closing bid price of the Common Stock on such date, as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), or the closing bid price in the over-the-counter market if other than Nasdaq.

(b) No fractional shares of Common Stock shall be issued upon conversion of the Preferred Shares, and in lieu thereof the number of shares of Common Stock issuable for each Preferred Share converted shall be rounded to the nearest whole number. Such number of whole shares of Common Stock issuable upon the conversion of one Preferred Share shall be multiplied by the number of Preferred Shares submitted for conversion pursuant to the Notice of Conversion (defined below) to determine the total number of shares of Common Stock issuable in connection with any conversion.

(c) In order to convert the Preferred Shares into shares of Common Stock, the holder of the Preferred Shares shall: (i) complete, execute and deliver to the Corporation the conversion certificate set forth in Section 5 (f) hereto (the "Notice of Conversion"); and (ii) surrender the certificate or certificates representing the Preferred Shares being converted (the "Converted Certificate") to the Corporation. The Notice of Conversion shall be effective and

in full force and effect if delivered to the Corporation by facsimile transmission at (954) 349-7025. Provided that a copy of the Notice of Conversion is delivered to the Corporation on such date by facsimile transmission or otherwise, and provided that the original Notice of Conversion and the Converted Certificate are delivered to the Corporation within three (3) business days thereafter at the Corporation's principal place of business which is presently at 1360 Weston Road, Weston, Florida 33326, the date on which notice of conversion is given (the "Conversion Date") shall be deemed to be the date set forth therefor in the Notice of Conversion; and the person or persons entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of the Conversion Date. If the original Notice of Conversion and the Converted Certificate are not delivered to the Corporation within three (3) business days following the Conversion Date, the Notice of Conversion shall become null and void as if it were never given and the Corporation shall, within two (2) business days thereafter, return to the holder by overnight courier any Converted Certificate that may have been submitted in connection with any such conversion. In the event that any Converted Certificate submitted represents a number of Preferred Shares that is greater than the number of such shares that is being converted pursuant to the Notice of Conversion delivered in connection therewith, the Corporation shall deliver, together with the certificates for the shares of Common Stock issuable upon such conversion as provided herein, a certificate representing the remaining number of Preferred Shares not converted.

(d) Upon receipt of a Notice of Conversion, the Corporation shall absolutely and unconditionally be obligated to cause a certificate or certificates representing the number of shares of Common Stock to which a converting holder of Preferred Shares shall be entitled as provided herein, which shares shall constitute fully paid and nonassessable shares of Common Stock to be issued to, delivered by overnight courier to, and received by such holder by the fifth (5th) calendar day following the Conversion Date unless the Company has duly redeemed the Preferred Shares which are the subject of the Notice of Conversion in accordance with Section 3 hereof. Such delivery shall be made at such address as such holder may designate therefor in its Notice of Conversion or in its written instructions submitted together therewith. In the event that delivery is not made by the fifteenth (15th) calendar day following the Conversion Date, an additional number of shares of Common Stock equal to 1/2% of the Common Stock to be delivered shall be issued and delivered to the holder for each day until receipt.

(e) No less than 50 shares of Series A Convertible Preferred Stock may be converted at any one time, unless the holder then holds less than 50 shares and converts all shares at that time.

(f) The Notice of Conversion shall be in substantially the following form:

"The undersigned holder ( the "Holder") is surrendering to The Havana Republic, Inc., a Florida corporation (the "Company"), one or more certificates

representing shares of Series A Convertible Preferred Stock of the Company (the "Preferred Stock") in connection with the conversion of all or a portion of the Preferred Stock into shares of Common Stock, no par value per share, of the Company (the "Common Stock") as set forth below.

1. The Holder understands that the Preferred Stock were issued by the Company pursuant to the exemption from registration under the United States Securities Act of 1933, as amended (the "Securities Act"), provided by Regulation D and/or Section 4(2) thereunder promulgated thereunder.

2. The Holder represents and warrants that all offers and sales of the Common Stock issued to the Holder upon such conversion of the Preferred Stock shall be made (a) pursuant to an effective registration statement under the Securities Act, (in which case a prospectus has been delivered to the purchaser) (b) in compliance with Rule 144, or (c) pursuant to some other exemption from registration.

Number of Shares of Preferred Stock being converted:

Applicable Conversion Price:

Number of Shares of Common Stock Issuable:

Conversion Date:

Number of Dividend Shares:

Delivery Instructions for certificates of Common Stock and for new certificates representing any remaining shares of Preferred Stock:

NAME OF HOLDER:

---

(Signature of Holder)

(b) **Adjustments to Conversion Rate.** (1) **Reclassification, Exchange and Substitution.** If the Common Stock issuable on conversion of the Series A Convertible Preferred Stock 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, reverse stock split or forward stock split or stock dividend or otherwise (other than a subdivision or combination of shares provided for above), the holders of the Series A Convertible Preferred Stock shall, upon its conversion, be entitled to receive, in lieu of the Common Stock which the holders would have become entitled to receive but for such change, a number of shares of such other class or classes of stock that would have been subject to receipt by the holders if they had exercised their rights of conversion of the Series A Convertible Preferred Stock immediately before that change.

