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BASIC AMENDMENT

BIG ENTERTAINMENT, INC.

Certificate of Status	0
Certified Copy	0
Page Count	17
Estimated Charge	\$35.00

Amendment

2-1-99

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99 JAN 29 PM 12:02
DIVISION OF CORPORATIONS

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TALLAHASSEE, FLORIDA

**Amendment to
Designation of Preferences, Rights and Limitations
of
4% \$100 Series C Convertible Preferred Stock**

FIRST: Amendment to the Articles of Amendment to Articles of Incorporation of the Company for Designation of Preferences, Rights and Limitations of 4% \$100 Series C Convertible Preferred Stock (the "Series C Designation")

Of the 1,000,000 shares of preferred stock, par value \$0.01 per share, authorized pursuant to Article III of the Company's Articles of Incorporation, 100,000 of such shares are hereby designated as the 4% \$100 Series C Convertible Preferred Stock (the "Series C Preferred Stock"). Shares of Series C Preferred Stock are sometimes referred to herein as "Series C Preferred Shares."

(1) Stated Value. The Stated Value of each Series C Preferred Share is \$100.

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(2) Dividends.

(a) Each outstanding share of Series C Preferred Stock shall accrue and cumulate dividends on the Stated Value thereof from and after the date of issuance at the rate of 4% per annum (the "Dividend Rate"). Dividends, when declared on the Series C Preferred Stock, shall have accrued from the date of issuance or thereafter, from the most recent date on which dividends were payable, and shall be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on March 31, 1997; *provided, however*, that if any such day is a non-business day, the Dividend Payment Date will be the next business day. Each declared dividend shall be payable to holders of record as they appear at the close of business on the stock books of the Company on such record dates, not more than 30 calendar days and not less than 10 calendar days preceding the Dividend Payment Date therefor, as determined by the Board of Directors (each of such dates, a "Record Date"). Quarterly dividend periods (each a "Dividend Period") shall commence on and include the first day of January, April, July and October of each year and shall end on and include the day next preceding the next following Dividend Payment Date.

(b) The Company may, at its sole option, pay any such dividends in the form of shares of its common stock, \$.01 par value per share (the "Common Stock"), the number of such shares so issued being based on the closing price of the Common Stock on the date immediately preceding the Dividend Payment Date; *provided, however*, that when issued, such shares of Common Stock are registered for resale under a registration statement (the "Registration Statement") filed pursuant to the Securities Act of 1933, as amended (the "Securities Act"), that has either been declared effective on or before the date of such issuance or is reasonably expected to be declared effective within 75 days of such issuance. In the event that the Registration Statement is not declared effective within such 75-day period, the holder of said share dividend shall have the right to return such share dividend to the Company and receive instead a cash dividend equal to the value of the share dividend when originally issued.

(c) No full dividends shall be declared or paid or set apart for payment on any series of preferred stock or other capital stock of any series ranking, as to dividends or liquidation preference, junior to ("Junior Stock") the Series C Preferred Stock during any calendar quarter unless full dividends on the Series C Preferred Stock for the Dividend Period ending during such calendar quarter have been or contemporaneously are declared and paid. If full dividends on the Series C Preferred Stock have not been declared and paid for the then-current Dividend Period, then, with respect to such then-current Dividend Period, the following restrictions shall be applicable: (1) no dividend or distribution, other than in Junior Stock, may be declared, set aside or paid on any shares of Junior Stock, (2) the Company may not repurchase, redeem or otherwise acquire any shares of its Junior Stock (except by conversion into or exchange for Junior Stock) and (3) the Company may not, directly or indirectly, repurchase, redeem or otherwise acquire (except by conversion into or exchange for Junior Stock) any shares of any class or series of Junior Stock or warrants, calls, options or other rights to acquire capital stock of the Company or other security exercisable or exchangeable into capital stock of the Company, without the consent of the holders of a majority of the then-outstanding shares of Series C Preferred Stock. Holders of the Series C Preferred Stock shall not be entitled

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to any dividends, whether payable in cash, property or stock, in excess of the dividends as herein provided on the Series C Preferred Stock. No interest or sum of money in lieu of interest shall be payable in respect of any declared dividend payment or payments on the Series C Preferred Stock which may be in arrears.

(3) Conversion.

