

**FIRST AMENDMENT TO
ARTICLES OF INCORPORATION
OF
BASELINE, INC.**

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SECRETARY OF STATE
STATE OF IDAHO

FILED EFFECTIVE

This First Amendment to Articles of Incorporation (the "**First Amendment**") of Baseline, Inc., an Idaho corporation (the "**Corporation**"), was duly adopted by the Directors of the Corporation. The Articles of Incorporation of the Corporation were filed in the office of the Idaho Secretary of State on April 3, 2008 (the "**Articles**"), and have not been amended since that date.

Pursuant to the Articles and the Idaho Business Corporation Act, the undersigned President of the Corporation certifies:


1. **Name.** The name of the corporation is Baseline, Inc.
2. **Amendment.** The amendment adopted is to (i) add a new Section 3.3 of the Articles to designate "Series A Preferred Stock," (ii) attach an Exhibit A to the Articles entitled "CERTIFICATE OF DESIGNATIONS, PREFERENCES AND OTHER RIGHTS AND QUALIFICATIONS OF THE SERIES A PREFERRED STOCK" in the form attached to this First Amendment, (iii) re-number current Section 3.3 "Conversion of Preferred Stock" to Section 3.4 "Conversion of Preferred Stock, (iv) re-number current Section 3.4 "Treasury Shares" to Section 3.5 "Treasury Shares", and (v) re-number current Section 3.5 "Voting" to Section 3.6 "Voting". The new Section 3.3 reads in its entirety as follows:

3.1 Series A Preferred Stock. The Certificate of Designations, Preferences and Other Rights and Qualifications of the Series A Preferred Stock, attached hereto as Exhibit A, is hereby incorporated into and made a part of the Articles of Incorporation of the Corporation.

3. **Approval by Directors.** The amendment was unanimous approved and adopted by the Directors of the Corporation on April 14, 2008, pursuant to authority granted the Directors in the Articles; shareholder approval was not required.

BASELINE, INC.

Dated: April 14, 2008

By: 
John Fordemwalt
Its: President

FIRST AMENDMENT TO ARTICLES OF INCORPORATION OF BASELINE, INC.

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EXHIBIT A

**CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS
OF
SERIES A PREFERRED STOCK
BASELINE, INC.**



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EXHIBIT A

**CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS
OF
SERIES A PREFERRED STOCK
BASELINE, INC.**

Baseline, Inc., an Idaho corporation (the "**Corporation**"), by the undersigned authorized officer, certifies that:

1. The Corporation was organized and is existing under the Idaho Business Corporation Act (the "**Act**").

2. Pursuant to authority conferred upon the Board of Directors by the Articles of Incorporation of the Corporation, and pursuant to the Act, the Board of Directors, by written consent effective April 14, 2008, has duly adopted the following recitals and resolutions providing for the designation, preferences and rights of the Corporation's Series A Preferred Stock:

WHEREAS, the Articles of Incorporation of the Corporation provides for a class of shares known as Preferred Stock, issuable from time to time in one or more classes or series; and

WHEREAS, the Board of Directors of the Corporation, pursuant to authority given by the Corporation's Articles of Incorporation, desires to fix the terms of a series of the Preferred Stock, the number of shares constituting that series and the designation of the preferences and rights of that series.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors deems it advisable to adopt, and hereby adopts, the following Certificate of Designation, Preferences and Rights of Series A Preferred Stock (this "**Designation**"):

A. **DESIGNATION.** There is hereby designated a series of Preferred Stock to be known as the "Series A Preferred Stock" consisting of [2,730,000] shares of Preferred Stock.

B. **PREFERENCES AND RIGHTS OF SERIES A PREFERRED STOCK.** The Series A Preferred Stock ("**Series A**") shall have the following preferences and rights:

**ARTICLE 1
DIVIDEND RIGHTS.**

The holders of Series A shall be entitled to dividends when declared with respect to the Corporation's Common Stock, but only when, as and if declared by the Board of Directors and only out of funds that are legally available for the payment of dividends. If a dividend is declared

or paid on any share of Common Stock, a dividend also shall be paid on all outstanding shares of Series A in an amount equal per share (on an as-if-converted-to-Common-Stock basis) to the amount paid or set aside for each share of Common Stock.

ARTICLE 2 VOTING RIGHTS.

