

**PREFERRED STOCK AMENDMENT TO THE  
ARTICLES OF INCORPORATION OF PAYCHECKSFORLIFE.COM, INC.**

**I.**

Paychecksforlife.com, Inc., an Idaho corporation (the "Corporation"), pursuant to §30-1-602 of the Idaho Business Corporation Act, certifies that the Board of Directors of the Corporation duly adopted by unanimous consent in writing the following resolution amending Article IV of the Articles of Incorporation and providing for the designations, preferences and issuance of a series of Preferred Stock to be designated the "Series A Convertible Preferred", non par value, consisting of 500,000 shares.

**II.**

Article IV of the Corporation's Articles of Incorporation are hereby amended to read as follows:

**Authorized Shares.** The total number of shares that the Corporation is authorized to issue is 25,000,000 divided into two classes. The two classes include 20,000,000 shares of non par value common voting stock and 5,000,000 shares of non par value Preferred Stock. The Preferred Stock shall be divided into two series. The first series shall consist of 500,000 shares of non par value stock and shall be designated as "Series A Convertible Preferred". The remaining one or more series shall consist of such number of shares and shall be designated as the Board of Directors shall determine into classes, series, preferences, limitations, restrictions and relative rights of each class or series of Preferred Stock as authorized in §30-1-602 of the Idaho Business Corporation Act.

The powers, designations, preferences, rights, qualifications, limitations and restrictions on all of the Series A Convertible Preferred Stock shall be as follows:

1. **Dividends.** (a) The holders of the Series A Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation which are legally available therefor, and prior and in preference to any declaration or payment of any dividend on any share of Common Stock, cash dividends in an amount per share of up to Four Cents (\$0.04) annually, payable at the end of each fiscal year in which dividends are declared. If the Board of Directors declares dividends on the Common Stock in excess of the dividend preference of the Series A Convertible Preferred Stock, the holders of Series A Convertible Preferred Stock shall participate in such excess dividend in the same proportion to which they would be entitled if their Series A Convertible Preferred Stock were converted into shares of Common Stock.

(b) Dividends shall not accrue or accumulate on any share of Preferred Stock, except to the extent they are declared but unpaid. Accumulation of declared but unpaid dividends shall bear no interest.

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2. Redemption. On or after January 31, 2003, the Corporation shall have the right, at its option and by resolution of its Board of Directors, at any time it may lawfully do so, to redeem all or any portion of the outstanding shares of the Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock to be so redeemed shall be redeemed against payment of an amount in cash equal to Sixty Cents (\$0.60) per share, plus, in each case, all declared and unpaid dividends thereon to the date fixed for redemption.

In the event the Corporation elects to redeem less than all of the outstanding shares of the Series A Convertible Preferred Stock, it shall effect such redemption ratably according to the number of shares of Series A Convertible Preferred Stock held by each holder of the then outstanding Series A Convertible Preferred Stock.

Notice of such redemption (the "Redemption Notice") specifying the date fixed for said redemption (the "Redemption Date"), the redemption price, the place where the amount to be paid upon redemption is payable and the date on which such holder's Conversion Rights (as hereinafter defined) as to such shares terminate and calling upon such holder to surrender his certificate or certificates representing the shares to be redeemed to the Corporation in the manner and at the place to be designated in such Redemption Notice, shall be mailed, postage prepaid, at least forty-five (45) days but not more than ninety (90) days prior to said Redemption Date to the holders of record of the Series A Convertible Preferred Stock at their respective addresses as the same shall appear on the books of the Corporation. On or after the Redemption Date, each holder of shares of the Series A Convertible Preferred Stock to be redeemed shall surrender his certificate or certificates representing such shares to the Corporation in the manner and at the place designated in the Redemption Notice, and thereupon the amount payable upon redemption shall be paid to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event that less than all of the shares represented by such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. All shares of redeemed stock shall be cancelled and retired and not reissued.

