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Florida Department of State

Division of Corporations

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BASIC AMENDMENT

G-AIR HOLDINGS CORP.

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Corporate Filing

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Amendment  
11-18-98  
DC

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**ARTICLES OF AMENDMENT**  
**TO THE**  
**ARTICLES OF INCORPORATION**  
**OF**  
**G-AIR HOLDINGS CORP.**

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TALLAHASSEE, FLORIDA

Pursuant to Sections 607.1006 and 607.0602 of the Business Corporation Act of the State of Florida, the undersigned President of G-Air Holdings Corp. ("Corporation"), a corporation organized and existing under and by virtue of the Business Corporation Act of the State of Florida bearing Document #P98000074506 does hereby certify:

First: that pursuant to the Article IV of the Articles of Incorporation of the Corporation filed on August 26, 1998, the Board of Directors of the Corporation is authorized at any time and from time to time, to provide for the issuance of shares of preferred stock in one or more series, with such voting powers, full or limited, or without voting powers, and with such designations, preferences and relations, participating, optional or other special rights, qualifications, limitations or restrictions thereof.

Second: that pursuant to a Written Consent of the Board of Directors of said Corporation dated September 15, 1998, the Board of Directors approved the following amendment to the Corporation's Articles of Incorporation creating the series of preferred stock as follows:

Articles IV of the Articles of Incorporation of this Corporation is amended to read in its entirety as follows:

**ARTICLE IV**  
**CAPITAL STOCK**

The maximum number of shares that this Corporation shall be authorized to issue and have outstanding at any one time shall be 40,000,000 shares of common stock, par value \$.001 per share and 5,000,000 shares of Preferred Stock, par value \$.001 per share. Series of the Preferred Stock may be created and issued from time to time, with such designations, preferences, conversion rights, cumulative, relative, participating,

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optional or other rights, including voting rights, qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the creation and issuance of such series of Preferred Stock as adopted by the Board of Directors pursuant to the authority in this paragraph given.

### **Common Stock**

(a) Dividends. The holders of Common Stock shall be entitled to receive out of any funds legally available for the purpose, subject to the rights of the holders of any Preferred Stock, when and as declared by the Board of Directors, such dividends payable in cash, stock or otherwise as may be determined by the Board of Directors.

(b) Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment to the holders of the outstanding Preferred Stock of the amount to which they are respectively entitled, all assets and funds of the Corporation shall be divided and distributed among the holders of Common Stock according to their respective shares.

(c) Voting Rights. Each holder of Common Stock shall have one (1) vote in respect of each share of such stock held by him.

### **Series A Convertible Preferred Stock**

The Board of Directors of the Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to a class of said Preferred Stock to be designated "Series A Convertible Preferred Stock."

(a) Designation. This series of preferred stock shall be known and designated as Series A Convertible Preferred Stock, without par value per share (the "Series A Preferred Stock"), and shall consist of 300 shares.

(b) Powers, Preferences and Rights. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series A Preferred Stock are as follows:

1. Dividends. The holders of the Series A Preferred Stock shall be entitled to receive a cumulative dividend equal to \$1,388.8 per annum per share of the Series A Preferred Stock. Such dividends shall accrue from the issue date

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of particular shares of the Series A Preferred Stock and shall be payable annually, in arrears, commencing on December 1, 1996, and on the first day of each succeeding December thereafter, whether or not earned or declared, on each share of Series A Preferred Stock, in cash or, in the sole discretion of the Corporation, in additional shares of Series A Preferred Stock determined by multiplying the number of shares of Series A Preferred Stock held by a Series A Preferred Shareholder times a fraction, the numerator of which shall be 1,388.8 (the dividend per share) and the denominator of which shall be 13,888 (the stated value of a share of Series A Preferred Stock). Fractional shares of Series A Preferred Stock may be issued in payment of dividends payable in shares of Series A Preferred Stock. In the event that dividends are not paid on the Series A Preferred Stock, then the dividends shall accumulate, and such accumulated dividends must all be paid prior to the payment of any dividend declared by the Corporation on any shares of its Common Stock or other series of preferred stock authorized and issued by the Corporation.

2. *Liquidation Preference.* If any voluntary or involuntary sale of all or substantially all of the Corporation's capital stock or all or substantially all of the Corporation's assets, or any merger or consolidation of the Corporation with another entity, or any liquidation or dissolution of the Corporation, shall be effected and such transaction will involve a distribution of assets to the holders of equity securities of the Corporation (such events to be hereinafter collectively referred to as the "Liquidation Events"), then the holders of the Series A Preferred Stock shall be entitled to receive, prior to the receipt of any assets by holders of all other equity securities of the Corporation, a cash amount equal to an initial value of \$13,888 for each share of Series A Preferred Stock held, plus any and all accumulated dividends thereon together with any dividends payable in the then current annual period calculated on a pro rata basis from the beginning of such period to the effective date of the relevant Liquidation Event (the "Liquidation Preference"). Such payment with respect to the Series A Preferred Stock shall constitute the extent of the participation of the Series A Preferred Shareholders in any and all present or future corporate distributions, or the stock, securities, or assets to be received by holders of equity securities of the Corporation, and the shares of the Series A Preferred Stock shall thereafter be redeemed and canceled and shall be so reflected on the books of the Corporation.

3. *Voting Rights.* Except as required by applicable law, the holders of the Series A Preferred Stock shall not be entitled to any voting rights as shareholders of the Corporation prior to conversion pursuant to Section 5 hereof.

#### 4. *Redemption at the Option of the Corporation*

(a) On or before December 31, 1997, the Corporation may at the option of the Board of Directors, redeem up to 72 shares of the Series A Preferred Stock by paying in cash therefor a sum equal to \$17,360 per share of Series A Preferred Stock (adjusted for any stock dividends, combinations or splits with respect to such shares) plus all declared or accumulated but unpaid dividends on such shares (the "Redemption Price"). Any redemption effected pursuant to this subsection 4(a) shall be made on a pro rata basis among the holders of the Series A Preferred Stock in proportion to the number of shares of Series A Preferred Stock then held by them.

(b) At least fifteen (15) but no more than thirty (30) days prior to the date on which the Corporation desires to redeem shares of Series A Preferred Stock (a "Redemption Date"), written notice shall be delivered via over night courier to each holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Series A Preferred Stock to be redeemed, at the address last shown on the records of this Corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, the Redemption Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed (the "Redemption Notice"). Except as provided in Section 4(c) on or after the Redemption Date, each holder of Series A Preferred Stock to be redeemed shall surrender to the Corporation the certificate or certificates representing such shares, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(c) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Series A Preferred Stock designated for redemption in the Redemption Notice as holders of Series A Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such

shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the funds of the Corporation legally available for redemption of shares of Series A Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Series A Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed based upon their holdings of Series A Preferred Stock. The shares of Series A Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series A Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the Corporation has become obliged to redeem on any Redemption Date but which it has not redeemed.

