

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF SMALL BUSINESS ISSUERS

UNDER SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

NET 1 UEPS TECHNOLOGIES, INC.

(Name of Small Business Issuer in its charter)

Florida

65-0903895

(State of incorporation)

(I.R.S. Employer Identification No.)

507-700 West Pender Street  
Vancouver B.C., Canada

V6C1G8

(Address of principal executive offices)

(Zip Code)

Issuer's Telephone Number 1-888-796-2233

Securities to be Registered Pursuant to 12(b) of the Act: None

Securities to be registered pursuant to 12(g) of the Act:

COMMON STOCK \$.001 PAR VALUE

(Title of Class)

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INFORMATION REQUIRED IN REGISTRATION STATEMENT

PART I

ITEM 1. DESCRIPTION OF BUSINESS

BACKGROUND

Net 1 UEPS Technologies, Inc. was incorporated under the laws of the State of Florida in May 1997 to acquire and exploit a non-exclusive worldwide license to the "Universal Electronic Payment System" or "UEPS" payment system. The UEPS is a software application that utilizes the "Funds Transfer System" or "FTS" patents held by Net 1 Holdings S.a.r.l. ("Net 1 Holdings"), a 1929 company incorporated in Luxembourg. In this report, we refer to Net 1 UEPS Technologies, Inc. as "Net 1," "we," or "us." Information in this registration statement gives effect to a 2:1 forward split of our common stock executed in June 1998.

Net 1 is a development stage company engaged in the business of commercializing the smart card based UEPS through the development of strategic alliances with national and international bank, card service or retail organizations. To date our activities have consisted of acquiring certain exclusive rights to the above-mentioned technology from Net 1 Holdings.

Our management team devotes most of their activities to establishing a new business, primarily, the development of a detailed business plan, marketing strategy and the raising of the funds required to develop and operate the business successfully. Planned principal activities have not yet produced revenues, and Net 1 has suffered operating losses. Net 1 has a working capital deficit of \$61,545 as of December 31, 1999. These factors raise substantial doubt about Net 1's ability to continue as a going concern. The ability of Net 1 to complete its long-term business plan depends on whether it is successful in raising the capital it requires through equity financing and developing a market for its products.

The UEPS technology was developed by Serge Belamant, an executive officer of Net 1, and the late Andre Mansvelt, a former executive officer of Net 1, and the resulting FTS patents (or applications for patents) were assigned to Net 1 Investment Holdings (Pty) Ltd. ("Net 1 (Pty)") with respect to patent rights in South Africa and the surrounding territories, and to Net 1 Holdings with respect to rights in all other territories.

Net 1 entered into a license agreement, dated May 19, 1997 (the "License Agreement"), with Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 Pty (collectively, the "Licensors"), where the licensors granted a non-exclusive license to us for the UEPS technology except for South Africa and its surrounding territories. On October 1, 1997 an Amendment to the License

Agreement was signed that provided for the transfer of the ownership of the UEPS technology and FTS patents world-wide except for South Africa and its surrounding territories and for the assignment of the Technology License Agreement between Visa International Service Association and Net 1 Holdings, dated July 31, 1997 (the "Visa Agreement") to Net 1 in consideration for 4,729,612 shares of common stock of Net 1.

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The assignment of the Visa Agreement and the transfer of the ownership of the UEPS technology and FTS patents to Net 1 were never consummated because certain conditions precedent were never satisfied.

On May 3, 2000 we entered into a Patent and Technology Agreement with Net 1 Holdings that granted us world-wide except for South Africa and its surrounding territories, an exclusive marketing license for the UEPS technology and the FTS patents under terms similar to those stipulated in the Amendment to the License Agreement. No conditions precedent were stipulated. The 4,729,612 shares of common stock of Net 1 previously issued in consideration for the Amendment to the License Agreement were released to Net 1 Holdings.

#### DESCRIPTION OF OUR BUSINESS

The following description of our business is intended to provide an understanding of our product and the direction of our initial marketing strategy. As Net 1 is in its developmental stages, any focus described in the following may change and different initiatives may be pursued although none are presently contemplated.

We intend to develop and implement a branded payment system utilizing our proprietary technology. The payment system network will operate under the name "Net 1." The Net 1 payment system will provide an alternative to existing payment systems such as credit cards, debit cards, bank wires, checks and cash. Net 1's initial focus will be on products where we do not expose ourselves to credit risk.

The Net 1 system employs cards that are similar to credit cards, but which have a computer chip embedded within them that can both store and process information. The Net 1 system is based on two components developed by the founders of Net 1, the FTS, for which patents have been obtained or applied for in certain jurisdictions, and the UEPS. The FTS describes a secure method of transferring funds from one smart card to another without the need for the card-to-card transaction to be processed through a central computer issuing system, a so-called off-line transaction. The UEPS is a suite of computer programs that incorporates the FTS to deliver a fully integrated payment and settlement system.

We will license our proprietary technology to other entities which will issue Net 1 cards to their customers. Depending on the specifics of the application, as discussed below, funds are loaded onto the computer chip on the cardholder's card either by the cardholder or by others, including employers or governmental benefit providers. Once loaded with funds, the cardholder may pay for goods or services by transferring funds from his or her card to a merchant that accepts Net 1 cards.

Unlike other smart card based cash substitute schemes, such as Mondex(R) and VisaCash(R) which have had unsuccessful pilot programs in the past, we believe that the technology underlying the Net 1 payment system offers a variety of benefits to the cardholder which makes the Net 1 system much more than merely a substitute for cash.

As two brief examples:

- o the system is designed to be loss tolerant, in the event that a card is lost or stolen, the funds loaded onto the card cannot be used by a third party and the card can be replaced once reported lost or stolen, and
- o funds can be securely transferred off-line from one card to another. A cardholder with a home card reader/terminal can pay for goods bought over the Internet from a merchant that accepts the card without the need to transmit personal account information over the Internet.

In addition, interest can be paid on account balances. The benefits that are inherent in the Net 1 system make the system attractive to issuers, cardholders and merchants in geographically and economically diverse areas.

We are in the developmental stages of our business and for the next twelve months intend to focus on attracting the necessary capital to implement our business plan as described below. No assurances can be given that we will be successful in attracting capital or meeting our business objectives.

OUR TECHNOLOGY. Net 1's technological platform is based on two fundamental components:

- o the FTS patents; and
- o the UEPS.

FTS PATENTS. The FTS describes a method through which funds can be transferred from one smart card to another in a secure and off-line manner. Off-line for these purposes refers to a transaction which is effected when there is no contact with the card issuer or authorization center at the time of the transaction. The FTS also incorporates how these cards can be loaded or re-loaded with funds as well as how these funds can be redeemed for value in a banking or non-banking environment. The FTS patents have been registered in the United States, Europe, South Africa and a number of other countries that have patent agreements with these countries. The FTS is registered in the United States Patent & Trademark Office under registration number 5,175,416 and in the European Patent Office under the publication number 0 421 808 B1.

STATUS OF FTS PATENTS. FTS was first patented in South Africa in 1989. The European patent was granted on December 28, 1994, with effect in Austria, Belgium, Switzerland, Germany, Denmark, Spain, France, Great Britain, Greece, Italy, Liechtenstein, Luxembourg, Netherlands and Sweden. The European Patent Convention provides for an opposition period immediately following the grant of a European patent, and six parties filed an opposition to the grant of the patent on the grounds that

the invention was not patentable. The case was heard before a Board of the Opposition Division in March 1998, when the patent was upheld in a form slightly different than the original application. Following the issue of the formal decision, a number of the opponents filed an appeal. The appeal proceedings will be heard in two to three years before the Board of Appeal of the European Patent Office. Currently, the granted patent remains effective in each of the designated states and is currently in force.

The methodology protected by the FTS patents makes possible a payment system that is affordable, secure and flexible. The system is affordable because transactions occur between the computer chips embedded in the two smart cards

involved using a relatively inexpensive self contained terminal. There is, therefore, no need for existing infrastructures such as electricity, telephone or data transmission. The Net 1 payment system utilizing the FTS is secure because all transactions are verified (i.e., confirmation of the actual transfer of the funds) between the two smart cards which are involved in the transaction using advanced hardware tamper protection and cryptographic systems, together with protocols and techniques developed by the founders of Net 1. Finally, the FTS is flexible because transactions are completed off-line so that there are virtually no restrictions on the locations in which verified transactions can occur.

UEPS. The UEPS is a suite of software programs that incorporates the FTS patent to deliver a fully integrated payment and settlement system. The first version of the UEPS system was released in 1991. The programs included in the UEPS include both the software which is included in the computer chip embedded in each smart card as well as the software required to maintain the payment system. UEPS provides all the functions that are necessary to issue and manage a smart card and terminal base as well as those needed to effect settlement between all the operators and participants. UEPS is fully traceable and auditable and can provide advanced facilities such as loss tolerance and interest distribution. UEPS is scalable and can be made available to well established market leaders or as a starter kit to smaller organizations.

IDENTIFIED SOURCES OF REVENUE. Net 1 has identified several potential general sources of revenue including:

- o manufacture licensing;
- o usage licensing;
- o joint ventures; and
- o hardware sales.

None of these sources of revenue have yet been developed and there can be no assurance that they will develop.

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MANUFACTURE LICENSING. Licenses will be required by all manufacturers that produce smart cards that incorporate into their embedded computer chip applications that utilize the FTS patents. Net 1 intends to charge a fee to smart card manufacturers for each smart card produced by such manufacturer that includes the FTS application. In addition, it is anticipated that a yearly fee will also be charged which will entitle the manufacturers to product information and workshop materials from Net 1.

Manufacturers of point of sale terminals and prepaid utility meter terminals who wish to produce terminals capable of supporting FTS based applications will be licensed by Net 1. It is anticipated that these manufacturer licenses will be based on a variety of payment systems including, for example, annual payments, per-terminal payments or transaction fees, depending upon the particular circumstances. Generally, the terminals used in connection with the FTS/UEPS based payment system, unlike other payment systems, do not require a great deal of technology as the security process used by the payment system is managed in its entirety by the two smart cards transacting at the time. Manufacturers, therefore, can mass-produce low cost terminals for the Net 1 FTS/UEPS payment systems.

USAGE LICENSING. We will license entities that will operate specific applications that use FTS intellectual property or the combined FTS/UEPS payment system. We anticipate that the license fees for these licenses will include a combination of annual fees as well as transaction fees.

JOINT VENTURES. We will explore opportunities to form joint ventures with entities within particular geographic territories. The joint venturer would

then act as a system operator in that territory. Under this scenario we will act as a licensor and may have an equity interest or other participation in the licensee. It is contemplated that we will enter into technology and know-how transfer agreements in exchange for our interest in the joint venture and the other joint venture partner or partners will contribute capital and other expertise necessary to exploit the technology in the given territory.

HARDWARE SALES. We will pursue arrangements with smart card and terminal manufacturers which will enable us to purchase these items of hardware in volume at preferential prices. We contemplate selling these items to our licensees, passing along a portion of the price savings.

MARKET FOCUS. In an effort to allocate our resources in an efficient manner, management of Net 1 has identified two distinct markets for our products based on the benefits that cardholders, merchant cardholders and others would find desirable from the payment system. Net 1 has developed marketing strategies to develop these two markets. The first market is one which has a reliable, extensive and inexpensive telecommunications network, with a considerable penetration of credit and debit card services, and in which the vast majority of the population has access to banking products. For our purposes, this market is referred to as the "developed market." The second market is characterized by regions which do not have reliable, extensive and inexpensive telecommunications and related infrastructure systems, where there is relatively little penetration of

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credit or debit cards and/or where a large portion of the population does not have access to traditional banking services. The second market is referred to as the "less developed market."

THE DEVELOPED MARKETS. Our principal competition in the developed markets is the existing installed base of credit and traditional on-line debit cards, as well as cash, checks and other forms of payment. In addition, several other companies are developing smart card based payment systems. In order to effectively compete in this market, an alternative payment system must offer some identifiable benefit to the cardholder and the merchant cardholder. We believe that our product offers substantial benefits over existing payment systems in connection with payments for goods and services over the Internet and other selected environments.

One significant impediment to the growth of commerce over the Internet is the reluctance of consumers to broadcast sensitive credit or debit account information over the Internet. Moreover, Internet transactions settled by credit card are not generally verified, resulting in increased costs for the on-line merchant. There is a need in this market for a payment system which can provide on-line merchants with instant, verified (i.e., the equivalent of receiving cash) transfers of payments from customers while not requiring the customer to transmit any information over the Internet which can access or even identify the customer's payment account. We believe that the Net 1 FTS/UEPS payment system can meet these objectives as well as provide additional benefits to on-line consumers and merchants.

We envision a system in which consumers can use their existing account at a financial institution to load their cards with funds. This procedure will be able to operate in many different ways depending on the relationship between Net 1 and the specific financial institution. If no relationship exists, a simple debit or stop order could be used to allow the cardholder to load his or her UEPS smart card through a simple Internet application. In the case where the financial institution is a licensee of Net 1, the debit or stop order would not be required to achieve the above mentioned result. Interest rates and other incentives could be offered to cardholders as an incentive to maintain higher balances on their UEPS smart cards. Internet merchants would then be able to

accept guaranteed payments for the goods or services they offer over the Internet. Merchants and service providers would be able to deposit these payments in any financial institution on a daily basis. Cardholders would be protected against the unauthorized use of their card and would always maintain a full audit trail of all their transactions.

Net 1's Internet payment solution is no different to its standard off-line point-of-sale transaction. Our ability to readily adapt UEPS to Internet transactions is due to the patented end-to-end security protocol that ensures that any active communication can only be interpreted by the cardholder and the merchant cardholders. We believe that the risk of fraud, repudiation or non-payment is reduced compared to competing systems.

Net 1 intends to have a system that can provide payment functionality in pay-as-you-use services. These services include, for example, access to databases or other information systems, professional advice or advanced software or special application systems. There are other competing

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systems that have been proposed for these markets. Our continuous debit function could ensure that payment is made while the service is being used. This same functionality can be used in applications such as fuel dispensing and telephonic communication.

We intend to market this product to on-line retailers and service providers and will develop a final product based on the specifications for the system required by these entities. Once there is a sufficient installed base of cards, Net 1 will then broaden its focus to conventional banking and retail applications in these markets.

LESS DEVELOPED MARKETS. Net 1's present competition in the less developed markets is principally cash. In addition, other companies are developing smart card based systems for these markets, and these systems may be competitive. The less developed markets comprise the great majority of the world's population, and there is currently no alternative to cash in these markets. Due to their lack of infrastructure, these markets have not been particularly attractive to alternative payment systems such as debit and credit cards, and for the most part, entities such as Visa and MasterCard have not attempted to enter these markets. Net 1 believes that its product is particularly well suited for these markets, and while individual transactions may be smaller than in more well developed markets, the volume of these transactions is potentially much greater, representing a significant opportunity for us, our licensees and joint venture partners.

Net 1's goal in these markets is to provide a payment system to the population as an alternative to cash. Cash is expensive to handle and is particularly prone to theft. Moreover, since people in the less developed markets do not have access to traditional banking products, they therefore do not deposit their money in secure savings accounts on which they earn interest. The Net 1 FTS/UEPS system can enhance the lives of the populations of these developing markets by affording them much greater security with respect to their money and making available banking products such as interest bearing savings accounts. In addition, by simplifying the administrative burden and removing the costs associated with handling cash, a Net 1 FTS/UEPS system will result in significant savings to employers, governments and merchants. A significant focus of Net 1 in these markets, therefore, is to identify licensees and/or joint venture partners located in these regions that it believes will be in a position to effectively market the payment system to employers and governments.

The general strategy is to market the system to those who presently transfer money to others, as wages in the case of employers and as government benefits in the case of governments. These entities would enter into

arrangements with a card issuer, who would issue cards to their employees or beneficiaries. The wages or benefits for these cardholders would then be loaded onto their cards, thus avoiding the need for the distribution of cash or checks. The funds loaded onto the cards could then be used at local merchants that accept the card for purchases of goods and services. Cash could also be obtained from the card at local banks or retail establishments. The goal is to develop a large installed cardholder base in the most efficient manner. Once a region has a sufficient number of cardholders, additional merchants can be solicited and the payment system expanded. As the cardholder base grows, additional benefits inherent in the Net 1 FTS/UEPS system will become

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recognized and the system will continue to grow. Net 1 is also exploring initiatives in these markets to utilize the FTS/UEPS system in connection with public transportation, taxis and prepaid utility services such as telephones, electricity and water.