If the Redemption Notice shall have been so mailed, and if, on or before the Redemption Date specified in such notice, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, on and after said Redemption Date, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, the right to receive dividends thereon shall cease, and all rights with respect to such shares of Series A Convertible Preferred Stock so called for redemption shall forthwith cease and terminate, except the right of the holders thereof to receive out of the funds so set aside in trust the amount payable on redemption thereof but without any interest.

If the funds of the Corporation legally available for redemption on any Redemption Date are insufficient to redeem the total number of shares to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible

number of shares ratably among the holders of such shares to be redeemed. The shares of stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein.

### Section 3. Preference on Liquidation.

(a) **Series A Preference.** In the event of any liquidation, dissolution, involuntary or voluntary corporate reorganization under the federal bankruptcy laws or similar state laws, or winding up of the Corporation, the holders of shares of the Series A Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets and surplus funds of the Corporation available for distribution to its shareholders, and before any payment shall be made to the holders of any shares of Common Stock, an amount equal to Fifty Cents (\$0.50) per share plus declared and unpaid dividends thereon to the date fixed for distribution. If upon any such liquidation, dissolution, bankruptcy or winding up of the Corporation the assets and surplus funds of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of the Series A Convertible Preferred Stock the full amounts to which they are entitled, the holders of the Series A Convertible Preferred Stock shall share ratably in the distribution of such assets and surplus funds in proportion to the full preferential amounts to which each such holder is otherwise entitled.

(b) In the event payments provided for in subparagraph (a) above shall have been made, the holders of Common Stock shall be entitled to be paid out of the assets and surplus funds of the Corporation available for distribution to its shareholders Fifty Cents (\$0.50) per share plus declared and unpaid dividends thereon to the date fixed for the distribution. If, after payment shall have been made pursuant to subparagraph (a) above, the assets and surplus funds of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of Common Stock the full amounts to which they are each entitled, the holders of the Common Stock shall share ratably in the distribution of such assets and surplus funds in proportion to the full preferential amounts to which each such holder is otherwise entitled to receive.

(c) In the event payments provided for in subparagraphs (a) and (b) above shall have been made, the holders of Preferred Stock and Common Stock shall be entitled to share prorata on a per share basis (treating each share of Preferred Stock as if converted into Common Stock) in all remaining assets and surplus funds of the Corporation available for distribution to its shareholders.

(d) The merger or consolidation of the Corporation into or with another corporation or other entity or any other corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such consolidation, merger or reorganization, the sale of all or substantially all the assets of the Corporation, or a transaction or series of related transactions by the Corporation in which in excess of fifty percent (50%) of the Corporation's voting power is transferred, shall not be deemed to be a liquidation, dissolution or winding up of the Corporation.

Section 4. Conversion. The holders of the Series A Convertible Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Convertible Preferred Stock 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 such stock, into fully-paid and nonassessable shares of Common Stock. Notwithstanding the foregoing, in the event of the mailing of a notice of redemption of any shares of the Series A Convertible Preferred Stock pursuant to Section 3 hereof, the Conversion Rights shall terminate as to the number of shares designated for redemption at the close of business on the sixth (6th) day prior to the Redemption Date, unless default is made in payment of the redemption price, in which case the Conversion Rights for such shares shall continue until such default is remedied.

(b) Conversion Price. The Series A Convertible Preferred Stock shall be convertible into the number of shares of Common Stock which result from dividing the Conversion Price, as hereinafter defined, in effect at the time of conversion into Fifty Cents (\$0.50). The price at which shares of Common Stock shall be deliverable upon conversion of Series A Convertible Preferred Stock (the "Conversion Price") shall initially be Fifty Cents (\$0.50) per share of Common Stock. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

(c) Automatic Conversion. Each share of Series A Convertible Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price, in the event of the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock (whether for the account of the Corporation or for the account of one or more shareholders of the Corporation) to the public at a price per share of not less than five dollars (\$5.00) (appropriately adjusted for subdivisions and combinations of shares of Common Stock and dividends on Common Stock payable in shares of Common Stock) and which results in aggregate cash proceeds to the Corporation, before deducting any applicable commissions, discounts or expenses, of at least one million dollars (\$1,000,000).

