

NOTICE TO THE STOCKHOLDERS OF

ARGYLE SECURITY, INC.

PURSUANT TO SECTION 228 OF THE GENERAL CORPORATION LAW OF

THE STATE OF DELAWARE

Notice is hereby given to all stockholders of Argyle Security, Inc., a Delaware corporation (the "Company"), pursuant to Section 228(e) of the Delaware General Corporation Law (the "DGCL") that:

Effective as of July 13, 2015, certain of the stockholders holding (i) at least a majority of the outstanding shares of the Series B Convertible Preferred Stock, voting as a single class and not on an as-converted basis and (ii) the holders of at least a majority of the outstanding shares of Series B Preferred Stock and Common Stock, voting together as a single class (on an as-converted basis) of the Company, consented by written consent in lieu of a special meeting to adopt and approve, among other things, (i) the Fourth Amended and Restated Certificate of Incorporation, which, among other things, increased the number of authorized shares of stock from 90,000,000 to 150,000,000 of which 120,000,000 are designated as common stock and 30,000,000 designated as preferred stock, (ii) a Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock, that created the new Series C Preferred Shares, authorized 27,000,000 Series C Preferred Shares and designated the rights, preferences, privileges and limitations of the Series C Preferred Shares, and (iii) the issuance of up to 27,000,000 shares of Series C Convertible Preferred Stock, a copy of which written consent is attached hereto as Exhibit A.

Dated as of July 17, 2015

ARGYLE SECURITY, INC.

By: /s/ Buddy Johns
Buddy Johns
President and Chief Executive Officer

Exhibit A

See attached.

ARGYLE SECURITY, INC.

*Joint Written Consent of
the Requisite Series B Convertible Preferred Stockholders
and
the Requisite Common Stockholders*

July 13, 2015

The undersigned, being (i) the holders of at least a majority of the outstanding shares of the Series B Convertible Preferred Stock (the “**Series B Preferred Stock**”), voting as a single class and not on an as-converted basis (the “**Requisite Series B Stockholders**”) and (ii) the holders of at least a majority of the outstanding shares of Series B Preferred Stock and Common Stock, voting together as a single class (on an as-converted basis) (the “**Requisite Common and Series B Stockholders**”) of Argyle Security, Inc., a Delaware corporation (the “**Company**”), as reflected on the attached Annex I, hereby approve, consent to and adopt the following recitals and resolutions, and the actions therein authorized as the act of the Requisite Series B Stockholders and of the Requisite Common and Series B Stockholders by written consent as of the date set forth above, such consent to have the same force and effect as a vote of the Requisite Series B Stockholders and the Requisite Common and Series B Stockholders at a duly called meeting of the stockholders of the Company:

Part I. Proper Officers

RESOLVED, that for purposes of these resolutions, the term “**Proper Officer**” shall mean each or any one or more of the Company’s duly elected President, Chief Executive Officer, Chief Financial Officer, Treasurer, and any Vice President and solely for the purposes of attesting to, or certifying as to the authenticity of documents, instruments or agreements, the Secretary or any Assistant Secretary.

Part II. Approval of Fourth Amended and Restated Certificate of Incorporation

WHEREAS, pursuant to the terms of the Exchange Agreement (the “**Exchange Agreement**”), dated as of July 14, 2015 by and among the Company, Mezzanine Management Fund IV Coinvest A, LP (“**MMF IV Coinvest**”), and Mezzanine Management Fund IV A, LP (“**MMF IV A**,” and together with MMF IV Coinvest, the “**Purchasers**”), the Purchasers (such term, as with any other capitalized term used herein but not otherwise defined, to have the meaning ascribed to it in the Exchange Agreement) desire to acquire from the Company newly issued shares of the class of the Company’s Convertible Preferred Stock, par value U.S.\$0.001 per share, to be designated as Series C Preferred Stock (the “**Series C Preferred Stock**”), in exchange for cancellation of (i) 16% Amended and Restated Convertible Subordinated Promissory Note, dated October 3, 2014, as amended, payable by the Company to the order of MMF IVA in the original principal face amount of \$8,309,077.86, (ii) the 16% Convertible Subordinated Promissory Note, dated February 26, 2015, payable by the Company to the order of MMF IVA in the original principal face amount of \$1,969,333.26, (iii) 16% Amended and Restated Convertible Subordinated Promissory Note, dated October 3, 2014, as amended, payable by the Company to the order of MMF IV Coinvest in the original principal face amount of \$129,390.14, and (iv) the 16% Convertible Subordinated Promissory Note, dated February 26,

2015, payable by the Company to the order of MMF IV Coinvest in the original principal face amount of \$30,666.74 (collectively, the “**MMF Notes**”), plus the accrued but unpaid interest on such MMF Notes;

WHEREAS, in connection with the Exchange Agreement, the Company desires to amend and restate its certificate of incorporation pursuant to the terms of that Certain Fourth Amended and Restated Certificate of Incorporation of the Company (the “**Restated Certificate of Incorporation**”), attached hereto as Exhibit A; and

WHEREAS, the Requisite Common and Series B Stockholders have reviewed, considered and discussed the terms and conditions of the Restated Certificate of Incorporation and have determined that it is advisable and in the best interests of the Company to enter into the Restated Certificate of Incorporation.

NOW, THEREFORE, BE IT RESOLVED, that the Restated Certificate of Incorporation, in substantially the form presented to the Requisite Common and Series B Stockholders, with such immaterial changes therein and immaterial modifications and amendments thereto as the Proper Officers may in their sole discretion approve be, and hereby is, approved, adopted, ratified and confirmed, and the delivery and execution by the Proper Officers of the Restated Certificate of Incorporation be, and they hereby are, in all respects approved, adopted and confirmed as the act of the Company; and

RESOLVED FURTHER, that the Proper Officers be, and hereby are, authorized and directed to execute and file the Restated Certificate of Incorporation with the Secretary of the State of Delaware to effect the foregoing.