(a) Subject to and upon compliance with the provisions of this Section 3, each holder of the Series C Preferred Shares shall have the right, at his or her option, at any time commencing on June 20, 1997, to convert the shares into a number of fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock, equal to \$100.00 for each Series C Preferred Share surrendered for conversion divided by the Conversion Price (as defined in Section 3(f) below); *provided, however*, that if the Company shall have called the Series C Preferred Stock for redemption, such right shall terminate on the close of business on the third business day preceding the Redemption Date (as defined below) unless the Company has defaulted in making the payment due on the Redemption Date. Notwithstanding the foregoing, all outstanding shares of Preferred Stock shall be automatically converted into shares of Common Stock immediately prior to the closing of the transactions effecting the organization of Huge Entertainment, Inc. (or any successor, affiliate or transferee thereof), as the successor in interest, directly or indirectly, to the Company's intellectual property business and the initial public offering thereof; provided, that such automatic conversion shall be effective if and only if such closing occurs; and, provided further, that any shares received by the holders of Series C Preferred Shares upon such closing be issued in a transaction that is registered under the Securities Act.

(b) In order to exercise the conversion option, the holder of any Series C Preferred Shares to be converted shall surrender and deliver to the Company the certificate(s) representing such shares, together with the Notice of Election to Convert on the reverse side of said certificate(s), or otherwise in such form as the Company may reasonably require, duly completed and signed by the holder. Unless the shares issuable upon conversion are to be issued in the same name as the name in which the shares of the Series C Preferred Stock are registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Company, duly executed by the holder or his or her duly authorized attorney and by funds in an amount sufficient to pay any transfer or similar tax. The holders of shares of the Series C Preferred Stock at the close of business on a Record Date shall be entitled to receive any dividend declared payable on those shares for the corresponding Dividend Period on the applicable Dividend Payment Date, notwithstanding the conversion of the shares after the Record Date. Upon the proper delivery of such documents, the conversion to be effected thereby shall be effective as of the date of such delivery.

(c) Promptly after the effective date of a holder's conversion of Series C Preferred Shares in accordance with this Section 3, the Company shall issue and deliver to such holder a certificate or certificates for the number of full shares of Common Stock issuable to the holder pursuant to the holder's conversion of Series C Preferred Shares in accordance with the provisions of this Section 3. The fractional interest in one share of Common Stock arising upon the conversion, if any, shall be settled as provided in paragraph (e) below.

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(d) All shares of Common Stock delivered upon conversion of the Series C Preferred Stock shall be duly and validly issued and fully paid and nonassessable. Upon the effective date of a holder's conversion of Series C Preferred Shares, such converted Series C Preferred Shares shall no longer be deemed to be outstanding and all rights of the holder with respect to such shares shall immediately terminate except the right to receive the shares of Common Stock issuable upon such conversion.

(e) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon conversion of the Series C Preferred Stock. Any fractional interest in one share of Common Stock resulting from a holder's conversion of Series C Preferred Shares shall be paid in cash (computed to the nearest cent) based on the Current Market Price (as defined in Section (f)(vi) below) of a Common Share on the effective date of the conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of whole shares of Common Stock issuable upon the conversion shall be computed on the basis of the aggregate Liquidation Preference (as such term is defined in Section 8 below) of the Series C Preferred Shares so surrendered.

(f) The "Conversion Price" per share of the Series C Preferred Stock shall be \$4.00, subject to adjustment from time to time as follows:

(i) For purposes of this Section 3, the following definitions shall apply:

(A) "Convertible Securities" shall mean any evidences of indebtedness, shares or securities convertible into or exchangeable for shares of Common Stock.

(B) "Common Stock Outstanding" shall include all Common Stock issued and outstanding and issuable upon exercise of all outstanding options and conversion of all outstanding Convertible Securities.

(C) "Effective Price" of additional shares of Common Stock shall mean the quotient determined by dividing the total number of additional shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under Section 3(f)(ii), into the aggregate consideration received or deemed to have been received by the Company for such issue.

(D) "Issuance Date" shall mean the actual initial date of issuance of the Series C Preferred Stock.

