

12/22/2004

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NO. 873

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Florida Department of State
Division of Corporations
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BASIC AMENDMENT

PRESIDION CORPORATION

Certificate of Status	0
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Estimated Charge	\$43.75

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Florida Dept of State



FLORIDA DEPARTMENT OF STATE

Glenda E. Hood
Secretary of State

December 22, 2004

PRESIDION CORPORATION
755 W BIG BEAVER RD
SUITE 1700
TROY, MI 48064SUBJECT: PRESIDION CORPORATION
REF: P98000038715PLEASE GIVE ORIGINAL SUBMISSION
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We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refax the complete document, including the electronic filing cover sheet.

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Pamela Smith
Document SpecialistFAX Aud. #: H04000251574
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ARTICLES OF AMENDMENT

CERTIFICATE OF DESIGNATIONS OF PREFERENCES AND RIGHTS OF
SERIES B CONVERTIBLE PREFERRED STOCK
OFPresidion Corporation
a Florida corporation

The undersigned, Craig A. Vanderburg and James E. Bayers certify that:

1. They are the duly acting President and Secretary, respectively, of Presidion Corporation, a corporation organized and existing under the Corporation Code of the State of Florida (the "Corporation").

2. Pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, and pursuant to the provisions of the Corporations Code of the State of Florida said Board of Directors, pursuant to a meeting held December 21, 2004, adopted a resolution establishing the rights, preferences, privileges and restrictions of, and the number of shares comprising, the Corporation's Series B Convertible Preferred Stock, which resolution is as follows:

RESOLVED, that a series of Preferred Stock in the Corporation, having the rights, preferences, privileges and restrictions, and the number of shares constituting such series and the designation of such series, set forth below be, and it hereby is, authorized by the Board of Directors of the Corporation pursuant to authority given by the Corporation's Certificate of Incorporation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby fixes and determines the Determinations of, the number of shares constituting, and the rights, preferences, privileges and restrictions relating to, a new series of Preferred Stock as follows:

(a) Determination. The series of Preferred Stock is hereby designated Series B Convertible Preferred Stock (the "Series B Preferred Stock").

(b) Authorized Shares. The number of authorized shares constituting the Series B Preferred Stock shall be Twenty-Five Thousand (25,000) shares of such series.

(c) Dividends. Until such date (the "Effective Date") as a registration statement covering (i) the common stock issuable upon conversion of the Series B Preferred Stock, and (ii) the common stock issuable upon exercise of certain warrants issued to the holders of the Series B Preferred Stock and Mercator Advisory Group, LLC (collectively, the "Registrable Securities"), on Form S-1 or other applicable form for registering securities under the Securities Act of 1933, as amended (the "Registration Statement") shall have been initially declared effective by the Securities and Exchange Commission, each share of Series B Preferred Stock shall pay a mandatory monthly dividend, at an annual rate equal to the product of multiplying (i) \$100.00 per share (the "Series B Purchase Price"), by (ii) six and one-half percent (6.5%). Such dividend shall be payable monthly on the first day of each month, in cash, and prorated for any partial month periods, based on the shares of Series B Preferred Stock outstanding on the last day of the preceding calendar month. From and after the Effective Date of the Registration Statement, no further dividends shall be payable on the Series B Preferred Stock. Subject to the

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rights of holders of all other classes of stock as to dividends, the holders of the Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

(d) Liquidation Preference.

(i) *Preference upon Liquidation, Dissolution or Winding Up.* In the event of any dissolution or winding up of the Corporation, whether voluntary or involuntary, holders of each outstanding share of Series B Preferred Stock shall be entitled to be paid *par passu* with the holders of Series AA preferred stock and, with respect to any other holders of preferred stock, shall be entitled to be paid first out of the assets of the Corporation available for distribution to shareholders, whether such assets are capital, surplus or earnings, an amount equal to \$100.00 (the "Series B Purchase Price") per share of Series B Preferred Stock held (as adjusted for any stock splits, stock dividends or recapitalizations of the Series B Preferred Stock) and any declared but unpaid dividends on such share, before any payment shall be made to the holders of the Common Stock, or any other stock of the Corporation ranking junior to the Series B Preferred Stock with regard to any distribution of assets upon liquidation, dissolution or winding up of the Corporation. The holders of the Series B Preferred Stock shall be entitled to share ratably, in accordance with the respective preferential amounts payable on such stock, in any distribution which is not sufficient to pay in full the aggregate of the amounts payable thereon. If, upon any liquidation, dissolution or winding up of the Corporation, the assets to be distributed to the holders of the Series B Preferred Stock shall be insufficient to permit payment to such shareholders of the full preferential amounts aforesaid, then all of the assets of the Corporation available for distribution to shareholders shall be distributed to the holders of Series B Preferred Stock. Each holder of the Series B Preferred Stock shall be entitled to receive that portion of the assets available for distribution as the number of outstanding shares of Series B Preferred Stock held by such holder bears to the total number of shares of Series B Preferred Stock. Such payment shall constitute payment in full to the holders of the Series B Preferred Stock upon the liquidation, dissolution or winding up of the Corporation. After such payment shall have been made in full, or funds necessary for such payment shall have been set aside by the Corporation in trust for the account of the holders of Series B Preferred Stock, so as to be available for such payment, such holders of Series B Preferred Stock shall be entitled to no further participation in the distribution of the assets of the Corporation.