Part III. Issuance of Series C Preferred Stock and Approval of Certificate of Designations

WHEREAS, the Certificate of Incorporation currently authorizes a class of stock designated as preferred stock, comprising 30,000,000 shares, par value \$.0001 per share, and provides that such preferred stock may be issued from time to time in one or more series and vests authority in the Board, within the limitations and restrictions stated in the Certificate of Incorporation, to fix or alter the voting powers, designations, preferences and relative participating, optional or other special rights, of any wholly unissued series of preferred stock;

WHEREAS, the Company has previously issued up to 27,273 shares of Series B Preferred Stock, par value \$.0001 per share, and the Board designated such series and fixed the powers, preferences and rights, and the qualifications, limitations or restrictions thereof in connection with the issuance thereof (the “**Series B Designation**”);

WHEREAS, the Company desires to designate a class of Series C Preferred Stock authorizing up to 27,000,000 shares of Series C Convertible Preferred Stock (the “**Series C Preferred Stock**”), and to fix the powers, preferences and rights, and the qualifications, limitations or restrictions thereof pursuant to the certificate of designations, preferences and rights of Series C Preferred Stock (the “**Series C Designation Certificate**”) which is attached hereto as Exhibit B;

WHEREAS, the Company proposes to issue up to 27,000,000 shares of Series C Preferred Stock in connection with the Exchange Agreement (the “**Issuance**”); and

WHEREAS, the Requisite Series B Stockholders have reviewed, considered and discussed the terms and conditions of the Series C Designation Certificate and the Issuance, and the Requisite Series B Stockholders have determined that it is advisable and in the best interests of the Company to authorize the execution, delivery and performance of the Series C Designation Certificate and the Issuance.

NOW, THEREFORE, BE IT RESOLVED, that the Series C Designation Certificate, in substantially the form presented to the Requisite Series B Stockholders, with such immaterial changes therein and immaterial modifications and amendments thereto as the Proper Officers may in their sole discretion approve be, and hereby is, approved, adopted, ratified and confirmed, and the delivery and execution by the Proper Officers of the Series C Designation Certificate be, and they hereby are, in all respects approved, adopted and confirmed as the act of the Company;

RESOLVED FURTHER, that the Proper Officers be, and hereby are, authorized and directed to execute and file the Series C Designation Certificate with the Secretary of the State of Delaware to effect the foregoing; and

RESOLVED FURTHER, that the Company is hereby authorized to issue up to 27,000,000 shares of Series C Preferred Stock in the manner provided in the Exchange Agreement, and such shares, when issued in accordance with the Subscription Agreements, shall constitute validly issued, fully paid and nonassessable shares of Series C Preferred Stock.

Part IV. General

RESOLVED FURTHER, that any one or more of the Proper Officers be and each of them hereby is authorized, empowered and directed, for, in the name and on behalf of the Company to sign, execute, certify to, verify, acknowledge, deliver, accept, file and record all additional financing statements, agreements, certificates, documents, reports, and schedules and all amendments, modifications, or waivers relating to the matters covered by the above resolutions, and to take, or cause to be taken, any and all such action, for the Company and in its name, which may be required for the transactions contemplated by the above resolutions or which any one or more of the Proper Officers taking such action deems necessary or appropriate and in the Company's best interest, such approval to be conclusively evidenced by such execution, but attestation of any agreement or document by any officer is not required for its validity;

RESOLVED FURTHER, that any and all actions heretofore or hereafter taken by any officer of the Company within the terms of the foregoing resolutions are hereby ratified and confirmed as the act and deed of the Company; and

Part V. Counterparts


RESOLVED FURTHER, that this Joint Written Consent may be executed by means of original, portable document format (PDF) or facsimile signature.

[Signature Page Follows]


IN WITNESS WHEREOF, the undersigned, constituting the Requisite Common and Series B Stockholders and the Requisite Series B Stockholders, hereby consent to all of the foregoing as of the date first above written.

REQUISITE COMMON AND SERIES B STOCKHOLDERS (Consenting to Parts I, II, IV and V of this Joint Written Consent.):

MEZZANINE MANAGEMENT FUND IV A, L.P.
a limited partnership organized under the laws of the United Kingdom


By: 
Name: Christopher C. Morris
Title: Authorized Signatory

MEZZANINE MANAGEMENT FUND IV COINVEST A, L.P.
a limited partnership organized under the laws of the United Kingdom

By: 
Name: Christopher C. Morris
Title: Authorized Signatory


REQUISITE SERIES B STOCKHOLDERS:
(Consenting to this Joint Written Consent in full):

MEZZANINE MANAGEMENT FUND IV A, L.P.
a limited partnership organized under the laws of the United Kingdom

By: 
Name: Christopher C. Morris
Title: Authorized Signatory

**MEZZANINE MANAGEMENT FUND IV
COINVEST A, L.P.**

a limited partnership organized under the laws of the
United Kingdom

By: 
Name: Christopher C. Morris
Title: Authorized Signatory

Annex I

Ownership of Consenting Parties

Consenting Party	Common	Common <i>(as a percentage of outstanding Common)</i>	Series B Preferred Actual Shares	Series B Preferred Actual Shares <i>(as a percentage of outstanding Series B Preferred)</i>	Series B Preferred (as converted) Shares	Total of Common and Series B Preferred (as converted) Shares	Common and Series B Preferred (as converted) Shares <i>(as a percentage of outstanding Common and Series B Preferred (converted))</i>
Mezzanine Management Fund IV A, LP							
Mezzanine Management Fund IV Coinvest A, LP							

Exhibit A

Restated Certificate of Incorporation

See attached.

**FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
ARGYLE SECURITY, INC.**

Pursuant to the provisions of Sections 242 and 245 of the Delaware General Corporation Law, as amended (the “**DGCL**”), ARGYLE SECURITY, INC., a Delaware corporation (the “**Corporation**”) hereby certifies as follows:

ARTICLE ONE

The name of the Corporation is ARGYLE SECURITY, INC. The date of filing of its original Certificate of Incorporation with the Secretary of State was June 22, 2005 under the name of ARGYLE SECURITY ACQUISITION CORPORATION.

ARTICLE TWO

The following amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation.

ARTICLE THREE

1) The first sentence of ARTICLE FOURTH is amended and restated in its entirety to read as follows:

“FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 150,000,000, of which 120,000,000 shares shall be Common Stock of the par value of \$.0001 per share, and 30,000,000 shares shall be Preferred Stock of the par value of \$.0001 per share.”

2) Clause A of ARTICLE FOURTH is amended and restated in its entirety to read as follows:

“(A) Preferred Stock.

- (i) General. The Board of Directors is expressly granted authority to issue shares of the Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a “Preferred Stock Designation”) and as may be permitted by the DGCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then

outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

- (ii) Certificate of Designations, Preferences and Rights. The Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock filed with the Delaware Secretary of State as of January 8, 2009 is hereby made a part of this Fourth Amended and Restated Certificate of Incorporation and is incorporated herein by reference.”