(E) "Private Placement" shall mean the issuance of securities by the Company pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

(ii)

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(A) In case at any time or from time to time after the Issuance Date, the Company issues or sells, or is deemed by the express provisions of this Section 3(f)(ii) to have issued or sold additional shares of Common Stock, for an Effective Price less than the Current Market Price in effect on the date of and immediately prior to such issue, then and in each such case the then-existing Conversion Price for the Series C Preferred Stock shall be reduced, as of the opening of business on the date of such issue or sale, to the price determined as follows: by multiplying the Conversion Price for the Series C Preferred Stock in effect immediately prior to the time of such issue or sale by a fraction (a) the numerator of which shall be the sum of (i) the number of shares of Common Stock Outstanding immediately prior to such issue or sale multiplied by the Current Market Price immediately prior to such issue or sale plus (ii) the aggregate consideration received (or by express provision hereof deemed to have been received) by the Company for the total number of additional shares of Common Stock so issued, and (b) the denominator of which shall be the product of (iii) the number of shares of Common Stock Outstanding at the close of business on the date of such issue after giving effect to such issue of additional shares of Common Stock, multiplied by (iv) the Current Market Price immediately prior to such issue or sale.

(B) For the purpose of making any adjustment required under Section 3(f)(ii), the consideration received by the Company for any issue or sale of securities shall (1) to the extent it consists of cash, be computed at the net amount of cash received by the Company prior to deduction of any expenses payable by the Company and any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale, (2) to the extent it consists of property other than cash, be computed at the fair market value of that property as determined in good faith by the Board of Directors, and (3) if additional shares of Common Stock, Convertible Securities or options to purchase either additional shares or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration that covers both, be computed (as provided in clauses (1) and (2) above) as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors to be allocable to such additional shares of Common Stock, Convertible Securities or options.

(C) For purpose of the adjustment required under Section 3(f)(ii), if at any time or from time to time after the Issuance Date for the Series C Preferred Stock, the Company issues or sells any options or Convertible Securities, then in each case the Company shall be deemed to have issued at the time of the issuance of such options or Convertible Securities the maximum number of additional shares of Common Stock (as set forth in the instruments relating thereto, giving effect to any provision contained therein for a subsequent upward adjustment of such number) issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such options or Convertible Securities plus, in the case of such options, the minimum amounts of consideration, if any (as set forth in the instruments relating thereto, giving effect to any provision contained therein for a subsequent downward adjustment of such consideration), payable to the Company upon the exercise of such options and, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities). No further adjustment of the Conversion Price for the Series C Preferred Stock, adjusted upon the issuance of such options or

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Convertible Securities, shall be made as a result of the actual issuance of additional shares of Common Stock on the exercise of any such options or the conversion of any such Convertible Securities. If any such options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised and fewer than the maximum number of additional shares of Common Stock deemed issued thereunder upon issuance thereof shall have actually been issued thereunder, or more than the minimum consideration deemed to have been received by the Company upon issuance thereof shall have been actually received by the Company, then the Conversion Price for the Series C Preferred Stock adjusted upon the issuance of such options or Convertible Securities shall be readjusted to the Conversion Price for the Series C Preferred Stock that would have been in effect had an adjustment been made on the basis that the only additional shares of Common Stock so issued were the additional shares of Common Stock, if any, actually issued or sold on the exercise of such options or rights of conversion of such Convertible Securities, and such additional shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration received by the Company for the granting of all such options plus the consideration received for issuing or selling the Convertible Securities actually converted plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities.

(D) Except as expressly provided herein, no adjustment in the Conversion Price of any share of Series C Preferred Stock shall be made in respect of the issue of additional shares of Common Stock unless the consideration per share for such additional shares of Common Stock issued or deemed to be issued by the Company is less than the Current Market Price in effect on the date of, and immediately prior to, such issue.

(iii)

(A) In case the Company shall (1) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (2) subdivide its outstanding Common Stock into a greater number of shares, or (3) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such event shall be proportionately adjusted so that the holder of any share of the Series C Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number and kind of shares of Common Stock of the Company that he would have been entitled to receive had the share been converted immediately prior to the happening of such event. An adjustment made pursuant to this Section 3(f)(i) shall become effective immediately after the Record Date in the case of a dividend or distribution except as provided in Section 3(f)(ix) below, and shall become effective immediately after the effective date in the case of a subdivision or combination. If any dividend or distribution is not paid or made, the Conversion Price then in effect shall be appropriately readjusted.

