

CONTACT:

OFFICE USE ONLY (Document #)

UCC FILING & SEARCH SERVICES, INC.

(Requestor's Name)

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TALLAHASSEE FL 32301

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(Phone #)

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CORPORATION NAME(S) & DOCUMENT NUMBER(S) (if known):

1 DEKA Medical Inc.
(Corporation Name) (Document #)

2 _____
(Corporation Name) (Document #)

3 _____
(Corporation Name) (Document #)

4 _____
(Corporation Name) (Document #)

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☐ CORP SEARCH

NEW FILINGS	
<input type="checkbox"/>	Profit
<input type="checkbox"/>	NonProfit
<input type="checkbox"/>	Limited Liability
<input type="checkbox"/>	Domestication
<input type="checkbox"/>	Other

AMENDMENTS	
<input checked="" type="checkbox"/>	Amendment
<input type="checkbox"/>	Resignation of R A, Officer/Director
<input type="checkbox"/>	Change of Registered Agent
<input type="checkbox"/>	Dissolution/Withdrawal
<input type="checkbox"/>	Merger

OTHER FILINGS	
<input type="checkbox"/>	Annual Report
<input type="checkbox"/>	Fictitious Name
<input type="checkbox"/>	Name Reservation

REGISTRATION/QUALIFICATION	
<input type="checkbox"/>	Foreign
<input type="checkbox"/>	Limited Partnership
<input type="checkbox"/>	Reinstatement <u>21</u>
<input type="checkbox"/>	Trademark
<input type="checkbox"/>	Other

Examiner's Initials

RUSH

97 JUL -9 PM 2:31
FILED
SECRETARY OF STATE
TALLAHASSEE FLORIDA

RECEIVED
97 JUL -9 AM 11:00
DIVISION OF CORPORATION

**HOLD FOR
PICKUP BY
UCC SERVICES**

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
DEKA MEDICAL, INC.

FILED

97 JUL -9 PH 2: 31

SECRETARY OF STATE
TALLAHASSEE FLORIDA

Pursuant to the provisions of section 607.1006, Florida Statutes, DEKA Medical, Inc., a Florida profit corporation, adopts the following articles of amendment to its articles of incorporation:

FIRST: That the shareholders of DEKA Medical, Inc. have approved an amendment to Article III, and hereby advise that Article III shall be amended in its entirety to read as follows:

"ARTICLE III

I. This corporation shall have the authority to issue 11,000,000 shares of capital stock, of which 1,000,000 shares shall be Preferred Stock, \$0.01 par value ("Preferred Stock"), and 10,000,000 shares shall be Common Stock, \$0.01 par value ("Common Stock"). The Preferred Stock shall be issued in one or more classes or series as set forth below. The Common Stock and the Preferred Stock shall each have the powers, preferences and rights, and qualifications, limitations and restrictions as set forth below.

A. Common Stock

1. Dividends. Dividends may be paid on the Common Stock as and when declared by the Board of Directors; provided, however, that no dividends may be paid on the Common Stock as long as any Series B Preferred Stock is outstanding.

2. Voting Rights. The holders of shares of Common Stock shall be entitled to one vote for each share so held with respect to all matters voted on by the shareholders of this corporation.

3. Liquidation Rights. Subject to the prior and superior right of the Preferred Stock or any class or series thereof, upon any voluntary or involuntary liquidation, dissolution or winding up of affairs of this corporation, the holders of Common Stock shall be entitled to receive that portion of the remaining funds to be distributed by this corporation. Such funds shall be paid to the holders of Common Stock held by each of them pro rata.

B. Preferred Stock

1. Designation of Series. The Preferred Stock of this corporation shall consist of:

(a) 140,000 shares of Series A Preferred Stock ("Series A Preferred Stock"), the powers, preferences and rights, and qualifications, limitations and restrictions of which are set forth below;

(b) 125,000 shares of Series B Preferred Stock ("Series B Preferred Stock"), the powers, preferences and rights, and qualifications, limitations and restrictions of which are set forth below; and

(c) 735,000 shares of Preferred Stock, for which the Board of Directors of this corporation shall have the power to fix by resolution or resolutions the powers, preferences and rights, and qualifications, limitations and restrictions, including, dividing the Preferred Stock into one or more classes or series having the same or different powers, preferences and rights, and qualifications, limitations and restrictions as the Board of Directors shall fix, subject to Section 3 below.