In the event of such offering, the person(s) entitled to receive the Common Stock issuable upon conversion of the Series A Convertible Preferred Stock shall not be deemed to have converted such stock until immediately prior to the closing of such sale of securities (the "Offering Conversion Date"). Upon the occurrence of such an offering, the outstanding shares of Series A Convertible Preferred Stock shall be converted automatically without further action by the holders of said shares and whether or not the certificates representing said shares are surrendered to the Corporation or its transfer agent; provided, however, the Corporation shall not be obligated to issue certificates evidencing the shares of Series A Convertible Preferred Stock unless certificates evidencing such shares are either delivered to the Corporation or any transfer agent as hereinafter provided, or the holder notifies the Corporation that said certificate or certificates have been lost, stolen or destroyed and

executes an agreement satisfactory to the Corporation, indemnifying the Corporation against any loss incurred by it in connection therewith. Upon the occurrence of the automatic conversion of the Series A Convertible Preferred Stock, the holders of the Series A Convertible Preferred Stock shall surrender the certificate or certificates representing their shares at the office of the Corporation or transfer agent for such stock. The Corporation shall, as soon as practicable thereafter, issue and deliver to such holder, at such office and in his name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of the Series A Convertible Preferred Stock, as the case may be, were convertible on the Offering Conversion Date.

(d) **Mechanics of Conversion.** Before any holder of the Series A Convertible Preferred Stock shall be entitled to convert the same into full shares of Common Stock, he shall surrender the certificate or certificates therefore, duly endorsed, at the office of the Corporation or of any transfer agent for such stock, and shall give written notice to the Corporation at such office that he elects to convert the same. The Corporation shall, as soon as practicable thereafter, issue and deliver to such holder, at such office and in his name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which such converted shares of stock were convertible on the Conversion Date, as hereinafter defined. 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 Convertible Preferred Stock (the "Conversion Date"). 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 the Conversion Date.

(e) **Fractional Shares.** No fractional shares of Common Stock or scrip shall be issued upon conversion of shares of Series A Convertible Preferred Stock. If more than one share of Series A Convertible Preferred Stock shall be surrendered for conversion at any one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Convertible Preferred Stock so surrendered. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of any shares of Series A Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the then Current Market Price.

(f) **Conversion Price Adjustments.** The Conversion Price shall be subject to adjustment from time to time as follows:

(i) **Common Stock Issued at Less Than the Conversion Price.** If the Corporation shall issue any Common Stock other than Excluded Stock (as hereinafter defined) without consideration or for a consideration per share less than the Conversion Price in effect immediately prior to such issuance, the Conversion Price in effect immediately prior to each such issuance shall immediately (except as provided below) be reduced to the price determined by dividing (1) an amount equal

to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issuance multiplied by the Conversion Price in effect immediately prior to such issuance and (B) the consideration, if any, received by the Corporation upon such issuance, by (2) the total number of shares of Common Stock outstanding immediately after such issuance.

For the purposes of any adjustment of the Conversion Price pursuant to clause (i), the following provisions shall be applicable:

(A) Cash. In the case of the issuance of Common Stock for cash, the amount of the consideration received by the Corporation shall be deemed to be the amount of the cash proceeds received by the Corporation for such Common Stock before deducting therefrom any discounts, commissions, taxes or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(B) Consideration Other Than Cash. In the case of the issuance of Common Stock (otherwise than upon the conversion of shares of capital stock or other securities of the Corporation) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), 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; provided that such fair value as determined by the Board of Directors shall not exceed the aggregate Current Market Price of the shares of Common Stock being issued as of the date the Board of Directors authorizes the issuance of such shares.