(B) If at any time or from time to time there is a capital reorganization of the Common Stock (other than a recapitalization provided for in Section 3(f)(ii)(A)) or a merger or consolidation of the Company with or into another corporation, or the sale of all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of

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Series C Preferred Stock shall thereafter be entitled to receive upon conversion of the Series C Preferred Stock the number of shares of stock or other securities or property of the Company, or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled upon such capital reorganization, merger, consolidation or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3 with respect to the rights of holders of the Series C Preferred Stock after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 3 (including adjustment of the Conversion Price for the Series C Preferred Stock then in effect and number of shares of Common Stock purchasable upon conversion of the Series C Preferred Stock) shall be applicable after that event and be as nearly equivalent to the provisions hereof as may be practicable.

(C) In the event that the Company at any time or from time to time after the Issuance Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then in each such event provision shall be made so that the holders of Series C Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company that they would have received had their Series C Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 3 with respect to the rights of the holders of the Series C Preferred Stock.

(iv) In case the Company shall issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock at a price per share less than the Current Market Price of the Common Stock at the record date for the determination of shareholders entitled to receive the rights or warrants, the Conversion Price in effect immediately prior to the issuance of such rights or warrants shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of the rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of the issuance of the rights or warrants plus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Current Market Price at that record date, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of additional shares of Common Stock for subscription or purchase. The adjustment provided for in this Section 3(f)(iv) shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in Section 3(f)(ix) below, after such record date. In determining whether any rights or warrants entitle the holder of the Common Stock to subscribe for or purchase shares of Common Stock at less than the Current Market Price, and in determining the aggregate offering price of the shares of Common Stock so offered, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors of the Company (whose determination, if made in good faith, shall be conclusive). If

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any or all of such rights or warrants are not so issued or expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted.

(v) In case the Company shall distribute to all holders of its Common Stock any shares of capital stock of the Company (other than Common Stock) or evidences of indebtedness or assets (excluding cash dividends or distributions paid from retained earnings of the Company) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in Section 3(f)(iv) above), then, in each such case, the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of the distribution by a fraction, the numerator of which shall be the Current Market Price of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors of the Company, whose determination, if made in good faith, shall be conclusive) of that portion of the capital stock or assets or evidences of indebtedness so distributed, or of the rights or warrants so distributed, applicable to one share of Common Stock, and the denominator of which shall be the Current Market Price of the Common Stock on the record date. Such adjustment shall become effective immediately, except as provided in Section 3(f)(ix) below, after the record date for the determination of shareholders entitled to receive such distribution. If any such distribution is not made or if any or all of such rights or warrants expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants, other than those referred to in Section 3(f)(iv) above ("Rights") pro rata to holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Section 3(f)(v), make proper provision so that each holder of the Series C Preferred Stock who converts such Series C Preferred Stock (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (1) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (2) if such conversion occurs after the Distribution Date, the same number of shares of Common Stock into which the number of Series C Preferred Shares so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(vi) For the purpose of any computation under this Section 3, the "Current Market Price" of the Common Stock at any date shall be the average of the last reported sale prices per share for the 10 consecutive Trading Days (as defined below) preceding the date of such computation. The last reported sale price for each day shall be (1) the last reported sale price of the Common Stock on the Nasdaq National Market or SmallCap Market, as the case may be, or any similar system of automated dissemination of quotations of securities prices then in common use, if so quoted, or (2) if not quoted as described in clause (1), the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the 10 preceding days, or (3) if

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the Common Stock is listed or admitted for trading on any national securities exchange, the last sale price, or the closing bid price if no sale occurred, of the Common Stock on the principal securities exchange on which the Common Stock is listed. If the Common Stock is quoted on a national securities or central market system, in lieu of a market or quotation system described above, the last reported sale price shall be determined in the manner set forth in clause (2) of the preceding sentence if bid and asked quotations are reported but actual transactions are not, and in the manner set forth in clause (3) of the preceding sentence if actual transactions are reported. If none of the conditions set forth above is met, the last reported sale price of the Common Stock on any day or the average of such last reported sale prices for any period shall be the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Company. As used herein, the term "Trading Days" means (A) if the Common Stock is quoted on the Nasdaq National Market, Nasdaq SmallCap Market or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system, or (B) if not quoted as described in clause (A), days on which quotations are reported by the National Quotation Bureau Incorporated, or (C) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities exchange is open for business. Notwithstanding the foregoing, if Common Stock is issued by the Company in a Private Placement, then "Current Market Price" shall be 90% of the price computed pursuant to this Section 3(f)(vi).