2. **Dividends.** The holders of the Preferred Stock shall be entitled, when and if declared by the Board of Directors, consistent with Florida law, to cash dividends and distributions out of funds of this corporation legally available for that purpose. With respect to the declaration, payment and setting apart of dividends, other than in Common Stock, whether of cash, securities of other persons, evidences of indebtedness, assets, Convertible Securities (as defined below), Options (as defined below) or rights to acquire any of the above, the holders of Preferred Stock shall be entitled to participate with the Common Stock and receive, before any dividends shall be declared and paid upon or set aside for the Common Stock, the same dividends or distributions, on an as-converted basis, as are proposed to be distributed to the holders of Common Stock. Each share of Preferred Stock shall be treated for purposes of such participation as being equal to the number of shares of Common Stock (which may be a fraction) into which such share could then be converted.

3. **Voting Rights.**

(a) **General.** Except as otherwise required herein or by law, a holder of each share of Series A Preferred Stock and Series B Preferred Stock shall be entitled to vote, together with the Common Stock and not as a separate class, on all matters presented for the vote or consent of shareholders and shall be entitled to the number of votes per share that he would have been entitled to had he converted his shares of Preferred Stock into shares of Common Stock immediately prior to the record date for the determination of shareholders entitled to vote on such matters or, if no record date is established, on the date such vote is taken or any written consent of shareholders is solicited.

(b) **Series A Preferred Stock.** The affirmative consent or vote of a majority of the outstanding shares of Series A Preferred Stock, voting as a class, shall be required with respect to (i) the entering into by this corporation

of any agreement or understanding or otherwise incurring any obligation which by its terms would materially violate, modify or cancel the rights of holders of Series A Preferred Stock hereunder, or (ii) changing the relative rights of holders of Series A Preferred Stock as to the payments of dividends or liquidation preferences in relation to such rights of holders of any other capital stock of this corporation.

(c) Series B Preferred Stock. The affirmative consent or vote of a majority of the outstanding shares of Series B Preferred Stock, voting as a class, shall be required with respect to (i) the entering into by this corporation of any agreement or understanding or otherwise incurring any obligation which by its terms would materially violate, modify or cancel the rights of the holders of Series B Preferred Stock hereunder; (ii) the creation, by reclassification or otherwise or the issuance of, any new class or series of capital stock of this corporation having preference senior to, or convertible into any class or series of any capital stock of this corporation having preference senior to, the Series B Preferred Stock; (iii) the redemption of any shares of capital stock of this corporation (other than pursuant to employment agreements and shareholders' agreements to which the holders of a majority of the outstanding shares of Series B Preferred Stock have consented); (iv) any action which would result in any merger, consolidation, corporate reorganization, or any transaction in which all or substantially all of the assets of this corporation are sold, leased, transferred or otherwise disposed of (other than a mere reincorporation transaction or one in which the holders of capital stock of this corporation immediately prior to such merger or consolidation continue to hold at least a majority of the voting power of the surviving corporation); (v) the amendment of the bylaws of this corporation in a manner that would adversely affect the rights of the holders of the Series B Preferred Stock; (vi) the issuance to employees of this corporation of any options, warrants or other obligations or securities which are directly or indirectly convertible into or exchangeable for shares of any series or class of capital stock other than options to purchase shares of Common Stock issued or issuable pursuant to a stock option, bonus or incentive plan approved by this corporation's Compensation Committee; (vii) the issuance to any Management Shareholder (as such term is used in the Investment Agreement dated July 9, 1997 by and among this corporation, Kitty Hawk Capital Limited Partnership and the Management Shareholders named therein (the "Investment Agreement")) of any options, warrants or other obligations or securities; (viii) changing the nature or character of this corporation's core business of producing, selling or distributing medical products or services; or (ix) the liquidation, dissolution or winding-up of this corporation.

4. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up to this corporation, either voluntary or involuntary, or any sale or disposition of all or

substantially all of the assets of this corporation or the merger of this corporation with or into another person (collectively, a "Liquidating Event"), the holders of the Series B Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of the Series A Preferred Stock or Common Stock by reason of their ownership thereof, an amount equal to \$8.00 per share (plus an amount equal to accrued and unpaid dividends on such shares if any), subject to the appropriate adjustment in the event of stock splits, stock dividends and the like (the "Series B Liquidation Preference"), before any payment shall be made to the holders of Series A Preferred Stock or Common Stock or any other class or series of stock ranking in liquidation junior to the Series B Preferred Stock.

Further, in the event of a Liquidating Event, after the payment in full of the Series B Liquidation Preference, the holders of the Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of the Common Stock by reason of their ownership thereof, an amount equal to \$7.50 per share (plus an amount equal to accrued and unpaid dividends on such shares if any), subject to appropriate adjustment in the event of stock splits, stock dividends and the like (the "Series A Liquidation Preference"), before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking in liquidation junior to the Series A Preferred Stock.

If upon the occurrence of any Liquidating Event, the assets of this corporation are insufficient to pay the full Series B Liquidation Preference, then all of the assets of this corporation available to pay the Series B Liquidation Preference shall be distributed to the holders of Series B Preferred Stock pro rata so that each shareholder receives that portion of the total amount of assets available for distribution as the number of shares of Series B Preferred Stock held by that shareholder bears to the aggregate number of issued and outstanding shares of Series B Preferred Stock.

If upon the occurrence of a Liquidating Event and after the payment in full of the Series B Liquidation Preference, the assets of this corporation are insufficient to pay the full Series A Liquidation Preference, then all of the assets of this corporation available to pay the Series A Liquidation Preference shall be distributed to the holders of Series A Preferred Stock pro rata so that each shareholder receives that portion of the total amount of assets available for distribution as the number of shares of Series A Preferred Stock held by that shareholder bears to the aggregate number of issued and outstanding shares of Series A Preferred Stock.

Written notice of any such Liquidating Event stating a payment date, the place where such payment shall be made, the amount of each Series A Liquidation Preference and Series B Liquidation Preference payment and the

amount of accrued and unpaid dividends to be paid shall be given by first class mail, postage prepaid, not less than 30 days prior to the payment date stated therein, to each holder of record of the Preferred Stock at such holder's address as shown in the records of this corporation.

Any assets of this corporation remaining after the payments of the Series A Liquidation Preference shall be distributed proportionally among the holders of outstanding shares of Common Stock based on the number of shares held by each such holder.

(b) For the purposes of paragraph (a), any merger or consolidation of this corporation into or with any other corporation or entity, or a sale, conveyance, mortgage, transfer, license, pledge, lease or other disposition of all or substantially all of the assets of this corporation, shall be deemed to be a Liquidating Event, unless the shareholders of this corporation immediately prior thereto shall, immediately thereafter, hold as a group the right to cast at least a majority of the votes of all holders of voting securities of the resulting or surviving corporation or entity on any matter on which any such holders of voting securities shall be entitled to vote.

(c) For purposes of paragraph (a), if any assets distributed to shareholders upon liquidation of this corporation consist of property other than cash, the amount of such distribution shall be deemed to be the fair market value thereof at the time of such distribution, as determined in good faith by the board of directors of this corporation.

5. Conversion. The holders of Series A Preferred Stock and Series B Preferred Stock shall have conversion rights as follows:

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such shares at the principal office of this corporation or any transfer agent for the Common Stock, into such number of fully-paid and nonassessable shares of Common Stock as is determined by dividing (i) in the case of the Series A Preferred Stock, \$7.50, subject to appropriate adjustment for stock splits, stock dividends and the like, and, in the case of the Series B Preferred Stock, \$8.00, subject to appropriate adjustment for stock splits, stock dividends and the like, by (ii) the Conversion Price for such series of Preferred Stock in effect on the conversion date (determined as hereinafter provided). The initial Conversion Price for the Series A Preferred Stock (the "Series A Conversion Price") shall be \$7.50. The initial Conversion Price for the Series B Preferred Stock (the "Series B Conversion Price") shall be \$8.00. Such Conversion Prices shall be subject to adjustment as hereinafter provided.