3) Clause B of ARTICLE SEVENTH is amended and restated in its entirety to read as follows:

“The Corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify any person (a “Covered Person”) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact he or she or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation, or while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys’ fees) reasonably incurred by such Covered Person. Expenses (including attorneys’ fees) incurred by a Covered Person in defending any Proceeding for which such Covered Person may be entitled to indemnification hereunder shall 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 Covered Person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized hereby. Notwithstanding the foregoing, except for claims for indemnification (following the final disposition of such Proceeding) or advancement of expenses not paid in full, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized in the specific case by the board of directors of the Corporation. Any amendment, repeal or modification of this Clause B of ARTICLE SEVENTH shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.”

ARTICLE FOUR

The Fourth Amended and Restated Certificate of Incorporation of Argyle Security, Inc., in the form attached hereto as Exhibit A, has been approved by the Board of Directors of the Corporation pursuant to Section 245 of the DGCL. The Fourth Amended and Restated Certificate of Incorporation is so adopted and incorporated herein by reference.

ARTICLE FIVE

This certificate shall be effective on the date of filing with the Secretary of State of the State of Delaware.

[signature page follows]

IN WITNESS WHEREOF, the undersigned, being the duly authorized Chief Executive Officer of the Corporation, for the purpose of amending the Certificate of Incorporation of the Corporation pursuant to Sections 242 and 245 of the DGCL, does make and file this Certificate of Amendment as of the 13th day of July, 2015.

Argyle Security, Inc.

Name: Buddy Johns
Title: Chief Executive Officer

EXHIBIT A

FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ARGYLE SECURITY, INC.

FIRST: The name of the corporation is Argyle Security, Inc. (the “Corporation”).

SECOND: The registered office of the Corporation is to be located at 615 South DuPont Highway, Kent County, Dover, Delaware. The name of its registered agent at that address is National Corporate Research, Ltd.

THIRD: The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (the “DGCL”).

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 150,000,000, of which 120,000,000 shares shall be Common Stock of the par value of \$.0001 per share, 30,000,000 shares shall be Preferred Stock of the par value of \$.0001 per share.

(A) Preferred Stock.

- (i) General. The Board of Directors is expressly granted authority to issue shares of the Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a “Preferred Stock Designation”) and as may be permitted by the DGCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.
- (ii) Certificate of Designations, Preferences and Rights. The Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock filed with the Delaware Secretary of State as of January 8, 2009 is hereby made a part of this Fourth Amended and

Restated Certificate of Incorporation and is incorporated herein by reference.

- (B) Common Stock. Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation, the holders of the Common Stock shall exclusively possess all voting power and each share of Common Stock shall have one vote.

FIFTH: The Board of Directors shall be divided into three classes: Class A, Class B and Class C. The number of directors in each class shall be as nearly equal as possible. At the first election of directors by the incorporator, the incorporator shall elect a Class C director for a term expiring at the Corporation's third Annual Meeting of Stockholders. The Class C director shall then elect additional Class A, Class B and Class C directors. The directors in Class A shall be elected for a term expiring at the first Annual Meeting of Stockholders, the directors in Class B shall be elected for a term expiring at the second Annual Meeting of Stockholders and the directors in Class C shall be elected for a term expiring at the third Annual Meeting of Stockholders. Commencing at the first Annual Meeting of Stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Except as the DGCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation's Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

SIXTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

- (A) Election of directors need not be by ballot unless the by-laws of the Corporation so provide.
- (B) The Board of Directors shall have the power, without the assent or vote of the stockholders, to make, alter, amend, change, add to or repeal the by-laws of the Corporation as provided in the by-laws of the Corporation.
- (C) The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified

by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interests, or for any other reason.

- (D) In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate of Incorporation, and to any by-laws from time to time made by the stockholders; provided, however, that no by-law so made shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.

SEVENTH:

- (A) A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this paragraph A by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation with respect to events occurring prior to the time of such repeal or modification.
- (B) The Corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact he or she or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation, or while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all

liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Expenses (including attorneys' fees) incurred by a Covered Person in defending any Proceeding for which such Covered Person may be entitled to indemnification hereunder shall 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 Covered Person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized hereby. Notwithstanding the foregoing, except for claims for indemnification (following the final disposition of such Proceeding) or advancement of expenses not paid in full, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized in the specific case by the board of directors of the Corporation. Any amendment, repeal or modification of this Clause B of ARTICLE SEVENTH shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

EIGHTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

Exhibit B

Series C Designation Certificate

See attached.

[SIGNATURE PAGE TO JOINT WRITTEN CONSENT
OF THE REQUISITE SERIES B CONVERTIBLE PREFERRED STOCKHOLDERS AND
THE REQUISITE COMMON STOCKHOLDERS OF
ARGYLE SECURITY, INC.]

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF SERIES C CONVERTIBLE PREFERRED STOCK

Pursuant to Section 151 of the Delaware General Corporation Law

Pursuant to the authority granted to and vested in the Board of Directors of Argyle Security, Inc., a Delaware corporation (the “**Corporation**”) by the provisions of its Fourth Amended and Restated Certificate of Incorporation (the “**Certificate of Incorporation**”) and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware (the “**DGCL**”), its Board of Directors has duly adopted the following resolutions effective as of July 13, 2015 (the “**Effective Date**”) creating the Series C Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article Fourth of the Certificate of Incorporation, a series of preferred stock of the Corporation be, and it hereby is, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated Series C Convertible Preferred Stock, to consist of a maximum of 27,000,000 shares, par value \$0.0001 per share, of which the preferences and relative and other rights and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Certificate of Incorporation) as follows:

1. **Number and Designation.** Twenty-Seven Million (27,000,000) shares of the Preferred Stock of the Corporation shall be designated as Series C Convertible Preferred Stock (the “**Series C Preferred**”).
2. **Rank.** The Series C Preferred shall, with respect to dividend rights, redemption rights and rights upon Liquidation, rank (a) senior and prior to all classes or series of common stock and preferred stock of the Corporation, including the Corporation’s Series B Preferred Stock, par value \$0.0001 per share (the “**Series B Preferred**”) and the Corporation’s common stock, par value \$0.0001 per share (the “**Common Stock**”), and each other class or series of Capital Stock of the Corporation, the terms of which provide that such class or series shall rank junior to the Series C Preferred, (b) junior to each class or series of Capital Stock of the Corporation, the terms of which provide that such class or series shall rank senior or prior to the Series C Preferred, if any, and (c) on a parity with each class or series of Capital Stock of the Corporation, the terms of which provide that such class or series shall rank on a parity with the Series C Preferred, if any. All equity securities of the Corporation to which the Series C Preferred ranks senior and prior (whether with respect to dividends, redemption, or upon Liquidation or otherwise), including the Series B Preferred and the Common Stock, and any rights or options exercisable or convertible therefor, are collectively referred to herein as the “**Junior Securities.**” All equity securities of the Corporation with which the Series C Preferred ranks on a parity (whether with respect to dividends, redemption or upon Liquidation), if any, and any rights or options exercisable or convertible therefor, are collectively referred to herein as the “**Parity Securities.**” All equity securities of the Corporation to which the Series C Preferred ranks junior (whether with respect to dividends, redemption or upon

Liquidation or otherwise), if any, and any rights or options exercisable or convertible therefor, are collectively referred to herein as the “*Senior Securities*.”

