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Division of Corporations

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BASIC AMENDMENT

PROJECT HORIZON, INC.

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Corporate Filing

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Amend
38
12/3/03

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**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
PROJECT HORIZON, INC.**

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TALLAHASSEE, FLORIDA

Pursuant to Section 607.1006 of the Florida Business Corporation Act (the "Act"), Article III of the Articles of Incorporation, as amended, of PROJECT HORIZON, INC., a Florida corporation (the "Corporation"), is hereby amended in its entirety to read as follows:

**ARTICLE III
CAPITAL STOCK**

1. Authorized Shares. The total number of shares of stock that the Corporation is authorized to issue is Sixty Million (60,000,000) shares, consisting of Fifty Million (50,000,000) shares of Common Stock, par value \$0.001 per share (the "Common Stock"), and Ten Million (10,000,000) shares of Preferred Stock, par value \$0.01 per share (the "Preferred Stock").

2. Common Stock. Each share of Common Stock shall be equal to every other share of Common Stock. The holders of shares of Common Stock shall be entitled to one vote for each share of Common Stock on each matter submitted to a vote of the shareholders of the Corporation.

3. Series A Convertible Preferred Stock. Ten Million (10,000,000) shares of the Preferred Stock shall be designated as Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"). The Series A Preferred Stock shall have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations:

3.1 Dividends. Dividends shall not be payable on the Series A Preferred Stock except as provided in this Section 3.1. The determination of the board of directors of the Corporation (the "Board of Directors") at any time as to the amount of funds of the Corporation legally available for the payment of dividends shall be binding and conclusive on the holders of all of the issued and outstanding shares of stock of the Corporation, including the Preferred Stock.

(a) Dividends On Common Stock. In the event that the Board of Directors shall declare a dividend payable upon the shares of Common Stock then outstanding (other than a stock dividend on the Common Stock payable solely in the form of additional shares of Common Stock), then the Company shall also declare and pay to the holders of the Series A Preferred Stock at the same time that it declares and pays such dividends to holders of the Common Stock (and with the same record date), the dividends per share of Series A Preferred Stock as would be declared and paid on the largest number of whole shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock then held by each holder had the holder converted all of his shares of Series A Preferred Stock immediately prior to the record date for such dividend pursuant to the provisions of Section 3.4 hereof.

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(b) Dividends On Preferred Stock. Each holder of Series A Preferred Stock shall be eligible to receive, if and when declared payable by the Board of Directors in its sole discretion, a noncumulative cash dividend on each share of Series A Preferred Stock then held by such holder in an annual amount per share of Series A Preferred Stock equal to eight percent (8%) of the Original Purchase Price (as herein defined) per share of Series A Preferred Stock (the "Preferred Dividend"). The Preferred Dividend, if declared payable by the Board of Directors, shall be payable at such time as the Board of Directors in its sole discretion shall determine, provided that any Preferred Dividends that are declared but unpaid as of the date of occurrence of either of the following events shall be payable on the date of occurrence of such event: (i) a Liquidation (as herein defined) pursuant to Section 3.2 below; or (ii) the redemption by the Company of the Series A Preferred Stock pursuant to Section 3.10 below. Preferred Dividends shall not cumulate nor accrue from the date of issue of the Series A Preferred Stock. The non-payment or non-declaration of a Preferred Dividend shall not prohibit the declaration or payment or issuance of dividends pursuant to Section 3.1(a) above.

3.2 Liquidation Rights.

(a) On the voluntary or involuntary liquidation, dissolution or winding up of the Corporation ("Liquidation"), each holder of the Series A Preferred Stock will be entitled to receive out of the assets and funds of the Corporation legally available for the payment of liquidating distributions to its shareholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Corporation which by its terms ranks on liquidation prior and in preference to the Series A Preferred Stock (collectively referred to as "Senior Preferred Stock"), but prior to and in preference to any distribution or payment to the holders of the Common Stock or any other class or series of stock which by its terms ranks on liquidation junior to the Series A Preferred Stock (such Common Stock and other stock being collectively referred to as "Junior Stock"), an amount for each share of Series A Preferred Stock then held by such holder equal to the greater of (the "Series A Liquidation Preference"): (i) the original issue price per share of Series A Preferred Stock paid by the shareholder to the Corporation (the "Original Purchase Price") plus any declared but unpaid Preferred Dividend on such share of Series A Preferred Stock; or (ii) such amount per share of Series A Preferred Stock as would have been payable had each such share been converted to Common Stock immediately prior to such Liquidation.