COMPETITION. Separate from competition from cash, checks, credit and debit cards and other existing payment systems, Net 1 has identified a number of other products currently being produced which use smart card technology in connection with a fund transfer system. These include Mondex, Proton and EMV, which represent products from Visa, MasterCard and Europay. We believe that the UEPS technology can be distinguished from these competitors in a number of significant ways.

The most important differences between our competition and Net 1 are listed below:

- o since little or no technology is required in the terminal itself, terminals can be manufactured, distributed and installed at a fraction of the cost of other similar terminals which require sophisticated security and communications modules;
- o the terminal network can operate "off-line" (i.e. without the need for a data communication session to be active during the transaction) or "on line" through the use of any communications infrastructure, including satellite, micro-wave, radio, land lines or any other distribution channel;
- o each transaction has a unique transaction sequencing algorithm that allows verifiable auditing of the transaction creating a loss tolerant system. From a practical perspective, this enables the detection and subsequent elimination of fraudulent activity and an ability to replace lost or stolen cards; and
- o the encryption security protocols enable cardholders to receive fund loading instructions from a third party through any insecure communications channel such as word of mouth, telephone, newspaper or any analogue or digital network.

In addition, the UEPS technology includes functionality that allows:

- o transparent and automatic recovery in the event of transaction failure resulting from terminal hardware or software problems;
- o the smart card itself can be used as proof of purchase, replacing the need for a separate ticket and ticketing system, for example, on buses, trains or the lottery;
- o continuous debiting which in turn allows for simultaneous



vending and debiting in unattended environments such as fuel dispensing and telephony,

- o speed of processing that is mandatory in applications such as transportation and access control; and

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- o open or restricted purses that are required to implement certain applications such as pension and welfare distribution and specific funding initiatives.

ITEM 2. DESCRIPTION OF PROPERTY

Net 1 rents office facilities and services on an as needed basis at suite 507-700 West Pender Street, Vancouver B.C. Canada from Gilmour, McKay Roberts Consulting Limited, one of our financial consultants. We rent the offices for One Thousand Dollars (\$1,000) per month on a month to month basis.

ITEM 3. DIRECTORS, EXECUTIVE OFFICERS, AND SIGNIFICANT EMPLOYEES

The following table sets forth the names, ages and positions of our executive officers and directors. Directors will be elected at our annual meeting of shareholders and serve for one year or until their successors are elected and qualify. Officers are elected by the board of directors and their terms of office are, except to the extent governed by employment contract, at the discretion of the board of directors.

Name	Age	Positions Held
----	---	-----
Serge Belamant	47	Chief Executive Officer, Chairman of the Board of Directors
Claude Guerard	58	Director
David Anthony	50	Secretary and Treasurer

SERGE CHRISTIAN PIERRE BELAMANT. Mr. Belamant has been a director of Net 1 since its inception in May 1997. Since May 1997, Mr. Belamant has also served as Chief Executive Officer of Net 1. From June 1997 to present, Mr. Belamant has served as Chief Executive Officer and a director of Net 1 Applied Technology Holdings Limited, a company listed on the Johannesburg Stock Exchange as well as the Chief Technology Officer and a director of Prosperity Holdings Limited, a financial services company. From 1996 to 1997, Mr. Belamant served as a consultant in the development of COPAC (Chip Off-Line Pre-Authorized Card), a product currently being marketed internationally by Visa International. From October 1989 to September 1995, Mr. Belamant served as the managing director of Net 1 Products (Pty) Ltd., a privately owned South African company specializing in the development of advanced technologies in the field of transaction processing and payment systems. Mr. Belamant also serves on the board of a number of other companies that are closely related to the smart card business worldwide. Mr. Belamant spent ten years working as a computer scientist for Control Data Corporation where he won a number of international awards. Later, he was responsible for the design, development, implementation and operation of the Saswitch Automated Teller Machine network in South Africa that rates today as the third largest ATM switching system in the world. Mr. Belamant has patented a number of inventions

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ranging from biometrics to gaming as well as the FTS. Mr. Belamant has more than twenty years experience in the fields of operations research, security, biometrics, artificial intelligence and on-line and off-line transaction processing systems.

CLAUDE GUERARD. Mr. Guerard has served as our director since August 1998. From December 1996 to October 1999, Mr. Guerard served as Vice President of Gemplus S.C.A., a company in the smart card industry. During this period, Mr. Guerard also served as the Chief Executive Officer of Gemplus' South African division, Chief Executive Officer of Gemplus Gmbh, and general manager of Gemplus' Central and Eastern Europe division. From 1990 to 1996, Mr. Guerard was Chief Executive Officer and Chairman of AM International France, a subsidiary of AM International Corp., a Chicago based multinational graphics and printing company. Mr. Guerard also has sales and management experience in computer/technology and related industries having worked for 13 years at IBM and 8 years with Nashua Corp., a company engaged in the sales and service of office equipment.

DAVID ANTHONY. Mr. Anthony has served as Net 1's Secretary and Treasurer since May 1997. From 1991 to 1997, Mr. Anthony was the sole proprietor of an independent financial consulting firm specializing in structuring and funding emerging growth companies, primarily in North America. Previously, from 1986 to 1991, Mr. Anthony was the founder of Professional Canadian Investment Group (Procan), a venture capital firm based in Vancouver, British Columbia.

#### EMPLOYMENT AGREEMENTS

##### SERGE CHRISTIAN PIERRE BELAMANT AND ANDRE PETER MANSVELT

Since Net 1's inception in May 1997, it was decided that no employment agreement would be entered into by Serge Christian Pierre Belamant or the late Andre Peter Mansvelt and Net 1 until the funding necessary to operate the company would be secured. Although that Mr. Belamant continues to perform his duties as the Chairman and C.E.O of Net 1, he has not been remunerated to date in any form whatsoever. Mr. Belamant has in fact funded Net 1 through Holdings in Luxembourg and Net 1 (Pty) in South Africa.

##### ERIC YOUNG

Net 1 employed Mr. Young under contract, as an attorney, dedicated to the restructuring of the company from September 1998 to January 2000.

##### CLAUDE GUERARD

Our majority shareholder, Net 1 Holdings S.a.r.l. entered into a consulting and advisory agreement with Mr. Guerard on October 1, 1999. The term of the agreement was to extend from October 1999 to January 2000. In this agreement, Net 1 Holdings S.a.r.l. agreed to pay Mr. Guerard \$12,500 per month. Mr. Guerard's responsibilities included the restructuring of the company and the

general management of the company. Mr. Guerard's contract could be extended at the discretion of the company once we raise the necessary funds to develop our business plan. Effective October 25, 1999 we assumed all liabilities under the agreement through an assignment of the agreement, releasing Net 1 Holdings S.a.r.l. from the liabilities and responsibilities of the agreement. In 1999, we paid consulting fees totaling \$37,500 to Mr. Guerard under this agreement. Of these fees, \$12,500 is included in accounts payable at December 31, 1999.

ITEM 4. EXECUTIVE COMPENSATION

The following table sets forth information relating to the compensation paid by Net 1 during the past fiscal year.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation				
		Salary	Bonus	Other Annual Compensation (\$)	Restricted Stock Award(s) (\$)	Securities Underlying Options/SARs (#)	LTIP Payouts (\$)	All Other Compensation (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Serge Belamant, CEO, Chairman	1999	N/A	--	--	--	--	--	--	
	1998	N/A	--	--	--	--	--	--	
	1997	N/A	--	--	--	--	--	--	
Claude Guerard, Director	1999	N/A	--	--	--	--	--	--	
	1998	N/A	--	--	--	--	--	--	
	1997	N/A	--	--	--	--	--	--	
David Anthony, Secretary, Treasurer	1999	N/A	--	--	--	--	--	--	
	1998	N/A	--	--	--	--	--	--	
	1997	N/A	--	--	--	--	--	--	

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STOCK OPTIONS

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name (a)	Number Of Securities Underlying Options/SARs Granted (#) (b)	Percent of Total Options/ SARs Granted To Employees In Fiscal Year (c)	Exercise Of Base Price (S/Sh) (d)	Expiration Date (e)	Potential Realizable Value At Assumed Annual Rates Of Stock Price Appreciation For Option Term		Alternative To (f) and (g): Grant Date Value Present Value \$ (h)
					5% (\$) (f)	10% (\$) (g)	
Serge Belamant, CEO, Chairman	N/A	--	--	--	--	--	--
Claude Guerard, Director	N/A	--	--	--	--	--	--
David Anthony, Secretary, Treasurer	N/A	--	--	--	--	--	--

OPTION EXERCISES AND HOLDINGS

Name	Shares Acquired On Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SARs At Fiscal Year-End Exercisable/ Unexercisable	Value Of Unexercised In-The-Money Options/SARs At Fiscal Year-End Exercisable/ Unexercisable

Claude Guerard, Director	N/A	--	--	--
David Anthony, Secretary, Treasurer	N/A	--	--	--

ITEM 5. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of July 2, 2000 with respect to:

- o each person known to us to be the beneficial owner of more than 5% of our common stock;
- o each of our officers and directors; and
- o all directors and officers as a group.

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This information as to beneficial ownership was furnished to us by or on behalf of the persons named. Unless otherwise indicated, the business address of each person listed is 507-700 West Pender Street, Vancouver, British Columbia, Canada V6C1G8. Information with respect to the percent of class is based on 15,602,856 issued and outstanding shares of common stock as of July 2, 2000.

Except as otherwise indicated, to our knowledge, each shareholder has sole power to vote and dispose of all the shares of common stock listed opposite his name.

Name	No. of Shares	Approximate Percentage of Outstanding Shares Beneficially Owned
----	-----	-----
Net 1 Holdings S.a.r.l.	8,620,578	55.25%
Gemplus SCA	1,521,278	9.75%
Serge Belamant	5,130,813	32.88%
Claude Guerard	608,511	3.90%
David Anthony	50,000	.32%
All Officers and Directors As a Group (3 persons)	5,789,324	37.10%

Net 1 Holdings S.a.r.l., whose address is 6, rue Jean Monnet, L-2180 Luxembourg, is a corporation controlled by Cornet Ltd. (52.7%) and a trust structure of which Serge Christian Pierre Belamant, our Chief Executive Officer and Chairman (47.3%) is a beneficiary. Net 1 Holdings owns 55.25% of the issued and outstanding common stock of Net 1. Cornet Ltd. whose address is Westaway Chambers, 39 Don Street, St. Helier, Jersey C.I. JE48UA, is a Jersey corporation controlled by Serge Christian Pierre Belamant and the estate of Andre Peter Mansvelt through trust structures. The 1,521,278 shares of common stock owned by Gemplus SCA is not included in the 8,620,578 shares of common stock owned by Net 1 Holdings S.a.r.l.

Gemplus SCA, whose address is Avenue du Pic De Bertagne, 13884 Gemenos, France, is a French corporation that is the beneficial owner of 1,521,278 (9.75%) shares of common stock of Net 1. Mr. Claude Guerard served as an executive officer of Gemplus from December 1996 to October 1999.

Serge Belamant, whose address is 43 Carlisle Avenue, Hurlingham,

Sandton, 2196, South Africa, is the Chief Executive Officer and Chairman of Net 1. He is the beneficial owner of 5,130,813 shares of Net 1's common stock pursuant to his direct and indirect shareholdings in Net 1 Holdings S.a.r.l. These shares cannot be voted by Mr. Belamant personally but only by Net 1 Holdings S.a.r.l.

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Claude Guerard, whose address is No. 20 Avenue Pozzo Di Borgo, 92210 Saint-Cloud, France, is a director of Net 1. He is indirectly the beneficial owner of 608,511 (3.9%) shares of the common stock through Net 1 Holdings S.a.r.l., Cornet Ltd. and a trust structure. The shares may not be voted by Mr. Guerard but only by Net 1 Holdings S.a.r.l.

David Anthony is the Secretary and Treasurer of Net 1. Mr. Anthony, as the beneficiary of the estate of Shannon Fitzpatrick, is deemed to beneficially own 50,000 (.32%) shares of the common stock held by the estate of Shannon Fitzpatrick.

#### ITEM 6. INTEREST OF MANAGEMENT AND CERTAIN TRANSACTIONS

We entered into a license agreement, dated May 19, 1997 (the "License Agreement"), with Net 1 Holdings S.a.r.l., Net 1 Operations S.a.r.l. and Net 1 PTY (collectively, the "Licensors"), where the Licensors granted a non-exclusive license to us for the UEPS technology world-wide except for South Africa and its surrounding territories. On October 1, 1997 an Amendment to the License Agreement was signed that provided for the transfer of the ownership of the UEPS and FTS technology to Net 1 and for the assignment of the Technology License Agreement between Visa International Service Association and Net 1 Holdings S.a.r.l, dated July 31, 1997 (the "Visa Agreement") under certain conditions precedent in consideration for 4,729,612 shares of common stock of the Net 1. The assignment of the Visa Agreement and the transfer of the ownership of the UEPS technology and FTS patents to NET 1 were never consummated because the conditions precedent were never satisfied.

On May 3, 2000 an agreement entitled "Patent and Technology Agreement" was entered into by Net 1 and Net 1 Holdings S.a.r.l. granting Net 1 an exclusive marketing license for the UEPS and FTS technology world-wide except for South Africa and its surrounding territories under terms similar to those stipulated in the Amendment to the License Agreement. No conditions precedent were stipulated. The 4,729,612 shares of common stock of Net 1 previously issued in consideration for the Amendment to the License Agreement were released to Net 1 Holdings S.a.r.l.

In 1998, consulting fees totaling \$102,155 were paid to our former President and Director Mr. James Rodgers before his resignation effective August 4, 1998.

In 1998, consulting fees totaling \$65,000 were paid to our former Chief Financial Officer Mr. Edwin Austin before his resignation effective August 4, 1998.

In 1999, consulting fees totaling \$ 37,500 were paid to Mr. Claude Guerard, one of our directors. Of these fees, \$12,500 is included in accounts payable at December 31, 1999.

#### ITEM 7. DESCRIPTION OF SECURITIES

We are authorized to issue 100,000,000 shares of common stock, par value \$.001 per share, and 3,000,000 shares of preferred stock, par value \$.10 per share. As of June 30, 2000 there were 15,602,856 shares of common stock issued and outstanding and zero shares of preferred stock outstanding.

#### COMMON STOCK

The authorized capital stock of Net 1 currently includes 100,000,000 shares of common stock, par value \$.001 per share. The holders of common stock: have equal ratable rights to dividends from funds legally available therefor, when, as and if declared by the board of directors of Net 1, are entitled to share ratably in all of the assets of Net 1 available for distribution and upon liquidation, dissolution or winding up of the affairs of Net 1. There are no preemptive subscription or conversion rights or redemption or sinking fund provisions applicable thereto. Holders of common stock are entitled to one vote per share on all matters on which stockholders may vote at all meetings of stockholders. The holders of common stock of Net 1 do not have cumulative voting rights, which means that the holders of more than 51% of such outstanding shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose and in such event, the holders of the remaining shares will not be able to elect any of the directors.

#### PREFERRED STOCK

Net 1 is authorized to issue up to 3,000,000 shares of preferred stock, par value \$.10 per share, with designations, rights and preferences as may be determined from time to time by the board of directors. Accordingly, the board of directors is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock. In the event of issuance, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of Net 1.