(ii) *Consolidation, Merger and Other Corporate Events.* A consolidation or merger of the Corporation (except into or with a subsidiary corporation) or a sale, lease, mortgage, pledge, exchange, transfer or other disposition of all or substantially all of the assets of the Corporation or any reclassification of the stock of the Corporation (other than a change in par value or from no par to par, or from par to no par or as the result of an event described in subsection (iv), (v), (vi) or (vii) of paragraph (f)), shall be regarded as a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph (d), provided, however, in the case of a merger, if (a) the Corporation is the surviving entity, (b) the Corporation's shareholders hold a majority of the shares of the surviving entity, and (c) the Corporation's directors hold a majority of the seats on the board of directors of the surviving entity, then such merger shall not be regarded as a liquidation, dissolution or winding up within the meaning of this paragraph (d). In no event shall the issuance of new classes of stock,

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whether senior, junior or on a parity with the Series B Preferred Stock, or any stock splits, be deemed a "reclassification" under or otherwise limited by the terms hereof.

(iii) *Distribution of Cash and Other Assets.* In the event of a liquidation, dissolution or winding up of the Corporation resulting in the availability of assets other than cash for distribution to the holders of the Series B Preferred Stock, the holders of the Series B Preferred Stock shall be entitled to a distribution of cash and/or assets equal to the value of the liquidation preference stated in subsection (i) of this paragraph (d), which valuation shall be made solely by the Board of Directors, and provided that such Board of Directors was acting in good faith, shall be conclusive.

(iv) *Distribution to Junior Security Holders.* After the payment or distribution to the holders of the Series B Preferred Stock of the full preferential amounts aforesaid, the holders of Series B Preferred Stock shall have no further rights in respect of such Series B Stock which shall become null and void, and the holders of the Common Stock then outstanding, or any other stock of the Corporation ranking as to assets upon liquidation, dissolution or winding up of the Corporation junior to the Series B Preferred Stock, shall be entitled to receive ratably all of the remaining assets of the Corporation.

(v) *Preference; Priority.* References to a stock that is "senior" to, on a "parity" with or "junior" to other stock as to liquidation shall refer, respectively, to rights of priority of one series or class of stock over another in the distribution of assets on any liquidation, dissolution or winding up of the Corporation. The Series B Preferred Stock shall be on parity with the Series AA preferred stock, senior to the Common Stock of the Corporation and senior to any subsequent series of Preferred Stock issued by the Corporation.

(e) *Voting Rights.* Except as otherwise required by law, the holder of shares of Series B Preferred Stock shall not have the right to vote on matters that come before the shareholders.

(f) *Conversion Rights.* The holders of Series B Preferred Stock will have the following conversion rights:

(i) *Right to Convert.* Subject to and in compliance with the provisions of this paragraph (f), any issued and outstanding shares of Series B Preferred Stock may, at the option of the holder, be converted at any time or from time to time into fully paid and non-assessable shares of Common Stock at the conversion rate in effect at the time of conversion, determined as provided herein; provided, that a holder of Series B Preferred Stock may at any given time convert only up to that number of shares of Series B Preferred Stock so that, upon conversion, the aggregate beneficial ownership of the Corporation's Common Stock (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of such holder and all persons affiliated with such holder is not more than 9.99% of the Corporation's Common Stock then outstanding.