(b) In the event of a Liquidation, if after the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock, the remaining assets and funds of the Corporation legally available for distribution to its shareholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled as provided above, the holders of shares of Series A Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series A Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(c) In the event of a Liquidation, after the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock, the Series A Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity

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with the Series A Preferred Stock, the holders of shares of Junior Stock then outstanding shall be entitled to share on a pro rata basis (in proportion to their relative ownership of Junior Stock on a fully diluted, as converted basis) in the distribution of the remaining assets and funds of the Corporation available for distribution to its shareholders to the exclusion of the holders of the Senior Preferred Stock.

3.3 Voting. Each holder of outstanding shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are then convertible (as adjusted from time to time pursuant to Section 3.4 hereof), at each meeting of shareholders of the Corporation (and written actions of shareholders in lieu of meetings) with respect to any and all matters presented to the shareholders of the Corporation for their action or consideration. Except as provided by law, by any of the provisions contained herein, including without limitation, the provisions of Section 3.9 below, or by the provisions establishing any other series of stock, holders of Series A Preferred Stock shall vote together with the holders of Common Stock as a single class, with each share of Common Stock entitled to one vote per share and each share of Series A Preferred Stock entitled to one vote for each share of Common Stock issuable upon conversion of such share of Series A Preferred Stock as of the record date for such vote (or action) or, if no record date is specified, as of the date of such vote (or action).

3.4 Optional Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Purchase Price for such share by the Series A Conversion Price (as defined below) for such share in effect at the time of conversion. The "Series A Conversion Price" for each share of Series A Preferred Stock shall initially be \$0.65 per share as readjusted from time to time as provided for in this Section 3.4. Such Series A Conversion Price and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock shall be subject to adjustment as provided below. In the event of a Liquidation, the Conversion Rights shall terminate at the close of business on the first full day preceding the date fixed for the payment of any amounts distributable on Liquidation to the holders of Series A Preferred Stock. In the event of a Liquidation, the Corporation shall provide to each holder of shares of Series A Preferred Stock at least fifteen (15) days prior to the termination of the Conversion Rights, notice of such event of Liquidation which notice shall include the full amounts that will be distributable on such Liquidation.

(b) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Series A Conversion Price for each share of Series A Preferred Stock.

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(c) Mechanics of Conversion.

(1) In order for a holder of Series A Preferred Stock to convert such shares into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Series A Preferred Stock at the office of the transfer agent for the Series A Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Series A Preferred Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or such holder's attorney duly authorized in writing. The date of receipt of such certificates and notice by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) shall be the conversion date ("Conversion Date"). The Corporation shall, as soon as practicable after the Conversion Date, issue and deliver at such office to such holder of Series A Preferred Stock, or to such holder's nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled, together with cash in lieu of any fraction of a share.

(2) The Corporation, at all times when the Series A Preferred Stock shall be outstanding, shall reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock. Before taking any action that would cause an adjustment reducing the Series A Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series A Conversion Price.

(3) All shares of Series A Preferred Stock that shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor. Any shares of Series A Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Corporation (without the need for stockholder action) may from time to time take such appropriate action as may be necessary to reduce the authorized Series A Preferred Stock accordingly.

(4) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred Stock pursuant to this Section 3.4. The Corporation, however, shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance

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or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(d) Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the effective date of these Articles of Amendment as determined pursuant to Florida Statutes Section 607.0123 (the "Effective Date") effect a subdivision of the outstanding Common Stock, the Series A Conversion Price then in effect immediately before that subdivision shall be proportionately decreased. If the Corporation shall at any time or from time to time after the Effective Date combine the outstanding shares of Common Stock, the Series A Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 3.4(d) shall become effective at the time the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Effective Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in respect of the Common Stock in additional shares of Common Stock, then and in each such event the Series A Conversion Price then in effect shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Series A Conversion Price then in effect by a fraction: (1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series A Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter such Series A Conversion Price shall be adjusted pursuant to this Section 3.4(e) as of the time of actual payment of such dividends or distributions; and provided further, however, that no such adjustment shall be made if the holders of Series A Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to or greater than the number of shares of Common Stock as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