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

(a) Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and on or prior to the fifth day prior to the Redemption Date, if any, as may have been fixed in any Redemption Notice with respect to the Series A Preferred Stock, at the office of this Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing \$13,888 (the "Original Series A Issue Price") by the Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for shares of Series A Preferred Stock shall be the Original Series A Issue Price; provided, however, that the Conversion Price for the Series A Preferred Stock shall be subject to adjustment as set forth in subsection 5(c).

(b) Before any holder of Series A 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 this Corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Corporation shall, as soon as

practicable but not later than fifteen (15) days thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. 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 A 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 as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Series A Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock upon conversion of the Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of such sale of securities.

(c) The Conversion Price of the Series A Preferred Stock shall be subject to adjustment from time to time as follows:

(i) (A) If the Corporation shall issue, after the date upon which any shares of Series A Preferred Stock were first issued (the "Purchase Date" with respect to such series), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price for such series in effect immediately prior to the issuance of such Additional Stock, the Conversion Price for such series in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price equal to the quotient obtained by dividing the total computed under clause (x) below by the total computed under clause (y) below as follows:

(x) an amount equal to the sum of

(1) the aggregate purchase price of the shares of the Series A Preferred Stock sold pursuant to the agreement pursuant to which shares of Series A Preferred Stock are first issued (the "Stock Purchase Agreement"), plus

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(2) the aggregate consideration, if any, received by the Corporation for all Additional Stock issued on or after the Purchase Date for such series;

(y) an amount equal to the sum of

(1) the aggregate purchase price of the shares of Series A Preferred Stock sold pursuant to the Stock Purchase Agreement divided by the Conversion Price for such shares in effect at the Purchase Date for such series, plus

(2) the number of shares of Additional Stock issued since the Purchase Date for such series.

(B) Except to the limited extent provided for in subsections 5(c)(i)(E)(3) and 5(c)(i)(E)(4), no adjustment of such Conversion Price pursuant to this subsection 5(c)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(C) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of the Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(E) In the case of the issuance (whether before, on or after the applicable Purchase Date) of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for all purposes of this subsection 5(c)(i) and subsection 5(c)(ii):

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock shall be

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deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subsections 5(c)(i)(C) and (c)(i)(D)), if any, received by the Corporation upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights for the Common Stock covered thereby.

(2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by the Corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subsections 5(c)(i)(C) and (c)(i)(D)).

(3) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to this Corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Conversion Price of the Series A Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Series A Preferred Stock, to the extent in any way affected by or computed

using such options, rights or securities or options or rights related to such securities, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities which remain in effect) actually issued upon the exercise of such securities or upon the exercise of the options or rights related to such securities.

(5) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to subsections 5(c)(i)(E)(1) and (2) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either subsection 5(c)(i)(E)(3) or (4).

(ii) "Additional Stock" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to subsection 5(c)(i)(E)) by this Corporation after the Purchase Date other than Common Stock issued pursuant to a transaction described in subsection 5(c)(iii) hereof.

(iii) In the event the Corporation should at any time or from time to time after the Purchase Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time in the manner provided for deemed issuances in subsection 5(c)(i)(E).

(iv) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Series A Preferred Stock shall be appropriately increased

so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(d) Other Distributions. In the event the Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 5(c)(iii), then in each such case for the purpose of this subsection 4(d), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock or the Corporation entitled to received such distribution.

(e) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this subsection 5 or Section 2) provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property of the company or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of the Series A Preferred Stock with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization to the end that the provisions of this subsection 5 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(f) No Impairment. The Corporation will not, by amendment of its Charter or through any reorganization, recapitalization, 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 hereunder by this Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this subsection 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment.

(g) No Fractional Shares and Certificate as to Adjustments.

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Series A Preferred Stock, and the number of shares of

Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Series A Preferred Stock pursuant to this subsection 5, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A Preferred Stock.

(h) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall deliver by overnight courier to each holder of Series A Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(i) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred 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 the Series A Preferred Stock, in addition to such other remedies as shall be available to the holder of such 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 purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these articles.

(j) Notices. Any notice required by the provisions of this subsection 5 to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Corporation.

6. Protective Provisions. So long as any shares of Series A Preferred Stock are outstanding, the Corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock:

(a) sell, convey, or otherwise dispose of or encumber all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or effect any transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Corporation is disposed of;

(b) alter or change the rights, preferences or privileges of the shares of Series A Preferred Stock so as to affect adversely the shares;

(c) increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A Preferred Stock;

(d) authorize or issue, or obligate itself to issue, any other equity security, including any other security convertible into or exercisable for any equity security (i) having a preference over, or being on a parity with, the Series A Preferred Stock with respect to voting, dividends or upon liquidations, or (ii) having rights similar to any of the rights of the Series A Preferred Stock under this subsection 6; or

(e) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock;

(f) amend the Corporation's Charter or Bylaws; or

(g) change the authorized number of directors of the Corporation.

7. Status of Converted or Redeemed Stock. In the event any shares of Series A Preferred Stock shall be redeemed or converted pursuant to subsection 4 or

subsection 5 hereof, the shares so converted or redeemed shall be canceled and shall not be issuable by the Corporation. The Charter of the Corporation shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

### **Series B Redeemable Preferred Stock**

The Board of Directors of the Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to a class of said Preferred Stock to be designated "Series B Redeemable Preferred Stock."

1. Designation. This series of preferred stock shall be known and designated as Series B Redeemable Preferred Stock, par value \$.001 per share (the "Series B Preferred Stock"), and shall consist of 404,784 shares. The stated value of the Series B Preferred Stock shall be \$10 per share.

2. Powers, Preferences and Rights. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series B Preferred Stock are as follows:

(a) Dividends. The holders of the Series B Preferred Stock shall be entitled to receive a 5% annual cumulative dividend. Such dividend shall accrue from the issue date and shall be payable on August 1, 2003 (the "Maturity Date"). The foregoing notwithstanding, the dividend on the Series B Preferred Stock shall be junior to the dividends payable on shares of the Company's Series A Preferred Stock but senior to all other series of preferred stock of the Company to the extent that no dividends or redemption payments may be made to the holders of any other subordinate series of preferred stock of the Company, nor may dividends be paid on any common stock, unless and until all accrued and unpaid dividends or redemption payments have been made to the holders of the Series B Preferred Stock.

(b) Liquidation Preference. If any voluntary or involuntary sale of all or substantially all of the Company's capital stock or all or substantially all of the Company's assets, or any merger or consolidation of the Company with another entity, or any liquidation or dissolution of the Company, shall be effected and such transaction will involve a distribution of assets to the holders of equity securities of the Company (such events to be hereinafter collectively referred to as the "Liquidation Events"), then the holders of the Series B Preferred Stock shall be entitled to receive, prior to the receipt of any assets by holders of all other equity securities of the Company, a cash amount equal to \$10 for each share of

Series B Preferred Stock held, plus any and all accumulated dividends thereon together with any dividends payable in the then current annual period calculated on a pro rata basis from the beginning of such period to the effective date of the relevant Liquidation Event (the "Liquidation Preference"). Such payment with respect to the Series B Preferred Stock shall constitute the extent of the participation of the Series B Preferred Shareholders in any and all present or future corporate distributions, or the stock, securities, or assets to be received by holders of equity securities of the Company, and the shares of the Series B Preferred Stock shall thereafter be redeemed and canceled and shall be so reflected on the books of the Company. Payment of the Series B Liquidation Preference shall be senior to the liquidation preference on all series of the Company's preferred stock except that payment of the Series B Liquidation Preference shall be junior to the liquidation preference payable to holders of the Company's Series A Preferred Stock.