#### CERTAIN FLORIDA LEGISLATION

Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations. The Florida Control Share Act generally provides that shares acquired in excess of certain specified thresholds will not possess any voting rights unless such voting rights are approved by a majority of a corporation's disinterested shareholders. The Florida Affiliated Transactions Act generally requires super majority approval by disinterested shareholders of certain specified transactions between a public corporation and holders of more than 10% of the outstanding voting shares of the corporation (or their affiliates). Florida law and Net 1's Articles and Bylaws also authorize us to indemnify our directors, officers, employees and agents. In addition, Net 1's Articles and Florida law presently limit the personal liability of corporate directors for monetary damages, except where the directors (i) breach their fiduciary duties; and (ii) such breach constitutes or includes certain violations of criminal law, a transaction from which the directors derived an improper personal benefit, certain unlawful distributions or certain other reckless, wanton or willful acts or misconduct.

#### ANTI-TAKEOVER EFFECTS OF CERTAIN PROVISIONS OF NET 1'S ARTICLES OF INCORPORATION AND BYLAWS

The paragraphs above under the section entitled "Preferred Stock" could have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt, including attempts that might result in a premium being paid over the market price for the shares held by shareholders. Despite the belief of Net 1 as to the benefits to shareholders of these provisions of our Articles of Incorporation, these provisions may also have the effect of

discouraging a future takeover attempt which would not be approved by Net 1's board, but pursuant to which the shareholders may receive a substantial premium for their shares over then current market prices. As a result, shareholders who might desire to participate in such a transaction may not have any opportunity to do so. These provisions will also render the removal of Net 1's board of directors and management more difficult and may tend to stabilize Net 1's stock price, thus limiting gains which might otherwise be reflected in price increases due to a potential merger or acquisition. The board of directors, however, has concluded that the potential benefits of these provisions outweigh the possible disadvantages. Pursuant to applicable regulations, at any annual or special meeting of its shareholders, Net 1 may adopt additional Articles of Incorporation provisions regarding the acquisition of its equity securities that would be permitted to a Florida corporation.

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PART II

ITEM 1. MARKET FOR COMMON EQUITY AND OTHER SHAREHOLDER MATTERS

There is currently limited public trading of Net 1's common stock on the NASD pink sheets under the symbol NUEP. As of July 18, 2000 there were 55 shareholders of record of our common stock. Our common stock has traded on the Pink Sheets of the National Quotation System under the symbol NUEP since February 2000. During February 2000, our common stock was de-listed from the Over-the-Counter Bulletin Board of the National Association of Securities Dealers, Inc. for failure to comply with the phase-in provisions of the OTC Bulletin Board Eligibility Rule which required all companies whose securities are quoted on the OTC Bulletin Board to become reporting companies with the Securities and Exchange Commission. Previously, our common stock traded on the Over-the-Counter Bulletin Board under the symbol "NUEP." The following table sets forth the high and low bid quotations for the common stock for the periods indicated. These quotations reflect prices between dealers, do not include retail mark-ups, mark-downs, and commissions and may not necessarily represent actual transactions.

Period	High	Low
-----	----	---
Quarter ended September 30, 1998	\$7.875	\$4.25
Quarter ended December 31, 1998	\$5.5	\$3.25
Quarter ended March 31, 1999	\$6.75	\$3.5
Quarter ended June 30, 1999	\$6.00	\$3.31
Quarter ended September 30, 1999	\$4.00	\$1.875
Quarter ended December 31, 1999	\$2.81	\$1.375
Quarter ended March 31, 2000	\$7.93	\$2.25

Quarter ended June 30, 2000	\$5.75	\$3.00
Quarter beginning July 1, 2000 -	\$3.75	\$3.50

Net 1's transfer agent since May 1997 is Florida Atlantic Stock Transfer Inc., located at 7130 Nob Hill Road, Tamarac, Florida, FL 33321.

Net 1 has never paid cash dividends on its common stock and presently intends to retain future earnings, if any, to finance the expansion of business. Net 1 does not anticipate that any cash dividends will be paid in the foreseeable future. The future dividend policy will depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors.

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#### ITEM 2. LEGAL PROCEEDINGS

In September 1997, John Drove, as petitioner, applied for an order under Section 201 of the Company Act, R.S.B.C. 1996, allowing him to commence a derivative action in the name of Net 1 Products (Canada) Ltd., against the individual respondents Andre Peter Mansvelt and Serge Christian Pierre Belamant, a former officer and current officer of Net 1 respectively, for the alleged wrongful appropriation of a corporate opportunity belonging to Net 1 Products (Canada) Ltd. and for breach of trust and breach of fiduciary duty of the individual respondents to Net 1 Products (Canada) Ltd. A petition was filed in the Supreme Court of British Columbia, Vancouver Registry under case number A972151. Because factual disputes arose between the parties, it was necessary that the petition be converted into an action to enable discovery and a trial to resolve the issues in dispute. We are informed that no written contracts were entered into with the petitioner. On October 5, 1998, the Court ordered that the matter be brought to trial and that it proceed under action number C976027 in the Supreme Court of British Columbia, Vancouver Registry. A writ of summons was subsequently issued by Net 1 Products (Canada) Ltd., as plaintiff, against Andre Peter Mansvelt and Serge Christian Pierre Belamant. The specific relief sought by Net 1 Products (Canada) Ltd. includes a declaration that Net 1 Products (Canada) Ltd. has certain rights to the UEPS Technology within Canada, an accounting with respect to the third party licensing and distribution rights of UEPS in Canada, and an order to transfer to the petitioner certain rights to the UEPS Technology.

In February 2000, an application to join numerous other entities was filed by Net 1 Products (Canada) Ltd. For strategic purposes, Net 1 may potentially be joined as a defendant in the lawsuit. Because the action is predicated upon alleged oral statements and circumstantial evidence, we believe that any claim against Net 1 will not have a material adverse effect on Net 1. We plan to defend any claims brought against the company.

#### ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

None.

#### ITEM 4. RECENT SALES OF UNREGISTERED SECURITIES

As part of a non-exclusive license agreement to the UEPS and FTS technology, on May 8, 1997, we issued 2,706,122 shares of our common stock at a fair value of \$.001 per share to the licensors of the technology. The shares of stock are exempt from registration based upon Section 4(2) of the Securities Act of 1933. The technology licensors are Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 (Pty).

On November 27, 1997, we agreed to issue 4,729,612 of our shares of common stock at a fair value of \$.001 per share to Net 1 Holdings S.a.r.l. in



consideration for, amongst other things, converting its non-exclusive license to the UEPS and FTS technology to an exclusive license world-wide except for South Africa and its surrounding territories. These shares were delivered to Net 1 Holdings upon the signing of the Technology and Patent Agreement signed on May 3, 2000. The shares of stock are exempt from registration based upon Section 4(2) of the Securities Act of 1933.

In October 1997, Net 1 consummated the sale of 130,500 shares of its common stock at a purchase price of \$6.50 per share to three (3) investors. The total gross proceeds we received from this transaction were \$848,250. The securities issued to the investors were exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act of 1933.

In July 1997, Net 1 consummated the sale of 2,600,000 shares of its common stock at a purchase price of \$0.0576 per share to fifty (50) investors. The total gross proceeds we received from this transaction were \$150,000. The securities issued to the investors were exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act of 1933.

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#### ITEM 5. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Florida Business Corporation Act permits the indemnification of directors, employees, officers and agents of Florida corporations. Net 1's Articles of Incorporation and Bylaws provide that Net 1 shall indemnify its directors and officers to the fullest extent permitted by the Act. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers or persons controlling Net 1 pursuant to the foregoing provisions, Net 1 has been informed that, in the opinion of the Commission, this indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

#### PART F/S

The financial statements and supplementary data are included herein.

#### FINANCIAL STATEMENTS AND EXHIBITS

The following audited Financial Statements for Net 1 include the audited balance sheet at December 31, 1999 and the related audited statements of operations, changes in shareholders equity and cash flows for each of the years in the period from May 8, 1997 (inception) to December 31, 1998 and the year end financial statement at December 31, 1999 (audited) as well as January 1, 2000 to March 31, 2000 unaudited financial statements.

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#### PART III

#### ITEM 1. INDEX TO EXHIBITS

Exhibits	Description of Document
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1.	Articles of Incorporation of Net 1 UEPS Technologies, Inc.
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- 2. Bylaws of Net 1 UEPS Technologies, Inc.
- 3. Patent and Technology Agreement, between the Net 1 UEPS Technologies, Inc. and Net 1 Holdings S.a.r.l., dated May 3, 2000.
- 10.1 Consulting Agreement between Net 1 Holdings S.a.r.l. and Claude Guerard, dated October 1, 1999.
- 10.2 Assignment of Consulting Agreement between Net 1 Holdings S.a.r.l. ("Assignor") and Net 1 UEPS Technologies, Inc. ("Assignee"), dated October 25, 1999.
- 27.1 Financial Data Schedule. (3 months ended March 31, 2000)
- 27.2 Financial Data Schedule. (12 months ended March 31, 2000)

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

NET 1 UEPS TECHNOLOGIES, INC.

Date: August 1, 2000

By: /s/ Serge Belamant

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 Serge Christian Pierre Belamant,  
 Chief Executive Officer  
 and Chairman

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FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)

We have audited the accompanying balance sheet of Net 1 UEPS Technologies, Inc. (A Development Stage Company) as of December 31, 1999 and the related statements of operations, and cash flows for the period from May 8, 1997 (Inception) to December 31, 1999 and the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Net 1 UEPS Technologies, Inc. (A Development Stage Company), as of December 31, 1999 and the results of its operations and its cash flows for the period from May 8, 1997 (Inception) to December 31, 1999 and the years ended December 31, 1999 and 1998, in conformity with generally accepted accounting principles in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern having taken into account that subsequent to December 31, 1999, further equity of \$1 million has been sourced by the Company. As discussed in Note 1 to the financial statements, the Company has not generated any revenues or profitable operations since inception. Although the initial absence of revenues or profitable operations is normal for companies in the development stage, these factors may raise doubt about the Company's ability to continue as a going concern. Having regard for these issues, management's plans to address these concerns as well as the progress made subsequent to December 31, 1999 up to the date of this report, are fully discussed in Note 1 to the financial statements. The financial statements do not include any adjustments that might result due to going concern uncertainties.

"ELLIOTT, TULK, PRYCE, ANDERSON"

CHARTERED ACCOUNTANTS

Vancouver, Canada  
July 19, 2000

Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)  
Balance Sheets

	March 31, 2000 \$ (unaudited)	December 31, 1999 \$
Assets		
Current Assets		
Cash	31,659	71,635
Prepaid expenses	5,004	12,540
Total Current Assets	36,663	84,175
Property, Plant and Equipment (Note 3)	1,158	1,267
Exclusive License (Note 4)	1,775	2,028
Total Assets	39,596	87,470
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	182,087	140,720
Accrued liabilities	--	5,000
Total Current Liabilities	182,087	145,720
Contingency (Note 1)		
Stockholders' Equity (Deficit)		
Common Stock, 100,000,000 shares authorized, par value \$.001 per share, 10,873,244, 10,873,244 (See Note 1)	10,873	10,873
Additional Paid in Capital	991,769	991,769
	1,002,642	1,002,642
Preferred Stock, 3,000,000 shares authorized, par value \$.10 per share, none issued	--	--
Deficit Accumulated During the Development Stage	(1,145,133)	(1,060,892)
Total Stockholders' Equity (Deficit)	(142,491)	(58,250)
Total Liabilities and Stockholders' Equity	39,596	87,470

(See accompanying notes)

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Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)  
Statements of Operations

	Accumulated from May 8, 1997 (inception) to March 31, 2000 \$	Three months ended March 31, 2000 \$ (unaudited)	1999 \$	Years ended December 31, 1998 \$
Revenues -	--	--	--	
Administrative Expenses				
Amortization	3,820	362	1,450	1,414
Bank charges	3,108	199	1,051	1,329

Consulting	474,843	66,500	193,500	207,620
Foreign exchange	7,870	522	--	7,756)
Investor relations - advertising	22,907	--	--	258
Investor relations - consulting	37,574	--	--	29,296
Office, rent and telephone	118,510	4,171	15,907	80,703
Professional fees	257,743	2,826	44,349	189,705
Subcontract	25,682	1,695	--	13,513
Transfer agent and regulatory fees	22,484	--	10,904	5,886
Travel	170,592	7,966	--	121,522
	1,145,133	84,241	267,161	659,002
Net Loss	(659,002)	(1,145,133)	(84,241)	(267,161)
Net Loss Per Share		(0.01)	(0.02)	(0.08)
Weighted Average Shares Outstanding		10,873,000	10,873,000	8,622,000

(See accompanying notes)

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Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)  
Statements of Cash Flows

	Accumulated from May 8, 1997 (Inception) to March 31,	Three months ended March 31,	Years ended December 31,	
	2000	2000	1999	1998
	\$	\$	\$	\$
		(unaudited)		
Cash Flows to Operating Activities				
Net loss	(1,145,133)	(84,241)	(267,161)	(659,002)
Adjustment to reconcile net loss to cash				
Amortization	3,820	362	1,450	1,414
Change in non-cash working capital items				
Increase (decrease) in accounts payable and accrued liabilities	182,088	36,367	(92,124)	221,336
(Increase) decrease in prepaid expenses	(5,004)	7,536	--	(12,540)
Net Cash Used in Operating Activities	(964,229)	(39,976)	(357,835)	(448,792)
Cash Flows from Financing Activities				
Increase in capital stock	998,010	--	--	--
Net Cash Provided by Financing Activities	998,010	--	--	--
Cash Flows to Investing Activities				
(Increase) in property, plant and equipment	(2,122)	--	--	(499)
Net Cash Used in Investing Activities	(2,122)	--	--	(499)
Increase (decrease) in cash	31,659	(39,976)	(357,835)	(449,291)
Cash - beginning of period	--	71,635	429,470	878,761
Cash - end of period	31,659	31,659	71,635	429,470
Non-Cash Financing Activities				
4,632,234 shares were issued for an exclusive license (Note 4)	4,632	--	--	--
Supplemental Disclosures				
Interest paid	--	--	--	--
Income tax paid	--	--	--	--

(See accompanying notes)

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Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)  
Statement of Stockholders' Equity  
From May 8, 1997 (Inception) to March 31, 2000

	Common Stock		Additional	Total	Deficit
	Shares	Amount	Paid-in		Accumulated
	#	\$	Capital	\$	During the
			\$		Development
					Stage
					\$
Balance - May 8, 1997 (inception)	--	--	--	--	--
Stock issued for license to specific technology	2,706,122	2,706	--	2,706	--
Stock issued to change license to exclusive	2,364,806	2,365	--	2,365	--
Less cancelled in a subsequent year	(438,694)	(439)	--	(439)	--
Stock issued for cash at \$0.0576 per share	2,600,000	2,600	147,160	149,760	--
Stock issued for cash at \$6.50 per share	130,500	131	848,119	848,250	--
Net loss for the period					(134,729)
Balance - December 31, 1997	7,362,734	7,363	995,279	1,002,642	(134,729)
Stock issued pursuant to stock split - net of cancelled shares	3,510,510	3,510	(3,510)	--	--
Net loss for the year	(659,002)				
Balance - December 31, 1998	10,873,244	10,873	991,769	1,002,642	(793,731)
Net loss for the year	(267,161)				
Balance - December 31, 1999 (Note 1)	10,873,244	10,873	991,769	1,002,642	(1,060,892)
Net loss for the period	(84,241)				
Balance - March 31, 2000 (unaudited)	10,873,244	10,873	991,769	1,002,642	(1,145,133)

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Net 1 UEPS Technologies, Inc.  
(A Development Stage Company)  
Notes to the Financial Statements

1. Development Stage Company

Net 1 UEPS Technologies, Inc. herein ("the Company") was incorporated in the State of Florida on May 8, 1997.

The Company is a development stage company engaged in the business of commercializing the smart card technology based Universal Electronic Payment System ("UEPS") and Funds Transfer System ("FTS") through the development of strategic alliances with national and international bank and card service organizations. The patent rights (or applications for patents) of the UEPS/FTS technology are for all worldwide territories (except South Africa and its surrounding territories) are held by Net 1 Holdings S.a.r.l., a company incorporated in Luxembourg ("Net 1 Holdings").