(f) Adjustment for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Effective Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in respect of the Common Stock in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the holders of the Series A Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had the Series A Preferred Stock 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 conversion date, retained such securities

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receivable by them as aforesaid during such period giving application to all adjustments called for during such period under this paragraph with respect to the rights of the holders of the Series A Preferred Stock; and provided further, however, that no such adjustment shall be made if the holders of Series A Preferred Stock simultaneously receive a dividend or other distribution of such securities in an amount equal to or greater than the amount of such securities as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

(g) Adjustment for Reclassification, Exchange or Substitution. If the Common Stock issuable upon the conversion of the Series A Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for above, or a reorganization, merger, consolidation or sale of assets provided for below), then and in each such event the holder of each such share of Series A Preferred Stock 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, reclassification or other change, by holders of the number of shares of Common Stock into which such share of Series A Preferred Stock might have been converted immediately prior to such reorganization, reclassification or change, all subject to further adjustment as provided herein.

(h) Adjustment for Merger or Reorganization, etc. In case of any consolidation or merger of the Corporation with or into another corporation or the sale of all or substantially all of the assets of the Corporation to another corporation, each share of Series A Preferred Stock shall thereafter be convertible (or shall be converted into a security which shall be convertible) into the kind and amount of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such Series A Preferred Stock would have been entitled upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions in this Section 3.4 set forth with respect to the rights and interests thereafter of the holders of the Series A Preferred Stock, to the end that the provisions set forth in this Section 3.4 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series A Preferred Stock. Notwithstanding anything to the contrary contained herein, each holder of shares of Series A Preferred Stock shall have the right to elect to give effect to the conversion rights contained in Section 3.4(a) instead of giving effect to the provisions contained in this Section 3.4(h) with respect to the shares of Series A Preferred Stock owned by such holder.

(i) Issuance of Additional Shares of Common Stock: Merger, Consolidation or Sale of Stock. If, at any time after the date hereof and prior to a Public Offering (as herein defined) while any share of Series A Preferred Stock is outstanding, (1) this Corporation shall issue any Additional Shares of Common Stock (as defined below) (otherwise than as provided in any of the foregoing paragraphs (d), (e), (f) or (g) of this Section 3.4), for a consideration per share less than the Series A Conversion Price then in effect or without consideration (a "Lower Price"), (2) this Corporation shall effect a consolidation or merger of the Corporation with or into another corporation or business entity, in which consolidation or merger

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the Corporation is not the surviving entity, or a share exchange in which a corporation or other business entity acquires all of the outstanding shares of capital stock of the Corporation, and the consideration per share of Common Stock to be received by holders of Common Stock of the Corporation pursuant to such consolidation, merger or share exchange transaction shall be a Lower Price or (3) there shall occur a sale of all of the outstanding shares of capital stock of the Corporation and the consideration per share of Common Stock to be received by holders of Common Stock of the Corporation pursuant to such stock sale transaction shall be a Lower Price, then the Series A Conversion Price, upon the occurrence of any event described in clauses (1), (2) or (3) above, shall be adjusted to the Lower Price. The provisions of this Section 3.4(i) shall not apply under any of the circumstances for which an adjustment is provided in any of the foregoing paragraphs (d), (e), (f) or (g) of this Section 3.4. No adjustment of the Series A Conversion Price shall be made under this Section 3.4(i) upon the issuance of any Additional Shares of Common Stock that are issued pursuant to the exercise or conversion of any Common Stock Equivalent (as defined below) if upon the issuance of such Common Stock Equivalent (x) any adjustment shall have been made pursuant to Section 3.4(j) below or (y) no adjustment was required pursuant to Section 3.4(j). "Additional Shares of Common Stock" means all shares of Common Stock issued by the Corporation after the date hereof, except:

(1) any shares of Common Stock issued or issuable upon conversion of any share of Preferred Stock;

(2) any shares of Common Stock issued or issuable to employees or officers or directors of, or consultants or advisors to, the Corporation pursuant to any stock option, stock purchase, stock bonus or similar benefit plans or other compensation related arrangements adopted by the Board of Directors, or any shares of Common Stock issued or issuable upon the exercise of Options (as herein defined) granted to such persons pursuant to any such plans or arrangements, or any shares of Common Stock issued or issuable upon the conversion or exchange of Convertible Securities (as herein defined) that are either granted to such persons under any such plans or arrangements or issued or issuable upon the exercise of Options granted to such persons under any such plans or arrangements;