2.1 General Rights. Except as otherwise required by law, this Designation, or the Articles of Incorporation of the Company, each share of the Series A issued and outstanding shall have the number of votes equal to the number of shares of Common Stock into which it is convertible as adjusted from time to time pursuant to Article 4. Fractional votes by shares having fractional interests are permitted. Except as otherwise required by law this Designation, or the Articles of Incorporation of the Company, the Common Stock and the Series A shall vote together as a single class.

2.2 Additional Protections: Separate Vote of Series A Preferred Stock. For so long as fifty-one percent (51%) of the shares of Series A remain outstanding, in addition to any other vote or consent required in this Designation or by law, the vote or written consent of the holders of two-thirds of the outstanding shares of Series A, voting together as a class, shall be necessary for effecting or validating the following actions:

(a) Any amendment, alteration or repeal of, or addition to, any provision of the Articles of Incorporation or Bylaws of the Corporation that affects adversely the rights, preferences or privileges of the Series A or increases or decreases the number of authorized shares of Series A;

(b) The creation of any new series or class of shares having a preference or priority as to dividends or assets superior to that of the Series A;

(c) The creation of any bonds, notes or other obligations convertible into, exchangeable for or having option rights to purchase shares of stock with any preference or priority as to dividends or assets superior to that of the Series A;

(d) The reclassification of any class or series of Common Stock into shares with any preference or priority as to dividends or assets superior to that of the Series A; or

(e) The voluntary dissolution or liquidation of the Corporation.

ARTICLE 3 LIQUIDATION PREFERENCE.

3.1 Preferential Amount. In the event of either a voluntary or involuntary "Corporate Change" (as defined in Section 3.5), the holders of the Series A shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Common Stock, by reason of their ownership thereof, an amount equal to \$0.70 per share for each share of the Series A then held by them (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations,

recapitalizations or the like). If upon occurrence of such event, the assets and funds thus distributed among the holders of the Series A shall be insufficient to permit the payment to such holders of the full preferential amount, the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A in proportion to the shares held, as provided for in this Section 3.1, that each such holder is otherwise entitled to receive.

3.2 Unpaid Dividends. After payment has been made to the holders of the Series A of the full amounts to which they shall be entitled as provided for in Section 3.1, each holder of the Series A shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Common Stock, by reason of their ownership thereof, an amount equal to all declared or accrued but unpaid dividends for each share of the Series A then held by such holder. If upon occurrence of such event, the assets and funds thus distributed among the holders of the Series A shall be insufficient to permit the payment to such holders of the full preferential amount, the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A in proportion to the shares held, as provided in this Section 3.2, that each such holder is otherwise entitled to receive.

3.3 Additional Distributions to Series A. After payment has been made to the holders of the Series A of the full amounts to which they shall be entitled as provided for in Sections 3.1 and 3.2, remaining assets of the Corporation available for distribution to shareholders shall be distributed ratably among the holders of the Common Stock and the Series A in accordance with the number of shares of Common Stock then held (assuming full conversion of all shares of Series A) by each such holder of Common Stock and Series A. Notwithstanding the forgoing, the maximum Series A per share distributions, distributable pursuant to Sections 3.1, 3.2, and 3.3, shall equal \$1.60.

3.4 Additional Distributions to Common Stock.. After payment has been made to the holders of the Series A of the full amounts to which they shall be entitled as provided for in Sections 3.1, 3.2, and 3.3, up to a maximum amount of \$1.60, all remaining assets of the Corporation available for distribution to shareholders shall be distributed ratably among the current holders of the Common Stock.

3.5 Corporate Change. The term "Corporate Change" shall be defined to mean any one or more of the following events:

3.5.1 Consolidation or Merger. A consolidation or merger of the Corporation with or into any other corporation or corporations, other corporate reorganization, or acquisition that results in the transfer of more than fifty percent (50%) of the outstanding voting power of the Corporation (other than consolidations, mergers or acquisitions involving the acquisition of veterinary practices by the Corporation in the ordinary course of business and which do not result in the transfer of more than fifty percent (50%) of the outstanding voting power of the Corporation); or

3.5.2 Sale in a Single Transaction. A sale in a single transaction or a series of related transactions after which more than fifty percent (50%) of the outstanding equity securities of the Corporation are held by one or more third parties who were not shareholders of

the Corporation immediately prior to the commencement of such transaction or series of transactions; or