The Company entered into a license agreement, dated May 19, 1997 (the "License Agreement"), with Net 1 Holdings, Net 1 Operations S.a.r.l. and Net 1 Pty (collectively, the "Licensors"), where the licensors granted a non-exclusive license to the Company for the UEPS technology except for South Africa and its surrounding territories for the issuance of 2,706,122 shares at a fair market value of \$0.001 per share. A total of 5,412,244 shares were issued as the Company split the stock on a two new for one old basis. On October 1, 1997 an Amendment to the License Agreement was signed that provided for the transfer of the ownership of the UEPS technology and FTS patents and for the assignment of the Technology License Agreement between VISA International Service Association and Net 1 Holdings, dated July 31, 1997 (the "Visa Agreement") to the Company in consideration for 2,364,806 shares on a pre-split basis, 4,729,612 on a post-split basis. The assignment of the Visa Agreement and the transfer of the ownership of the

UEPS technology and FTS patents to the Company were never consummated because certain conditions precedent were never satisfied.

On May 3, 2000 an agreement entitled "Patent and Technology Agreement" was entered into between the Company and Net 1 Holdings that granted the Company an exclusive marketing license for the UEPS technology and the FTS patents, except for South Africa and its surrounding territories, under terms similar to those stipulated in the Amendment to the License Agreement. No conditions precedent were stipulated. The 4,729,612 shares of Net 1 previously issued into trust in consideration for the Amendment to the License Agreement were thus released to Net 1 Holdings.

The above issuances of shares were on a pre-split basis. Net 1 Holdings now owns 10,141,856 common shares of 15,602,856 issued and outstanding common shares, or 65%.

In a development stage company, management devotes most of its activities to establishing a new business primarily, the development of a detailed business plan, marketing strategy and the raising of funds required to develop and operate the business successfully. Planned principal activities have not yet produced revenues and the Company has suffered recurring operating losses as is normal in development stage companies. The Company has a working capital deficit of \$61,545 as at December 31, 1999. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

## 2. Summary of Significant Accounting Policies

### (a) Property, Plant and Equipment

Computer equipment is amortized over five years on a straight-line basis.

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### (b) Intangible Assets

Costs to acquire exclusive license rights to specific technology are capitalized as incurred. These costs are being amortized on a straight line basis over five years. Intangible assets are evaluated in each reporting period to determine if there were events or circumstances which would indicate a possible inability to recover the carrying amount. Such evaluation is based on various analyses including assessing the Company's ability to bring the commercial applications to market, related profitability projections and undiscounted cash flows relating to each application which necessarily involves significant management judgment.

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## 2. Summary of Significant Accounting Policies (continued)

(c) Basic and Diluted Net Income (Loss) per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "Earnings per Share" (SFAS 128). SFAS 128 requires presentation of both basic and diluted earnings per shares (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is antidilutive.

(d) Foreign Currency Transactions/Balances

Transactions in currencies other than the U.S. dollar are translated at the rate in effect on the transaction date. Any balance sheet items denominated in foreign currencies are translated into U.S. dollars using the rate in effect on the balance sheet date.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

(f) Tax Accounting

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not.

The Company has adopted STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 109 ("SFAS 109") as of its inception. The Company has incurred net operating losses as scheduled below:

Year of Loss	Amount \$	Year of Expiration
1997	135,000	2012
1998	659,000	2013
1999	267,000	2014
	-----	
	1,061,000	
	=====	

Pursuant to SFAS 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

3. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated



depreciation.

	Cost \$	Accumulated Depreciation \$	2000 Net Book Value \$ (unaudited)	1999 Net Book Value \$
Computer equipment and software	2,181	1,023	1,158	1,267

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#### 4. Exclusive License

	Cost \$	Accumulated Amortization \$	2000 Net Book Value \$ (unaudited)	1999 Net Book Value \$
Exclusive License	4,631	2,856	1,775	2,028

See Note 1 for the description of the license and Note 6 for status of the underlying patents.

#### 5. Related Party Transactions

- (a) In 1999, consulting fees include \$37,500 paid or payable to a director; \$12,500 of these fees are included in accounts payable at December 31, 1999.
- (b) See Note 1 for an exclusive license purchased from a related party, Net 1 Holdings Ltd.

#### 6. Legal Proceedings

##### (a) Status of FTS Patents

FTS was first patented in South Africa in 1989. The European patent was granted on December 28, 1994, with effect in Austria, Belgium, Switzerland, Germany, Denmark, Spain, France, Great Britain, Greece, Italy, Liechtenstein, Luxembourg, Netherlands and Sweden. The European Patent Convention provides for an opposition period immediately following the grant of a European patent, and six parties filed an opposition to the grant of the patent on the grounds that the invention was not patentable. The case was heard before a Board of the Opposition Division in March 1998, when the patent was upheld in a form slightly different than the original application. Following the issue of the formal decision, a number of the opponents filed an appeal. The appeal proceedings will be heard in two to three years before the Board of Appeal of the European Patent Office. Currently, the granted patent remains effective in each of the designated states and is currently in force.

##### (b) Potential lawsuit

In September 1997, John Drove, as petitioner, applied for an order under Section 201 of the Company Act, R.S.B.C. 1996, allowing him to commence a derivative action in the name of Net 1 Products (Canada) Ltd., against the individual respondents Andre Peter Mansvelt and Serge Christian Pierre Belamant, a former officer and current officer of Net

1 respectively, for the alleged wrongful appropriation of a corporate opportunity belonging to Net 1 Products (Canada) Ltd. and for breach of trust and breach of fiduciary duty of the individual respondents to Net 1 Products (Canada) Ltd. A petition was filed in the Supreme Court of British Columbia, Vancouver Registry under case number A972151. Because factual disputes arose between the parties, it was necessary that the petition be converted into an action to enable discovery and a trial to resolve the issues in dispute. We are informed that no written contracts were entered into with the petitioner. On October 5, 1998, the Court ordered that the matter be brought to trial and that it proceed under action number C976027 in the Supreme Court of British Columbia, Vancouver Registry. A writ of summons was subsequently issued by Net 1 Products (Canada) Ltd., as plaintiff, against Andre Peter Mansvelt and Serge Christian Pierre Belamant. The specific relief sought by Net 1 Products (Canada) Ltd. includes a declaration that Net 1 Products (Canada) Ltd. has certain rights to the UEPS Technology within Canada, an accounting with respect to the third party licensing and distribution rights of UEPS in Canada, and an order to transfer to the petitioner certain rights to the UEPS Technology.

In February 2000, an application to join numerous other entities was filed by Net 1 Products (Canada) Ltd. For strategic purposes, Net 1 may potentially be joined as a defendant in the lawsuit. Because the action is predicated upon alleged oral statements and circumstantial evidence, we believe that any claim against Net 1 will not have a material adverse effect on Net 1. We plan to defend any claims brought against the company.

## ARTICLES OF INCORPORATION

OF

NET I UEPS TECHNOLOGIES, INC.

The undersigned, a natural person competent to contract, does hereby make, subscribe and file these Articles of Incorporation for the purpose of organizing a corporation under the laws of the State of Florida.

ARTICLE I  
CORPORATE NAME

The name of this Corporation shall be: NET 1 UEPS TECHNOLOGIES, INC.

ARTICLE II  
PRINCIPAL OFFICE AND MAILING ADDRESS

The principal office and mailing address of the Corporation is c/o Atlas, Pearlman, Trop & Borkson, P.A., 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida 33301.

ARTICLE III  
NATURE OF CORPORATE BUSINESS AND POWERS

The general nature of the business to be transacted by this Corporation shall be to engage in any and all lawful business permitted under the laws of the United States and the State of Florida.

James M. Schneider, Esq., FL Bar # 214338  
Atlas, Pearlman, Trop & Borkson, P.A.  
200 East Las Olas Boulevard, Suite 1900  
Fort Lauderdale, Florida 33301  
Phone No: (954) 763-1200

ARTICLE IV  
CAPITAL STOCK

The maximum number of shares that this Corporation shall be authorized to issue and have outstanding at any one time shall be one hundred million (100,000,000) shares of common stock, par value \$.001 per share and three million (3,000,000) shares of Preferred Stock having a par value of \$.10 per share.

Series of the Preferred Stock may be created and issued from time to time, with such designations, preferences, conversion rights, cumulative, relative, participating, optional or other rights, including voting rights, qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the creation and issuance of such series of Preferred Stock as adopted by the Board of Directors pursuant to the authority in this paragraph given.

ARTICLE V  
TERM OF EXISTENCE

This Corporation shall have perpetual existence.

ARTICLE VI  
REGISTERED AGENT AND  
INITIAL REGISTERED OFFICE IN FLORIDA

The Registered Agent and the street address of the initial Registered Office of this Corporation in the State of Florida shall be:

James M. Schneider, Esq.  
Atlas, Pearlman, Trop & Borkson, P.A.  
200 East Las Olas Boulevard, Suite 1900  
Fort Lauderdale, Florida 33301

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ARTICLE VII  
BOARD OF DIRECTORS

This Corporation shall have three (3) Directors initially.

ARTICLE VIII  
INITIAL DIRECTORS

The names and addresses of the initial Directors of this Corporation are:

James Neil Rodgers  
510-700 West Pender St.  
Vancouver, BC  
Canada V6C 1G8

Andre Mansvelt  
4th Floor North Wing  
President Place  
Rosebank, Johannesburg

and

Serge Belamant  
4th Floor North Wing  
President Place  
Rosebank, Johannesburg

The persons named as initial Directors shall hold office for the first year of existence of this Corporation, or until their successors are elected or appointed and have qualified, whichever occurs first.

ARTICLE IX  
INCORPORATOR

The name and address of the person signing these Articles of Incorporation as the Incorporator is James M. Schneider, Esq., c/o Atlas, Pearlman, Trop & Borkson, P.A., 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida 33301.

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ARTICLE X  
INDEMNIFICATION

This Corporation may indemnify any director, officer, employee or agent of the Corporation to the fullest extent permitted by Florida law.

ARTICLE XI  
AFFILIATED TRANSACTIONS

This Corporation expressly elects not to be governed by Section 607.0901 of the Florida Business Corporation Act, as amended from time to time, relating to affiliated transactions.

IN WITNESS WHEREOF, the undersigned Incorporator has executed the foregoing Articles of Incorporation on the 8th day of May, 1997.

/s/ James M. Schneider

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James M. Schneider, Incorporator

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CERTIFICATE DESIGNATING REGISTERED AGENT  
AND OFFICE FOR SERVICE OF PROCESS

NET 1 UEPS TECHNOLOGIES, INC., a corporation existing under the laws of the State of Florida with its principal office and mailing address c/o Atlas, Pearlman, Trop & Borkson, P.A., 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida 33301 has named James M. Schneider whose address is c/o Atlas, Pearlman, Trop & Borkson, P.A., 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida 33301 as its agent to accept service of process within the State of Florida.

ACCEPTANCE:

Having been named to accept service of process for the above named Corporation, at the place designated in this Certificate, I hereby accept the appointment as Registered Agent, and agree to comply with all applicable provisions of law. In addition, I hereby am familiar with and accept the duties and responsibilities as Registered Agent for said Corporation.

/s/ James M. Schneider

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James M. Schneider

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BY-LAWS  
OF  
NET 1 UEPS TECHNOLOGIES, INC.  
a Florida corporation

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## ARTICLE I

## OFFICES

## SECTION 1.01. PRINCIPAL OFFICE.

The principal office of the corporation in the State of Florida shall be established at such places as the board of directors from time to time determine.

## SECTION 1.02. REGISTERED OFFICE.

The registered office of the corporation in the State of Florida shall be at the office of its registered agent as stated in the articles of incorporation or as the board of directors shall from time to time determine.

## SECTION 1.03. OTHER OFFICES.

The corporation may have additional offices at such other places, either within or without the State of Florida, as the board of directors may from time to time determine or the business of the corporation may require.

## ARTICLE II

## MEETINGS OF SHAREHOLDERS

## SECTION 2.01. ANNUAL MEETING.

(1) The corporation shall hold a meeting of shareholders annually, for the election of directors and for the transaction of any proper business, at a time stated in or fixed in accordance with a resolution of the board of directors.

(2) Annual shareholders' meeting may be held in or out of the State of Florida at a place stated in or fixed in accordance with a resolution by the board of directors or, when not inconsistent with the board of directors' resolution stated in the notice of the annual meeting. If no place is stated in or fixed in accordance with these bylaws, or stated in the notice of the annual meeting, annual meetings shall be held at the corporation's principal office.

(3) The failure to hold the annual meeting at the time stated in or fixed in accordance with these bylaws or pursuant to the Act does not affect the validity of any corporate action and shall not work a forfeiture of or dissolution of the corporation.

## SECTION 2.02. SPECIAL MEETING.

(1) The corporation shall hold a special meeting of shareholders:

(a) On call of its board of directors or the person or persons authorized to do so by the board of directors; or

(b) If the holders of not less than 10% of all votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the corporation's secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held.

(2) Special shareholders' meetings may be held in or out of the State of Florida at a place stated in or fixed in accordance with a resolution of the board of directors, or, when not inconsistent with the board of directors' resolution, in the notice of the special meeting. If no place is stated in or fixed in accordance with these bylaws or in the notice of the special meeting, special meetings shall be held at the corporation's principal office.

(3) Only business within the purpose or purposes described in the special meeting notice may be conducted at a special shareholders' meeting.

#### SECTION 2.03. SHAREHOLDERS' LIST FOR MEETING.

(1) After fixing a record date for a meeting, a corporation shall prepare a list of the names of all its shareholders who are entitled to notice of a shareholders' meeting, in accordance with the Florida Business Corporation Act (the "Act"), or arranged by voting group, with the address of, and the number and class and series, if any, of shares held by, each.

(2) The shareholders' list must be available for inspection by any shareholder for a period of ten days prior to the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting at the corporation's principal office, at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the corporation's transfer agent or registrar. A shareholder or his agent or attorney is entitled on written demand to inspect the list (subject to the requirements of Section 607.1602(3) of the Act), during regular business hours and at his expense, during the period it is available for inspection.

(3) The corporation shall make the shareholders' list available at the meeting, and any shareholder or his agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

#### SECTION 2.04. RECORD DATE.

(1) The board of directors may set a record date for purposes of determining the shareholders entitled to notice of and to vote at a shareholders' meeting; however, in no event may a record date fixed by the board of directors be a date preceding the date upon which the resolution fixing the record date is adopted.

(2) Unless otherwise fixed by the board of directors, the record date for determining shareholders entitled to demand a special meeting is the date the first shareholder delivers his demand to the corporation. In the event that the board of directors sets the record date for a special meeting of shareholders, it shall not be a date preceding the date upon which the corporation receives the first demand from a shareholder requesting a special meeting.

(3) If no prior action is required by the board of directors pursuant to the Act, and, unless otherwise fixed by the board of directors, the record date for determining shareholders entitled to take action without a meeting is the date the first signed written consent is delivered to the corporation under Section 607.0704 of the Act. If prior action is required by the board of directors pursuant to the Act, the record date for determining shareholders entitled to take action without a meeting is at the close of business on the day

on which the board of directors adopts the resolution taking such prior action.

(4) Unless otherwise fixed by the board of directors, the record date for determining shareholders entitled to notice of and to vote at an annual or special shareholders' meeting is the close of business on the day before the first notice is delivered to shareholders.

(5) A record date may not be more than 70 days before the meeting or action requiring a determination of shareholders.

(6) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the board of directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one 120 days after the date fixed for the original meeting.

#### SECTION 2.05. NOTICE OF MEETINGS AND ADJOURNMENT.

(1) The corporation shall notify shareholders of the date, time and place of each annual and special shareholders' meeting no fewer than 10 or more than 60 days before the meeting date. Unless the Act requires otherwise, the corporation is required to give notice only to shareholders entitled to vote at the meeting. Notice shall be given in the manner provided in Section 607.0141 of the Act, by or at the direction of the president, the secretary, of the officer or persons calling the meeting. If the notice is mailed at least 30 days before the date of the meeting, it may be done by a class of

United States mail other than first class. Notwithstanding Section 607.0141, if mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

(2) Unless the Act or the articles of incorporation requires otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called.

(3) Notice of a special meeting must include a description of the purpose or purposes for which the meeting is called.