3. **Dividends.**

(a) The holders of the Series C Preferred shall be entitled to receive, on a cumulative basis, cash dividends, when, as and if declared by the Board, out of any funds legally available therefor, equal to the accrued and unpaid dividends based upon the Dividend Rate (as defined below); provided, however, such cash dividends shall be paid not later than the earlier of (i) the date any dividend is paid on an Junior Securities, (ii) a Liquidation or (iii) the conversion of the Series C Preferred with respect to the shares of Series C Preferred so converted; provided, however, depending on the event giving rise to such dividend, such dividend may be paid in the form of additional shares of Common Stock (or proceeds payable or deemed payable with respect to such shares of Common Stock) based on whether such shares of Series C Preferred are converted into Common Stock (or the payout is measured based upon such conversion) in lieu of a cash dividend. Dividends on Series C Preferred shall continue to accrue, whether or not declared, on a daily basis from the date of original issuance to the first dividend payment date and shall accrue thereafter between each successive dividend payment date. “*Dividend Rate*” shall mean 20% of the Original Issue Price per annum compounded annually for each share of Series C Preferred (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like).

(b) Dividends on the Series C Preferred (the “*Series C Dividend*”) shall be prior to and in preference to any declaration or payment of any dividend or distribution (other than dividends or distributions payable in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock) on any Junior Securities. The foregoing shall not preclude the declaration and payment of dividends in the required amounts to the holders of any Parity Securities, so long as such dividends or distributions are declared and paid ratably with the Series C Preferred based upon the relative aggregate liquidation values of the Series C Preferred and any series of Parity Securities. To illustrate the preceding sentence, if subsequent to the date hereof, shares of Series D Preferred Stock are issued as a Parity Security, and the Series C Preferred and such Series D Preferred Stock are the only series of Parity Securities outstanding as of the date of dividend declaration, and the aggregate Liquidation Values of all shares of Series C Preferred is \$2,000 and the aggregate liquidation value of all shares of Series D Preferred Stock is \$500, and if the Corporation declares a \$500 dividend, then each holder of Series C Preferred shall be entitled to receive its *pro rata* share of \$400, and each holder of Series D Preferred Stock shall be entitled to receive its *pro rata* share of \$100.

4. **Liquidation Preference.** In the event of any Liquidation, whether voluntary or involuntary, distributions shall be made to the holders of the Series C Preferred in the following manner:

(a) **Preference.** After payment of all amounts due to the holders of Senior Securities, if any, and before payment of any amount to the holders of Junior Securities,

each holder of Series C Preferred shall be entitled to receive, from the assets of the Corporation available for distribution to holders of its securities, an amount equal to the greater of (i) the Liquidation Value of each share of Series C Preferred held thereby, or (ii) the amount such holder would receive if all of the outstanding shares of Series C Preferred were converted into shares of Common Stock in accordance with Section 5(a) below immediately prior to such Liquidation. If, upon the occurrence of a Liquidation, the assets and funds available for distribution among the holders of the Series C Preferred shall be insufficient to permit the payment in full of the Liquidation Value of all of the outstanding Series C Preferred and all of the outstanding Parity Securities, if any, then the entire assets and funds of the Corporation so available after payment of all amounts due to holders of Senior Securities, if any, and before payment of any amount to the holders of Junior Securities shall be distributed ratably in respect of the Series C Preferred and such Parity Securities based upon the relative aggregate liquidation values of such securities. To illustrate the preceding sentence, if subsequent to the date hereof, shares of Series C Preferred Stock are issued as a Parity Security, and the Series C Preferred and such Series C Preferred Stock are the only series of Parity Securities outstanding at the time of the Liquidation, and the aggregate Liquidation Values of all shares of Series C Preferred is \$2,000 and the aggregate liquidation values of all shares of Series D Preferred Stock is \$500, and if the Corporation has \$500 available for distribution, then each holder of Series C Preferred shall be entitled to receive its *pro rata* share of \$400, and each holder of Series D Preferred Stock shall be entitled to receive its *pro rata* share of \$100.

(b) Remaining Assets. If assets are remaining after payment of the full preferential amount with respect to the Series C Preferred and Parity Securities, if any, set forth in Section 4(a), then in the case of a Liquidation (but only if such Liquidation constitutes a voluntary or involuntary liquidation, dissolution or winding up of the Corporation) the Corporation shall make distributions in respect of the Junior Securities according to the relative rights and preferences thereof.

(c) Conversion Rights Not Impaired. Nothing in this Section 4 shall in any way limit the right of each holder of shares of Series C Preferred to elect to convert such shares into shares of Common Stock in accordance with Section 5(a) hereof at any time at or prior to the effectiveness of any Liquidation.

(d) Valuation of Securities and Property. The Corporation may only distribute assets other than cash to holders of the Series C Preferred and Series B Preferred in connection with any Liquidation, on the prior written consent of the holders of a majority of the then outstanding Preferred Stock, voting together as a single class on an as-converted into Common Stock basis, and in such case, the value of the assets to be distributed to the holders of Series C Preferred shall be the Market Price of such assets.

(e) Notice. At least 30 days prior to the occurrence of any Liquidation, the Corporation shall furnish to each holder of Series C Preferred notice of such Liquidation in accordance with Section 9 hereof, together with a certificate prepared by the chief financial officer of the Corporation describing the facts of such Liquidation and stating in reasonable detail (i) the estimated amount(s) per share of Series C Preferred that such

holder would receive pursuant to this Section 4 in connection with such Liquidation and (ii) by comparison, the amount the holder of each share of Common Stock would receive, assuming for purposes of such calculation that no holder of Capital Stock converts same to Common Stock at or prior to the effectiveness of such Liquidation.

5. **Conversion.** The holders of the Series C Preferred shall have conversion rights as follows (the “***Conversion Rights***”):

(a) **Optional Conversion.** Each share of the Series C Preferred shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Series C Preferred, into such number of fully paid and nonassessable shares of Common Stock, as is determined by dividing (i) the Original Issue Price plus the accrued and unpaid dividends thereon by (ii) the Series C Conversion Price (the “***Series C Conversion Ratio***”), determined as hereinafter provided, in effect at the time of conversion. The Series C Conversion Price is \$0.4302 per share of Common Stock (the “***Series C Conversion Price***”) and shall be subject to adjustment as hereinafter provided.