(3) any shares of Common Stock issued or issuable in connection with, or issued or issuable upon the exercise of Options granted in connection with, or issued or issuable upon the conversion or exchange of Convertible Securities that are granted in connection with, any of the following events or actions approved by the Board of Directors: (a) the acquisition of another entity by the Corporation by merger, consolidation, reorganization or other business combination, or the purchase of all or substantially all of the assets of such entity; (b) strategic business alliances established by the Corporation with a party or parties, pursuant to which such party or parties agree to provide inventory, products or services to the Corporation or pursuant to which the Corporation shall be entitled to receive or participate in certain revenue streams, in each such case, on terms that the Board of Directors has determined to be advantageous to the Corporation; or (c) commercial leasing or loan transactions requiring as consideration for such loan or lease the issuance by the Corporation of securities;

(4) any shares of Common Stock issued or issuable in consideration of services rendered or products provided to the Corporation, or issued or issuable upon the exercise of Options granted in consideration of such services or products, or issued or

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issuable upon the conversion or exchange of Convertible Securities that are granted in consideration of such services or products, if approved by 60% of the entire Board of Directors;

(5) any shares of Common Stock issued or issuable upon the conversion or exchange of any Convertible Securities or purchasable or issuable upon the exercise of any Options;

(6) any shares of Common Stock issued pursuant to a registration statement filed with the Securities and Exchange Commission; or

(7) any shares of Common Stock with respect to which the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Series A Preferred Stock (on an as-converted basis) have executed a written waiver of the provisions of this Section 3.4(i).

(j) Issuance of Common Stock Equivalents. If the Corporation, at any time after the date hereof and prior to a Public Offering (as herein defined) while any share of Series A Preferred Stock is outstanding, shall issue any Common Stock Equivalent (otherwise than as provided in any of the foregoing paragraphs (d), (e), (f) or (g) of this Section 3.4), and the consideration per share for which Additional Shares of Common Stock are issuable thereafter upon the exercise or conversion of such Common Stock Equivalent shall be less than the Series A Conversion Price then in effect, then the Series A Conversion Price upon each such issuance shall be adjusted to equal such consideration per share for which Additional Shares of Common Stock are issuable upon the exercise or conversion of such Common Stock Equivalent; provided that, if after any such issuance of any such Common Stock Equivalent, the consideration per share for which Additional Shares of Common Stock are issuable thereafter upon the exercise or conversion of such Common Stock Equivalent is amended or adjusted, then the Series A Conversion Price upon each such amendment or adjustment shall be adjusted upward or downward, as the case may be, to reflect such amendment or adjustment to such consideration. Rights or warrants issued by this Corporation to all holders of its capital stock (either initially or under certain circumstances but in any event prior to or upon any Event (as defined below)), which rights or warrants are (i) deemed to be transferred with such shares of capital stock, (ii) not exercisable and (iii) also issued in respect of future issuances of any of the Corporation's capital stock, in each case in clauses (i) through (iii) until or upon the occurrence of a specified event or events (the "Event"), shall for purposes of this section not be deemed issued until the occurrence of the earliest Event. "Common Stock Equivalent" means any Convertible Securities or any Option. "Convertible Securities" means evidences of indebtedness, shares of capital stock or other securities that are or may be at any time directly or indirectly convertible into or exchangeable for Common Stock. "Option" means any warrant, option or other right to subscribe for or purchase any Common Stock or any Convertible Securities.

(k) Computation of Consideration. In making adjustments to the Series A Conversion Price pursuant to this Section 3.4, the consideration received by this Corporation shall be deemed to be the following: to the extent that any Additional Shares of Common Stock or any Common Stock Equivalents shall be issued for a cash consideration, the consideration received by the Corporation therefor, or if such Additional Shares of Common Stock or Common Stock Equivalents are offered by the Corporation for subscription, the subscription price, in any such case excluding any amounts paid or receivable for accrued