(4) If an annual or special shareholders meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time or place is announced at the meeting before adjournment is taken, and any business may be transacted at the adjourned meeting that might have been transacted on the original date of the meeting. If a new record date is or must be fixed under Section 607.0707 of the Act, however, notice of the adjourned meeting must be given under this section to persons who are shareholders as of the new record date who are entitled to notice of the meeting.

(5) Notwithstanding the foregoing, no notice of a shareholders' meeting need be given if: (a) an annual report and proxy statements for two consecutive annual meetings of shareholders, or (b) all, and at least two checks in payment of dividends or interest on securities during a 12-month period, have been sent by first-class United States mail, addressed to the shareholder at his address as it appears on the share transfer books of the corporation, and returned undeliverable. The obligation of the corporation to give notice of a

shareholders' meeting to any such shareholder shall be reinstated once the corporation has received a new address for such shareholder for entry on its share transfer books.

SECTION 2.06. WAIVER OF NOTICE.

(1) A shareholder may waive any notice required by the Act, the articles of incorporation, or bylaws before or after the date and time stated in the notice. The waiver must be in writing, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Neither the business to be transacted at nor the purpose of any regular or special meeting of the shareholders need be specified in any written waiver of notice.

(2) A shareholder's attendance at a meeting: (a) Waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or (b) waives objection to consideration of a particular matter at the meeting that is not within

the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

ARTICLE III

SHAREHOLDER VOTING

SECTION 3.01. VOTING GROUP DEFINED.

A "voting group" means all shares of one or more classes or series that under the articles of incorporation or the Act are entitled to vote and be counted together collectively on a matter at a meeting of shareholders. All shares entitled by the articles of incorporation or the Act to vote generally on the matter are for that purpose a single voting group.

SECTION 3.02. QUORUM AND VOTING REQUIREMENTS FOR VOTING GROUPS.

(1) Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the articles of incorporation or the Act provides otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(2) Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

(3) If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Act requires a greater number of affirmative votes.

SECTION 3.03. ACTION BY SINGLE AND MULTIPLE VOTING GROUPS.

(1) If the articles of incorporation or the Act provides for voting by

a single voting group on a matter, action on that matter is taken when voted upon by that voting group as provided in Section 3.02 of these bylaws.

(2) If the articles of incorporation or the Act provides for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately as provided in Section 3.02 of these bylaws. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

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#### SECTION 3.04. SHAREHOLDER QUORUM AND VOTING; GREATER OR LESSER VOTING REQUIREMENTS.

(1) A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders, but in no event shall a quorum consist of less than one-third of the shares entitled to vote. When a specified item of business is required to be voted on by a class or series of stock, a majority of the shares of such class or series shall constitute a quorum for the transaction of such item of business by that class or series.

(2) An amendment to the articles of incorporation that adds, changes or deletes a greater or lesser quorum or voting requirement must meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever is greater.

(3) If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast by the holders of the shares represented at the meeting and entitled to vote on the subject matter favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes or voting by classes is required by the Act or the articles of incorporation.

(4) After a quorum has been established at a shareholders' meeting, the subsequent withdrawal of shareholders, so as to reduce the number of shares entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

(5) The articles of incorporation may provide for a greater voting requirement or a greater or lesser quorum requirement for shareholders (or voting groups of shareholders) than is provided by the Act, but in no event shall a quorum consist of less than one-third of the shares entitled to vote.

#### SECTION 3.05. VOTING FOR DIRECTORS; CUMULATIVE VOTING.

(1) Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

(2) Each shareholder who is entitled to vote at an election of directors has the right to vote the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote. Shareholders do not have a right to cumulate their votes for directors unless the articles of incorporation so provide.

## SECTION 3.06. VOTING ENTITLEMENT OF SHARES.

(1) Unless the articles of incorporation or the Act provides otherwise, each outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Only shares are entitled to vote.

(2) The shares of the corporation are not entitled to vote if they are owned, directly or indirectly, by a second corporation, domestic or foreign, and the first corporation owns, directly or indirectly, a majority of shares entitled to vote for directors of the second corporation.

(3) This section does not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

(4) Redeemable shares are not entitled to vote on any matter, and shall not be deemed to be outstanding, after notice of redemption is mailed to the holders thereof and a sum sufficient to redeem such shares has been deposited with a bank, trust company, or other financial institution upon an irrevocable obligation to pay the holders the redemption price upon surrender of the shares.

(5) Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the bylaws of the corporate shareholder may prescribe or, in the absence of any applicable provision, by such person as the board of directors of the corporate shareholder may designate. In the absence of any such designation or in case of conflicting designation by the corporate shareholder, the chairman of the board, the president, any vice president, the secretary, and the treasurer of the corporate shareholder, in that order, shall be presumed to be fully authorized to vote such shares.

(6) Shares held by an administrator, executor, guardian, personal representative, or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name or the name of his nominee.

(7) Shares held by or under the control of a receiver, a trustee in bankruptcy proceedings, or an assignee for the benefit of creditors may be voted by him without the transfer thereof into his name.

(8) If a share or shares stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the secretary of the corporation is given

notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, then acts with respect to voting have the following effect:

(a) If only one votes, in person or in proxy, his act binds all;

(b) If more than one vote, in person or by proxy, the act of the majority so voting binds all;

(c) If more than one vote, in person or by proxy, but the vote is evenly split on any particular matter, each faction is entitled to vote the share or shares in question proportionally;

(d) If the instrument or order so filed shows that any such tenancy is held in unequal interest, a majority or a vote evenly split for purposes of this subsection shall be a majority or a vote evenly split in interest;

(e) The principles of this subsection shall apply, insofar as possible, to execution of proxies, waivers, consents, or objections and for the purpose of ascertaining the presence of a quorum;

(f) Subject to Section 3.08 of these bylaws, nothing herein contained shall prevent trustees or other fiduciaries holding shares registered in the name of a nominee from causing such shares to be voted by such nominee as the trustee or other fiduciary may direct. Such nominee may vote shares as directed by a trustee or their fiduciary without the necessity of transferring the shares to the name of the trustee or other fiduciary.

#### SECTION 3.07. PROXIES.

(1) A shareholder, other person entitled to vote on behalf of a shareholder pursuant to Section 3.06 of these bylaws, or attorney in fact may vote the shareholder's shares in person or by proxy.

(2) A shareholder may appoint a proxy to vote or otherwise act for him by signing an appointment form, either personally or by his attorney in fact. An executed telegram or cablegram appearing to have been transmitted by such person, or a photographic, photostatic, or equivalent reproduction of an appointment form, is a sufficient appointment form.

(3) An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for up to 11 months unless a longer period is expressly provided in the appointment form.

(4) The death or incapacity of the shareholder appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment.

(5) An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest. Appointments coupled with an interest

include the appointment of: (a) a pledgee; (b) a person who purchased or agreed to purchase the shares; (c) a creditor of the corporation who extended credit to the corporation under terms requiring the appointment; (d) an employee of the corporation whose employment contract requires the appointment; or (e) a party to a voting agreement created in accordance with the Act.

(6) An appointment made irrevocable under this section becomes revocable when the interest with which it is coupled is extinguished and, in a case provided for in Subsection 5(c) or 5(d), the proxy becomes revocable three years after the date of the proxy or at the end of the period, if any, specified herein, whichever is less, unless the period of irrevocability is renewed from time to time by the execution of a new irrevocable proxy as provided in this section. This does not affect the duration of a proxy under subsection (3).

(7) A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if he did not know of its existence when he acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares or on the information statement for shares without certificates.

(8) Subject to Section 3.09 of these bylaws and to any express limitation on the proxy's authority appearing on the face of the appointment form, a corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment.

(9) If an appointment form expressly provides, any proxy holder may appoint, in writing, a substitute to act in his place.

#### SECTION 3.08. SHARES HELD BY NOMINEES.

(1) The corporation may establish a procedure by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The extent of this recognition may be determined in the procedure.

(2) The procedure may set forth (a) the types of nominees to which it applies; (b) the rights or privileges that the corporation recognizes in a beneficial owner; (c) the

manner in which the procedure is selected by the nominee; (d) the information that must be provided when the procedure is selected; (e) the period for which selection of the procedure is effective; and (f) other aspects of the rights and duties created.

#### SECTION 3.09. CORPORATION'S ACCEPTANCE OF VOTES.

(1) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation if acting in good faith is entitled to accept the vote, consent waiver, or proxy appointment and give it effect as the act of the shareholder.

(2) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the corporation if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if: (a) the shareholder is an entity and the name signed purports to be that of an officer or agent of the entity; (b) the name signed purports to be that of an administrator, executor, guardian, personal representative, or conservator



representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment; (c) the name signed purports to be that of a receiver, trustee in bankruptcy, or assignee for the benefit of creditors of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment; (d) the name signed purports to be that of a pledgee, beneficial owner, or attorney in fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment; or (e) two or more persons are the shareholder as covenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

(3) The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(4) The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section are not liable in damages to the shareholder for the consequences of the acceptance or rejection.

(5) Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section is valid unless a court of competent jurisdiction determines otherwise.

#### SECTION 3.10. ACTION BY SHAREHOLDERS WITHOUT MEETING.

(1) Any action required or permitted by the Act to be taken at any annual or special meeting of shareholders of the corporation may be taken without a meeting, without prior notice and without a vote, if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted. In order to be effective, the action must be evidenced by one or more written consents describing the action taken, dated and signed by approving shareholders having the requisite number of votes of each voting group entitled to vote thereon, and delivered to the corporation by delivery to its principal office in this state, its principal place of business, the corporate secretary, or another office or agent of the corporation having custody of the book in which proceedings of meetings of shareholders are recorded. No written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date of the earliest dated consent is delivered in the manner required by this section, written consent signed by the number of holders required to take action is delivered to the corporation by delivery as set forth in this section.

(2) Within 10 days after obtaining such authorization by written consent, notice in accordance with Section 607.0704(3) of the Act must be given to those shareholders who have not consented in writing.

BOARD OF DIRECTORS AND OFFICERS

SECTION 4.01. QUALIFICATIONS OF DIRECTORS.

Directors must be natural persons who are 18 years of age or older but need not be residents of the State of Florida or shareholders of the corporation.

SECTION 4.02. NUMBER OF DIRECTORS.

(1) The board of directors shall consist of not less than one nor more than nine individuals.

(2) The number of directors may be increased or decreased from time to time by amendment to these bylaws.

(3) Directors are elected at the first annual shareholders' meeting and at each annual meeting thereafter unless their terms are staggered under Section 4.04 of these bylaws.

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SECTION 4.03. TERMS OF DIRECTORS GENERALLY.

(1) The terms of the initial directors of the corporation expire at the first shareholders' meeting at which directors are elected.

(2) The terms of all other directors expire at the next annual shareholders' meeting following their election unless their terms are staggered under Section 4.04 of these bylaws.

(3) A decrease in the number of directors does not shorten an incumbent director's term.

(4) The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected.

(5) Despite the expiration of a director's term, he continues to serve until his successor is elected and qualifies or until there is a decrease in the number of directors.

SECTION 4.04. STAGGERED TERMS FOR DIRECTORS.

The directors of any corporation organized under the Act may, by the articles of incorporation, or by amendment to these bylaws adopted by a vote of the shareholders, be divided into one, two or three classes with the number of directors in each class being as nearly equal as possible; the term of office of those of the first class to expire at the annual meeting next ensuing; of the second class one year thereafter; at the third class two years thereafter; and at each annual election held after such classification and election, directors shall be chosen for a full term, as the case may be, to succeed those whose terms expire. If the directors have staggered terms, then any increase or decrease in the number of directors shall be so apportioned among the classes as to make all classes as nearly equal in number as possible.

Section 4.05. VACANCY ON BOARD.

(1) Whenever a vacancy occurs on a board of directors, including a vacancy resulting from an increase in the number of directors, it may be filled

by the affirmative vote of a majority of the remaining directors.

(2) A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

#### SECTION 4.06. COMPENSATION OF DIRECTORS.

The board of directors may fix the compensation of directors.

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#### SECTION 4.07. MEETINGS.

(1) The board of directors may hold regular or special meetings in or out of the State of Florida.

(2) A majority of the directors present, whether or not a quorum exists, may adjourn any meeting of the board of directors to another time and place. Notice of any such adjourned meeting shall be given to the directors who were not present at the time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other directors.

(3) Meetings of the board of directors may be called by the chairman of the board or by the president.

(4) The board of directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

#### SECTION 4.08. ACTION BY DIRECTORS WITHOUT A MEETING.

(1) Action required or permitted by the Act to be taken at a board of directors' meeting or committee meeting may be taken without a meeting if the action is taken by all members of the board or of the committee. The action must be evidenced by one or more written consents describing the action taken and signed by each director or committee member.

(2) Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

(3) A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

#### SECTION 4.09. NOTICE OF MEETINGS.

Regular and special meetings of the board of directors may be held without notice of the date, time, place, or purpose of the meeting.

#### SECTION 4.10. WAIVER OF NOTICE.

Notice of a meeting of the board of directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting and a waiver of any and

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all objections to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a director states, at the beginning of the meeting or promptly upon arrival at the meeting, any objection to the transaction of business because the meeting is not lawfully called or convened.

SECTION 4.11. QUORUM AND VOTING.

(1) A quorum of a board of directors consists of a majority of the number of directors prescribed by the articles of incorporation or these bylaws.

(2) If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors.

(3) A director of a corporation who is present at a meeting of the board of directors or a committee of the board of directors when corporate action is taken is deemed to have assented to the action taken unless:

(a) He objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting specified business at the meeting; or

(b) He votes against or abstains from the action taken.

SECTION 4.12. COMMITTEES.

(1) The board of directors, by resolution adopted by a majority of the full board of directors, may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the board of directors, except that no such committee shall have the authority to:

(a) Approve or recommend to shareholders actions or proposals required by the Act to be approved by shareholders.

(b) Fill vacancies on the board of directors or any committee thereof.

(c) Adopt, amend, or repeal these bylaws.

(d) Authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the board of directors.

(e) Authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences, and limitations of a voting group except that the board of directors may authorize a committee (or a senior

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executive officer of the corporation) to do so within limits specifically prescribed by the board of directors.

(2) The sections of these bylaws which govern meetings, notice and waiver of notice, and quorum and voting requirements of the board of directors apply to committees and their members as well.

(3) Each committee must have two or more members who serve at the pleasure of the board of directors. The board, by resolution adopted in accordance herewith, may designate one or more directors as alternate members of any such committee who may act in the place and stead of any absent member or members at any meeting of such committee.

(4) Neither the designation of any such committee, the delegation thereto of authority, nor action by such committee pursuant to such authority shall alone constitute compliance by any member of the board of directors not a member of the committee in question with his responsibility to act in good faith, in a manner he reasonably believes to be in the best interests of the corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

SECTION 4.13. LOANS TO OFFICERS, DIRECTORS, AND EMPLOYEES; GUARANTY OF OBLIGATIONS.

The corporation may lend money to, guaranty any obligation of, or otherwise assist any officer, director, or employee of the corporation or of a subsidiary, whenever, in the judgment of the board of directors, such loan, guaranty, or assistance may reasonably be expected to benefit the corporation. The loan, guaranty, or other assistance may be with or without interest and may be unsecured or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section shall be deemed to deny, limit, or restrict the powers of guaranty or warranty of any corporation at common law or under any statute. Loans, guaranties, or other types of assistance are subject to section 4.19.

SECTION 4.14. REQUIRED OFFICERS.

(1) The corporation shall have such officers as the board of directors may appoint from time to time.

(2) A duly appointed officer may appoint one or more assistant officers.

(3) The board of directors shall delegate to one of the officers responsibility for preparing minutes of the directors' and shareholders' meetings and for authenticating records of the corporation.

(4) The same individual may simultaneously hold more than one office in the corporation.

SECTION 4.15. DUTIES OF OFFICERS.

Each officer has the authority and shall perform the duties set forth in a resolution or resolutions of the board of directors or by direction of any officer authorized by the board of directors to prescribe the duties of other officers.