3.5.3 Sale in a Series of Transactions. A series of sales or related transactions after which all or substantially all of the assets of the Corporation are sold; or

3.5.4 Liquidation, Dissolution, or Windup. The liquidation, dissolution or windup of the Corporation.

3.6 Consideration. In any of such events, if the consideration received by the Corporation is other than cash or securities, its value will be deemed its fair market value as determined in good faith by the Corporation's Board of Directors. Any securities to be delivered to the holders of the Series A pursuant to Sections 3.1 or 3.2 above shall be valued as follows:

3.6.1 Securities Exchange. If traded on a securities exchange or through the NASDAQ National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty (30) trading-day period ending three (3) days prior to the closing of the applicable Corporate Change;

3.6.2 Over the Counter. If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever are applicable) over the thirty (30) trading-day period ending three (3) days prior to the closing of the applicable Corporate Change; and

3.6.3 No Active Public Market. If no active public market for the securities exists, the value shall be the fair market value thereof, as determined by the Board of Directors acting in good faith, and if contested by the holders of a majority of the voting power of the Series A, then by an arbitration governed by the rules and procedures of the American Arbitration Association and conducted by a neutral arbitrator mutually agreeable to the Board of Directors, on the one hand, and a majority of the voting power of the Series A on the other.

ARTICLE 4 CONVERSION.

The holders of the Series A shall have conversion rights as follows (the "Conversion Rights"):

4.1 Optional Conversion. Each share of the Series A shall be convertible at the option of the holder thereof, without payment of additional consideration, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Series A, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Issue Price (as defined in this Article 4) by the Conversion Price (as defined in this Article 4) applicable to such series of Preferred Stock at the time of conversion. The "Issue Price" for the Series A shall be \$0.50 per share (subject to adjustment of the fixed dollar amount for any stock splits, reverse stock splits, stock dividends, stock combinations, recapitalizations, reorganizations or the like for all or some of the shares). The initial "Conversion Price" of the Series A shall be the Issue Price. The Conversion Price of the Series A shall be subject to adjustment as provided in Article 4.

4.2 Automatic Conversion. Each share of the Series A shall automatically be converted into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Issue Price by the Conversion Price then in effect for such series of Series A in the event of the closing of the Corporation's initial firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "**Securities Act**"), covering the offer and sale of Common Stock of the Corporation to the public by a nationally recognized underwriter, from which the proceeds to the Corporation (prior to deduction of underwriter's commissions and expenses) equal or exceed One Hundred Million Dollars (\$100,000,000). In the event of the conversion of the Series A upon the Corporation's initial public offering, the conversion of the Series A shall be deemed to have occurred automatically immediately prior to the closing of such sale of securities.

4.3 Mechanics of Conversion.

4.3.1 Fractional Shares. No fractional share of Common Stock shall be issued upon conversion of the Series A. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to the product of such fraction and the fair market value of the Common Stock as determined in good faith by the Board of Directors, or in the case of an automatic conversion pursuant to Section 4.1, at the price of the initial public offering.

4.3.2 Notice of Conversion. Before any holder of the Series A shall be entitled to convert the same into full shares of Common Stock, such holder shall give written notice to the Corporation at its principal corporate office that such holder elects to convert the Series A (except that no such written notice of election to convert shall be necessary in the event of an automatic conversion pursuant to Section 4.1). The Corporation shall, as soon as practicable thereafter, record electronically, via book-entry form, the number of book-entry shares of Common Stock to which such holder shall be entitled as aforesaid and a check payable to such holder in the amount of any cash amount payable as the result of a conversion into fractional shares of Common Stock, and any declared and unpaid dividends on the converted Series A. 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 the Series A 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 (except that in the event of an automatic conversion pursuant to Section 4.1, such conversion shall be deemed to have been made immediately prior to the triggering event).

4.3.3 Conditional Delivery. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act, the conversion may, at the option of any holder tendering shares of the Series A for conversion, 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 issuable upon such conversion of the Series A shall not be deemed to have converted such Series A until immediately prior to the closing of such sale of securities.

4.4 Adjustments to Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Section 4.4, the following definitions shall apply:

(i) **"Options"** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities (as defined in Section 4.4.1(iii)).