(c) *Voting Rights.* Except as required by applicable law, the holders of the Series B Preferred Stock shall not be entitled to any voting rights as shareholders of the Company prior to conversion pursuant to subsections 2(e) or 2(h) hereof.

(d) *Redemption Options.* The Company shall have the right and option, in its discretion, to redeem shares of the Series B Preferred Stock for a redemption price of \$10 per share on a pro rata basis among the holders of the Series B Preferred Stock in proportion to the number of shares of Series B Preferred Stock then held by them as follows:

- (1) On January 1, 2000: \$350,000.
- (2) On April 1, 2000, and on the first day of each July, October, January and April thereafter: \$175,000.
- (3) At Maturity, the Company shall pay all accrued and unpaid dividends and redeem all outstanding Series B Preferred Stock, at their stated value amount, at a redemption price of \$10 per share.
- (4) If, as and when there is a sale of the Paradise Island Airlines Part 121 certificate, one half of the proceeds from such sale shall be used to redeem any unredeemed portion of the Series B Preferred Stock, at a redemption price of \$10 per share.

Notwithstanding the foregoing, there shall be no redemption of the Series B Preferred Stock by the Company unless and until Sirrom Capital Corporation and Sirrom Investments, Inc. (collectively, "Sirrom") have received payment in full of

all amounts due and owing to pursuant to the Loan and Security Agreement dated October 22, 1993 with Gulfstream International Airlines, Inc. and all of the Series A Preferred Stock has been redeemed or converted to common stock. This provision regarding subordination to obligations to Sirrom and the Series A Preferred Stock shall not preclude the Company from effecting a conversion of the Series B Preferred Stock to common stock and effectively redeeming the Series B Preferred Stock out of the net proceeds of the Offering as provided in subsection 2 (e) below.

(e) *Required Conversion to Common Stock.* In the event that the Company does not redeem the Series B Preferred Stock in accordance with the schedule set forth in subsection 2 (d) above at any time (a "Non-Redemption Event"), then the Company shall be required promptly to commence and diligently pursue to completion a registration statement and underwritten public offering filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, for registration of common stock to be issued upon conversion of the Series B Preferred Stock (an "Offering"). In the Offering, the Company shall register and sell a number of shares into which the Series B Preferred Stock shall be converted, which number shall be determined by dividing (i) a sum equal to the total aggregate stated value of the Series B Preferred Stock then outstanding together with all dividends due to and including the closing date of the Offering (the "Total Preferred Value"), plus all of the costs and expenses of the Offering, by (ii) the per share selling price of the common stock as of the closing date of the Offering, the effect of which shall be redemption of the Series B Preferred Stock for its Total Preferred Value out of the net proceeds of the Offering.

(f) *Status of Redeemed Stock.* In the event any shares of Series B Preferred Stock shall be redeemed pursuant to subsection 2 (d) hereof, the shares so redeemed shall be canceled and shall not be issuable by the Company. The Charter of the Company shall be appropriately amended to effect the corresponding reduction in the Company's authorized capital stock.

(g) *Power of Appointment.* Subject to the approval of the nominee by the Board of Directors of the Company, the holder of the Series B Preferred Stock shall be entitled to nominate a member to the Board of Directors of the Company which member shall be duly qualified to hold such position.

(h) *Piggyback Registration Rights.* Holders of the Series B Preferred Stock ("Series B Shareholders") shall have the following piggyback registration rights which shall be pari passu with the registration rights provided to holders of the Series A Preferred Stock:



(1) In addition to the mandatory registration rights set forth above, in the event that the Company files any other registration statement under the Securities Act of 1933, as amended, with respect to shares of its stock, on a form appropriate for registering the shares of the Company's stock then held by the Series B Shareholders, the Company shall give twenty (20) days' written notice to Series B Shareholders prior to such filing, and the Series B Shareholders shall have the right to request to have included therein such shares of Series B Shareholder's stock as shall be specified in such request; provided, however, that the inclusion of such shares shall not interfere with the Company's registration of its shares. If a Series B Shareholder does not make a request for such registration within twenty (20) days after the receipt of notice from the Company, the Company shall have no obligation to include any shares of Series B Shareholder's stock owned by that Series B Shareholder in such registration statement. In the event that a written request is received by the Company, the Company will file a registration statement including the stock referred to in said notice as promptly as practicable or include such stock in the registration statement otherwise filed, and will use its best efforts to cause any such registration statement or any amendments thereto to become effective.

(2) The Company will make available to the Series B Shareholders copies of each preliminary prospectus, and if registration of the stock is effected, each final prospectus and supplement thereto filed in connection with any registration statement pursuant hereto, and any amendments thereto, all in such quantities as may be reasonably requested in writing by the Company prior to the final printing of any such prospectus, supplement or amendment.

(3) The Company will (i) notify the Series B Shareholders, promptly after it receives notice thereof, of the time when any registration statement pursuant hereto has become effective and of the date any amendment thereto or any supplement to any prospectus forming a part thereof has been filed; (ii) notify the Series B Shareholders, promptly after it receives notice thereof, of the issuance by the SEC of any stop order suspending the effectiveness of any such registration statement or of the initiation or threat of any proceeding for that purpose and use its best efforts to prevent the issuance of any such stop order and to obtain the withdrawal of any such stop order that may be issued; (iii) prepare and promptly file with the SEC any amendment to any such registration statement or any supplement to any prospectus forming a part thereof that may be necessary to correct any statement or omission if, at a time when

a prospectus relating to the stock is required to be delivered under the Act, any event has occurred as a result of which such prospectus would otherwise include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading; and (iv) use its best efforts to register or qualify the stock under such state Blue Sky laws as the Series B Shareholders may designate (other than such states as shall require the Company to execute, in connection therewith, a general consent to service of process in such state).