SECTION 4.16. RESIGNATION AND REMOVAL OF OFFICERS.

(1) An officer may resign at any time by delivering notice to the corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date and the corporation accepts the future effective date, the board of directors may fill the pending vacancy before the effective date if the board of directors provides that the successor does not take office until the effective date.

(2) The board of directors may remove any officer at any time with or without cause. Any assistant officer, if appointed by another officer, may likewise be removed by the board of directors or by the officer which appointed him in accordance with these bylaws.

#### SECTION 4.17. CONTRACT RIGHTS OF OFFICERS.

The appointment of an officer does not itself create contract rights.

#### SECTION 4.18. GENERAL STANDARDS FOR DIRECTORS.

(1) A director shall discharge his duties as a director, including his duties as a member of a committee:

(a) In good faith;

(b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and

(c) In a manner he reasonably believes to be in the best interests of the corporation.

(2) In discharging his duties, a director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by:

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(a) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;

(b) Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the persons' professional or expert competence; or

(c) A committee of the board of directors of which he is not a member if the director reasonably believes the committee merits confidence.

(3) In discharging his duties, a director may consider such factors as the director deems relevant, including the long-term prospects and interests of the corporation and its shareholders, and the social, economic, legal, or other effects of any action on the employees, suppliers, customers of the corporation or its subsidiaries, the communities and society in which the corporation or its subsidiaries operate, and the economy of the state and the nation.

(4) A director is not acting in good faith if he has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) unwarranted.

(5) A director is not liable for any action taken as a director, or any failure to take any action, if he performed the duties of his office in compliance with this section.

#### SECTION 4.19. DIRECTOR CONFLICTS OF INTEREST.

No contract or other transaction between a corporation and one or more interested directors shall be either void or voidable because of such

relationship or interest, because such director or directors are present at the meeting of the board of directors or a committee thereof which authorizes, approves or ratifies such contract or transaction, or because his or their votes are counted for such purpose, if:

(1) The fact of such relationship or interest is disclosed or known to the board of directors or committee which authorizes, approves or ratifies the contract or transactions by a vote or consent sufficient for the purpose WITHOUT counting the votes or consents of such interested directors;

(2) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or

(3) The contract or transaction is fair and reasonable as to the corporation at the time it is authorized by the board, a committee or the shareholders.

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Common or interested directors may be counted in determining the presence of a quorum at the meeting of the board of directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.

For the purpose of paragraph (2) above, a conflict of interest transaction is authorized, approved or ratified if it receives the vote of a majority of the shares entitled to be counted under this subsection. Shares owned by or voted under the control of a director who has a relationship or interest in the conflict of interest transaction may not be counted in a vote of shareholders to determine whether to authorize, approve or ratify a conflict of interest transaction under paragraph (2). The vote of those shares, however, is counted in determining whether the transaction is approved under other sections of the Act. A majority of the shares, whether or not present, that are entitled to be counted in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.

#### Section 4.20. RESIGNATION OF DIRECTORS.

A director may resign at any time by delivering written notice to the board of directors or its chairman or to the corporation.

A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the board of directors may fill the pending vacancy before the effective date if the board of directors provides that the successor does not take office until the effective date.

### ARTICLE V

#### INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

#### SECTION 5.01. DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS.

(1) The corporation shall have power to indemnify any person who was or is a party to any proceeding (other than an action by, or in the right of, the corporation), by reason of the fact that he is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against liability

incurred in connection with such proceeding, including any appeal thereof, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, or conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he

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reasonably believed to be in, or not opposed to, the best interests of the corporation or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(2) The corporation shall have power to indemnify any person, who was or is a party to any proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses and amounts paid in settlement not exceeding, in the judgment of the board of directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such proceeding, including any appeal thereof. Such indemnification shall be authorized if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be made under this subsection in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable unless, and only to the extent that, the court in which such proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(3) To the extent that a director, officer, employee, or agent of the corporation has been successful on the merits or otherwise in defense of any proceeding referred to in subsections (1) or (2), or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses actually and reasonably incurred by him in connection therewith.

(4) Any indemnification under subsections (1) or (2), unless pursuant to a determination by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (1) or (2). Such determination shall be made:

(a) By the board of directors by a majority vote of a quorum consisting of directors who were not parties to such proceeding;

(b) If such a quorum is not obtainable or, even if obtainable, by majority vote of a committee duly designated by the board of directors (in which directors who are parties may participate) consisting solely of two or more directors not at the time parties to the proceeding;

(c) By independent legal counsel:



(i) Selected by the board of directors prescribed in paragraph (a) or the committee prescribed in paragraph (b); or

(ii) If a quorum of the directors cannot be obtained for paragraph (a) and the committee cannot be designed under paragraph (b), selected by majority vote of the full board of directors (in which directors who are parties may participate); or

(d) By the shareholders by a majority vote of a quorum consisting of shareholders who were not parties to such proceeding or, if no such quorum is obtainable, by a majority vote of shareholders who were not parties to such proceeding.

(5) Evaluation of the reasonableness of expenses and authorization of indemnification shall be made in the same manner as the determination that indemnification is permissible. However, if the determination of permissibility is made by independent legal counsel, persons specified by paragraph (4) (c) shall evaluate the reasonableness of expenses and may authorize indemnification.

(6) Expenses incurred by an officer or director in defending a civil or criminal proceeding may be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if he is ultimately found not to be entitled to indemnification by the corporation pursuant to this section. Expenses incurred by other employees and agents may be paid in advance upon such terms or conditions that the board of directors deems appropriate.

(7) The indemnification and advancement of expenses provided pursuant to this section are not exclusive, and the corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees, or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, officer, employee, or agent if a judgment or other final adjudication establishes that his actions, or omissions to act, were material to the cause of action so adjudicated and constitute:

(a) A violation of the criminal law, unless the director, officer, employee, or agent had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful;

(b) A transaction from which the director, officer, employee, or agent derived an improper personal benefit;

(c) In the case of a director, a circumstance under which the liability provisions of Section 607.0834 under the Act are applicable; or

(d) Willful misconduct or a conscious disregard for the best interests of the corporation in a proceeding by or in the right of the corporation to procure a judgment in its favor or in a proceeding by or in the right of a shareholder.

(8) Indemnification and advancement of expenses as provided in this section shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person, unless otherwise provided when authorized or ratified.

(9) Notwithstanding the failure of the corporation to provide indemnification, and despite any contrary determination of the board or of the shareholders in the specific case, a director, officer, employee, or agent of the corporation who is or was a party to a proceeding may apply for indemnification or advancement of expenses, or both, to the court conducting the proceeding, to the circuit court, or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice that it considers necessary, may order indemnification and advancement of expenses, including expenses incurred in seeking court-ordered indemnification or advancement of expenses, if it determines that:

(a) The director, officer, employee, or agent is entitled to mandatory indemnification under subsection (3), in which case the court shall also order the corporation to pay the director reasonable expenses incurred in obtaining court-ordered indemnification or advancement of expenses;

(b) The director, officer, employee, or agent is entitled to indemnification or advancement of expenses, or both, by virtue of the exercise by the corporation of its power pursuant to subsection (7); or

(c) The director, officer, employee, or agent is fairly and reasonably entitled to indemnification or advancement of expenses, or both, in view of all the relevant circumstances, regardless of whether such person met the standard of conduct set forth in subsection (1), subsection (2) or subsection (7).

(10) For purposes of this section, the term "corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee, or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(11) For purposes of this section:

(a) The term "other enterprises" includes employee benefit plans;

(b) The term "expenses" includes counsel fees, including those for appeal;

(c) The term "liability" includes obligations to pay a judgment, settlement, penalty, fine (including an excise tax assessed with

respect to any employee benefit plan), and expenses actually and reasonably incurred with respect to a proceeding;

(d) The term "proceeding" includes any threatened, pending, or completed action, suit or other type of proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal;

(e) The term "agent" includes a volunteer;

(f) The term "serving at the request of the corporation" includes any service as a director, officer, employee, or agent of the corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and

(g) The term "not opposed to the best interest of the corporation" describes the actions of a person who acts in good faith and in a manner he reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan.

(12) The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this section.

#### ARTICLE VI

##### OFFICE AND AGENT

###### SECTION 6.01. REGISTERED OFFICE AND REGISTERED AGENT.

(1) The corporation shall have and continuously maintain in the State of Florida:

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(a) A registered office which may be the same as its place of business; and

(b) A registered agent, who, may be either:

(i) An individual who resides in the State of Florida whose business office is identical with such registered office; or

(ii) Another corporation or not-for-profit corporation as defined in Chapter 617 of the Act, authorized to transact business or conduct its affairs in the State of Florida, having a business office identical with the registered office; or

(iii) A foreign corporation or not-for-profit foreign corporation authorized pursuant to chapter 607 or chapter 617 of the Act to transact business or conduct its affairs in the State of Florida, having a business office identical with the registered office.

###### SECTION 6.02. CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT, RESIGNATION OF REGISTERED AGENT.

(1) The corporation may change its registered office or its registered agent upon filing with the Department of State of the State of Florida a statement of change setting forth:

(a) The name of the corporation;

(b) The street address of its current registered office;

(c) If the current registered office is to be changed, the street address of the new registered office;

(d) The name of its current registered agent;

(e) If its current registered agent is to be changed, the name of the new registered agent and the new agent's written consent (either on the statement or attached to it) to the appointment;

(f) That the street address of its registered office and the street address of the business office of its registered agent, as changed, will be identical;

(g) That such change was authorized by resolution duly adopted by its board of directors or by an officer of the corporation so authorized by the board of directors.

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## ARTICLE VII

### SHARES, OPTIONS, DIVIDENDS AND DISTRIBUTIONS

#### SECTION 7.01. AUTHORIZED SHARES.

(1) The articles of incorporation prescribe the classes of shares and the number of shares of each class that the corporation is authorized to issue, as well as a distinguishing designation for each class, and prior to the issuance of shares of a class the preferences, limitations, and relative rights of that class must be described in the articles of incorporation.

(2) The articles of incorporation must authorize:

(a) One or more classes of shares that together have unlimited voting rights, and

(b) One or more classes of shares (which may be the same class or classes as those with voting rights) that together are entitled to receive the net assets of the corporation upon dissolution.

(3) The articles of incorporation may authorize one or more classes of shares that have special, conditional, or limited voting rights, or no rights, or no right to vote, except to the extent prohibited by the Act;

(a) Are redeemable or convertible as specified in the articles of incorporation;

(b) Entitle the holders to distributions calculated in any manner, including dividends that may be cumulative, non-cumulative, or partially cumulative;

(c) Have preference over any other class of shares with

respect to distributions, including dividends and distributions upon the dissolution of the corporation.

(4) Shares which are entitled to preference in the distribution of dividends or assets shall not be designated as common shares. Shares which are not entitled to preference in the distribution of dividends or assets shall be common shares and shall not be designated as preferred shares.

#### SECTION 7.02. TERMS OF CLASS OR SERIES DETERMINED BY BOARD OF DIRECTORS.

(1) If the articles of incorporation so provide, the board of directors may determine, in whole or part, the preferences, limitations, and relative rights (within the limits set forth in Section 7.01) of:

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(a) Any class of shares before the issuance of any shares of that class, or

(b) One or more series within a class before the issuance of any shares of that series.

(2) Each series of a class must be given a distinguishing designation.

(3) All shares of a series must have preferences, limitations, and relative rights identical with those of other shares of the same series and, except to the extent otherwise provided in the description of the series, of those of other series of the same class.

(4) Before issuing any shares of a class or series created under this section, the corporation must deliver to the Department of State of the State of Florida for filing articles of amendment, which are effective without shareholder action, in accordance with Section 607.0602 of the Act.

#### SECTION 7.03. ISSUED AND OUTSTANDING SHARES.

(1) A corporation may issue the number of shares of each class or series authorized by the articles of incorporation. Shares that are issued are outstanding shares until they are reacquired, redeemed, converted, or canceled.

(2) The reacquisition, redemption, or conversion of outstanding shares is subject to the limitations of subsection (3) and to Section 607.06401 of the Act.

(3) At all times that shares of the corporation are outstanding, one or more shares that together have unlimited voting rights and one or more shares that together are entitled to receive the net assets of the corporation upon dissolution must be outstanding.

#### SECTION 7.04. ISSUANCE OF SHARES.

(1) The board of directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, promises to perform services evidenced by a written contract, or other securities of the corporation.

(2) Before the corporation issues shares, the board of directors must determine that the consideration received or to be received for shares to be

issued is adequate. That determination by the board of directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid, and non-assessable. When it cannot be determined that outstanding shares

are fully paid and non-assessable, there shall be a conclusive presumption that such shares are fully paid and non-assessable if the board of directors makes a good faith determination that there is no substantial evidence that the full consideration for such shares has not been paid.

(3) When the corporation receives the consideration for which the board of directors authorized the issuance of shares, the shares issued therefor are fully paid and non-assessable. Consideration in the form of a promise to pay money or a promise to perform services is received by the corporation at the time of the making of the promise, unless the agreement specifically provides otherwise.

(4) The corporation may place in escrow shares issued for a contract for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the note is paid, or the benefits received. If the services are not performed, the shares escrowed or restricted and the distributions credited may be canceled in whole or part.

#### SECTION 7.05. FORM AND CONTENT OF CERTIFICATES.

(1) Shares may but need not be represented by certificates. Unless the Act or another statute expressly provides otherwise, the rights and obligations of shareholders are identical whether or not their shares are represented by certificates.

(2) At a minimum, each share certificate must state on its face:

(a) The name of the issuing corporation and that the corporation is organized under the laws of the State of Florida;

(b) The name of the person to whom issued; and

(c) The number and class of shares and the designation of the series, if any, the certificate represents.

(3) If the shares being issued are of different classes of shares or different series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the board of directors to determine variations for future series) must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder a full statement of this information on request and without charge.

(4) Each share certificate:

(a) Must be signed (either manually or in facsimile) by an officer or officers designated by the board of directors, and

(b) May bear the corporate seal or its facsimile.

(5) If the person who signed (either manually or in facsimile) a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

(6) Nothing in this section may be construed to invalidate any share certificate validly issued and outstanding under the Act on July 1, 1990.

SECTION 7.06. SHARES WITHOUT CERTIFICATES.

(1) The board of directors of the corporation may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the corporation.

(2) Within a reasonable time after the issue or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information required on certificates by the Act.

SECTION 7.07. RESTRICTION ON TRANSFER OF SHARES AND OTHER SECURITIES.

(1) The articles of incorporation, these bylaws, an agreement among shareholders, or an agreement between shareholders and the corporation may impose restrictions on the transfer or registration of transfer of shares of the corporation. A restriction does not affect shares issued before the restriction was adopted unless the holders of such shares are parties to the restriction agreement or voted in favor of the restriction.

(2) A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section, and effected in compliance with the provisions of the Act, including having a proper purpose as referred to in the Act.

SECTION 7.08. SHAREHOLDER'S PRE-EMPTIVE RIGHTS.

The shareholders of the corporation do not have a pre-emptive right to acquire the corporation's unissued shares.

SECTION 7.09. CORPORATION'S ACQUISITION OF ITS OWN SHARES.

(1) The corporation may acquire its own shares, and, unless otherwise provided in the articles of incorporation or except as provided in subsection (4), shares so acquired constitute authorized but unissued shares of the same class but undesignated as to series.

(2) If the articles of incorporation prohibit the reissue of acquired shares, the number of authorized shares is reduced by the number of shares acquired, effective upon amendment of the articles of incorporation.

(3) Articles of amendment may be adopted by the board of directors without shareholder action, shall be delivered to the Department of State of the State of Florida for filing, and shall set forth the information required by Section 607.0631 of the Act.

(4) Shares of the corporation in existence on June 30, 1990, which are treasury shares under Section 607.004(18), Florida Statutes (1987), shall be issued, but not outstanding, until canceled or disposed of by the corporation.

#### SECTION 7.10. SHARE OPTIONS.

(1) Unless the articles of incorporation provide otherwise, the corporation may issue rights, options, or warrants for the purchase of shares of the corporation. The board of directors shall determine the terms upon which the rights, options, or warrants are issued, their form and content, and the consideration for which the shares are to be issued.