(ii) **"Original Issue Date"** shall mean the date when a share of the Series A is first issued.

(iii) **"Convertible Securities"** shall mean indebtedness, shares (other than Common Stock and Series A), or other securities convertible into or exchangeable for Common Stock.

(iv) **"Additional Shares of Common"** shall mean all shares of Common Stock issued (or, pursuant to Section 4.4.3, deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable or deemed to be issued:

A. upon conversion of shares of the Series A; or
B. as a result of an adjustment made pursuant to Section 4.4.4; or

C. upon exercise of Options granted, or conversion of Convertible Securities issued and outstanding, as of the Original Issue Date; or

D. to directors, officers or employees (or consultants whose role is or will be equivalent to an employee) of the Corporation pursuant to an agreement or an option plan or a purchase plan or another director, officer or employee stock incentive program approved by the Board of Directors of the Corporation, up to a maximum of 2,542,500 shares; or

E. in connection with bona fide acquisitions, mergers or similar transactions which are approved by the Board of Directors of the Corporation; or

F. as a dividend or distribution on the Series A or any event for which adjustment is made pursuant to Sections 4.5 or 4.6; or

G. which are otherwise excluded from the definition of "Additional Shares of Common" by the affirmative vote or written consent of the holders of sixty-seven percent (67%) of the holders of the Series A then outstanding; or

H. by way of dividend or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clauses (A) through (I) or on shares of Common Stock so excluded; or

I. upon conversion or exercise of (i) warrants to purchase an aggregate of 1,171,926 shares of Common Stock, (ii) warrants to purchase an

aggregate of 185,238 shares of Series A (which may be subsequently converted to Common Stock), (iii) a Preferred Stock Convertible Promissory Note, issued to Lynn Watson, convertible to 400,000 shares of Series A (which may be subsequently converted to Common Stock), and (iv) executive loans convertible into 389,923 shares of Common Stock, at \$0.50 per share, issued to Scott DeHart, Tim Hickenlooper, Ralph Tenbrink, and John Fordemwalt, each of clauses (i), (ii), (iii), and (iv) as adjusted to reflect any subsequent adjustments pursuant to the terms of such notes or warrants;

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

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) **Options and Convertible Securities.** In the event the 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 or securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto assuming the satisfaction of any conditions to exercisability and 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 of such Options or Convertible Securities, 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 with respect to a new series of Preferred Stock unless the consideration per share (determined pursuant to Section 4.4.5 hereof) of such Additional Shares of Common Stock would be less than the Conversion Price in effect on the date of, and immediately prior to, such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(i) no further adjustment in the 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;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the 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 increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(iii) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities that shall not have been exercised, the 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:

A. in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities that were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange; and

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

(iv) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Conversion Price to an amount that exceeds the lower of (i) the Conversion Price on the original adjustment date prior to the original adjustment, or (ii) the Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

(b) **Stock Dividends and Subdivisions.** In the event that the Corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend on the Common Stock payable in Common Stock, or effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock), then and in any such event, Additional Shares of Common Stock shall not be deemed to have been issued, but rather the provisions of Section 4.5.2 below shall apply.

4.4.4 Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 4.4.3) after the Original Issue Date without consideration or for a consideration per share less than the Conversion Price for the Series A in effect on the date of and immediately prior to such issue, then and in such event, the Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying the Conversion Price in effect immediately prior to such issue by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue (including shares of Common Stock deemed to be issued pursuant to Section 4.4.3(a) other

than the Additional Shares of Common Stock for which the adjustment is being made) plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at the Conversion Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue (including shares of Common Stock deemed to be issued pursuant to Section 4.4.3(a) other than the Additional Shares of Common Stock for which the adjustment is being made) plus the number of such Additional Shares of Common Stock so issued. For the purpose of the above calculation, the number of shares of Common Stock outstanding immediately prior to such issuance shall be calculated on a fully diluted basis, as if all shares of Series A and all Convertible Securities had been fully converted into shares of Common Stock immediately prior to such issuance and any Options, outstanding warrants, or other rights for the purchase of shares of Capital Stock or Convertible Securities had been fully exercised immediately prior to such issuance (and the resulting securities fully converted into shares of Common Stock, if so convertible) as of such date.