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interest or accrued dividends and without deduction of any compensation, discounts, commissions, or expenses paid or incurred by the Corporation in connection with the issue thereof; to the extent that such issuance shall be for a consideration other than cash, then, except as otherwise expressly provided herein, the fair market value of such consideration at the time of such issuance as determined in good faith by the Board of Directors. The consideration for any Additional Shares of Common Stock issuable pursuant to any Common Stock Equivalents shall be the consideration received by the Corporation for issuing such Common Stock Equivalents, plus the additional consideration payable to the Corporation upon the exercise, conversion or exchange of such Common Stock Equivalents. In the case of the issuance at any time of any Additional Shares of Common Stock or Common Stock Equivalents in payment or satisfaction of any dividend upon any class of capital stock of the Corporation other than Common Stock, the Corporation shall be deemed to have received for such Additional Shares of Common Stock or Common Stock Equivalents a consideration equal to the amount of such dividend so paid or satisfied. In making adjustments to the Series A Conversion Price pursuant to this Section 3.4 as a result of a merger, consolidation, share exchange or stock sale transaction described in the first sentence of Section 3.4(i), the consideration per share of Common Stock to be received by holders of Common Stock of the Corporation pursuant to such merger, consolidation, share exchange or stock sale transaction shall be deemed to be the following: to the extent such consideration consists of cash, the aggregate of cash received by such holders of Common Stock (without excluding or deducting any amounts) and to the extent such consideration consists of securities or property other than cash, the fair market value of such securities or property at the time of such transaction as determined in good faith by the Board of Directors (without excluding or deducting any amounts). In any case in which the consideration to be received or paid shall be other than cash, the Board of Directors shall notify the holders of the Series A Preferred Stock of its determination of the fair market value of such consideration prior to payment or accepting receipt thereof. If, within twenty days after receipt of said notice, the holders of at least sixty-six and two-thirds percent (66 2/3%) (on an as-converted basis) of the Series A Preferred Stock shall notify the Board of Directors in writing of their objection to such determination, a determination of the fair market value of such consideration shall be made by an Independent Appraiser (as defined below) selected by the Board of Directors acting in good faith, whose fees and expenses shall be paid by this Corporation if such fair market value as so determined is more than 15% greater (if the holders' objection was that such determination was too low) or 15% lower (if the holders' objection was that such determination was too high), in each case, than the amount thereof as determined by the Board of Directors, but shall otherwise be paid by the holders of the Series A Preferred Stock, *pro rata*, in accordance with each such holder's percentage (on an as-converted basis) of the total number of shares of Series A Preferred Stock outstanding. In any event, the fair market value as so determined by such Independent Appraiser shall be final and binding upon the Corporation and the holders of the Series A Preferred Stock for the purposes of this Section 3.4(k). The determination of fair market value by such appraiser shall be based upon the fair market value of such consideration determined on a going concern as between a willing buyer and a willing seller and taking into account all relevant factors determinative of value and shall be final and binding on all parties. "Independent Appraiser" means a nationally recognized investment banking firm or reputable regional investment banking firm (with nationally recognized standing) or other nationally recognized firm or other reputable regionally recognized firm (with nationally recognized standing), in each case, that is regularly engaged in the business of appraising the capital stock or

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assets of corporations or other entities as going concerns and that is not affiliated with either the Corporation or any holder of Series A Preferred Stock.

(l) No Impairment. This Corporation shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Section 3.4 by the Corporation but shall at all times in good faith assist in the carrying out of all the provisions of this Section 3.4 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 Preferred Stock that by its terms is convertible against impairment.

(m) Notice of Record Date. In the event: (1) that the Corporation declares a dividend (or any other distribution) on its Common Stock payable in Common Stock or other securities of the Corporation; (2) that the Corporation subdivides or combines its outstanding shares of Common Stock; (3) of any reclassification of the Common Stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock or a stock dividend or stock distribution thereon), or of any consolidation or merger of the Corporation into or with another corporation, or of the sale of all or substantially all of the assets of the Corporation; or (4) of the involuntary or voluntary dissolution, liquidation or winding up of the Corporation; then the Corporation shall cause to be filed at its principal office or at the office of the transfer agent of the Series A Preferred Stock and shall cause to be mailed to the holders of the Series A Preferred Stock at their last addresses as shown on the records of the Corporation or such transfer agent, at least ten days prior to the date specified in (A) below or twenty days before the date specified in (B) below, a notice stating (A) the record date of such dividend, distribution, subdivision or combination, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, subdivision or combination are to be determined, or (B) the date on which such reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, dissolution or winding up.