(2) The terms and conditions of stock rights and options which are created and issued by the corporation, or its successor, and which entitle the holders thereof to purchase from the corporation shares of any class or classes, whether authorized by unissued shares, treasury shares, or shares to be purchased or acquired by the corporation, may include, without limitation, restrictions, or conditions that preclude or limit the exercise, transfer, receipt, or holding of such rights or options by any person or persons, including any person or persons owning or offering to acquire a specified number or percentage of the outstanding common shares or other securities of the corporation, or any transferee or transferees of any such person or persons, or that invalidate or void such rights or options held by any such person or persons or any such transferee or transferees.

#### SECTION 7.11. TERMS AND CONDITIONS OF STOCK RIGHTS AND OPTIONS.

The terms and conditions of the stock rights and options which are created and issued by the corporation [or its successor], and which entitle the holders thereof to purchase from the corporation shares of any class or classes, whether authorized but

unissued shares, treasury shares, or shares to be purchased or acquired by the corporation, may include, without limitation, restrictions or conditions that preclude or limit the exercise, transfer, receipt or holding of such rights or options by any person or persons, including any person or persons owning or offering to acquire a specified number or percentage of the outstanding common shares or other securities of the corporation, or any transferee or transferees of any such person or persons, or that invalidate or void such rights or options held by any such person or persons or any such transferee or transferees.

#### SECTION 7.12. SHARE DIVIDENDS.

(1) Shares may be issued pro rata and without consideration to the corporation's shareholders or to the shareholders of one or more classes or series. An issuance of shares under this subsection is a share dividend.



(2) Shares of one class or series may not be issued as a share dividend in respect of shares of another class or series unless:

(a) The articles of incorporation so authorize,

(b) A majority of the votes entitled to be cast by the class or series to be issued approves the issue, or

(c) There are no outstanding shares of the class or series to be issued.

(3) If the board of directors does not fix the record date for determining shareholders entitled to a share dividend, it is the date of the board of directors authorizes the share dividend.

#### SECTION 7.13. DISTRIBUTIONS TO SHAREHOLDERS.

(1) The board of directors may authorize and the corporation may make distributions to its shareholders subject to restriction by the articles of incorporation and the limitations in subsection (3).

(2) If the board of directors does not fix the record date for determining shareholders entitled to a distribution (other than one involving a purchase, redemption, or other acquisition of the corporation's shares), it is the date the board of directors authorizes the distribution.

(3) No distribution may be made if, after giving it effect:

(a) The corporation would not be able to pay its debts as they become due in the usual course of business; or

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(b) The corporation's total assets would be less than the sum of its total liabilities plus (unless the articles of incorporation permit otherwise) the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

(4) The board of directors may base a determination that a distribution is not prohibited under subsection (3) either on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable in the circumstances. In the case of any distribution based upon such a valuation, each such distribution shall be identified as a distribution based upon a current valuation of assets, and the amount per share paid on the basis of such valuation shall be disclosed to the shareholders concurrent with their receipt of the distribution.

(5) Except as provided in subsection (7), the effect of a distribution under subsection (3) is measured;

(a) In the case of distribution by purchase, redemption, or other acquisition of the corporation's shares, as of the earlier of:

(i) The date money or other property is transferred or debt incurred by the corporation, or

(ii) The date the shareholder ceases to be a

shareholder with respect to the acquired shares;

(b) In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed;

(c) In all other cases, as of:

(i) The date the distribution is authorized if the payment occurs within 120 days after the date of authorization, or

(ii) The date the payment is made if it occurs more than 120 days after the date of authorization.

(6) A corporation's indebtedness to a shareholder incurred by reason of a distribution made in accordance with this section is at parity with the corporation's indebtedness to its general, unsecured creditors except to the extent subordinated by agreement.

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(7) Indebtedness of the corporation, including indebtedness issued as a distribution, is not considered a liability for purposes of determinations under subsection (3) if its terms provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is actually made.

## ARTICLE VIII

### AMENDMENT OF ARTICLES AND BYLAWS

#### SECTION 8.01. AUTHORITY TO AMEND THE ARTICLES OF INCORPORATION.

(1) The corporation may amend its articles of incorporation at any time to add or change a provision that is required or permitted in the articles of incorporation or to delete a provision not required in the articles of incorporation. Whether a provision is required or permitted in the articles of incorporation is determined as of the effective date of the amendment.

(2) A shareholder of the corporation does not have a vested property right resulting from any provision in the articles of incorporation, including provisions relating to management, control, capital structure, dividend entitlement, or purpose or duration of the corporation.

#### SECTION 8.02. AMENDMENT BY BOARD OF DIRECTORS.

The corporation's board of directors may adopt one or more amendments to the corporation's articles of incorporation without shareholder action:

(1) To extend the duration of the corporation if it was incorporated at a time when limited duration was required by law;

(2) To delete the names and addresses of the initial directors;

(3) To delete the name and address of the initial registered agent or registered office, if a statement of change is on file with the Department of State of the State of Florida;

(4) To delete any other information contained in the articles of

incorporation that is solely of historical interest;

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(5) To change each issued and unissued authorized share of an outstanding class into a greater number of whole shares if the corporation has only shares of that class outstanding;

(6) To delete the authorization for a class or series of shares authorized pursuant to Section 607.0602 of the Act, if no shares of such class or series have been issued;

(7) To change the corporate name by substituting the word "corporation," "incorporated," or "company," or the abbreviation "corp.," "Inc.," or "Co.," for a similar word or abbreviation in the name, or by adding, deleting, or changing a geographical attribution for the name; or

(8) To make any other change expressly permitted by the Act to be made without shareholder action.

#### SECTION 8.03. AMENDMENT OF BYLAWS BY BOARD OF DIRECTORS.

The corporation's board of directors may amend or repeal the corporation's bylaws unless the Act reserves the power to amend a particular bylaw provision exclusively to the shareholders.

#### SECTION 8.04. BYLAW INCREASING QUORUM OR VOTING REQUIREMENTS FOR DIRECTORS.

(1) A bylaw that fixes a greater quorum or voting requirement for the board of directors may be amended or repealed:

(a) If originally adopted by the shareholders, only by the shareholders;

(b) If originally adopted by the board of directors, either by the shareholders or by the board of directors.

(2) A bylaw adopted or amended by the shareholders that fixes a greater quorum or voting requirement for the board of directors may provide that it may be amended or repealed only by a specified vote of either the shareholders or the board of directors.

(3) Action by the board of directors under paragraph (1)(b) to adopt or amend a bylaw that changes the quorum or voting requirement for the board of directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

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RECORDS AND REPORTS

SECTION 9.01. CORPORATE RECORDS.

(1) The corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation.

(2) The corporation shall maintain accurate accounting records.

(3) The corporation or its agent shall maintain a record of its shareholders in a form that permits preparation of a list of the names and addresses of all shareholders in alphabetical order by class of shares showing the number and series of shares held by each.

(4) The corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

(5) The corporation shall keep a copy of the following records:

(a) Its articles or restated articles of incorporation and all amendments to them currently in effect;

(b) Its bylaws or restated bylaws and all amendments to them currently in effect;

(c) Resolutions adopted by the board of directors creating one or more classes or series of shares and fixing their relative rights, preferences, and limitations, if shares issued pursuant to those resolutions are outstanding;

(d) The minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting for the past three years;

(e) Written communications to all shareholders generally or all shareholders of a class or series within the past three years, including the financial statements furnished for the past three years;

(f) A list of the names and business street addresses of its current directors and officers; and

(g) Its most recent annual report delivered to the Department of State of the State of Florida.

SECTION 9.02. FINANCIAL STATEMENTS FOR SHAREHOLDERS.

(1) Unless modified by resolution of the shareholders within 120 days of the close of each fiscal year, the corporation shall furnish its shareholders annual financial statements which may be consolidated or combined statements of the corporation and one or more of its subsidiaries, as appropriate, that include a balance sheet as of the end of the fiscal year, an income statement for that year, and a statement of cash flows for that year. If financial statements are prepared for the corporation on the basis of generally-accepted accounting principles, the annual financial statements must also be prepared on

that basis.

(2) If the annual financial statements are reported upon by a public accountant, his report must accompany them. If not, the statements must be accompanied by a statement of the president or the person responsible for the corporation's accounting records:

(a) Stating his reasonable belief whether the statements were prepared on the basis of generally-accepted accounting principles and, if not, describing the basis of preparation; and

(b) Describing any respects in which the statements were not prepared on a basis of accounting consistent with the statements prepared for the preceding year.

(3) The corporation shall mail the annual financial statements to each shareholder within 120 days after the close of each fiscal year or within such additional time thereafter as is reasonably necessary to enable the corporation to prepare its financial statements, if for reasons beyond the corporation's control, it is unable to prepare its financial statements within the prescribed period. Thereafter, on written request from a shareholder who was not mailed the statements, the corporation shall mail him the latest annual financial statements.

#### SECTION 9.03. OTHER REPORTS TO SHAREHOLDERS.

(1) If the corporation indemnifies or advances expenses to any director, officer, employee or agent otherwise than by court order or action by the shareholders or by an insurance carrier pursuant to insurance maintained by the corporation, the corporation shall report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders' meeting, or prior to such meeting if the indemnification or advance occurs after the giving of such notice but prior to the time such meeting is held, which report shall include a statement specifying the persons paid,

the amounts paid, and the nature and status at the time of such payment of the litigation or threatened litigation.

(2) If the corporation issues or authorizes the issuance of shares for promises to render services in the future, the corporation shall report in writing to the shareholders the number of shares authorized or issued, and the consideration received by the corporation, with or before the notice of the next shareholders' meeting.

#### SECTION 9.04. ANNUAL REPORT FOR DEPARTMENT OF STATE.

(1) The corporation shall deliver to the Department of State of the State of Florida for filing a sworn annual report on such forms as the Department of State of the State of Florida prescribes that sets forth the information prescribed by Section 607.1622 of the Act.

(2) Proof to the satisfaction of the Department of State of the State of Florida on or before July 1 of each calendar year that such report was deposited in the United States mail in a sealed envelope, properly addressed with postage prepaid, shall be deemed in compliance with this requirement.

(3) Each report shall be executed by the corporation by an officer or

director or, if the corporation is in the hands of a receiver or trustee, shall be executed on behalf of the corporation by such receiver or trustee, and the signing thereof shall have the same legal effect as if made under oath, without the necessity of appending such oath thereto.

(4) Information in the annual report must be current as of the date the annual report is executed on behalf of the corporation.

(5) Any corporation failing to file an annual report which complies with the requirements of this section shall not be permitted to maintain or defend any action in any court of this state until such report is filed and all fees and taxes due under the Act are paid and shall be subject to dissolution or cancellation of its certificate of authority to do business as provided in the Act.

## ARTICLE X

### MISCELLANEOUS

#### SECTION 10.01. DEFINITION OF THE "ACT".

All references contained herein to the "Act" or to sections of the "Act" shall be deemed to be in reference to the Florida Business Corporation Act.

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#### SECTION 10.02. APPLICATION OF FLORIDA LAW.

Whenever any provision of these bylaws is inconsistent with any provision of the Florida Business Corporation Act, Statutes 607, as they may be amended from time to time, then in such instance Florida law shall prevail.

#### SECTION 10.03. FISCAL YEAR.

The fiscal year of the corporation shall be determined by resolution of the board of directors.

#### SECTION 10.04. CONFLICTS WITH ARTICLES OF INCORPORATION.

In the event that any provision contained in these bylaws conflicts with any provision of the corporation's articles of incorporation, as amended from time to time, the provisions of the articles of incorporation shall prevail and be given full force and effect, to the full extent permissible under the Act.

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PATENT AND TECHNOLOGY AGREEMENT

Made and entered into by and between:

NET 1 HOLDINGS S.a.r.l

and

NET 1 UEPS TECHNOLOGIES, INC.

1 DEFINITIONS

1.1 The clause headings of this Agreement are for reference purposes only and shall not be used in the interpretation thereof.

1.2 Unless the context clearly indicates a contrary intention:

1.2.1 expressions which denote:

1.2.1.1 any gender shall include the other genders;

1.2.1.2 a natural person shall include an artificial person and vice versa;

1.2.1.3 the singular shall include the plural;

1.2.2 the following expressions shall have the meanings set opposite them and cognate expressions shall bear corresponding meanings:

1.2.2.1 "Licensee" shall mean any entity to

whom NUEP grants a licence on behalf of Net 1 to use the Patent in any country within the Territory;

- 1.2.2.2 "Net 1" shall mean Net 1 Holdings S.a.r.l, a company incorporated in accordance with the laws of Luxembourg and having its registered office at 6, rue Jean Monnet, L-2180 Luxembourg, herein represented by Brenda Stewart in her capacity as a Director of the Company, she being duly authorised hereto;
- 1.2.2.3 "Parties" shall mean the parties to this Agreement;
- 1.2.2.4 "Patents" shall mean United States Patent No. 5,175,416 and European Patent No. 0-421808 together with all patents of additional, if any, granted to Net 1;
- 1.2.2.5 "Signature Date" shall mean the last

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date of signature of this Agreement by the Parties;

- 1.2.2.6 "Territory" shall mean any country of the World, except the Republic of South Africa (as constituted on 31 May 1961), Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zimbabwe;
- 1.2.2.7 "NUEP" shall mean Net 1 UEPS Technologies, Inc. a company incorporated under the laws of the State of Florida and having its registered office at 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida, 33301.
- 1.2.2.8 "UEPS" shall mean the Universal Electronic Payment System designed by Net 1, as described and detailed in the complete specification to Net 1's application for the Patents, UEPS is an application that uses the Patents to

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provide an integrated, secure and complete payment system.

## 2. PREAMBLE

- 2.1 Net 1 is the owner and manager of the Patents.
- 2.2 Net 1 has agreed to appoint NUEP as its sole and exclusive agent to market and sell to Licensees licences for the use of the Patents anywhere within the Territory and to conclude licence agreements with such Licensees on behalf of Net 1.



2.3 NUEP shall in terms of this Agreement have the right to permit a Licensee to purchase and or use the UEPS in conjunction with the Patents or to develop similar systems that make use of the Patents.

2.4 The Parties require the agreement arrived at between them to be reduced to writing.

### 3 DURATION

This Agreement shall commence on the Signature Date and shall endure for the life of the Patents, unless terminated earlier as provided for hereunder.

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### 4 GRANT OF RIGHTS

4.1 Net 1 hereby grants to NUEP the exclusive right to market, negotiate and sell licences to Licensees for the use of the Patents within the Territory.

4.2 Net 1 hereby appoints NUEP as its agent to grant licences on its behalf to Licensees and authorises NUEP to execute and register such Licence Agreements on its behalf, provided that in granting such licences on behalf of Net 1, NUEP shall not do so in contravention of any obligations whatsoever in respect whereof Net 1 is bound in terms of any existing or pending Licence Agreements with Licensees or any other entity. In this regard, NUEP acknowledges that it is fully conversant with the terms and conditions of all existing Licence Agreements for the use of the Patents which Net 1 has granted to Licensees, and with the terms and conditions of all Licence Agreements that are pending and are being finalised as per Appendix A.

4.3 Net 1 hereby grants the right to NUEP to market and sell UEPS in the Territory provided that the said activities do not conflict with existing or pending license agreements.

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4.4 Net 1 hereby grants the right to NUEP to sell the UEPS to a Licensee as part and parcel of a license agreement or to allow the Licensee to develop a proprietary system that uses the Patents.

4.5 Net 1 shall upon the Signature Date become a conduit for NUEP, thereby allowing NUEP to achieve an optimal tax benefit in respect of its world-wide operations and NUEP shall be liable for any expenses incurred by Net 1's fiscal, commercial, operational and administrative activities in this regard or any other costs incurred while performing the said services and any other costs that may be approved by NUEP from time to time.