(ii) *Mechanics of Conversion.* Before any holder of Series B Preferred Stock shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Common Stock, and shall give written notice to the Corporation at such

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Office that he elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon, the Corporation shall promptly issue and deliver at such office to such holder of Series B Preferred Stock a certificate or certificates for the number of shares of Common Stock to which he shall be entitled together with cash in the amount of any accrued and unpaid dividends with respect to the converted Series B Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series B Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(iii) **Conversion Price.** The number of shares into which one share of Series B Preferred Stock shall be convertible shall be determined by dividing the Series B Purchase Price by the then existing Conversion Price (as set forth below) (the "**Conversion Ratio**"). The "**Conversion Price**" per share for the Series B Preferred Stock shall be equal to eighty-five percent (85%) of the Market Price (as defined below and subject to adjustment as described below), rounded to the nearest ten thousandth of a cent; provided, however, that subject to the provisions of the next sentence, in no event shall the Conversion Price be less than \$0.05 per share (the "**Floor Price**") or exceed \$0.08 per share (the "**Ceiling Price**"). The Floor Price and Ceiling Price shall be further adjusted upon the occurrence of any event in paragraph (f) (iv)-(vi).

For purposes of determining the Conversion Price, the "**Market Price**" shall be the average of the lowest three intra-day trading prices of the Corporation's Common Stock (which need not occur on consecutive trading days) during the 10 trading days immediately preceding the conversion date (which may include trading days prior to the original issue date), provided, that such 10 trading day period shall be extended by the number of trading days during such period on which (i) trading in the Corporation's Common Stock is suspended by, or not traded on, the OTC Bulletin Board or a subsequent market on which the common stock is then traded, or (ii) after the date of Registration Statement (the "**Registration Statement**") for the underlying shares of common stock of the Corporation into which the Series B Preferred Stock may be converted is declared effective by the SEC, the prospectus included in the Registration Statement may not be used by the holder for resale of underlying shares of common stock, is suspended by, or not traded on, the OTC Bulletin Board or a subsequent market on which the common stock is then listed, or (iii) after the date the Registration Statement is declared effective by the SEC, the prospectus included in the Registration Statement for the underlying shares may not be used by the holder for the resale of underlying shares of common stock (provided such inability to use the prospectus is not (a) caused by the holder or (b) as a result of the Company's filing of post-effective amendments to the Registration Statement.)

For purposes of illustration only, assuming the Ceiling Price is \$0.08 per share and the Floor Price is \$0.05, if the Market Price is \$0.07 at time of conversion, the Conversion Ratio will be $\$100.00/\0.0595 , allowing the 25,000 shares of Series B Preferred Stock to be converted into 42,016,807 shares of Common Stock. On the other hand, if the Market Price is \$0.04 at time of conversion, the Conversion Ratio will be $\$100.00/\0.05 , allowing the 25,000 shares of Preferred Stock to be converted into 50,000,000 shares of Common Stock.

If an Event of Default occurs, as defined in the Subscription Agreement for the Series B Preferred Stock, the Conversion Price shall be reduced to seventy-five percent (75%) of

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the Market Price, provided, however, in no event shall the Conversion Price be less than the Floor Price.

(iv) *Adjustment for Stock Splits and Combinations.* If the Corporation shall at any time, or from time to time after the date shares of the Series B Preferred Stock are first issued (the "Original Issue Date"), effect a subdivision of the outstanding Common Stock, the Floor Price and Ceiling Price in effect immediately prior thereto shall be proportionately decreased, and conversely, if the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Floor Price and Ceiling Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph (iv) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(v) *Adjustment for Certain Dividends and Distributions.* In the event the Corporation at any time, or from time to time after the Original Issue 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 additional shares of Common Stock, then and in each such event the Floor Price and Ceiling 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 Floor Price and Ceiling Price then in effect by a fraction:

(A) 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

(B) 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 Floor Price and Ceiling Price shall be recomputed accordingly as of the close of business on such record date and thereafter, the Floor Price and Ceiling Price shall be adjusted pursuant to this paragraph (v) as of the time of actual payment of such dividends or distributions.

(vi) *Adjustments for Other Dividends and Distributions.* In the event the Corporation at any time or from time to time after the Original Issue 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 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 such Series B 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 their Series B Preferred Stock been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period giving application to all adjustments called for during such period under this paragraph (v) with respect to the rights of the holders of the Series B Preferred Stock.