(b) Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, the holder shall surrender the certificate or certificates therefor, duly endorsed for transfer, at the office of this corporation or any transfer agent of this corporation and shall give written notice to this corporation at such office that he elects to convert the same, such notice to state the name or names and addresses to which certificates for Common Stock will be issued. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, this corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such shareholder, or to a third party such shareholder may designate in writing, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled as aforesaid and, a check payable to the shareholder in the amount of any cash amounts payable as the result of conversion into fractional shares of Common Stock plus all accrued but unpaid dividends, if any, through the date of conversion of the shares to be converted, and if less than all the shares represented by such certificates are converted, a certificate representing the shares not converted. 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 to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

If the conversion is a mandatory conversion in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion shall be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock or other property issuable upon such conversion shall not be deemed to have converted such shares until immediately prior to the closing of such sale of securities. Notice of such conversion in connection with an underwritten offering of securities shall be given by this corporation by first-class mail, postage pre-paid, to the holders of Preferred Stock at their addresses shown in this corporation's records, at least ten (10) days prior to the closing date of the sale of such securities. On or after the closing date as specified in such notice, each holder of Preferred Stock shall surrender his certificate or certificates representing such shares for the number of shares of Common Stock to which he is entitled at the office of this corporation or any transfer agent for the Preferred Stock. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such shareholder, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled as aforesaid, and a check payable to the holder in the amount of any cash amounts payable as the result

of a conversion into fractional shares of Common Stock and any declared but unpaid dividends. The conversion shall be deemed to have occurred as of the close of business on the actual closing date with respect to the sale of such securities, and, notwithstanding that any certificate representing the shares to be converted shall not have been surrendered, each holder of such Preferred Stock shall thereafter be treated for all purposes as the record holder of the number of shares of Common Stock issuable to such holder upon such conversion.

(c) Adjustments to Series B Conversion Price for Diluting Issues.

(i) Special Definitions. For purposes of this Section B(5)(c), the following definitions shall apply:

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

"Original Issue Date" for the shares of any Preferred Stock shall mean the date on which the first share of Series B Preferred Stock was issued.

"Convertible Securities" shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

"Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section B(5)(c)(iii), deemed to be issued) by this corporation after the Original Issue Date, other than shares of Common Stock issued or issuable at any time:

(A) upon conversion of shares of the Preferred Stock authorized herein;

(B) as a dividend or distribution to all holders of Common Stock and/or Preferred Stock authorized herein or a dividend or distribution on the Preferred Stock above; and

(C) pursuant to the sale of up to 100,000 shares of Common Stock or Options to purchase such number of shares, or any combination thereof, issuable to employees, officers, directors and/or consultants of this corporation provided the issuance is approved by the Compensation Committee of this corporation,

which number shall be adjusted for stock dividends, splits and similar events.

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

(iii) Deemed Issue of Additional Shares of Common Stock, Options and Convertible Securities. In the event this corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section B(5)(c) hereof) of such Additional Shares of Common Stock would be less than the Series B Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

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

(B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the amount of consideration payable to this corporation, or change in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Series B Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any

subsequent adjustments based thereon, shall, upon any such change becoming effective, be recomputed to reflect an appropriate increase or decrease reflecting such change insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Series B Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(1) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by this corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by this corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by this corporation upon such conversion or exchange, and

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

(D) no readjustment pursuant to clause (B) and (C) above shall have the effect of increasing the Series B Conversion Price to an amount which exceeds the lower of (x) the Series B Conversion Price on the original adjustment date, or (y) the Series B Conversion Price that would have resulted from any issuance of

Additional Shares of Common Stock (other than such Options or Convertible Securities) between the original adjustment date and such readjustment; and

(E) in the case of any Options which expire by their terms not more than thirty (30) days after the date of issue thereof, no adjustment of the Series B Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (iii) above.