(C) Options and Convertible Securities. In the case of the issuance of (i) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable), (ii) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable):

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subclauses (A) and (B) above), if any, received by the Corporation upon the issuance of such options, warrants or rights plus the minimum purchase price provided in such options, warrants 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, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants 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, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (determined in the manner provided in subclauses (A) and (B) above), if any, to be received by the Corporation upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof;

(3) On any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Corporation upon such exercise, conversion or exchange, including, but not limited to, a change resulting from the antidilution provisions thereof, the Conversion Price as then in effect shall forthwith be readjusted to such Conversion Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change;

(4) On the expiration or cancellation of any such options, warrants or rights, or the termination of the right to convert or exchange such convertible or exchangeable securities, if the Conversion Price shall have been adjusted upon the issuance thereof, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities; and

(5) If the Conversion Price shall have been adjusted upon the issuance of any such options, warrants, rights or convertible or

exchangeable securities, no further adjustment of the Conversion Price shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; (provided, however, that no increase in the Conversion Price shall be made pursuant to subclauses (1) and (2) of this subclause (C)).

(ii) Excluded Stock. "Excluded Stock" shall mean (A) shares of Common Stock issued or reserved for issuance by the Corporation as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Common Stock or Series A Convertible Preferred Stock, or upon conversion of shares of Series A Convertible Preferred Stock and (B) certain shares of Common Stock to be issued to key employees, consultants, and advisors of the Corporation together with any such shares that are repurchased by the Corporation and reissued to any such employee, consultant or advisor. All shares of Excluded Stock which the Corporation has reserved for issuance shall be deemed to be outstanding for all purposes of computations under subparagraph 5(f)(i).

(iii) Stock Dividends, Subdivisions, Reclassifications or Combinations. If the Corporation shall (i) declare a dividend or make a distribution on its Common Stock in shares of its Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the Conversion Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any shares of Series A Convertible Preferred Stock surrendered for conversion after such date shall be entitled to receive the number of shares of Common Stock which he would have owned or been entitled to receive had such Series A Convertible Preferred Stock been converted immediately prior to such date. Successive adjustments in the Conversion Price shall be made whenever any event specified above shall occur.

(iv) Other Distributions. In case the Corporation shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock or (ii) of evidence of indebtedness of the Corporation or any Subsidiary or (iii) of assets (excluding cash dividends or distributions, and dividends of distributions referred to in subparagraph 5(f)(iii), or 5(f)(iv) above of rights or warrants (excluding those referred to in subparagraph 5(f)(i) above), in each such case the Conversion Price in effect immediately prior thereto shall be reduced immediately thereafter to the price determined by dividing (1) an amount equal to the difference resulting from (A) the number or shares of Common Stock outstanding on such record date multiplied by the Conversion Price per share on such record date, less (B) the fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, by (2) the number of shares of Common Stock outstanding on such record date. Such adjustment shall be made successively whenever such a record date is fixed. In the



event that such distribution is not so made, the Conversion Price then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to distribute such shares, evidence of indebtedness, assets, rights or warrants, as the case may be, to the Conversion Price which would then be in effect if such record date had not been fixed.

(v) Consolidation, Merger, Sale, Lease or Conveyance. In case of any consolidation with or merger of the Corporation with or into another corporation, or in case of any sale, lease or conveyance to another corporation of the assets of the Corporation as an entirety or substantially as an entirety, each share of Series A Convertible Preferred Stock shall after the date of such consolidation, merger, sale, lease or conveyance be convertible into the number of shares of stock or other securities or property (including cash) to which the Common Stock issuable (at the time of such consolidation, merger, sale, lease or conveyance) upon conversion of such share of Series A Convertible Preferred Stock would have been entitled upon such consolidation, merger, sale, lease or conveyance; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the holders of the shares of Series A Convertible Preferred Stock shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the conversion of the shares of Series A Convertible Preferred Stock.

(vi) Rounding of Calculations; Minimum Adjustment. All calculations under this subparagraph (f) shall be made to the nearest cent or to the nearest one hundredth (1/100th) of a share, as the case may be. Any provision of this paragraph 5 to the contrary notwithstanding, no adjustment in the Conversion Price shall be made if the amount of such adjustment would be less than \$0.05, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.05 or more.