(b) **Automatic Conversion.** Each share of the Series C Preferred shall automatically be converted into shares of Common Stock at the then effective Series C Conversion Ratio upon the written consent of the holders of eighty percent (80%) of the then-outstanding Series C Preferred.

Upon the occurrence of such automatic conversion of the Series C Preferred, the holders of the Series C Preferred shall surrender the certificates representing such shares at the office of the Corporation or of any transfer agent for the Series C Preferred. Thereupon, there shall be paid, issued and delivered to such holder, promptly at such office and in his name as shown on such surrendered certificate or certificates and stock records of the Corporation, a certificate or certificates for the number of shares of Common Stock into which the shares of Series C Preferred surrendered were convertible on the date on which said automatic conversion occurred.

(c) **Mechanics of Conversion.** No fractional shares of Common Stock shall be issued upon conversion of the Series C Preferred and the number of shares of Common Stock to be issued upon such conversion shall be rounded down to the nearest whole share. Instead of any fractional share of Common Stock which would otherwise be issuable upon conversion of any shares of Series C Preferred, the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to the greater of (i) the Market Price or (ii) that fractional interest of the Series C Conversion Price, in each case on the Conversion Date. Except as provided in Section 5(b), before any holder of Series C Preferred shall be entitled to convert the same into whole shares of Common Stock, such holders shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series C Preferred, and shall give written notice to the Corporation at such office that he elects to convert the same. The Corporation shall, as soon as practicable thereafter, deliver at such office to such holder of Series C Preferred, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. In addition, if less

than all of the shares represented by such certificates are surrendered for conversion pursuant to Section 5(a) the Corporation shall issue and deliver to such holder a new certificate for the balance of the shares of Series C Preferred not so converted. Except as provided in Section 5(b), such conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of the certificate for the shares of Series C Preferred to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(d) Adjustment to Conversion Price of Series C Preferred for Diluting Issues.

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

(A) “Additional Shares of Common” shall mean all shares of Common Stock issued (or, pursuant to Section 5(d)(iii), deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable: (1) upon conversion (but not issuance) of shares of, or a dividend or distribution on, Series C Preferred or the Series B Preferred; (2) to officers, directors, employees or consultants pursuant to (i) restricted stock grants of up to 150,000 shares of restricted Common Stock or (ii) options to purchase up to 300,000 shares of Common Stock with an exercise price per share equal to the greater of (x) the Series C Conversion Price or (y) the Market Price of a share of Common Stock, in each case, as in effect on the date of and immediately prior to such grant, and in each case under such clauses (i) and (ii), pursuant to the Company’s 2007 Omnibus Securities and Incentive Plan for the primary purpose of soliciting or compensating them for their past or future services, (3) by way of dividend or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common by the foregoing clauses (1) and (2) or this clause (3); (4) as a result of the exercise of any option or warrant to purchase Common Stock outstanding as of the Original Issue Date, (5) for which adjustment to (x) the Series C Conversion Price is made pursuant to Section 5(d)(vi) or (y) the Series B Conversion Price is made after the Original Issue Date pursuant to Section 5(d)(vi) of the Series B Certificate of Designation; (6) as a result of the exercise of the “Rodman Warrants” issued by the Corporation pursuant to the December 18, 2007 letter agreement between the Corporation and Rodman and Renshaw, LLC, or (7) upon the approval of the Majority Holders.

(B) “Convertible Securities” shall mean any evidences of indebtedness, shares (other than Common Stock and Series C Preferred Stock) or other securities convertible into or exchangeable for Additional Shares of Common.

(C) “Options” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Common or Convertible Securities.

(D) “Original Issue Date” shall mean the date on which the first share of Series C Preferred is issued.

(ii) No Adjustment of Conversion Price. No adjustment in the Series C Conversion Price shall be made in respect of the issuance of Additional Shares of Common unless the consideration per share (determined pursuant to Section 5(d)(v)) for an Additional Share of Common issued or deemed to be issued by the Corporation is less than the greater of (A) the Series C Conversion Price or (B) the Market Price of a share of Common Stock, in each case, in effect on the date of, and immediately prior to, such issuance.

(iii) Deemed Issue of Additional Shares of Common.

(A) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities, other than Options or Convertible Securities exempted pursuant to Section 5(d)(i)(A), or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section 5(d)(v) hereof) of such Additional Shares of Common would be less than the greater of (1) the Series C Conversion Price or (2) the Market Price of a share of Common Stock, in each case, as in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common are deemed to be issued:

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

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Series C Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease; provided, however, that no such adjustment of the Series C Conversion Price shall affect Common Stock previously issued upon conversion of the Series C Preferred;

(3) if any such Options or Convertible Securities shall expire without having been exercised or converted, the Series C Conversion Price as adjusted upon the issuance of such Options or Convertible Securities (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall be readjusted to the Series C Conversion Price that would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common so issued were the Additional Shares of Common, if any, actually issued or sold on the exercise of such Options or the conversion of such Convertible Securities, and such Additional Shares of Common, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such Options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted plus the consideration, if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities; and

(4) no readjustment pursuant to clauses (2) or (3) above shall have the effect of increasing the Series C Conversion Price to an amount which exceeds the lower of (i) the Series C Conversion Price on the original adjustment date (immediately prior to the adjustment), or (ii) the Series C Conversion Price that results from any actual issuance of Additional Shares of Common between the original adjustment date and such readjustment date.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common. In the event the Corporation shall issue Additional Shares of Common (including Additional Shares of Common deemed to be issued pursuant to Section 5(d)(iii)), without consideration or for a consideration per share less than the greater of (A) the Series C Conversion Price or (B) the Market Price of a share of Common Stock, in each case, as in effect on the date of and immediately prior to such issue, then and in such event, the Series C Conversion Price for such series in effect immediately prior to the issuance of such Additional Shares of Common shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying the Series C Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock that the aggregate consideration received by the Corporation for such issuance would purchase at the greater of (A) the Series C Conversion Price or (B) the Market Price of a share of Common Stock (in each case, as in effect on the date of and immediately prior to such issue), and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common; provided that, for the purposes of this Section 5(d)(iv), the number of shares of Common Stock outstanding immediately prior to such issue shall be calculated on a fully diluted basis, as if all shares of Series C Preferred and all Convertible Securities had been fully converted into shares of Common Stock immediately prior to such issuance and any outstanding Options had been fully exercised immediately prior to such issuance (and the resulting securities fully converted into shares of Common Stock, if so convertible) as of such date, but such calculation shall not include any Additional Shares of Common issuable with respect to

shares of Series C Preferred, Convertible Securities, or outstanding Options, solely as a result of the adjustment of the Series C Conversion Price (or Series C Conversion Ratio) resulting from the issuance of Additional Shares of Common causing such adjustment.