(iv) Adjustment of Series B Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event this corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section B(5)(a)(iii)) without consideration or for a consideration per share less than the Series B Conversion Price in effect on the date of, and immediately prior to such issue (a "Dilutive Issuance"), then and in such event, the Series B Conversion Price shall be reduced, concurrently with such issue, in order to increase the number of shares of Common Stock into which the shares of Series B Preferred Stock are convertible, to a price (calculated to the nearest cent) determined by multiplying the Series B Conversion Price by a fraction (x) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue (including shares of Common Stock issuable upon conversion of any outstanding Options or Convertible Securities), plus (2) the number of shares of Common Stock which the aggregate consideration received by this corporation for the total number of Additional Shares of Common Stock so issued would purchase at the Series B Conversion Price, and (y) the denominator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue (including shares of Common Stock issuable upon conversion of any outstanding Options or Convertible Securities), plus (2) the number of such Additional Shares of Common Stock so issued, provided that the Series B Conversion Price shall not be so reduced at such time if the amount of such reduction would be an amount less than \$0.01, but any such amount shall be carried forward and reduction with respect thereto made at the time of and together with any subsequent reduction which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or more.

(v) Determination of Consideration. For purposes of this Section B(5)(c), consideration received by this corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) Cash; Property: Such consideration shall:

(1) insofar as it consists of cash, be computed at the aggregate amount of cash received by this corporation, excluding amounts paid or payable for interest or dividends that accrued prior to the issuance date;

(2) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board; and

(3) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of this corporation for consideration which covers both, at the proportion of such consideration so received, computed as provided in clauses (1) and (2) above, as determined in good faith by the Board.

(B) Options and Convertible Securities: The consideration per share received by this corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section B(5)(c)(iii) shall be determined by dividing:

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

(2) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number, which readjustment shall be subject to Section B(5)(c)(iii)(C) hereof) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(d) Adjustments for Subdivisions, Common Stock Dividends, Combinations or Consolidations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided or increased, by stock split or stock dividend, into a greater number of shares of Common Stock without a corresponding adjustment of the Preferred Stock, the Conversion Price then in effect shall concurrently with the effectiveness of such subdivision or payment of such stock dividend, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock without a corresponding adjustment to the Preferred Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(e) Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination or shares provided for above), the Conversion Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the shares of each class of Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holder would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holder upon conversion of such class of Preferred Stock immediately before that change.

(f) Adjustment to Series B Conversion Price in Connection with Liquidating Event. If in connection with any Liquidating Event, a holder of Series B Preferred Stock would have received, prior to giving effect to the adjustment to the Series B Conversion Price described in this Section B(5)(f), the amount per share of Common Stock set forth below under the heading "Net Proceeds Otherwise Received" (as appropriately adjusted for stock splits, stock dividends and the like) if such holder had converted in full all of its Series B Preferred Stock to Common Stock immediately prior to the Liquidating Event, then the Series B Conversion Price shall be adjusted to the amount set forth below under the heading "Adjusted Series B Conversion Price" (as appropriately adjusted for stock splits, stock dividends and the like), such adjustment to be effective for all conversions of Series B Preferred Stock made immediately prior to the Liquidating Event:

<u>Net Proceeds Otherwise Received</u>	<u>Adjusted Series B Conversion Price</u>
Greater than or equal to \$58.50	\$8.00
Less than \$58.50 but greater than or equal to \$56.50	\$7.725
Less than \$56.50 but greater than or equal to \$54.50	\$7.45
Less than \$54.50 but greater than or equal to \$52.50	\$7.175
Less than \$52.50 but greater than or equal to \$50.50	\$6.90
Less than \$50.50 but greater than or equal to \$48.50	\$6.625
Less than \$48.50 but greater than or equal to \$46.50	\$6.35
Less than \$46.50 but greater than or equal to \$44.50	\$6.075
Less than \$44.50 but greater than or equal to \$42.50	\$5.80
Less than \$42.50 but greater than or equal to \$40.50	\$5.525
Less than \$40.50	\$5.25