### 5. CONSIDERATION

5.1 In consideration for the exclusive rights granted to NUEP in terms of Clause 4.1 SUPRA -

5.1.1 NUEP has agreed to issue from its Treasury an allotment of 2,364,806 common shares (prior split or 4,726,612 after split) to Net 1 in accordance with the following stipulations:

5.1.1.1 the shares will be issued at a deemed price of US\$0.001 per share, being the par value thereof;

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- 5.1.1.2 the shares will be fully paid up and non-assessable common shares. The Parties record that the shares referred to in 5.1.1 SUPRA were issued to Net 1 on 27 November 1997 and were being kept in trust pending the finalisation of an exclusivity agreement.
- 5.2 In consideration for the services to be rendered by NUEP to Net 1 in terms of Clause 4 SUPRA - Net 1 shall pay to NUEP an amount equivalent to Net 1's annual after tax net profit as reflected in its annual financial statements from time to time. Such amount shall be paid by Net 1 to NUEP annually in arrear at the expiration of 120 (one hundred and twenty) days of its financial year-end.
- 5.3 NUEP shall at its own discretion elect to use Net 1 as the recipient of any full or partial payments due by a Licensee in terms of the license agreement granted to the Licensee by NUEP as of the Signature Date or granted or committed to a Licensee by Net 1 at a date prior to the Signature Date of this Agreement.
- 6. MAINTENANCE OF THE PATENTS
- 6.1 NUEP shall during the life of this Agreement pay all renewal fees and do all such acts and things that may be necessary to maintain and

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keep registered the Patents and shall produce to Net 1 the receipt for renewing the Patents.

- 6.2 NUEP shall not during the life of this Agreement, save with the prior written consent of Net 1, abandon the Patents or allow them to lapse.
- 6.3 NUEP shall be obliged on an on-going basis to make applications on behalf of Net 1 for new patents or patentable improvements in order to ensure that the Net 1 technology remains the front runner in its field.
- 7. DEVELOPMENT AND MAINTENANCE OF UEPS
- 7.1 NUEP shall be obliged on an on-going basis to continue with the development, maintenance and support of the UEPS and the development of new software applications that use the Patents.
- 7.2 NUEP shall perform the duties outlined in 7.1 SUPRA, alternatively NUEP may delegate or sub-contract its obligations as outlined in 7.1 SUPRA to a third party with the prior written approval of Net 1.

8. PATENTS INFRINGEMENT

- 8.1 Upon the occurrence of any infringement or suspected or threatened infringement of the Patents, the Parties shall immediately consult to

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decide what steps shall be taken to prevent or terminate such infringement.

- 8.2 NUEP shall take all steps as may be agreed by the Parties pursuant to Clause 8.1 above including the institution of legal proceedings where necessary.
- 8.3 If NUEP fails to take such steps as may be considered necessary or appropriate by Net 1, Net 1 shall have the right to take those steps

independently and NUEP shall give Net 1 all reasonable assistance to facilitate any such proceedings by Net 1. Any costs or expense incurred by Net 1 in this regard shall be borne by NUEP.

9. ASSIGNABILITY

9.1 Neither party shall cede any of its rights nor assign any of its obligations without the prior written consent of the other.

9.2 NUEP may not delegate or sub-contract its obligations under this Agreement without the prior written approval of Net 1.

10. CONFIDENTIAL INFORMATION

10.1 Neither party shall at any time divulge or disclose to any third party

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any information concerning the affairs of the other which may be communicated to it or which otherwise comes into its possession, unless such information becomes publicly available through no fault of such party.

10.2 Neither party shall use, exploit, divulge or disclose to any third party any business systems or methods of the other party of which it may gain knowledge while working with the other party or in the course of the performance of its obligations in terms of this Agreement, except with the prior written consent of the other party.

10.3 This clause is severable from the rest of this Agreement and shall remain valid and binding on the Parties notwithstanding any termination of this Agreement.

11. WARRANTIES

Net 1 declares and warrants unto and in favour of NUEP that -

11.1 As at the Signature Date, Net 1 was the sole patentee of the Patents and that the Patents were of full force and effect.

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12. BREACH

12.1 Should NUEP at any time cease trading or operating, be placed under Judicial Management, be declared insolvent or be placed under provisional or final liquidation, then and in such event and without prejudice to whatever other claims Net 1 may have against NUEP as a result of or arising out of such breach, including any claim for damages, Net 1 shall have the right to cancel this Agreement and revert to the licensing agreement that was in place prior to this Agreement. All income streams current or future that were in place prior to such breach shall however remain the property of NUEP. In such event, all contractual agreements entered into with Licensees in terms of clause 5.3 SUPRA shall be ceded to NUEP.

12.2 Should either party commit a breach of any of the provisions of this Agreement, all of which are material and go to the root of this Agreement, and fail to remedy such breach within a period of 10 (ten) days of the date of a written notice from the aggrieved party calling upon the defaulting party to remedy such breach, then the aggrieved party shall have the right in addition to such other rights as are

available to him/it in law or in terms of this Agreement to sue for specific performance of the terms of this Agreement, or to cancel this Agreement subject to the aggrieved Party's right to claim damages arising from such breach.

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13. WHOLE AGREEMENT

This Agreement constitutes the sole and exclusive record of the Agreement between the Parties relating to the subject matters thereof, and no variation, modification, consensual cancellation, novation or waiver of any provisions thereof, or any consent to any departure therefrom by any party, shall be of any force and effect or create any ESTOPPEL unless the same shall be confirmed in writing, signed by or on behalf of that party and any other party affected thereby and in any event the same shall be effective only in the specific instance and for the specific purpose and to the extent for which made or given.

14. DOMICILIA

For all purposes under this Agreement or any amendment thereof, or with regard to any matter arising thereout or in connection therewith, the parties hereby choose their DOMICILIA CITANDI ET EXECUTANDI at their respective addresses specified below provided that the parties shall be entitled to nominate a substitute address in the Republic of South Africa, as their DOMICILIUM CITANDI ET EXECUTANDI, by written notice to that effect given to the other party in accordance with paragraph 15 and with effect from 7 (seven) days after receipt of such notice:

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14.1 Net 1 at 4th Floor, West Wing, President Place, Jan Smuts Avenue, Rosebank, Johannesburg, Republic of South Africa;

14.2 NUEP at 200 East Las Olas Boulevard, Suite 1900, Fort Lauderdale, Florida, 33301, United States of America.

15. NOTICES

Any notice required to be given or permitted to be given by any party to the other in terms of this Agreement shall be in writing addressed in the name of the latter and shall be delivered to the addresses at the addressee's DOMICILIUM CITANDI ET EXECUTANDI for the time being in terms of Clause 14 SUPRA. Alternatively, such notice may be sent by telefacsimile to the addressee at its undermentioned telefacsimile number, and such notice shall be deemed to have been duly delivered on the first business day following the date of sending thereof:

NUEP	-	1 888 796 2233
Net 1	-	2711 880-7080

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16. LAW TO APPLY

This Agreement shall in all respects be governed by and construed in accordance with the laws of England, and all disputes, actions and other matters in connection therewith shall be determined in accordance with such law.

17. INDULGENCE

No relaxation or indulgence granted by either Party to the other shall be deemed to be a waiver of that Party's rights in terms hereof, nor shall any such relaxation or indulgence be deemed to be a novation or waiver of any of the terms and conditions of this Agreement.

18. ARBITRATION

18.1 Unless otherwise provided for in this Agreement to the contrary, any dispute which arises in regard to:

18.1.1 the interpretation of; and

18.1.2 the carrying into effect of; or

18.1.3 any of the Party's rights and obligations arising from; or

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18.1.4 the rectification or proposed rectification of this Agreement may, at the instance of either Party hereto, be referred for determination by an expert, and in relation to that referral the provisions of this Clause 18 shall apply.

18.2 The expert shall:

18.2.1 If the matter in issue is an accounting matter, be an independent auditor agreed upon between the Parties or failing agreement, appointed by the President for the time being of the English Society of Chartered Accountants;

18.2.2 if the matter is a legal matter, only, be a Barrister of at least 10 (ten) years' standing as such practising as such at the London Bar, agreed upon between the Parties to the dispute or failing Agreement, appointed by the Chairman for the time being of the London Bar Council;

18.2.3 if the matter in dispute is any other matter, be an independent person agreed upon between the Parties to the dispute or failing agreement, appointed by the Chairman for the time being of the London Bar Council;

18.3 The expert appointed or nominated as aforesaid shall in all respects

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act as an expert and not as an arbitrator, and if the Parties are unable to agree on the nature of the matter in dispute, it shall be deemed to be of a legal nature and subject to 18.2.2 SUPRA.

18.4 The expert shall determine the manner in which the proceedings are conducted and the procedure to be adopted and he shall be entitled to require the Parties to the proceedings to make available to each other and to the expert all information, documentation and records that are necessary for the determination of the dispute submitted to him.

18.5 Any hearing by the expert shall be held in London or such other place as the Parties may agree in writing.

18.6 The Parties shall use their best endeavours to procure that the

decision of the expert shall be given within 21 (twenty-one) days or so soon thereafter as possible after it has been demanded.

18.7 The decision of the expert shall be final and binding on all parties affected thereby and shall be carried into effect and may be made an order of any competent Court at the instance of any of the Parties.

18.8 This clause constitutes an irrevocable consent by the Parties to any proceedings in terms hereof and neither of the Parties shall be

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entitled to withdraw therefrom or claim at any such proceedings that it is not bound by the provisions of this clause.

18.9 The expert shall determine the liability for his costs which shall be paid in accordance with the determination.

18.10 Notwithstanding the provisions of 18.8 SUPRA either party may choose to launch proceedings by way of Court action or application, save in regard to any matter already referred by either Party in terms of this paragraph 18.

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Appendix A

Name/Country/Area	Exclusive UEPS Licence	Non Exclusive UEPS Licence	Non Exclusive UEPS Commercial Agreement	Non Exclusive Manufacturing UEPS Licence	Non Exclusive Outsourcing Technical Agreement	Non Exclusive Operating Licence	Co?????????????
VISA		o					Banking
BGS, CIS	o						
Gemplus				o			Smart Card only
Ghana		o	o				
Chile		o					Not yet launched
Rwanda		o	o				
Burundi		o	o				
Northern Countries (Nordic)	o						Process of finalisation
Nedcor S.A. and Surrounding Territories	o						Banking
Nedcor Rest of World		o				o	Option
Australia	?	o					Process of finalisation
Aplitec S.A. and Surrounding Territories	o						Non-Banking
Aplitec Rest of World		o			o		
John Drove	?	?					Derivative Action

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DATED AT JOHANNESBURG ON THIS THE 3rd DAY OF MAY 2000.

AS WITNESSES:

1

2

/s/ Serge Belamant

-----  
For and on behalf of:  
Net 1 Holdings S.a.r.l

DATED AT JOHANNESBURG ON THIS THE 3rd DAY OF  
MAY 2000.

AS WITNESSES:

1

2

/s/ Claude Guerard

-----  
For and on behalf of:  
Net 1 UEPS Technologies, Inc.

## CONSULTING AGREEMENT

CONSULTING AGREEMENT dated as of 1st October, 1999 (the "Agreement"), by and between Net1 Holdings S.A.R.L., a Luxembourg Corporation (the "Company"), and Claude Guerard (the "consultant").

WHEREAS, the Company desires that the Consultant provide the Company and its affiliates with certain consulting and advisory services, and the Consultant desires to render such services to the Company in consideration of a consulting fee.

NOW, THEREFORE, and in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## 1. CONSULTING SERVICES

During the term of this Agreement, the Consultant shall be available generally to render advice to the Company and its affiliates on matters including but not limited to the corporate restructuring of the Company and its affiliates and the development and implementation of a partnership network on a worldwide base.

## 2. COMPENSATION EXPENSES

As compensation for the Consultant's services hereunder, the Company shall pay the Consultant a consulting fee in the amount of US\$ 12,500 (Twelve Thousand, Five Hundred Dollars Only) per month, payable on the first day of each month. In addition, the Consultant shall be reimbursed for necessary and reasonable business expenses incurred by the Consultant in connection with the performance of his duties hereunder, including, without limitation, the cost of necessary office supplies and equipment.

## 3. TERM

The term of this Agreement shall commence on 1st October 1999 for one quarter and thereafter renewed each quarter, unless sooner terminated by agreement of the parties with one week notice period.

## 4. INDEMNIFICATION

- (a) The Company agrees to indemnify and hold harmless the Consultant from any and all claims, liabilities, losses, costs, damages, expenses, judgements, fines and amounts paid in settlement (including attorney's fees), arising from any source whatsoever. The Company shall be entitled to direct the defense of any claim for which it is obligated to provide indemnification, at the Company's expense, but such defense shall be conducted by legal counsel mutually agreed to by the Company and the Consultant. The company agreed to keep the Consultant informed on a timely basis of the status of all legal proceedings relating to this indemnification and shall provide copies of all documents relating to the legal proceedings to the Consultant or at the Consultant's request, its legal counsel. The company further agreed that it will not settle, compromise or consent to the entry of any judgement in any pending or threatened claim, action or proceeding in which it is obligated to provide



indemnification hereunder without the prior written consent of the Consultant, which consent shall not be unreasonably withheld or delayed.

- (b) Expenses incurred in defending any threatened or pending civil, criminal, administration or investigative action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the Consultant to repay such amount if it is ultimately determined, in a final non-appealable judgement of a court of competent jurisdiction, that the Consultant is not entitled to be indemnified against such expenses solely as a result of the Consultant's gross negligence or intentional wrongdoing. This undertaking by the Consultant shall be an unqualified general undertaking, and no security for such undertaking will be required.
- (c) All of the Consultant's rights under this Section 4 will continue even after this Agreement has been terminated for any reason.

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5. ASSIGNABILITY

This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties and their respective successors; provided that neither party may assign its rights or obligations hereunder without the prior written consent of the other.

6. NOTICES

All notices and other communications required or permitted by this Agreement or by law to be served upon or given to a party hereto by the other party hereto shall be deemed duly made after delivery by hand or registered commercial overnight courier, return receipt requested, addressed as follows:

If To The Company, To:

Net1 Holdings, S.A.R.L.  
4th Floor, North Wing,  
President Place  
Cnr Jan Smuts Avenue & Bolton Road  
ROSEBANK, JOHANNESBURG  
Attention Serge C P Belamant

If To The Consultant, To:

Mr Claude Guerard  
20 Avenue Pozzo Di Borgo,  
92210 Saint Cloud  
FRANCE  
Attention Claude Guerard

7. COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which together will constitute one and the same instrument.

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8. HEADINGS

The headings contained herein are for reference purposes only and shall

not in any way affect the meaning or interpretation of the Agreement.

9. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the internal laws of Luxembourg, without regard to the conflicts of law principles hereto.

10. AMENDMENT

This Agreement may be amended only with the prior written approval of each of the parties hereto.

IN WITNESS WHEREOF, the parties, each by its duly authorised signatory, have executed this Agreement as of the date first above written.

FOR & ON BEHALF OF NET1 HOLDINGS, S.A.R.L.

/s/ S. Belamant

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Mr S C P Belamant

Joint Executive Director

ACCEPTED BY:

/s/ C. Guerard

-----  
Mr C Guerard

ASSIGNMENT OF CONSULTING AGREEMENT

Net 1 Holdings S.a.r.l., a Luxembourg corporation ("Assignor") hereby assigns all liability and responsibility in and to that certain Consulting and Advisory Agreement by and between Assignor and Claude Guerard, dated October 1, 1999, and attached hereto as Exhibit "A", to Net 1 UEPS Technologies, Inc., a Florida corporation ("Assignee"), effective October 1, 1999.

Assignee does herewith accept said assignment and shall assume all of Assignor's liability and responsibility for the Consulting Agreement including consulting fees and reimbursement expenses.

DATED THIS 25th day of October, 1999.

Assignor:

Net 1 Holdings S.a.r.l.,  
a Luxembourg corporation

By: /s/ B. Stewart

-----  
Title: Director  
Print Name: Brenda Lynn Stewart

Assignee:

Net 1 UEPS Technologies, Inc.,  
a Florida corporation

By: /s/ Serge Belamant

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Title: Chairman  
Print Name: S.C.P. Belamant

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