(vii) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this subparagraph (f) shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Series A Convertible Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of a fractional share of Common Stock pursuant to subparagraph (e) of this Section 5; provided that the Corporation upon request shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(g) **Current Market Price.** The Current Market Price at any date shall mean, in the event the Common Stock is publicly traded, the average of the daily closing prices per share of Common Stock for thirty (30) consecutive trading days ending no more than fifteen (15) business days before such date (as adjusted for any stock dividend, split, combination or reclassification that took effect during such thirty (30) business day period). The closing price for each day shall be the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the closing sale price for such day reported by NASDAQ, if the Common Stock is traded on the NASDAQ National Market System, or if the Common Stock is so traded, but not so quoted, the average of the closing reported bid and asked prices of the Common Stock as reported by NASDAQ or any comparable system or, if the Common Stock is not listed on NASDAQ or on the NASDAQ Electronic Bulletin Board or any comparable system, the average of the losing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Corporation for that purpose. If the Common Stock is not traded in such manner that the quotations referred to above are available for the period required hereunder, Current Market Price per share of Common Stock shall be deemed to be the fair value as determined in good faith by the Board of Directors, irrespective of any accounting treatment.

(h) **Statement Regarding Adjustments.** Whenever the Conversion Price shall be adjusted as provided in subparagraph 5(f), the Corporation shall forthwith file, at the office of any transfer agent for the Series A Convertible Preferred Stock and at the principal office of the Corporation, a statement showing in detail the facts requiring such adjustment and the Conversion Price that shall be in effect after such adjustment, and the Corporation shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each holder of shares of Series A Convertible Preferred Stock at its address appearing on the Corporation's records. Each such statement shall be signed by the Corporation's independent public accountants, if applicable. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of subparagraph 5(i).

(i) **Notice to Holders.** In the event the Corporation shall propose to take any action of the type described in clause (i) (but only if the action of the type described in clause (i) would result in an adjustment in the Conversion Price), (iii), (iv), or (v) of subparagraph 5(f), the Corporation shall give notice to each holder of shares of Series A Convertible Preferred Stock, in the manner set forth in subparagraph 5(h), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable upon conversion of shares of Series A Convertible Preferred Stock. In the case of any action which would require the fixing of a record date, such notice shall be given at least ten (10) days prior to the date so

fixed, and in case of all other action, such notice shall be given at least fifteen (15) days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(j) Treasury Stock. For the purposes of this paragraph 5, the sale or other disposition of Common Stock theretofore held in the Corporation's treasury shall be deemed to be an issuance thereof.

(k) Costs. The Corporation shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock upon conversion of any shares of Series A Convertible Preferred Stock; provided that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the shares of Series A Convertible Preferred Stock in respect of which such shares are being issued.

(l) Reservation of Shares. The Corporation shall reserve at all times so long as any shares of Series A Convertible Preferred Stock remain outstanding, free from preemptive rights, out of its treasury stock (if applicable) or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the conversion of the shares of Series A Convertible Preferred Stock, sufficient shares of Common Stock to provide for the conversion of all outstanding shares of Series A Convertible Preferred Stock.

(m) Approvals. If any shares of Common Stock to be reserved for the purpose of conversion of shares of Series A Convertible Preferred Stock require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued or delivered upon conversion, then the Corporation will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be. If, and so long as, any Common Stock into which the shares of Series A Convertible Preferred Stock are then convertible is listed on any national securities exchange, the Corporation will, if permitted by the rules of such exchange, list and keep listed on such exchange, upon official notice of issuance, all shares of such Common Stock issuable upon conversion.

(n) Valid Issuance. All shares of Common Stock which may be issued upon conversion of the shares of Series A Convertible Preferred Stock will upon issuance by the Corporation be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof, and the Corporation shall take no action which will cause a contrary result (including without limitation, any action which would cause the Conversion Price to be less than the par value, if any, of the Common Stock).