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

(A) Cash and Property. Such consideration shall:

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

(2) insofar as it consists of property other than cash, be computed at the Market Price thereof at the time of such issue; and

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

(B) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common deemed to have been issued pursuant to Section 5(d)(iii)(1), relating to Options and Convertible Securities, shall be determined by dividing:

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

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

(vi) Adjustments for Dividends, Distributions, Subdivisions, Combinations or Consolidation of Common Stock.

(A) Stock Dividends, Distributions or Subdivisions. In the event the Corporation shall issue Additional Shares of Common pursuant to a stock dividend, stock distribution or subdivision on shares of Common Stock, the Series C

Conversion Price in effect immediately prior to such stock dividend, stock distribution or subdivision shall concurrently with such stock dividend, stock distribution or subdivision, be proportionately decreased.

(B) Combinations or Consolidations. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Series C Conversion Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(vii) Adjustment for Reorganizations. If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a Liquidation, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 5 or in Section 4) or a merger or consolidation of the Corporation with or into another company or the sale of all or substantially all of the Corporation's properties and assets to any other person, provision shall be made so that the holders of the Series C Preferred shall thereafter be entitled to receive upon conversion of the Series C Preferred the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock would have been entitled on such reorganization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of the Series C Preferred after the reorganization to the end that the provisions of this Section 5 (including adjustment of the Series C Conversion Price then in effect and the number of shares purchasable upon conversion of the Series C Preferred) shall be applicable after that event as nearly equivalently as may be practicable.

(e) No Impairment. The Corporation will not, by amendment of its Certificate of Incorporation, merger, consolidation, reorganization or otherwise, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series C Preferred against impairment.

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

(g) Notices of Record Date. In the event that the Corporation shall propose at any time:

(i) to declare any dividend or distribution upon any Junior Securities, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus, other than distributions to stockholders in connection with the repurchase of shares of former employees of the Corporation or any subsidiary of the Corporation pursuant to terms approved by its Board of Directors, or

(ii) to offer for subscription to the holders of any class or series of its Capital Stock any additional shares of Capital Stock of any class or series or any other rights; or

(iii) to effect any reclassification or recapitalization; or

(iv) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all its property or business, or to liquidate, dissolve or wind up; then, in connection with each such event, the Corporation shall send to the holders of the Series C Preferred:

(A) at least twenty (20) days prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Junior Securities shall be entitled thereto) or for determining rights to vote in respect of the matters referred to in (iii) and (iv) above; and

(B) in the case of the matters referred to in (iii) and (iv) above, at least twenty (20) days prior written notice of the date of a stockholders' meeting at which a vote on such matters shall take place (and specifying the date on which the holders of Junior Securities shall be entitled to exchange their Junior Securities for securities or other property deliverable upon the occurrence of such event and the amount of the securities or other property deliverable upon such event).

Each such written notice shall be given personally or by first class mail, postage prepaid, addressed to the holders of Series C Preferred at the address for each such holder as shown on the books of the Corporation.

6. Redemption.

(a) General. Unless prohibited by Delaware law governing distributions to stockholders, shares of Series C Preferred Stock shall be redeemed by the Corporation at a price per share equal to the greater of (A) the Original Issue Price per share, plus all declared but unpaid dividends thereon as of the Redemption Date and (B) the product of (1) the Market Price of a Share of Common Stock as of the date of the Company's receipt of the Redemption Request multiplied by (2) the Series C Conversion Ratio as of the Redemption Date (the "**Redemption Price**"), which redemption shall occur not more than sixty (60) days after receipt by the Corporation, at any time on or after April 30, 2018

from not less than the Majority Holders, of written notice requesting redemption of all outstanding shares of Series C Preferred Stock (the “**Redemption Request**”). Upon receipt of a Redemption Request, the Corporation shall apply all of its assets to any such redemption, and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders. The date of such redemption shall be referred to as a “**Redemption Date**.” On the Redemption Date, the Corporation shall redeem the number of outstanding shares of Series C Preferred Stock owned by each holder; provided, however, that Excluded Shares (as such term is defined in Section 6(b)) shall not be redeemed and shall be excluded from such redemption. If on the Redemption Date Delaware law governing distributions to stockholders prevents the Corporation from redeeming all shares of Series A Preferred Stock to be redeemed, the Corporation shall ratably redeem from each holder the maximum number of shares that it may redeem consistent with such law, and shall redeem the remaining shares as soon as it may lawfully do so under such law.

(b) Redemption Notice. The Corporation shall send written notice of the mandatory redemption (the “**Redemption Notice**”) to each holder of record of Series C Preferred Stock not less than thirty (30) days prior to each Redemption Date. Each Redemption Notice shall state:

- (i) the number of shares of Series C Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;
- (ii) the Redemption Date and the Redemption Price (to the extent known);
- (iii) the date upon which the holder’s right to convert such shares of Series C Preferred Stock terminates (as determined in accordance with Section 5 and Section 6(f)); and
- (iv) the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series A Preferred Stock to be redeemed.

If the Corporation receives, on or prior to the twentieth (20th) day after the date of delivery of the Redemption Notice to a holder of Series C Preferred Stock, written notice from such holder that such holder elects to be excluded from the redemption provided in this Section 6, then the shares of Series C Preferred Stock registered on the books of the Corporation in the name of such holder at the time of the Corporation’s receipt of such notice shall thereafter be “**Excluded Shares**.” Excluded Shares shall not be redeemed or redeemable pursuant to this Section 6, whether on such Redemption Date or thereafter.

(c) Surrender of Certificates; Payment. On or before the Redemption Date, each holder of shares of Series C Preferred Stock to be redeemed on such Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 5, shall, if a holder surrenders the certificate or certificates

representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof.

(d) Rights Subsequent to Redemption. If the Redemption Notice shall have been duly given, and if on the applicable Redemption Date the Redemption Price payable upon redemption of the shares of Series A Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that any certificates evidencing any of the shares of Series C Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series C Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of the holders to receive the Redemption Price, without interest upon surrender of any such certificate or certificates therefor.