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(vii) *Adjustment for Reclassification Exchange or Substitution.* If the Common Stock issuable upon the conversion of the Series B 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 elsewhere in this paragraph (f)), then and in each such event the holder of each share of Series B 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 shares of Series B Preferred Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(viii) *Reorganization, Mergers, Consolidations or Sales of Assets.* If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this paragraph (f)) or a merger or consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of such Series B 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 or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this paragraph (f) with respect to the rights of the holders of the Series B Preferred Stock after the reorganization, merger, consolidation or sale to the end that the provisions of this paragraph (f) (including adjustment of the Floor Price and Ceiling Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(ix) *Sale of Common Stock or Securities Convertible Into Common Stock.* Certain terms used in this paragraph (f)(ix) are defined in paragraph (f)(x). In the event this Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to paragraph (f)(xii)) without consideration or for a consideration per share less than the Conversion Price applicable on and immediately prior to such issue, then and in such event, the Floor Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying the Floor Price in effect on the date of and immediately prior to such issue by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock actually outstanding immediately prior to such issue and the number of shares of Common Stock issuable upon the conversion of all shares of Preferred Stock of the Corporation actually outstanding immediately prior to such issue (but not including any shares of Common Stock issuable pursuant to Options or upon the conversion of Convertible Securities other than Preferred Stock), plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at the Conversion Price in effect on the date of and immediately prior to such issue; and the denominator of which shall be the sum of the

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number of shares of Common Stock actually outstanding immediately prior to such issue and the number of shares of Common Stock issuable upon the conversion of all Preferred Stock of the Corporation actually outstanding immediately prior to such issue (but not including any shares of Common Stock issuable pursuant to Options or upon the conversion of Convertible Securities other than Preferred Stock), plus the number of such Additional Shares of Common Stock so issued.

(x) *Special Definitions.* For purposes of paragraph (f)(ix), the following definitions shall apply:

(A) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.

(B) "Original Issue Date" shall mean the date of filing of this document.

(C) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than Common Stock and Series B Preferred Stock) or other securities convertible into or exchangeable for Common Stock.

(D) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to paragraph (f)(xii), deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable:

(i) upon conversion either of shares of Series B Preferred or of shares of any other series of Preferred Stock outstanding on the Original Issue Date.

(ii) to officers, directors, employees and consultants of the corporation pursuant to employee incentive plans, or other stock arrangements which have been approved by the Board of Directors of the Corporation;

(iii) in connection with such joint venture transactions as the Board of Directors of the Corporation shall approve, provided that the Board shall have specifically approved the grant of shares or other securities exercisable for such shares in connection therewith;

(iv) pursuant to any event for which adjustment has already been made pursuant to this paragraph (f);

(v) pursuant to stock options issued to Mirabilis Ventures in connection with its \$25 million investment in the Corporation;

(vi) pursuant to any options or warrants outstanding as of the Original Issue Date; or

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(vii) In connection with strategic acquisition transactions approved by the Board of Directors.

(xi) *No Adjustment of Floor Price.* No adjustment in the Floor Price shall be made in respect of the issuance of Additional Shares of Common Stock unless the consideration per share for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price in effect on the date of, and immediately prior to such issue.

(xii) *Deemed Issue of Additional Shares of Common Stock.* Except as provided in paragraph (f)(x)(d) above, in the event the Company at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to paragraph (f)(xiii) hereof) of such Additional Shares of Common Stock would be less than the Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) no further adjustment in the Floor Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities.

(B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the corporation, or increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof, the Floor Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities; and

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, if the Floor Price shall have been adjusted upon the original issuance thereof or shall have been subsequently adjusted pursuant to clause (B) above, the Floor Price shall be recomputed as if:

(i) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued

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were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities, and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged plus the consideration actually received by the Corporation upon such conversion or exchange, if any, and

(ii) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the corporation upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(D) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Floor Price to an amount which exceeds \$0.05.

(xiii) *Determination of Consideration.* For purposes of paragraph (f)(ix), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) Cash and Property. Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(ii) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors subject to the reasonable approval of the holders of a majority in interest of the then outstanding shares of Series B Preferred Stock; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors subject to the reasonable approval of the holders of a majority in interest of the then outstanding shares of Series B Preferred Stock.

(B) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to

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have been issued pursuant to paragraph (f)(xii), relating to Options and Convertible Securities, shall be determined by dividing

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such options for Convertible Securities and the conversion or exchange of such Convertible Securities by

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

(xiv) *Certificate of Adjustment.* In each case of an adjustment or readjustment of the Floor Price and Ceiling Price or the securities issuable upon conversion of the Series B Preferred Stock, the Corporation shall compute such adjustment or readjustment in accordance herewith and the Corporation's Chief Financial Officer shall prepare and sign a certificate showing such adjustment or readjustment, and shall mail such certificate by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Corporation's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based.