(4) The Company will indemnify the Series B Shareholders, and each other person, if any, who controls the Series B Shareholders within the meaning of the Securities Act of 1933, as amended (the "SEC Act"), and hold any of them harmless from and against any and all loss, liability, claim, damage and expense whatsoever (i) arising out of any untrue statement of a material fact contained in any registration statement pursuant hereto or any amendment thereto or in any preliminary prospectus, final prospectus, or supplement thereto filed in connection therewith, or the omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with information furnished to the Company by a Series B Shareholder in writing for use in such registration statement, amendment, prospectus, or supplement, or (ii) arising out of any violation by the Company of any law or rule or regulation relating to action or inaction required by purchaser in connection with such registration statement or the offering thereunder; and will reimburse the Series B Shareholders and any control person for any legal or any other expenses reasonable incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable hereunder with respect to any claim made against the Series B Shareholders unless the Company is notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Company shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(5) The Series B Shareholders will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed any documents relating to a registration statement registering such shares of common stock into which Series B Preferred Stock shall be converted and such amendments and supplements thereto (collectively, the "Included

Documentation") and each person, if any, who controls the Company (within the meaning of the SEC Act) (the persons referred to in and covered by this indemnification begin hereinafter referred to as the "Indemnitees"), against any losses, claims, damages or liabilities, joint or several, to which the Company or any of the Indemnitees may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities, or actions in respect thereof, arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in any Included Documentation, or arising out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Included Documentation in reliance upon and in conformity with written information furnished by such Series B Shareholders for use in the preparation thereof; and will reimburse the Indemnitees for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Series B Shareholders shall not be liable hereunder with respect to any claim made against the Company unless the Series B Shareholders are notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Series B Shareholders shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(6) All fees and expenses incurred by the Company relating to the preparation and filing of any registration statement pursuant to this piggyback registration process (other than costs and expenses such as legal counsel retained by Series B Shareholders for their purposes) shall be paid by the Company.

(i) *Other Rights.* So long as any shares of Series B Preferred Stock are outstanding, the Company shall not, without the consent of the holders of shares having at least two-thirds (66.66%) of such series at the time outstanding, given in person or by proxy, either in writing or by vote at a duly authorized meeting: (1) authorize or create, or increase the authorized amount of, any class or classes of stock ranking prior to or on a parity with the Series B Preferred Stock, except for (x) replacements or amendments to the Series A Preferred in a similar amount to that which is currently outstanding or (y) additional prior convertible preferred

stock which is issued in connection with the replacement of existing debt of the Company or additional equity investments in the Company in order to eliminate its negative net worth; (2) increase the number of authorized shares of the Series B Preferred Stock; (3) authorize or create, or increase the authorized amount of, any class of stock or obligations convertible into or evidencing the right to purchase any class of stock ranking prior to or on a parity with the Series B Preferred Stock; or (4) amend, alter or repeal any of the provisions of the Articles of Incorporation or any of the rights, preferences or powers of the outstanding Series B Preferred Stock fixed herein or determined by the Board of Directors for any shares of Series B Preferred Stock, so as to adversely affect the rights, preferences or powers of the Series B Preferred Stock or its holders.

### **Series C Convertible Redeemable Preferred Stock**

The Board of Directors of the Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to a class of said Preferred Stock to be designated "Series C Convertible Redeemable Preferred Stock."

1. Designation. This series of preferred stock shall be known and designated as Series C Convertible Redeemable Preferred Stock, par value \$.001 per share (the "Series C Preferred Stock"), and shall consist of 400,000 shares. The stated value of the Series C Preferred Stock shall be \$10 per share.

2. Powers, Preferences and Rights. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series C Preferred Stock are as follows:

(a) Dividends. No dividends are payable to holders of the Series C Preferred Stock ("Series C Shareholders").

(b) Liquidation Preference. If any voluntary or involuntary sale of all or substantially all of the Company's capital stock or all or substantially all of the Company's assets, or any merger or consolidation of the Company with another entity, or any liquidation or dissolution of the Company, shall be effected and such transaction will involve a distribution of assets to the holders of equity securities of the Company (such events to be hereinafter collectively referred to as the "Liquidation Events"), then the holders of the Series C Preferred Stock shall be entitled to receive, prior to the receipt of any assets by holders of all other equity securities of the Company, a cash amount equal to \$10 for each share of Series C Preferred Stock held (the "Liquidation Preference"). Such payment with respect to the Series C Preferred Stock shall constitute the extent of the

participation of the Series C Preferred Shareholders in any and all present or future corporate distributions, or the stock, securities, or assets to be received by holders of equity securities of the Company, and the shares of the Series C Preferred Stock shall thereafter be redeemed and canceled and shall be so reflected on the books of the Company. Payment of the Series C Liquidation Preference shall be senior to the liquidation preference on the Company's Series D Preferred Stock and Series E Preferred Stock, but shall be junior to the liquidation preference payable to holders of the Company's Series A Preferred Stock and Series B Preferred Stock.

(c) *Voting Rights.* Except as required by applicable law, the holders of the Series C Preferred Stock shall not be entitled to any voting rights as shareholders of the Company prior to conversion pursuant to subsections (e) and (f) hereof.

(d) *Mandatory Redemption.* The Series C Shareholders shall have the right and option to require the Company to redeem the Series C Preferred Stock for a redemption price of \$10 per share on a pro rata basis among the Series C Shareholders in proportion to the number of shares of Series C Preferred Stock then held by such Series C Shareholders, as follows:

(1) Upon the occurrence of a Non-Redemption Event under the Series B Preferred Stock or upon the occurrence of an Additional Default, as defined in the Airframe Agreement by and between Paradise Island Airlines, Inc. ("Paradise") and AGES Aircraft Sales and Leasing, L.P. with respect to four (4) DHC-7-102 airframes serial number 19, 24, 53 and 103 (the "Airframe Agreement"), the Series C Shareholders shall have the right to require redemption of the Series C Preferred Stock. The redemption under this subsection (1) shall be made by the Company's transfer of title to (free and clear of all liens and encumbrances), and the delivery to, the holders of the Series C Preferred Stock, as a group, of the four (4) Dash 7 aircraft airframes (the "Airframes") and the Airframe Documentation which are the subject of the Airframe Agreement or any replacement or substitute airframes and airframe documentation thereunder. The Company, as the parent of Paradise, shall have the authority and power to, and shall direct Paradise to transfer title and deliver the Airframes and Airframe Documentation pursuant hereto. In the event a redemption is effected pursuant to the provisions of this subsection 2(d)(1), the holder of the Series C Preferred Stock shall be entitled to any other remedies, at law or in equity, for a Non-Redemption Event under the Series B Preferred Stock.

(2) On August 1, 2003, to the extent not theretofore redeemed pursuant to any other provision or condition.

Notwithstanding the foregoing, there shall be no redemption of the Series C Preferred Stock by the Company through a payment of cash unless and until Sirrom has received payment in full of all amounts due and owing to pursuant to the Loan and Security Agreement dated October 22, 1993 with Gulfstream International Airlines, Inc. and all of the Series A Preferred Stock has been redeemed or converted to common stock. This provision regarding subordination to obligations to Sirrom and the Series A Preferred Stock shall not preclude the Company from effecting a conversion of the Series C Preferred Stock to common stock and effectively redeeming the Series C Preferred Stock out of the net proceeds of the Offering as provided in subsection 2 (e) below.