(g) Mandatory Conversion. Each share of Series B Preferred Stock shall automatically be converted into shares of Common Stock upon the closing of an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1993, as amended, covering the offer and sale of shares of Common Stock of this corporation to the public resulting in gross proceeds to this corporation of not less than \$25,000,000 at a price per share of not less than \$24.00, subject to appropriate adjustment in the event of stock splits, stock dividends and the like. Upon the occurrence of any event requiring automatic conversion, conversion shall be deemed to have occurred simultaneously with occurrence of the event notwithstanding that stock certificates evidencing the Series B Preferred Stock have not been tendered for conversion. This corporation shall provide each holder of Series B Preferred Stock affected by the conversion at least ten (10) days' prior written notice of the mandatory conversion and the date fixed and place designated (to the

extent known to this corporation at the time of notice in the case of a conversion occurring in connection with the closing of a public offering) for mandatory conversion of the shares and the event which resulted in the mandatory conversion of the shares into Common Stock. Such notice shall be sent by first class mail, postage prepaid, to each holder of record of Series B Preferred Stock at such holder's address as shown in the records of this corporation. Each holder of Series B Preferred Stock shall surrender his or its certificate or certificates for all converted shares to this corporation at the place designated in such notice as soon as practicable after the notice and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled. The mechanics for conversion and other provisions relating to conversion of Preferred Stock into Common Stock set forth elsewhere in these Articles of Amendment shall apply to the mandatory conversion of the Series B Preferred Stock.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section B(5), this corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment in accordance with the terms hereof and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

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

(j) Cancellation Upon Conversion. All shares of Preferred Stock which have been surrendered for conversion as herein provided shall no longer be

deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall forthwith cease and terminated except only the right of the holder thereof to receive shares of Common Stock in exchange therefor and payment of any declared but unpaid dividends thereon. Any shares of Preferred Stock so converted shall be retired and canceled and shall not be reissued, and this corporation may from time to time take such appropriate action as may be necessary to reduce the authorized Preferred Stock accordingly.

(k) Taxes on Issuance. This corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Preferred Stock pursuant hereto. This corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the Preferred Stock so converted was registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to this corporation the amount of any such tax or has established, to the satisfaction of this corporation, that such tax has been paid.

(l) Approvals for Issuance. If any shares of Common Stock to be reserved for the purpose of conversion of shares of Preferred Stock require registration or listing with, or approval of, any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise, before such shares may be validly issued or delivered upon conversion, this corporation will in good faith and as expeditiously as possible endeavor to secure such registration, listing or approval, as the case may be.

(m) Valid Issuance; Absence of Liens. All shares of Common Stock that may be issued upon conversion of the shares of Preferred Stock will upon issuance by this corporation be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

(n) No Impairment. This corporation will not, by amendment of these Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all of the provisions of Section B(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 Preferred Stock against impairment.

6. Redemption.

(a) Redemption of Series A Preferred Stock at Option of Corporation.

This corporation may redeem outstanding shares of Series A Preferred Stock at any time at a redemption price per share equal to \$11.25 (subject to appropriate adjustment in the event of stock splits, stock dividends and the like) plus the "Series A Accrued Amount." The Series A Accrued Amount shall equal \$0.03 (subject to appropriate adjustment in the event of stock splits, stock dividends and the like) times the number of months that have elapsed from the date of issuance of such shares through the date of redemption. This corporation shall give written notice (the "Series A Redemption Notice") to the holder of Series A Preferred Stock at such address as has been last provided by each such party for purposes of receiving notice setting forth the intent of this corporation to exercise the right of redemption at least thirty (30) days before the date fixed for each redemption payment (the "Series A Redemption Date") and further specifying in such notice the number of shares to be redeemed and the Series A Redemption Date. On or before each Series A Redemption Date, each holder of Series A Preferred Stock to be redeemed, unless such holder converts such shares into Common Stock, shall surrender the certificate or certificates representing such shares to this corporation, in the manner and at the price designated in the Series A Redemption Notice, and thereupon the redemption price specified above for 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 and retired. In the event less than all of the shares represented by such certificate are redeemed, a new certificate representing the unredeemed shares shall be issued to the holder of such shares.