(vii) In the event that the Company shall fail to declare and timely pay a dividend on the Series C Preferred Stock for a Dividend Period (a "Dividend Default"), then the Conversion Price shall be reduced by \$0.25 for each such Dividend Default. Notwithstanding the foregoing, if at any time subsequent to an adjustment in the Conversion Price pursuant to this Section 3(f)(vii), the Company declares and pays all cumulated dividends on the Series C Preferred Stock through the then-current Dividend Period, then no further adjustment in the Conversion Price pursuant to this Section 3(f)(vii) shall be made until a new Dividend Default shall have occurred.

(viii) In the event the Company shall have failed to file and have declared effective a registration statement on Form S-3 filed with the Securities and Exchange Commission pursuant to the Securities Act for the shares of Common Stock into which the Series C Preferred Stock is convertible by September 1, 1997, then the existing Conversion Price for the Series C Preferred Stock shall be reduced, as of the close of business on September 1, 1997, to a price that is 75 % of the Conversion Price for the Series C Preferred Stock in effect immediately prior to the close of business on September 1, 1997, and if such registration shall not have been filed and declared effective by March 31, 1998, the Conversion Price for the Series C Preferred Stock shall be reduced, as of the close of business on March 31, 1998, to a price that is 50 % of the Conversion Price for the Series C Preferred Stock in effect immediately prior to the close of business on September 1, 1997.

(ix) No adjustment in the Conversion Price shall be required unless such adjustment would require a change of at least 1 % in the Conversion Price; *provided, however*, that any adjustments which by reason of this Section 3(f)(ix) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and *provided, further*, that adjustment shall be required and made in accordance with the provisions of this Section 3(f) (other than this Section 3(f)(ix)) not later than three years of the date of the

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event requiring the adjustment. All calculations under this Section 3(f) shall be made to the nearest cent or the nearest one hundredth of a share, as the case may be. Notwithstanding anything in this Section 3(f) to the contrary, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 3(f), as it, in its discretion, shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of capital stock or rights or warrants to purchase stock or securities, or distribution of evidence of indebtedness or assets (other than cash dividends or distributions paid from retained earnings) hereinafter made by the Company to its shareholders shall be a tax-free distribution for federal income tax purposes.

(x) In each case of an adjustment or readjustment of the Conversion Price for the Series C Preferred Stock or the number of shares of Common Stock or other securities issuable upon conversion of the Series C Preferred Stock, the Company, at its expense, shall cause the Chief Financial Officer of the Company to compute such adjustment or readjustment in accordance with the provisions hereof (and cause its regularly retained independent public accountants to verify such computation) and prepare a certificate showing such adjustment or readjustment and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series C Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to have been received by the Company for any additional shares of Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price for the Series C Preferred Stock at the time in effect, (3) the number of additional shares of Common Stock, and (4) the type and amount, if any, of other property that at the time would be received upon conversion of the Series C Preferred Stock.

(xd) The provision of this Section 3(f) shall not apply to or as result of any shares, rights, options, warrants or Convertible Securities outstanding on the date hereof or issuable as a result of any transaction occurring, plan adopted, or agreement entered into prior to the date hereof.

(g) (i) The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held by its treasury, or both, for the purpose of effective conversions of the Series C Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of the Series C Preferred Stock not theretofore converted. For purposes of this Section 3(g), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of the Series C Preferred Stock shall be computed as if at the time of computation all the outstanding shares were held by a single holder.

(ii) Before taking any action that would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Series C Preferred Stock, the Company will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at the adjusted Conversion Price.

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(h) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities on conversion of the Series C Preferred Stock pursuant hereto; *provided, however, that the Company shall not be required to pay any tax or fee that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities in a name other than that of the holder of the Series C Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting the issue or delivery has paid to the Company the amount of any such tax or fee or has established, to the satisfaction of the Company, that the tax or fee has been paid.*

(i) The Company shall list the shares of Common Stock required to be delivered upon conversion of the Series C Preferred Shares, prior to the delivery thereof, for trading upon each national securities exchange or Nasdaq, if any, upon which the outstanding Common Stock is listed at the time of delivery.

(4) Redemption.