(e) *Shareholder Rights to Convert Preferred to Common.* The Series C Shareholders shall have conversion rights as follows (the "Conversion Rights"):

(1) Each share of Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of this Company or any transfer agent for such stock, into two shares of fully paid and nonassessable Common Stock of the Company. In case the Company shall (i) declare a dividend payable in shares of the common stock; (ii) subdivide the outstanding shares of the common stock; (iii) combine the outstanding shares of the common stock into a smaller number of shares; or (iv) issue by reclassification of the common stock any shares of the Company, each holder of the Series C preferred stock shall thereafter be entitled upon the conversion of each share thereof held by him to receive for each such share the number of shares of the Company which he would have owned or have been entitled to receive after the happening of that one of the events described above which shall have happened had such share of the Series C Preferred stock been converted immediately prior to the happening of such event, the adjustment to become effective immediately after the opening of business on the day next following the record day or the day upon which such subdivision, combination or reclassification shall become effective. In case of any consolidation or merger of the Company with or into another corporation, or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Company, each holder of the Series C Preferred Stock then outstanding and thereafter remaining outstanding shall have the right thereafter to convert each share held by him into the kind and amount of shares of stock, other securities, cash and property receivable upon such consolidation, merger, sale or conveyance

by a holder of the number of shares of common stock into which such share might have been converted immediately prior to such consolidation, merger, sale or conveyance, and shall have no other conversion rights; in any such event, effective provision shall be made, in the certificate of incorporation of the resulting or surviving corporation or otherwise, so that the provisions set forth herein for the protection of the conversion rights of the shares of Series C Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock, other securities, cash and property deliverable upon conversion of the shares of the series C Preferred stock remaining outstanding or other convertible securities or stock received by the holders in place thereof, and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon the exercise of the conversion privilege, such shares, other securities, cash or property as the holders of the shares of the series C Preferred Stock remaining outstanding, or other convertible stock or securities received by the holders in place thereof, shall be entitled to receive pursuant to the provisions hereof, and to make provision for the protection of the conversion right as above provided.

(2) Before any holder of Series C Preferred Stock shall be entitled to convert the same into shares of Common Stock, it shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series C Preferred Stock, and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Company shall, as soon as practicable but not later than fifteen (15) days thereafter, issue and deliver at such office to such holder of Series C Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. 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 C 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 as of such date.

(3) The Company 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 C Preferred Stock, such number of its shares of Common stock as shall from time to

time be sufficient to effect the conversion of all outstanding shares of the Series C Preferred 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 the Series C Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, the Company 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 purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these articles.

(4) Any notice required by the provisions of this subsection (e) to be given to the holders of shares of Series C Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Company.

(f) *Protective Provision.* Neither the Company nor either of its subsidiaries (Gulfstream International Airlines, Inc. or Paradise Island Airlines, Inc.) shall, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series C Preferred Stock, pledge the Airframes, or any replacement thereof, except for a pledge and security interest to be issued by Paradise to the Company reflecting the fact that although Paradise will be the registered owner of the Aircraft, the value is held by the Company as issuer of the Series C Preferred Stock which is consideration for its purchase. This negative pledge agreement shall terminate at such time as (i) holders of the Series C Preferred Stock have converted shares of the Series C Preferred Stock into common stock of the Company and they have received proceeds of sale from such Common Stock equal to or greater than \$2,000,000, and (ii) the Company's net worth equals or exceeds \$10,000,000.

(g) *Status of Converted or Redeemed Stock.* In the event any shares of Series C Preferred Stock shall be redeemed or converted pursuant hereto, the shares so converted or redeemed shall be canceled and shall not be issuable by the Company. The Articles of Incorporation of the Company shall be appropriately amended to effect the corresponding reduction in the Company's authorized capital stock.

(h) *Other Rights.* So long as any shares of Series C Preferred Stock are outstanding, the Company shall not, without the consent of the holders of



shares having at least two-thirds (66.66%) of the voting power of such series at the time outstanding, given in person or by proxy, either in writing or by vote at a duly authorized meeting: (1) authorize or create, or increase the authorized amount of, any class or classes of stock ranking prior to or on a parity with the Series C Preferred Stock, except for (x) replacements or amendments to the Series A Preferred in a similar amount to that which is currently outstanding or (y) additional prior convertible preferred stock which is issued in connection with the replacement of existing debt of the Company or additional equity investments in the Company in order to eliminate its negative net worth; (2) increase the number of authorized shares of the Series C Preferred Stock; (3) authorize or create, or increase the authorized amount of, any class of stock or obligations convertible into or evidencing the right to purchase any class of stock ranking prior to or on a parity with the Series C Preferred Stock; or (4) amend, alter or repeal any of the provisions of the Articles of Incorporation or any of the rights, preferences or powers of the outstanding Series C Preferred Stock fixed herein or determined by the Board of Directors for any shares of Series C Preferred Stock, so as to adversely affect the rights, preferences or powers of the Series C Preferred Stock or its holders.

(i) *Piggyback Registration Rights.* After full redemption of the Series B Preferred Stock, the Series C Shareholders shall have the following piggyback registration rights which shall be pari passu with the registration rights provided to holders of the Series A Preferred Stock, if any remain:

(1) In the event that the Company files a registration statement under the Securities Act of 1933, as amended, with respect to shares of its stock, on a form appropriate for registering the shares of the Company's stock then held by the Series C Shareholders, the Company shall give twenty (20) days' written notice to the Series C Shareholders prior to such filing, and the Series C Shareholders shall have the right to request to have included therein such shares of purchaser's stock as shall be specified in such request, provided, however, that the inclusion of such shares shall not interfere with the Company's registration of its shares. If a Series C Shareholder does not make a request for such registration within twenty (20) days after the receipt of notice from the Company, the Company shall have no obligation to include any shares of purchaser's stock owned by that Series C Shareholder in such registration statement. In the event that a written request is received by the Company, the Company will file a registration statement including the stock referred to in said notice as promptly as practicable or include such stock in the registration statement otherwise filed, and will use its best efforts to cause

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any such registration statement or any amendments thereto to become effective.

(2) The Company will make available to the Series C Shareholders copies of each preliminary prospectus, and if registration of the stock is effected, each final prospectus and supplement thereto filed in connection with any registration statement pursuant hereto, and any amendments thereto, all in such quantities as may be reasonably requested in writing by the Company prior to the final printing of any such prospectus, supplement or amendment.

(3) The Company will (i) notify the Series C Shareholders, promptly after it receives notice thereof, of the time when any registration statement pursuant hereto has become effective and of the date any amendment thereto or any supplement to any prospectus forming a part thereof has been filed; (ii) notify the Series C Shareholders, promptly after it receives notice thereof, of the issuance by the SEC of any stop order suspending the effectiveness of any such registration statement or of the initiation or threat of any proceeding for that purpose and use its best efforts to prevent the issuance of any such stop order and to obtain the withdrawal of any such stop order that may be issued; (iii) prepare and promptly file with the SEC any amendment to any such registration statement or any supplement to any prospectus forming a part thereof that may be necessary to correct any statement or omission if, at a time when a prospectus relating to the stock is required to be delivered under the Act, any event has occurred as a result of which such prospectus would otherwise include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading; and (iv) use its best efforts to register or qualify the stock under such state Blue Sky laws as the Series C Shareholders may designate (other than such states as shall require the Company to execute, in connection therewith, a general consent to service of process in such state).