(b) Redemption of Series B Preferred Stock at Request of Holders. On or after July 1, 2004, each holder of Series B Preferred Stock shall have the right from time to time to require this corporation to redeem all or any part of Series A Preferred Stock held by such holder on the following terms:

(i) The redemption price (the "Series B Redemption Price") for each share of Series B Preferred Stock shall be \$8.00 (subject to appropriate adjustment in the event of stock splits, stock dividends and the like) plus the "Series B Accrued Amount." The Series B Accrued Amount shall equal \$.053 (subject to appropriate adjustment in the event of stock splits, stock dividends and the like) times the number of months that have elapsed from the date of the issuance of such shares through the redemption date.

(ii) Notice of demand for redemption shall be in writing and shall be accompanied by the stock certificate or stock certificates representing shares of Series A Preferred Stock to be redeemed.

(iii) Within thirty (30) days following the receipt by this corporation of demand for redemption and the stock certificate or stock certificates requesting the shares of Series B Preferred Stock to be redeemed, this corporation shall deliver to the holder requesting redemption the Series B Redemption Price in immediately available funds; provided, however, to the extent this corporation is unable to pay such amount to the holder because (i) the payment would impair this corporation's finances so as to render this corporation insolvent or unable to pay its debts or obligations in the usual course of business pursuant to applicable laws, or (ii) the payment would cause this corporation to be in violation of any applicable provision of corporate law or any other applicable law, or any contract, instrument or agreement to which this corporation is a party and which was executed in connection with or evidences any debt of this corporation, then this corporation shall pay (pro rata to the holders, according to the aggregate Series B Redemption Price to be paid to each holder) the maximum amount that it is permitted to pay at the time and place specified in this corporation's notice to the holder, and the balance shall be payable pursuant to the terms of a promissory note delivered by this corporation to each holder (collectively, the "Redemption Notes"). The Redemption Notes shall provide for the payment of the aggregate Series B Redemption Price in eight equal quarterly installments, together with interest at the rate of 10% per annum. The Redemption Notes may be prepaid without penalty.

(c) Redemption of Series B Preferred Stock at Option of Corporation.

(i) This corporation may redeem outstanding shares of Series B Preferred Stock at any time on or after September 1, 2004 at the Series B Redemption Price. This corporation shall give written notice (the "Series B Redemption Notice") to the holders of Series B Preferred Stock at such address as has last been provided by each such party for purposes of receiving notice setting forth the intent of this corporation to exercise the right of redemption at least thirty (30) days before the date fixed for each redemption payment (the "Series B Redemption Date") and further specifying in such notice the number of shares to be redeemed and the Series B Redemption Date. On or before each Series B Redemption Date, each holder of Series B Preferred Stock to be redeemed, unless such holder converts such shares into Common Stock, shall surrender the certificate or certificates representing such shares to this corporation, in the manner and at the price designated in the Series B Redemption Notice, and thereupon the Series B Redemption Price for 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 and retired. In the event less

than all of the shares represented by such certificate are redeemed, a new certificate representing the unredeemed shares shall be issued to the holder of such shares.

