

PROPOSAL 3

INCREASE IN AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors has approved a proposal to amend the Company's Amended Articles of Incorporation ("Amended Articles") to increase the number of authorized shares of the Company's common stock from 500 million shares to 750 million shares. The proposed amendment would state the following language:

"The corporation shall have authority to issue an aggregate of Seven Hundred Fifty Million (750,000,000) Common Capital Shares, par value one mill (\$0.001) per share for total par value of Seven Hundred Fifty Thousand Dollars (\$750,000)."

In addition, if this Proposal 3 is approved, and except for the issuance of stock options under the Company's existing Director Compensation Policy (which is currently suspended), any issuance of common or preferred shares of the Company, including the issuance of stock options and/or common stock to Mr. Kyte in connection with his employment with the Company shall require unanimous approval of the Board. Notwithstanding, the Company's CEO, Cecil Bond Kyte, exercising his business judgment, may issue common or preferred shares of the Company in furtherance of a commercial transaction, subject to ratification by a majority vote of the Board.

The Board of Directors is advised that the Company's issued and outstanding shares of common stock, on a fully-diluted basis (which assumes that the Company's currently unconverted outstanding notes, warrants, and options will be exercised and converted into shares of common stock of the Company), exceeds its authorized 500 million shares of common stock by approximately 56 million shares. This proposal to increase the Company's authorized common shares will ensure that the Company will be able to meet its share issuance obligations with respect to its outstanding derivative securities.

The Board also believes that the proposed increase in authorized common shares will provide the Company greater flexibility in considering and planning for future corporate needs, including, but not limited to, stock dividends, grants of stock, grants of equity compensation (including such grants to Mr. Kyte in connection with his employment with the Company), grants under equity compensation plans, grants of options and warrants, stock splits, financings, potential strategic transactions, including mergers, acquisitions, and business combinations, as well as other general corporate transactions, and, as noted above, to satisfy the issuance of shares of our common stock on the exercise of prior grants of our notes, options and warrants. The Board believes that additional authorized shares of common stock will enable the Company to take timely advantage of market conditions and favorable financing and acquisition opportunities that become available to the Company without the delay and expense associated with convening a special meeting of the Company's stockholders. This is particularly true given the recent change in the Company's management and Board and their efforts to commercialize the Company's AOT technology and their efforts to consider and evaluate other business opportunities.

Other than the issuance of stock options and/or common stock to Mr. Kyte in connection with his employment with the Company or the issuance of common stock on the conversion of the Company's outstanding notes, warrants, and options or the issuance of stock in connection with the Company's efforts to commercialize its AOT technology, the Company has no plan, commitment, arrangement, understanding or agreement regarding the issuance of additional shares of common stock that will result from the Company's adoption of the proposed amendment, and will issue additional shares only on such terms and only when the Company believes it would be in the Company's best interest to do so, and only in accordance with the Company's Board's fiduciary responsibilities to the Company and its shareholders. Except as otherwise required by law, the newly authorized shares of common stock will be available for issuance at the discretion of the Board (without further action by the stockholders) for various future corporate needs, including those outlined above. While adoption of the proposed amendment would not have any immediate dilutive effect on the proportionate voting power or other rights of the Company's existing stockholders, any future issuance of additional authorized shares of the Company's common stock may, among other things, dilute the earnings per share of the common stock and the equity and voting rights of those holding common stock at the time the additional shares are issued.

In addition to the corporate purposes mentioned above, an increase in the number of authorized shares of the Company's common stock may make it more difficult to, or discourage an attempt to, obtain control of the Company by means of a takeover bid that the Board determines is not in the best interest of the Company and its stockholders. However, the Board does not intend or view the proposed increase in the number of authorized shares of the Company's common stock as an anti-takeover measure and is not aware of any attempt or plan to obtain control of the Company.

Any newly authorized shares of the Company's common stock will be identical to the shares of common stock now authorized and outstanding. The proposed amendment will not affect the rights of current holders of the Company's common stock, none of whom has preemptive or similar rights to acquire the newly authorized shares.

Members of the Board, Cecil Bond Kyte and Dr. Eric Bunting, own shares of common stock and warrants, options, and other derivative securities of the Company. Mr. Kyte will also receive stock options and/or common stock of the Company in connection with his employment agreement with the Company. These individuals have a substantial interest in this Proposal 3.

The Board unanimously recommends a vote FOR the proposed amendment to increase the number of authorized shares of the Company's Common Stock from 500 million to 750 million.