(4) The Company will indemnify the Series C Shareholders and each other person, if any, who controls the Series C Shareholders within the meaning of the Securities Act, and hold it harmless against any and all loss, liability, claim, damage and expense whatsoever (i) arising out of any untrue statement of a material fact contained in any registration statement pursuant hereto or any amendment thereto or in any preliminary prospectus, final prospectus, or supplement thereto filed in connection therewith, or the omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the

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circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with information furnished to the Company by the Series C Shareholders in writing for use in such registration statement, amendment, prospectus, or supplement, or (ii) arising out of any violation by the Company of any law or rule or regulation relating to action or inaction required by purchaser in connection with such registration statement or the offering thereunder; and will reimburse the Series C Shareholders and such underwriter and such controlling person for any legal or any other expenses reasonable incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable hereunder with respect to any claim made against the Series C Shareholders unless purchaser is notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Company shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(5) The Series C Shareholders will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed any documents relating to a registration statement registering such shares of common stock into which Series C Preferred Stock shall be converted and such amendments and supplements thereto (collectively, the "Included Documentation") and each person, if any, who controls the Company (within the meaning of the SEC Act) (the persons referred to in and covered by this indemnification begin hereinafter referred to as the "Indemnitees"), against any losses, claims, damages or liabilities, joint or several, to which the Company or any of the Indemnitees may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities, or actions in respect thereof, arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in any Included Documentation, or arising out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Included Documentation in reliance upon and in conformity with written information furnished by such Series C Shareholders for use in the preparation thereof; and will reimburse the Indemnitees for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action;

provided, however, that the Series C Shareholders shall not be liable hereunder with respect to any claim made against the Company unless the Series C Shareholders are notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Series C Shareholders shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(j) All fees and expenses incurred by the Company relating to the preparation and filing of any registration statement pursuant this piggyback registration process (other than costs and expenses such as legal counsel retained by Series C Shareholders for their purposes) shall be paid by the Company.

#### **Series D Convertible Redeemable Preferred Stock**

The Board of Directors of the Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to a class of said Preferred Stock to be designated "Series D Convertible Redeemable Preferred Stock."

1. Designation. This series of preferred stock shall be known and designated as Series D Convertible Redeemable Preferred Stock, par value \$.001 per share (the "Series D Preferred Stock"), and shall consist of 285,000 shares. The stated value of the Series D Preferred Stock shall be \$10 per share.

2. Powers, Preferences and Rights. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series D Preferred Stock are as follows:

(a) Dividends. No dividends shall be paid to holders of the Series D Preferred Stock.

(b) Liquidation Preference. If any voluntary or involuntary sale of all or substantially all of the Company's capital stock or all or substantially all of the Company's assets, or any merger or consolidation of the Company with another entity, or any liquidation or dissolution of the Company, shall be effected and such transaction will involve a distribution of assets to the holders of equity securities of the Company (such events to be hereinafter collectively referred to as the "Liquidation Events"), then the holders of the Series D Preferred Stock shall be entitled to receive, on a pro rata basis, prior to the receipt of any assets by

holders of all other equity securities of the Company, a cash amount equal to \$10 for each share of Series D Preferred Stock held (the "Liquidation Preference"). Such payment with respect to the Series D Preferred Stock shall constitute the extent of the participation of the Series D Preferred Shareholders in any and all present or future corporate distributions, or the stock, securities, or assets to be received by holders of equity securities of the Company, and the shares of the Series D Preferred Stock shall thereafter be redeemed and canceled and shall be so reflected on the books of the Company. Payment of the Series D Liquidation Preference shall be senior to the liquidation preference on the Company's Series E Preferred Stock, but shall be junior to the liquidation preference payable to holders of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock.

(c) *Voting Rights.* Each share of Series D Preferred Stock shall be entitled to two votes per share on all matters submitted to a vote by the Company's Common Stock holders.

(d) *Redemption Option.* The Company shall have the right and option to redeem the Series D Preferred Stock, to the extent not theretofore converted, on August 1, 2003, at a redemption price of \$10.00 per share. Notwithstanding the foregoing, there shall be no redemption of the Series D Preferred Stock by the Company unless and until Sirrom has received payment in full of all amounts due and owing to pursuant to the Loan and Security Agreement dated October 22, 1993 with Gulfstream International Airlines, Inc. and all of the Series A Preferred Stock has been redeemed or converted to common stock. This provision regarding subordination to obligations to Sirrom and the Series A Preferred Stock shall not preclude the Company from effecting a conversion of the Series D Preferred Stock to common stock and effectively redeeming the Series D Preferred Stock out of the net proceeds of the Offering as provided in subsection 2 (e) below.

(e) *Required Conversion to Common Stock.* In the event that the Company does not redeem the Series D Preferred Stock in accordance with the provisions of section (d) above, then the Company shall be required promptly to commence and diligently pursue to completion a registration statement and underwritten public offering filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, for registration of common stock to be issued upon conversion of the Series D Preferred Stock (an "Offering"). In the Offering, the Company shall register and sell a number of shares into which the Series D Preferred Stock shall be converted, which number shall be determined by dividing (i) a sum equal to the total aggregate stated value of the Series D Preferred Stock then outstanding (the "Total Preferred Value"),

plus all of the costs and expenses of the Offering, by (ii) the per share selling price of the common stock as of the closing date of the Offering, the effect of which will be redemption of the Series D Preferred Stock for its Total Preferred Value out of the net proceeds of the Offering.

(f) *Shareholder Rights to Convert Preferred to Common.* The holders of the Series D Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(1) Each share of Series D Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of this Company or any transfer agent for such stock, into two fully paid and nonassessable shares of Common Stock of the Company. In case the Company shall (i) declare a dividend payable in shares of the common stock; (ii) subdivide the outstanding shares of the common stock; (iii) combine the outstanding shares of the common stock into a smaller number of shares; or (iv) issue by reclassification of the common stock any shares of the Company, each holder of the Series D preferred stock shall thereafter be entitled upon the conversion of each share thereof held by him to receive for each such share the number of shares of the Company which he would have owned or have been entitled to receive after the happening of that one of the events described above which shall have happened had such share of the Series D Preferred stock been converted immediately prior to the happening of such event, the adjustment to become effective immediately after the opening of business on the day next following the record day or the day upon which such subdivision, combination or reclassification shall become effective. In case of any consolidation or merger of the Company with or into another corporation, or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Company, each holder of the Series D Preferred Stock then outstanding and thereafter remaining outstanding shall have the right thereafter to convert each share held by him into the kind and amount of shares of stock, other securities, cash and property receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of common stock into which such share might have been converted immediately prior such consolidation, merger, sale or conveyance, and shall have no other conversion rights; in any such event, effective provision shall be made, in the certificate of incorporation of the resulting or surviving corporation or otherwise, so that the provisions set forth herein for the protection of the conversion rights of the shares of Series D Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock, other

securities, cash and property deliverable upon conversion of the shares of the series D Preferred stock remaining outstanding or other convertible securities or stock received by the holders in place thereof, and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon the exercise of the conversion privilege, such shares, other securities, cash or property as the holders of the shares of the series D Preferred Stock remaining outstanding, or other convertible stock or securities received by the holders in place thereof, shall be entitled to receive pursuant to the provisions hereof, and to make provision for the protection of the conversion right as above provided.