4.4.5 Determination of Consideration. For purposes of this Section 4.4, the consideration received by the Corporation, before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof, for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property. Such consideration shall:

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

(ii) Insofar as it consists of property other than cash, be determined as set forth in Section 3.6 above; and

(iii) In the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration that covers both, the consideration for the Additional Shares of Common Stock shall be the proportion of such consideration so received, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 4.4.3(a), relating to Options and Convertible Securities, shall be determined by dividing;

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

Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

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

4.5 Adjustments for Combinations, Consolidations, Dividends or Subdivisions of Common.

4.5.1 Combinations or Consolidations. 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, the Conversion Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

4.5.2 Dividends or Subdivisions. In the event the Corporation shall declare or pay any dividend on the Common Stock payable in Common Stock or in the event the outstanding shares of Common Stock shall be subdivided, by reclassification or otherwise than by payment of a dividend in Common Stock, into a greater number of shares of Common Stock, the Conversion Price in effect immediately prior to such dividend or subdivision shall be proportionately decreased:

(i) In the case of any such dividend, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend; or

(ii) In the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and such dividend shall not have been fully paid on the date fixed therefor, the adjustment previously made to the Conversion Price that became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted as of the time of actual payment of such dividend.

4.6 Adjustment for Other Distributions. In the event the Corporation at any time or from time to time makes or fixes a record date for the determination of holders of Common Stock entitled to receive any distribution payable in securities of the Corporation other than shares of Common Stock and other than as otherwise adjusted in this Article 4, then and in each such event, provision shall be made so that the holders of the Series A shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had their shares of the Series A been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities receivable by them during such period, subject to all other adjustments

required during such period under this Article 4 with respect to the rights of the holders of the Series A.

4.7 Adjustment for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Series A shall be changed into the same or a different number of shares of any other class or classes of stock or other securities or property, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for in Section 4.5 above or a Corporate Change as provided for in Article 3 above), the Conversion Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the Series A shall be convertible into, in lieu of the number of shares of Common Stock that the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock or other securities or property equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Series A immediately before that change and, in any such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interest thereafter of the holders of the Series A, to the end that the provisions set forth herein (including provisions with respect to change in and other adjustments of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon conversion of the Series A.

4.8 No Impairment. The Corporation will not, by amendment of its Articles 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 the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Article 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A against impairment.

4.9 Increase Authorized Common Stock. The Corporation shall from time to time in accordance with the laws of the State of Idaho increase the authorized amount of its Common Stock if at any time the number of Common Stock shares remaining unissued and available for issuance shall not be sufficient to permit conversion of the Series A and other Convertible Securities.

4.10 Adjustments to Book-Entry Stock. Upon the occurrence of each adjustment or readjustment of a Conversion Price pursuant to this Article 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of the Series A a notice setting forth such book-entry stock 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 the Series A, furnish or cause to be furnished to such holder a notice of book-entry 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 Series A.

4.11 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 of such securities who are entitled to receive any dividend (other than a cash dividend) or other distribution, or 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 mail to each holder of the Series A at least twenty (20) days prior to the record date specified in such notice, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, or rights, and the amount and character of such dividend, distribution, or right.

**ARTICLE 5
NO REISSUANCE OF PREFERRED STOCK.**

No shares of the Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise, shall be reissued and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

**ARTICLE 6
NOTICES**

All notices and other communications ("Notices") shall be in writing and may be delivered (i) in person, with the date of notice being the date of personal delivery, (ii) by United States Mail, postage prepaid for certified or registered mail, return receipt requested, with the date of notice being the date of the postmark on the return receipt, (iii) by fax, with confirmation of the transmittal of the fax and a copy of the fax deposited on the same day in the United States Mail, with the date of notice being the date of the fax, (iv) by e-mail, with confirmation of sending of the e-mail and a copy of the e-mail deposited on the same day in the United States Mail, with the date of notice being the date of the e-mail, (v) by nationally recognized delivery service such as Federal Express, with the date of notice being the date of delivery as shown on the confirmation provided by the delivery service.

**ARTICLE 7
REDEMPTION**

The Corporation shall be under no obligation to redeem all or any portion of the Series A at any time.

IN WITNESS WHEREOF, the Corporation has caused this Designation to be signed by the Chairman of the Board on April 14, 2008.

BASELINE, INC.

By: 

Print Name: Scott DeHart

Its: Chairman of the Board (Acting)