#### 5. Merger, Consolidation

(a) At any time, in the event of:

(i) any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such consolidation, merger or reorganization or any transaction or series of related transactions by the Corporation in which in excess of fifty percent (50%) of the Corporation's voting power is transferred, or

(ii) a sale of all or substantially all of the assets of the Corporation, the consideration to be transferred by the acquiring corporation or other entity or person in such transaction shall be distributed among the then holders of the Series A Convertible Preferred Stock, any Parity Stock then outstanding, the Common Stock and any other outstanding securities, at the closing of any such transaction, in the same manner and proportion as such consideration would be distributed if such transaction were treated as a liquidation event pursuant to Section 4 hereof.

(b) Any securities to be delivered to the holders of Preferred Stock pursuant to Subparagraph (a) of this Section 6 shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability:

(A) If traded on a securities exchange or on NASDAQ, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty (30) day period ending three (3) days prior to the closing;

(B) If actively traded over-the-counter on the NASDAQ Electronic Bulletin Board, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Corporation and the holders of not less than a majority of the then outstanding shares of Series A Convertible Preferred Stock.

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in Subparagraphs 6(b)(i)(A), (B) or (C) to reflect the approximate fair market value thereof, as mutually determined by the Corporation and the holders of a majority of the then outstanding shares of Series A Convertible Preferred Stock.

(c) The Corporation shall give each holder of record of Series A Convertible Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the shareholders' meeting called to approve such transaction or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the contemplated transaction as well as the

terms and conditions of this Section 6, and the Corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the mailing by the Corporation of the first notice provided for herein, or sooner than ten (10) days after the mailing by the Corporation of any notice of material changes provided for herein; provided, however, that such periods may be shortened or waived by the written consent of the holders of majority of the then outstanding shares of Series A Convertible Preferred Stock.

(d) In the event the full amount required for payment (including, if applicable, securities of the acquiring corporation) is not placed on deposit or in escrow with a bank or trust company on the date fixed for the closing of the transaction to be held as a trust fund to be distributed to the holders of Series A Convertible Preferred Stock pursuant to this Section 6 upon the closing of such transaction (or to be returned to the depositor in the event such transaction is not closed), the Corporation shall forthwith either:

(i) cause such closing to be postponed until such time as the requirements of this Section 6 have been complied with, or

(ii) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series A Convertible Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in Subparagraph (c) of this Section 6.

(e) If, subsequent to the giving of notice pursuant to Subparagraph (c) of this Section 6 but not later than five (5) days prior to the closing of such transaction, any holder of Series A Convertible Preferred Stock elects to exercise its Conversion Rights, the conversion may, at the option of the holder tendering Series A Convertible Preferred Stock for conversion, be conditioned upon the closing of such transaction, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series A Convertible Preferred Stock shall not be deemed to have converted such Series A Convertible Preferred Stock until immediately prior to the closing of such transactions.

#### 6. Voting Rights.

The holder of each share of Series A Convertible Preferred Stock, including any Parity Stock hereafter designated, shall have the right to one vote for each share of Common Stock into which such shares of Series A Convertible Preferred Stock could then be converted (with any fractional share determined on an aggregate conversion basis being rounded to the nearest whole share), and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the bylaws of the Corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote.

#### 7. Protective Provisions.

So long as at least twenty-five percent (25%) of the Series A Convertible Preferred Stock is 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 the Series A Convertible Preferred Stock:

(a) alter or change the rights, preferences or privileges of the Series A Convertible Preferred Stock as to adversely affect such series; provided, however, that the designation and creation, by the Board of Directors, of any Parity Stock shall not constitute an adverse change in the rights, preferences or privileges of the Series A Convertible Preferred Stock;

(b) increase the authorized number of shares of Series A Convertible Preferred Stock;

III.

The foregoing amendment was adopted by the Board of Directors of Paychecksforlife.com, Inc., without shareholder action, which is not required.

Dated this 30<sup>th</sup> day of November, 2001.

PAYCHECKSFORLIFE.COM, INC.

By   
Its President