(2) Before any holder of Series D 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 Company or of any transfer agent for the Series D Preferred Stock, and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Company shall, as soon as practicable but not later than fifteen (15) days thereafter, issue and deliver at such office to such holder of Series D Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. 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 D 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 as of such date.

(3) The Company 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 D Preferred Stock, such number of its shares of Common stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series D Preferred 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 the Series D Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, the Company 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 purposes including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these articles.

(4) Any notice required by the provisions of this subsection (f) to be given to the holders of shares of Series D Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Company.

(5) In the event any shares of Series D Preferred Stock shall be converted or redeemed pursuant to this subsection (f), the shares so converted or redeemed shall be canceled and shall not be issuable by the Company. The Charter of the Company shall be appropriately amended to effect the corresponding reduction in the Company's authorized capital stock.

(g) *Piggyback Registration Rights.* After full redemption of the Series B and C Preferred Stock, holders of the Series D Preferred Stock ("Series D Shareholders"), if the Series D Shareholders convert to common they shall have the following piggyback registration rights which shall be *pari passu* with the registration rights provided to holders of the Series A Preferred Stock, if any remain:

(1) In the event that the Company files a registration statement under the Securities Act of 1933, as amended, with respect to shares of its stock, on a form appropriate for registering the shares of the Company's stock then held by the Series D Shareholders, the Company shall give twenty (20) days' written notice to the Series D Shareholders prior to such filing, and the Series D Shareholders shall have the right to request to have included therein such shares of purchaser's stock as shall be specified in such request, provided, however, that the inclusion of such shares shall not interfere with the Company's registration of its shares. If a Series D Shareholder does not make a request for such registration within twenty (20) days after the receipt of notice from the Company, the Company shall have no obligation to include any shares of purchaser's stock owned by that Series D Shareholder in such registration statement. In the event that a written request is received by the Company, the Company will file a registration statement including the stock referred to in said notice as promptly as practicable or include such stock in the registration statement otherwise filed, and will use its best efforts to cause



any such registration statement or any amendments thereto to become effective.

(2) The Company will make available to the Series D Shareholders copies of each preliminary prospectus, and if registration of the stock is effected, each final prospectus and supplement thereto filed in connection with any registration statement pursuant hereto, and any amendments thereto, all in such quantities as may be reasonably requested in writing by the Company prior to the final printing of any such prospectus, supplement or amendment.

(3) The Company will (i) notify the Series D Shareholders, promptly after it receives notice thereof, of the time when any registration statement pursuant hereto has become effective and of the date any amendment thereto or any supplement to any prospectus forming a part thereof has been filed; (ii) notify the Series D Shareholders, promptly after it receives notice thereof, of the issuance by the SEC of any stop order suspending the effectiveness of any such registration statement or of the initiation or threat of any proceeding for that purpose and use its best efforts to prevent the issuance of any such stop order and to obtain the withdrawal of any such stop order that may be issued; (iii) prepare and promptly file with the SEC any amendment to any such registration statement or any supplement to any prospectus forming a part thereof that may be necessary to correct any statement or omission if, at a time when a prospectus relating to the stock is required to be delivered under the Act, any event has occurred as a result of which such prospectus would otherwise include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading; and (iv) use its best efforts to register or qualify the stock under such state Blue Sky laws as the Series D Shareholders may designate (other than such states as shall require the Company to execute, in connection therewith, a general consent to service of process in such state).

(4) The Company will indemnify the Series D Shareholders and each other person, if any, who controls the Series D Shareholders within the meaning of the Securities Act, and hold it harmless against any and all loss, liability, claim, damage and expense whatsoever (i) arising out of any untrue statement of a material fact contained in any registration statement pursuant hereto or any amendment thereto or in any preliminary prospectus, final prospectus, or supplement thereto filed in connection therewith, or the omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the

circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with information furnished to the Company by the Series D Shareholders in writing for use in such registration statement, amendment, prospectus, or supplement, or (ii) arising out of any violation by the Company of any law or rule or regulation relating to action or inaction required by the Company in connection with such registration statement or the offering thereunder; and will reimburse the Series D Shareholders and such underwriter and such controlling person for any legal or any other expenses reasonable incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable hereunder with respect to any claim made against the Series D Shareholders unless the Company is notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Company shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(5) The Series D Shareholders will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed any documents relating to a registration statement registering such shares of common stock into which Series D Preferred Stock shall be converted and such amendments and supplements thereto (collectively, the "Included Documentation") and each person, if any, who controls the Company (within the meaning of the SEC Act) (the persons referred to in and covered by this indemnification begin hereinafter referred to as the "Indemnitees"), against any losses, claims, damages or liabilities, joint or several, to which the Company or any of the Indemnitees may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities, or actions in respect thereof, arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in any Included Documentation, or arising out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Included Documentation in reliance upon and in conformity with written information furnished by such Series D Shareholders for use in the preparation thereof; and will reimburse the Indemnitees for any legal or other expenses reasonably incurred by them in connection with

investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Series D Shareholders shall not be liable hereunder with respect to any claim made against the Company unless the Series D Shareholders are notified in writing of the nature of the claim within thirty (30) days after the assertion thereof, and provided further that the Series D Shareholders shall be entitled to participate at its own expense in the defense, or if it so elects within five days after receipt of such notice, to assume the defense of any suit brought to enforce any such claim.

(6) All fees and expenses incurred by the Company relating to the preparation and filing of any registration statement pursuant this piggyback registration process (other than costs and expenses such as legal counsel retained by Series D Shareholders for their purposes) shall be paid by the Company.

(h) *Other Rights.* So long as any shares of Series D Preferred Stock are outstanding, the Company shall not, without the consent of the holders of shares having at least two-thirds (66.66%) of the voting power of such series at the time outstanding, given in person or by proxy, either in writing or by vote at a duly authorized meeting: (1) authorize or create, or increase the authorized amount of, any class or classes of stock ranking prior to or on a parity with the Series D Preferred Stock, except for (x) replacements or amendments to the Series A Preferred in a similar amount to that which is currently outstanding or (y) additional prior convertible preferred stock which is issued in connection with the replacement of existing debt of the Company or additional equity investments in the Company in order to eliminate its negative net worth; (2) increase the number of authorized shares of the Series D Preferred Stock; (3) authorize or create, or increase the authorized amount of, any class of stock or obligations convertible into or evidencing the right to purchase any class of stock ranking prior to or on a parity with the Series D Preferred Stock; or (4) amend, alter or repeal any of the provisions of the Articles of Incorporation or any of the rights, preferences or powers of the outstanding Series D Preferred Stock fixed herein or determined by the Board of Directors for any shares of Series D Preferred Stock, so as to adversely affect the rights, preferences or powers of the Series D Preferred Stock or its holders.