(ii) In addition to the redemption authorized pursuant to Section B(6)(c)(i) above, this corporation may redeem outstanding shares of Series B Preferred Stock in accordance with this Section B(6)(c)(ii) following either (A) the failure of the holders of a majority of the outstanding shares of Series B Preferred Stock to provide affirmative consent or to vote in favor of any action described in Section B(3) hereof or (B) the failure of Kitty Hawk Capital Limited Partnership, III to consent to any material waiver of the covenants set forth in Article 7 of the Investment Agreement (any such failure being hereinafter referred to as a "Negative Vote"). This corporation shall give written notice (the "Special Redemption Notice") within thirty (30) days following the occurrence of a Negative Vote to the holders of Series B Preferred Stock at such address as has last been provided by each such party for purposes of receiving notice setting forth the intent of this corporation to exercise the right of redemption with respect to all outstanding shares of Series B Preferred Stock at least thirty (30) days before the date fixed for redemption (the "Special Redemption Date") and further specifying the Special Redemption Date. On or before the Special Redemption Date, each holder of Series B Preferred Stock to be redeemed, unless such holder converts such shares into Common Stock, shall surrender the certificate or certificates representing such shares to this corporation in the manner designated in the Special Redemption Notice, and thereupon an amount equal to \$49.50 (subject to appropriate adjustment in the event of stock splits, stock dividends and the like) per share of Series B Preferred Stock shall be payable to the order of the person whose name appears on such certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. If a Liquidating Event shall occur during the twenty-four (24) month period following the Special Redemption Date, and if, as a result of such Liquidating Event, the former holders of the Series B Preferred Stock, if they had continued to hold Series B Preferred Stock, would have been entitled to receive an amount per share in excess of the amount per share received on the Special Redemption Date, then this corporation, prior to making any distribution to the holders of its capital stock shall pay to each former holder of Series B Preferred Stock an amount equal to such difference, multiplied by the number of shares of Series B Preferred Stock redeemed from such holder on the Special Redemption Date.

(iii) In the event of any redemption by this corporation pursuant to this Section B(6)(c), the Series B Redemption Price shall be paid in full in immediately available funds, and a Redemption Note may not be used.

7. Preemptive Rights.

(a) General Rule. Prior to the issuance or sale of any shares of any class or series of capital stock, or the grant, issuance or sale of any options, warrants or other obligations or securities which are directly or indirectly convertible into or exchangeable for shares of any class or series of capital stock, or the issuance or sale of any rights to subscribe for or options to purchase such obligations or stock, this corporation shall first provide to the holders of Series B Preferred Stock notice (for purposes of this Section B(7), the "Notice") of its intent to offer such securities (for purposes of this Section B(7), the "Securities"). The Notice shall contain (i) a description of the Securities, (ii) the total number of Securities authorized to be sold and (iii) the price and payment terms. Each holder of Series B Preferred Stock shall have the right to purchase that number of Securities as will enable such holder to maintain its proportionate ownership interest in this corporation (determined on a fully diluted basis and if all outstanding shares of Preferred Stock had been converted into Common Stock immediately prior to the Notice). The holders of the Series B Preferred Stock electing to purchase Securities shall tender to this corporation the purchase price therefor within thirty (30) days from the date of the Notice. During the sixty (60) day period following the thirty (30) day period described in the previous sentence, this corporation may sell any Securities described in the Notice which were not purchased by the holders of Series B Preferred Stock, at a price equal to or greater than that specified in the Notice and on payment terms or less favorable to this corporation than those specified in the Notice. If such sale is not consummated within ninety (90) days from the date of the Notice, this corporation shall not sell Securities without again complying with this Section B(7).

(b) Exceptions. This Section B(7) shall not apply (i) with respect to the sale or issuance of any Securities that do not constitute Additional Shares of Common Stock, as such term is defined in Section B(5)(c) hereof or (ii) in connection with an underwritten public offering that would result in a mandatory conversion of Series B Preferred Stock pursuant to Section B(5)(g) hereof.

II. Cumulative voting in the election of directors is expressly prohibited.

III. The shareholders may, by by-law provision or by written shareholders' agreement, impose such restrictions on the sale, transfer, or encumbrance of the stock of this corporation as they may see fit."

SECOND: The date of the amendment's adoption: June 30, 1997.

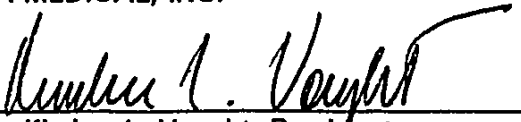
THIRD: The amendment was approved by the shareholders. The number of votes cast for the amendment was sufficient for approval.

FOURTH: That this Article of Amendment shall be effective upon the filing hereof.

Signed this 8th day of July, 1997.

DEKA MEDICAL, INC.

By:


Kimber L. Vought, President