(e) Redemption Default. If the funds of the Corporation legally available for redemption of shares of Series C Preferred Stock on the Redemption Date are insufficient to redeem the total number of shares of Series C Preferred Stock to be redeemed on such date, those funds which are legally available (which shall include available borrowings) will be used to redeem the maximum possible number of such shares ratably among the holders of such shares of Series C Preferred Stock to be redeemed based upon their holdings of Series C Preferred Stock. The shares of Series C Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series C Preferred Stock such funds will immediately be used to redeem the balance of the shares which the Corporation has become obliged to redeem on the Redemption Date, but which it has not redeemed, which redemption shall be done ratably among the holders of such shares of Series C Preferred Stock to be redeemed based upon their then holdings of Series C Preferred Stock; provided, however, that in the event any shares of Series C Preferred Stock that were requested to be redeemed in the Redemption Request are not so redeemed on the Redemption Date (such event, a “**Redemption Default Event**”), the holders of Series C Preferred whose shares were to be so redeemed shall have all available rights and remedies permitted by applicable law against the Corporation arising out of or related to such Redemption Default Event. The Corporation and each stockholder of the Corporation shall be obligated to take or cause to be taken all action necessary to ensure at all times following the Original Issue Date that the organizational documents of the Corporation and its subsidiaries (including this Certificate of Incorporation and the Bylaws of the Corporation) are not inconsistent with or in any way limit the provisions of this Section 6.

(f) Conversion Rights Not Impaired. Nothing in this Section 6 shall in any way limit the right of each holder of shares of Series C Preferred to elect to convert such shares into shares of Common Stock in accordance with Section 5(a) hereof at any time at or prior to the Redemption Date.

(g) Redeemed or Otherwise Acquired Shares. Any shares of Series C Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately restored to the status of authorized, but unissued, shares of undesignated preferred stock of the Corporation without reference to class or series, and may thereafter be issued, but not as Series C Preferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series C ratably among the holders of such shares of Series C Preferred Stock to be redeemed based upon their holdings of Series C Preferred Stock Preferred Stock following redemption.

7. Voting Rights.

(a) General Voting Rights. Each holder of a share of Series C Preferred shall have the right to one vote for each share of Common Stock into which such share could then be converted, and with respect to such votes, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the bylaws of this Corporation, and, except as otherwise expressly provided herein or as provided by law, shall be entitled to vote together as a single class on all matters submitted to a vote of stockholders. Fractional votes shall not be permitted.

(b) Voting for the Election of Directors. As long as Six Million Seven Hundred Thirty-Six Thousand Four Hundred Ninety-Five (6,736,495) shares of Series C Preferred are outstanding, the Majority Holders shall be entitled to elect one (1) director of the Corporation (the "*Series C Designee*"). The holders of Series C Preferred and voting Junior Securities (voting together as a single class and not as separate series, and on an as-converted basis) shall be entitled to elect any remaining directors of the Corporation. Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the DGCL, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of the Corporation's Certificate of Incorporation, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and each director so chosen shall serve for the remainder of the full term of the director whose removal or resignation shall have created such vacancy and until his successor shall have been elected and qualified, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, including the Series C Designee, the holders of shares of such class or series may override the Board's action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of the Company's stockholders or (ii) written consent, if the consenting stockholders hold a sufficient number of shares to elect their respective designee. Any director that is elected by the

holders of a class or series of stock may be removed during his or her term of office, with cause, by, and only by, the affirmative vote of the requisite holders of the shares of the class or series of stock entitled to elect such director or directors, including the Series C Designee, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent; provided, however, that the Series C Designee may be removed during his term of office, with or without cause, by, and only by the affirmative vote of the Majority Holders.

8. **Protective Covenants.** So long as any shares of Series C Preferred are outstanding, the Corporation shall not, and shall not permit any other entity at least fifty percent (50%) of whose outstanding voting securities shall at the time be owned, directly or indirectly, by the Corporation (a “***Subsidiary***”) or one or more of such Subsidiaries to, without first obtaining the affirmative vote or written consent of the holders of a majority of the then outstanding Preferred Stock, voting together as a single class on an as-converted into Common Stock basis, take any action that directly or indirectly:

(i) amends, waives, alters or repeals in a way that adversely affects the rights, powers, preferences, or other special rights or privileges of the holders of the Series C Preferred, whether by amendment to the Certificate of Incorporation, Bylaws, this Certificate of Designation or other organization documents, or by merger, consolidation, reorganization or otherwise;

(ii) increases or decreases (other than by redemption or conversion) the authorized number of shares of Preferred Stock, Series C Preferred or Series B Preferred;

(iii) create, issue or authorize the issuance of any Senior Securities or Parity Securities;

(iv) authorize, declare or otherwise pay any dividend on any Junior Securities, other than a dividend on the Series B Preferred pursuant to Series B Certificate of Designation (subject to the preferences set forth in Section 3(b)); or

(v) repurchases, redeems or reissues any Junior Securities, other than repurchases of shares of Common Stock from employees, officers, directors or consultants performing services for the Corporation or any Subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares upon the occurrence of certain events including termination of employment or service or any right of first refusal.

9. **Miscellaneous.**

(a) All notices, requests, demands and other communications referred to herein shall be in writing and shall be conclusively deemed to have been duly given (i) when hand delivered to the other party; (ii) when received when sent by telex or facsimile; provided, however, that notices given by facsimile shall not be effective unless

either (A) a duplicate copy of such facsimile notice is promptly given by depositing same in a United States post office with first-class postage prepaid and addressed to the receiving party, or (B) the receiving party delivers a written confirmation of receipt for such notice either by facsimile or any other method permitted under this paragraph; additionally, any notice given by telex or facsimile shall be deemed received on the next Business Day if such notice is received after 5:00 p.m. (recipient's time) or on a non-Business Day; (iii) three (3) Business Days after the same have been deposited in a United States post office with first class or certified mail return receipt requested postage prepaid; or (iv) the next Business Day after same have been deposited with a national overnight delivery service, postage prepaid, addressed to the parties as set forth below with next-business-day delivery guaranteed; provided that the sending party receives a confirmation of delivery from the delivery service provider. If notice is to be given (i) to the Corporation, such notice shall be addressed to its principal executive office (Attention: President) and to the transfer agent, if any, for the Junior Securities, Series C Preferred or other agent of the Corporation designated as permitted hereby, or (ii) to any holder of the Series C Preferred or Junior Securities, as the case may be, such notice shall be addressed to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series C Preferred or Junior Securities, as the case may be), or (iii) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(b) In the event that, at any time as a result of an adjustment made pursuant to Section 5 hereof, the holder of any shares of the Series C Preferred (as the case may be) upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Corporation other than shares of Common Stock, the Series C Conversion Ratio in respect of such other shares or securities so receivable upon conversion of shares of Series C Preferred (as the case may be) shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 5 hereof, and the remaining provisions hereof with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(c) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series C Preferred or Common Stock or other securities issued on account of Series C Preferred pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series C Preferred or Common Stock or other securities in a name other than that in which the shares of Series C Preferred with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(d) The Corporation may appoint and, from time to time discharge and change, a transfer agent of the Series C Preferred or Junior Securities. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by hand delivery, by courier, by standard form of telecommunication or by first class mail (postage prepaid), to each holder of record of Series C Preferred and Junior Securities.