3.5 Mandatory Conversion.

(a) All outstanding shares of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the then effective conversion rate determined in accordance with Section 3.4 above, and all provisions hereof included under Section 3 of Article III of these Articles of Incorporation and all references herein to the Series A Preferred Stock shall be deleted and shall be of no further force or effect, immediately upon the closing of the sale of shares of Common Stock in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"): (i) at a net offering price per share of Common Stock of not less than twice the Original Purchase Price per share of Series A Preferred Stock; and (ii) resulting in at least Fifteen Million Dollars (\$15,000,000) in gross proceeds to the Corporation (the "Mandatory Conversion Date").

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(b) All holders of record of shares of Series A Preferred Stock shall be given written notice of the Mandatory Conversion Date and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to this Section 3.5. Such notice shall be given at least five (5) business days in advance of the occurrence of the Mandatory Conversion Date. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series A Preferred Stock at such holder's address last shown on the records of the transfer agent for such Series A Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). Upon receipt of such notice, each holder of shares of Series A Preferred Stock shall surrender such holder's certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled pursuant to this Section 3.5. On the Mandatory Conversion Date, all rights with respect to the Series A Preferred Stock so converted, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock) will terminate, except only the rights of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such shares of Series A Preferred Stock have been converted. In the event of the automatic conversion of shares of Series A Preferred Stock pursuant to the provisions of this Section 3.5, all dividends on the shares of Series A Preferred Stock that have been declared but have not been paid shall be canceled and such conversion shall constitute an extinguishment of the rights of the holders thereof to receive, and of the Corporation's obligations to pay, any and all such dividends. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by such holder's attorney duly authorized in writing. As soon as practicable after the Mandatory Conversion Date and the surrender of the certificate or certificates for Series A Preferred Stock, the Corporation shall cause to be issued and delivered to such holder, or on such holder's written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and cash as provided in Section 3.4(b) in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion.

3.6 Transfer Restrictions. The shares of Series A Preferred Stock have not been registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act as evidenced by an opinion of counsel acceptable to the Corporation or in accordance with an effective registration statement under the Securities Act. In any case, any transfer must be in accordance with all applicable federal and state securities laws. The Corporation or any transfer agent may refuse to register the transfer of any shares of Series A Preferred Stock absent evidence in form and substance satisfactory to the Corporation of compliance with this Section.

3.7 Reissuance. Shares of Series A Preferred Stock issued and reacquired by the Corporation (or required to be surrendered to the Corporation in the event of conversion or redemption in accordance with the provisions hereof) will be deemed to be retired and canceled upon the reacquisition thereof and will have the status of authorized but unissued shares of Preferred Stock that are junior and subordinate to the Series A Preferred Stock of the Corporation undesignated as to series. In no event may such shares be reissued as Series A

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Preferred Stock. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized Series A Preferred Stock accordingly.

3.8 Notice. Any notice or communication required or permitted to be given by these Articles of Incorporation will be in writing and will be deemed to have been given and received when delivered personally to the party designated to receive such notice, or on the first business day following the date sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid directed to the address reflected on the books of the Corporation for a holder of the Series A Preferred Stock, to the Corporation's registered agent or to such other or additional addresses as any party might designate by written notice. With respect to any notice to a holder of shares of Series A Preferred Stock required to be provided under these Articles of Incorporation, the failure to mail such notice, any defect in such notice or any defect in the mailing thereof to any particular holder will not affect: (a) the sufficiency of the notice with respect to the other holders of Series A Preferred Stock; (b) the validity of the proceedings referred to in such notice with respect to the other holders of Series A Preferred Stock; (c) the legality or validity of any distribution, rights, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up; or (d) the legality or validity of any vote on such action.