#### **Series E Redeemable Preferred Stock**

The Board of Directors of the Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating

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to a class of said Preferred Stock to be designated "Series E Redeemable Preferred Stock."

1. Designation. This series of preferred stock shall be known and designated as Series E Redeemable Preferred Stock, par value \$.001 per share (the "Series E Preferred Stock"), and shall consist of 97,500 shares. The stated value of the Series E Preferred Stock shall be \$10 per share.

2. Powers, Preferences and Rights. The powers, preferences and rights, and the qualifications, limitations and restrictions of the Series E Preferred Stock are as follows:

(a) Dividends. The holders of the Series E Preferred Stock shall be entitled to receive a 5% annual cumulative dividend. Such dividends shall accrue from the issue date and shall be payable at the Maturity Date, provided, however, that the dividend on the Series E Preferred Stock shall be junior to the dividends payable on shares of the Company's Series A Preferred Stock and Series B Preferred Stock.

(b) Liquidation Preference. If any voluntary or involuntary sale of all or substantially all of the Company's capital stock or all or substantially all of the Company's assets, or any merger or consolidation of the Company with another entity, or any liquidation or dissolution of the Company, shall be effected and such transaction will involve a distribution of assets to the holders of equity securities of the Company (such events to be hereinafter collectively referred to as the "Liquidation Events"), then the holders of the Series E Preferred Stock shall be entitled to receive, prior to the receipt of any assets by holders of all other equity securities of the Company, a cash amount equal to \$10 for each share of Series E Preferred Stock held, plus any and all accumulated dividends thereon together with any dividends payable in the then current annual period calculated on a pro rata basis from the beginning of such period to the effective date of the relevant Liquidation Event (the "Liquidation Preference"). Such payment with respect to the Series E Preferred Stock shall constitute the extent of the participation of the Series E Preferred Shareholders in any and all present or future corporate distributions, or the stock, securities, or assets to be received by holders of equity securities of the Company, and the shares of the Series E Preferred Stock shall thereafter be redeemed and canceled and shall be so reflected on the books of the Company. Payment of the Series E Liquidation Preference shall be junior to the liquidation preference on all other series of the Company's preferred stock.

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(c) *Voting Rights.* Except as required by applicable law, the holders of the Series E Preferred Stock shall not be entitled to any voting rights as shareholders of the Company prior to conversion pursuant to the applicable provisions of these designations.

(d) *Redemption Options.* The Company shall the right and option to redeem shares of the Series E Preferred Stock for a redemption price of \$10 per share on a pro rata basis among the holders of the Series E Preferred Stock in proportion to the number of shares of Series E Preferred Stock then held by them as follows:

- (1) On January 1, 2000: \$97,500.
- (2) On April 1, 2000, and on the first day of each July, October, January and April thereafter: \$48,750.
- (3) On August 1, 2003, all outstanding remaining Series E Preferred Stock.

Notwithstanding the foregoing, there shall be no redemption of the Series E Preferred Stock by the Company unless and until Sirrom has received payment in full of all amounts due and owing to pursuant to the Loan and Security Agreement dated October 22, 1993 with Gulfstream International Airlines, Inc. and all of the Series A Preferred Stock has been redeemed or converted to common stock. This provision regarding subordination to obligations to Sirrom and the Series A Preferred Stock shall not preclude the Company from effecting a conversion of the Series E Preferred Stock to common stock and effectively redeeming the Series E Preferred Stock out of the net proceeds of the Offering as provided in subsection 2 (e) below.

(e) *Required Conversion to Common Stock.* In the event that the Company does not redeem the Series E Preferred Stock in accordance with the provisions of section (d) above at any time, then the Company shall be required promptly to commence and diligently pursue to completion a registration statement and underwritten public offering filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, for registration of common stock to be issued upon conversion of the Series E Preferred Stock (an "Offering"). In the Offering, the Company shall register and sell a number of shares into which the Series E Preferred Stock shall be converted, which number shall be determined by dividing (i) a sum equal to the total face amount of the Series E Preferred Stock then outstanding together with all dividends due to and including the closing date of the Offering (the "Total Preferred Value"), plus all of the costs and expenses of the Offering, by (ii) the per share selling price of the common stock as of the closing date of the Offering, the effect of which will be

redemption of the Series E Preferred Stock for its Total Preferred Value out of the net proceeds of the Offering.

(f) *Status of Redeemed Stock.* In the event any shares of Series E Preferred Stock shall be converted pursuant to these designations, the shares so redeemed shall be canceled and shall not be issuable by the Company. The Articles of Incorporation of the Company shall be appropriately amended to effect the corresponding reduction in the Company's authorized capital stock.

(g) *Other Rights.* So long as any shares of Series E Preferred Stock are outstanding, the Company shall not, without the consent of the holders of shares having at least two-thirds (66.66%) of the voting power of such series at the time outstanding, given in person or by proxy, either in writing or by vote at a duly authorized meeting: (i) authorize or create, or increase the authorized amount of, any class or classes of stock ranking prior to or on a parity with the Series E Preferred Stock, except for (x) replacements or amendments to the Series A Preferred in a similar amount to that which is currently outstanding or (y) additional prior convertible preferred stock which is issued in connection with the replacement of existing debt of the Company or additional equity investments in the Company in order to eliminate its negative net worth; (ii) increase the number of authorized shares of the Series E Preferred Stock; (iii) authorize or create, or increase the authorized amount of, any class of stock or obligations convertible into or evidencing the right to purchase any class of stock ranking prior to or on a parity with the Series E Preferred Stock; or (iv) amend, alter or repeal any of the provisions of the Articles of Incorporation or any of the rights, preferences or powers of the outstanding Series E Preferred Stock fixed herein or determined by the Board of Directors for any shares of Series E Preferred Stock, so as to adversely affect the rights, preferences or powers of the Series E Preferred Stock or its holders.

The foregoing amendment was adopted by the Board of Directors of the Corporation pursuant to Written Consent of the Board of Directors of the Corporation dated September 15, 1998 acting unanimously pursuant to Section 607.0821 of the Florida Business Corporation Act. Therefore, the number of votes cast for the amendment to the Corporation's Articles of Incorporation was sufficient for approval.

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IN WITNESS WHEREOF, said Corporation has caused this Certificate to be signed in its name by its President and its corporate seal to be affixed this 13th day of November, 1998.



Thomas Cooper, President

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