10. **Specific Enforcement.** The Corporation agrees that the rights created by this Certificate of Designation are unique, and that the loss of any such rights is not susceptible to monetary quantification. Consequently, the Corporation agrees that an action for specific performance (including for temporary and/or permanent injunctive relief) of the obligations created by this Certificate of Designation is a proper remedy for the breach of the provisions hereof, without the necessity of proving actual damage. If any holder of any shares Series C Preferred is forced to institute legal proceedings to enforce its rights in accordance with the provisions hereof, such holder, if it prevails, shall be entitled to recover from the Corporation its reasonable expenses, including attorneys' fees, incurred in connection with any such action.

11. **Definitions.** As used herein, the following terms shall have the following meanings assigned to them:

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in San Antonio, Texas are authorized by law to close.

“Capital Stock” means any and all shares, interests, participations, or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), and any and all warrants, options, or other rights to purchase or acquire any of the foregoing.

“Certificate of Designation” means this Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock.

“Change of Control” means the consummation of (i) the transfer (in one or a series of related transactions) of 50% or more of the consolidated assets of the Corporation and its Subsidiaries, taken as a whole, to a Person or a group of Persons acting in concert, (ii) the transfer or issuance (in one or a series of related transactions) of securities of the Corporation to one Person or a group of Persons acting in concert, or (iii) an amalgamation, merger, consolidation, reorganization or similar transaction involving the Corporation, in the case of clauses (ii) and (iii) above, under circumstances in which immediately following such transaction, a Person or group of Persons collectively own a majority in voting power of the then outstanding voting power or equity securities, other than a Person or group of Persons who holds a majority interest as of the date hereof, and in each of cases (i) through (iii) above, to the extent approved by the Corporation's Board of Directors. A sale (or multiple related sales) of one or more Subsidiaries of the Corporation (whether by way of amalgamation, merger, consolidation, reorganization or sale of all or substantially all assets or securities) which constitutes 50% or more of the consolidated assets of the Corporation, to the extent approved by the Board of Directors of the Corporation and/or such Subsidiary, will be deemed a ***“Change of Control.”***

“Liquidation” means (i) the voluntary or involuntary liquidation, dissolution or winding up of the Corporation or (ii) a Change of Control.

“Liquidation Value” means, with respect to each share of Series C Preferred (subject to appropriate adjustments for stock splits, stock dividends, combinations or other recapitalizations), the sum of (i) the Original Issue Price of such share, plus (ii) all accrued but unpaid dividends with respect to such share from the Original Issue Date through the date on which the Liquidation Value is to be determined pursuant to the provisions hereof.

“Majority Holders” means, as of the relevant time, holders of not less than a majority of the then outstanding shares of Series C Preferred Stock voting as a single class and not on an as-converted basis.

“Market Price” means, with respect to a security of the Corporation, the average of the “high” and “low” prices for shares of the security as reported in The Wall Street Journal listing for such day (corrected for obvious typographical errors), or if such shares are not reported in such listing, the average of the reported sales prices on the largest national securities exchange (based on the aggregate dollar value of securities listed) on which such shares are listed or traded, or if such shares are not listed or traded on any national securities exchange, then the average of the reported sales prices for such shares on the OTC Bulletin Board, or, if such prices shall not be reported thereon, the average of the closing bid and asked prices so reported, or, if such prices shall not be reported, then the average of the closing bid and asked prices reported by the National Quotations Bureau Incorporated. The average price for any period shall be determined by dividing the sum of the prices determined for the individual trading days in such period by the number of trading days in such period. Notwithstanding the foregoing, if the date for which Market Price is determined is the first day when trading for such security is reported on a national securities exchange, the Market Price shall be the “price to public” or equivalent set forth in the cover page for the final Prospectus relating to the initial public offering of such security. For purposes of determining the Market Price of non-securities and securities that are not publicly traded, the Board shall endeavor in good faith to agree unanimously to the Market Price of such item. If the Board is unable to do so within sixty (60) days after the occurrence of an event giving rise to a need to determine the Market Price, an investment banking firm or other appropriate appraiser chosen by the holders of a majority of the then outstanding Preferred Stock, voting together as a single class on an as-converted into Common Stock basis, and an investment banking firm or other appropriate appraiser chosen by the Corporation shall each calculate such Market Price. In the event the difference between such valuations is less than 20% of the higher valuation, then the Market Price shall be deemed to be the average of such two valuations. In the event that the difference between such valuations is greater than 20% of the higher valuation, the two appraisers shall designate a third appraiser which shall select from the two valuations the valuation that such third firm determines to be closer to its own valuation, and the valuation so selected shall be considered the Market Price. In all events, the fees and expenses of any such appraisers shall be paid by the Corporation.

“Marketable Securities” means securities that are actively traded on an established U.S. or foreign securities exchange, reported on the National Association of Securities Dealers, Inc. Automated Quotation National Market System; provided that any such securities shall be deemed Marketable Securities only if they are freely tradable. Freely tradable for this purpose shall mean securities that (a) are transferable in a public securities transaction pursuant to Section 4(1) of the Securities Act or a then effective registration statement under the Securities Act, (b) are not subject to any lock-up period or other contractual restriction on transfer, and (c) at the time of distribution of such securities by the Corporation, upon the sale of such securities on the date of distribution, would result in proceeds denominated in United States dollars.

“Original Issue Price” means \$0.4302 (subject to appropriate adjustments for stock splits, stock dividends, combinations or other recapitalizations with respect to such Series C Preferred).

“Person” means any natural person, limited liability company, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

“Preferred Stock” means the authorized Preferred Stock of the Corporation.

“Series B Certificate of Designation” means the Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, filed with the Secretary of Delaware on January 8, 2009, as the same may be amended from time to time.

IN WITNESS WHEREOF, the undersigned duly authorized officer of the Corporation has executed this Statement, and caused it to be filed, on behalf of the Corporation as of the date of filing.

ARGYLE SECURITY, INC.

By: _____

Name: _____

Title: _____