3.9 Protective Provisions. In addition to any other rights provided by law, without first obtaining the affirmative vote or written consent of the holders of at least fifty percent (50%) of the then outstanding shares of Series A Preferred Stock voting or consenting, as the case may be, as a separate class, the Corporation will not take any action, or permit any action to be taken by the Corporation that: (a) materially and adversely alters or changes the rights, powers, preferences or privileges of, or the restrictions provided for the benefit of the Series A Preferred Stock; (b) authorizes or issues any class or series of capital stock or other security or other instrument convertible into or exercisable or exchangeable for any security having a preference or priority as to dividends, redemption rights or liquidation distributions to any preference or priority of the Series A Preferred Stock, unless the rights of the holders of Series A Preferred Stock and the applicable provisions of these Articles of Incorporation are amended to provide such holders with rights that are pari passu with the rights of the holders of such new issue of Senior Preferred Stock; (c) results in the amendment, modification or repeal of any provisions of the Articles of Incorporation or bylaws of the Corporation that would materially and adversely affect the rights and preferences of the Series A Preferred Stock; (d) issues or authorizes the issuance of shares of Series A Preferred Stock to any person or entity other than the holders of Series A Preferred Stock as of the Effective Date or their permitted assignees; or (e) increases or decreases the number of shares of Series A Preferred Stock authorized hereby, except for any increase that may be necessary to issue to the holders of Series A Preferred Stock any additional shares of Series A Preferred Stock authorized or required to be issued under these Articles.

3.10 Redemption. If there has not been a public offering of the Corporation's securities (either on behalf of the Corporation or any holder of its securities) pursuant to an effective registration statement under the Securities Act (a "Public Offering"), then on each of the fifth, sixth and seventh anniversaries of the Effective Date, each holder of Series A Preferred Stock will have the option (the "Redemption Option") to require the Corporation to redeem up to

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one-third of the total number of shares of Series A Preferred Stock held by such holder as of the fifth anniversary of the Effective Date. A holder of Series A Preferred Stock electing to exercise such holder's Redemption Option is hereinafter referred to as the "Redeeming Holder." The Redemption Option is exercisable with respect to each such anniversary at any time within the 30-day period immediately following such anniversary by delivering to the Corporation written notice of the exercise of such option prior to the expiration of such 30-day period. The closing of the Redeeming Holder's exercise of the Redemption Option (the "Redemption Closing") shall occur on the date and at the time determined by the Corporation, but in any event within fifteen (15) days following the Corporation's receipt of the Redeeming Holder's notice of exercise of the Redemption Option. At the Redemption Closing, the Redeeming Holder shall deliver to the Corporation stock certificates representing all of the shares of Series A Preferred Stock being redeemed free and clear of all liens, charges and encumbrances and, if so required by the Corporation, certificates delivered upon redemption shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by such holder's attorney duly authorized in writing. In consideration thereof, the Corporation shall deliver to the Redeeming Holder an amount equal to: (a) the Original Purchase Price per share of Series A Preferred Stock for each share of Series A Preferred Stock being redeemed; plus (b) simple interest on the Original Purchase Price for such share of Series A Preferred Stock at the rate of eight percent (8%) per annum from the Effective Date to the date of the Redemption Closing; less (x) the amount of any dividends declared as of the date of the Redemption Closing and paid on such redeemed shares. Upon the Corporation's redemption of any shares of Series A Preferred Stock, the Redeeming Holder shall be deemed to have waived any claims against the Corporation in connection with the Redeeming Holder's ownership of such redeemed shares or the Corporation's obligations to the Redeeming Holder as a shareholder of the Corporation with respect to such redeemed shares. The Redemption Option shall automatically terminate upon a Public Offering.

3.11 Calling of Board Meetings. In addition to any provisions of law or the Corporation's bylaws, meetings of the Board of Directors or of the shareholders of the Corporation may be called by any two directors of the Board of Directors or by the holders of at least fifty percent (50%) of the total number of shares of Series A Preferred Stock then issued and outstanding.

The foregoing amendments to the Articles of Incorporation were duly adopted and approved effective as of October 30, 2003 by the unanimous written consent of the Corporation's Board of Directors, effective as of October 30, 2003 by the unanimous written consent of the holders of all of the outstanding shares of Series A Preferred Stock of the Corporation voting as a separate class and effective as of October 30, 2003 by the written consent of the holders of a majority of the outstanding shares of Common Stock voting as a separate class, which together constitute the only voting groups entitled to vote separately on the amendments, with the number of votes cast for the amendments by the shareholders in each voting group being sufficient for approval of such amendments by such voting group.

[Signature on following page]

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IN WITNESS WHEREOF, the undersigned officer of the Corporation has executed these Articles of Amendment on November 30, 2003.

PROJECT HORIZON, INC.,
a Florida corporation

By: 

Michael K. Freedman, Chairman and Chief
Executive Officer