(2) **Reorganizations, Mergers, Consolidations or Sale of Assets.** If at any time there shall be a capital reorganization of the Corporation's common stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section (5) or merger of the Corporation into another corporation, or the sale of the Corporation's properties and assets as, or substantially as, an entirety to any other person, then, as a part of such reorganization, merger or sale, lawful provision shall be made so that the holders of the Series A Convertible Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Convertible Preferred Stock, the number of shares of stock or other securities or property of the Corporation, or of the successor corporation resulting from such merger, to which holders of the Common Stock deliverable upon conversion of the Series A Convertible Preferred Stock would have been entitled on such capital reorganization, merger or sale if the Series A Convertible Preferred Stock had been converted immediately before that capital reorganization, merger or sale to the end that the provisions of this paragraph (b)(2) (including adjustment of the Conversion Rate then in effect and number of shares purchasable upon conversion of the Series A Convertible Preferred Stock) shall be applicable after that event as nearly equivalently as may be practicable.

(c) **No Impairment.** The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, merger, dissolution, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provision of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Convertible Preferred Stock against impairment.

(d) **Certificate as to Adjustments.** Upon the occurrence of each adjustment or readjustment of the Conversion Rate for any shares of Series A Convertible Preferred Stock, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Convertible Preferred Stock effected thereby 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 Convertible Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Rate 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 such holder's shares of Series A Convertible Preferred Stock.

(e) **Notices of Record Date.** In the event of the establishment by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, the Corporation shall mail to each holder of Series A Preferred Stock at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution and the amount and character of such dividend or distribution.

(f) **Reservation of Stock Issuable Upon Conversion.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Convertible Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient, based on the Conversion Rate then in effect, to effect the conversion of all then outstanding shares of the Series A Preferred Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, then, in addition to all rights, claims and damages to which the holders of the Series A Convertible Preferred Stock shall be entitled to receive at law or in equity as a result of such failure by the Corporation to fulfill its obligations to the holders hereunder, the Corporation will take any and all corporate or other action as may, in the opinion of its counsel, be helpful, appropriate or necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(g) **Notices.** Any notices required by the provisions hereof to be given to the holders of shares of Series A Convertible Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid and return receipt requested, and addressed to each holder of record at its address appearing on the books of the Corporation or to such other address of such holder or its representative as such holder may direct.

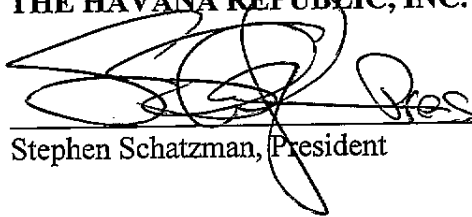
(h) **Mandatory Conversion.** All outstanding shares of Series A Convertible Preferred Stock (not sooner converted into Common Stock) shall be mandatorily convertible into Common Stock one year from the Closing Date, provided that the Company is at such time a reporting issuer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or at such time that the Company becomes a reporting issuer if subsequent to one year

from the Closing Date, and in either case, if the Company is the current in its filings under the Exchange Act.

6. **Voting Provisions.** Except as otherwise expressly provided or required by law, the Series A Convertible Preferred Stock shall have no voting rights.

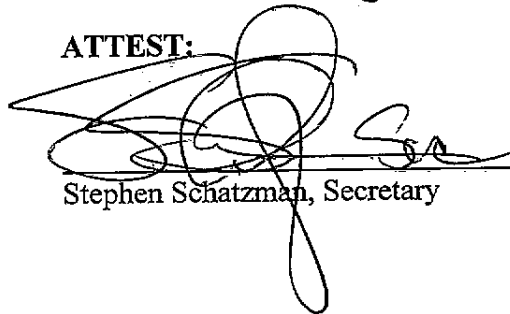
IN WITNESS WHEREOF, the Company has caused this Designation of Series A Convertible Preferred Stock to be duly executed by its President and attested to by its Secretary this 6 day of November, 1997 who, by signing their names hereto, acknowledge that this Designation of Series A Convertible Preferred Stock is the act of the Corporation and state to the best of their knowledge information and belief, under the penalties of perjury, that the above matters and facts are true in all material respects.

**THE HAVANA REPUBLIC, INC.**



Stephen Schatzman, President

**ATTEST:**



Stephen Schatzman, Secretary