(xv) *Notices of Record Date.* In the event of (A) any taking by the Corporation of a record of the holders of any class or series of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution or (B) any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation or any transfer of all or substantially all of the assets of the Corporation to any other corporation, entity or person, or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each holder of Series B Preferred Stock at least 10 days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective and (3) the time, if any is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares, of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

(xvi) *Fractional Shares.* No fractional shares of Common Stock shall be issued upon conversion of the Series B Preferred Stock. In lieu of any fractional shares to which the

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holder would otherwise be entitled, the Corporation shall round down to the nearest whole number.

(xvii) 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 B Preferred Stock, Fifty Million (50,000,000) shares of Common Stock, and 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 Series B Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(xviii) Notices. Any notice required by the provisions of this paragraph (f) to be given to the holders of shares of Series B Preferred Stock shall be deemed given (A) if deposited in the United States mail, postage prepaid, or (B) if given by any other reliable or generally accepted means (including by facsimile or by a nationally recognized overnight courier service), in each case addressed to each holder of record at his address (or facsimile number) appearing on the books of the Corporation.

(xix) Payment of Taxes. The Corporation will pay all transfer taxes and other governmental charges that may be imposed in respect of the issue or delivery of shares of Common Stock upon conversion of shares of Series B Preferred Stock.

(xx) No Dilution or Impairment. The Corporation shall not amend its Articles of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, without the approval of a majority of the then outstanding Series B Preferred Stock.

(g) No Re-issuance of Preferred Stock. Any shares of Series B Preferred Stock acquired by the Corporation by reason of purchase, conversion or otherwise shall be canceled, retired and eliminated from the shares of Series B Preferred Stock that the Corporation shall be authorized to issue. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in the Articles of Incorporation or in any certificate of Determination creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(h) Severability. If any right, preference or limitation of the Series B Preferred Stock set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule, law or public policy, all other rights, preferences and limitations set forth herein that can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall nevertheless remain in full force and effect, and no right, preference or limitation herein shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

(i) Mandatory Conversion. In the event that after the Effective Date, the closing price of the Common Stock is greater than or equal to \$0.12 per share for ten (10) consecutive trading

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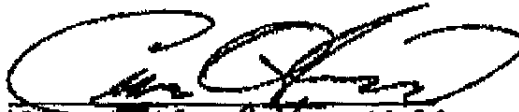
days, then by delivery of ten (10) days prior written notice by the Company to the Purchaser (a "Conversion Notice"), Company may require Purchaser to convert all of its Series B Preferred Stock, provided, however, in no event shall Purchaser be required to convert Series B Preferred Stock where such conversion would cause the aggregate beneficial ownership of Purchaser and its affiliates to exceed 9.99% of the total shares of Common Stock outstanding on a converted

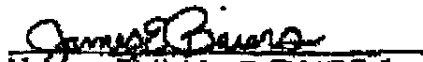
basis. The Conversion Notice shall specify the number of shares of Common Stock outstanding as of the date of the Conversion Notice and the number of shares of Series B Preferred Stock which must be converted. If the Conversion Notice states that more shares of Series B Preferred Stock must be converted than can then be converted as a result of the restriction on conversion, the excess shares shall be converted as soon thereafter as they can be converted without violating the restriction.

(i) **Redemption.** Company shall have the right to redeem all or a portion of the outstanding Series B Preferred Stock at any time after 10 days prior written notice (a "Redemption Notice") and payment of an amount equal to the sum of 150% of the Purchase Price per share and any and all accrued and unpaid dividends with respect to such shares. Upon receipt of a Redemption Notice, Purchaser shall not be permitted to convert the shares Series B Preferred Stock which are the subject of the Redemption Notice. If payment is not received on or before the 10th day after a Redemption Notice is received, then on the 11th day the Redemption Notice shall be void and Purchaser shall be permitted to convert its shares of Series B Preferred Stock.

3. The number of authorized shares of Preferred Stock of the Corporation is 50,000,000, and the number of shares of Series B Preferred Stock, none of which has been issued, is 25,000.

Each of the undersigned declares under penalty of perjury that the matters set out in the foregoing Certificate are true of his own knowledge. Executed at MO, MOBILE on this 21 day of December, 2004.


Name: CRAG A. VANDERSBURG
Title: ASSISTANT CEO


Name: JAMES E. PAIRS
Title: SECRETARY

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