(a) The shares of Series C Preferred Stock shall be redeemable by the Company, in whole or in part, at any time and from time to time, from and after the later of (i) December 20, 1999 or (ii) the date on which the Company's Common Stock shall have an average closing bid price that is at least 200% of the Conversion Price for any 10 consecutive trading days, at a price of \$100.00 per share, plus, in each case, an amount equal to all accrued but unpaid dividends for the then-current Dividend Period immediately preceding the date fixed for redemption (the "Redemption Date").

(b) In the event that fewer than all the outstanding shares of the Series C Preferred Stock are to be redeemed as permitted by this Section 4, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by such other method as may be approved by the Board of Directors that is required to conform to any rule or regulation of any stock exchange or automated quotation system upon which the shares of the Series C Preferred Stock may at the time be listed.

(c) Notice of redemption of the Series C Preferred Stock, specifying the Redemption Date and place of redemption, shall be given by certified mail to each holder of record of the shares to be redeemed, at his or her address of record, not less than 60 calendar days prior to the Redemption Date. Each such notice shall also specify the redemption price applicable to the shares to be redeemed. If less than all the shares owned by such holder are then to be redeemed, the notice shall also specify the number of shares thereof that are to be redeemed and the fact that a new certificate or certificates representing any unredeemed shares shall be issued without cost to such holder.

(d) Notice of redemption of shares of the Series C Preferred Stock having been given as provided in Section 4(c), then unless the Company shall have defaulted in providing for the payment of the redemption price and all accrued and unpaid dividends for the then-current Dividend Period immediately preceding the Redemption Date, all rights of the

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holders thereof (except the right to receive the redemption price and all accrued and unpaid dividends for the then-current Dividend Period immediately preceding the Redemption Date) shall cease with respect to such shares and such shares shall not, after the Redemption Date, be deemed to be outstanding and shall not have the status of Series C Preferred Stock.

(e) Any shares of Series C Preferred Stock which shall at any time have been redeemed or converted shall, after such redemption or conversion, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors.

(f) The Company, directly or indirectly, shall not purchase or otherwise acquire any shares of the Series C Preferred Stock; *provided, however*, that the foregoing shall not prevent the purchase or acquisition of shares of the Series C Preferred Stock pursuant to a purchase or exchange offer made on the same terms to all holders of all outstanding shares of the Series C Preferred Stock or pursuant to the exercise of the conversion right provided in Section 3 hereof.

(g) Shares of the Series C Preferred Stock are not subject or entitled to the benefit of a sinking fund.

(h) Notwithstanding the foregoing, if notice of redemption shall have been given pursuant to this Section 4 and any holder of the Series C Preferred Stock shall, prior to the close of business on the date three business days next preceding the Redemption Date, give written notice to the Corporation pursuant to Section 3 hereof of the conversion of any or all of the shares held by the holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Company), then the redemption shall not become effective as to such shares and the conversion shall become effective as provided in Section 3 hereof.

(5) Redemption Following Default.

(a) In the event of a default under the terms of the Series C Preferred Stock as set forth herein (excluding a Dividend Default resulting in an adjustment to the Conversion Price pursuant to Section 3(f)(vii) hereof), or under the Preferred Stock Purchase Agreement, each holder of Series C Preferred Stock shall have the right, at such holder's sole option, to require the Company to repurchase all or a portion of such holder's shares at the price of \$100 per share plus accrued but unpaid dividends for the then-current Dividend Period.

(b) In order to exercise this option to require redemption of Series C Preferred Shares by the Company, the holder of any such Series C Preferred Shares shall surrender and deliver to the Company the certificate(s) representing such shares, together with a notice of election to require redemption, duly completed and signed by the holder. Holders of shares of the Series C Preferred Stock at the close of business on a Record Date shall be entitled to receive any dividend declared payable on those shares for the corresponding Dividend Period on the applicable Dividend Payment Date, notwithstanding the redemption of the shares after the Record Date pursuant to this Section 5.

(6) Preemptive Rights. Shares of the Series C Preferred Stock are not entitled to any preemptive rights to acquire any unissued shares of any capital stock of the Company.

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now or hereafter authorized, or any other securities of the Company, whether or not convertible into shares of capital stock of the Company or carrying a right to subscribe to or acquire any such shares of capital stock..

(7) Voting. The holders of shares of the Series C Preferred Stock will be entitled to vote such shares (with each share having one vote) together with the holders of shares of the Company's Common Stock, Series A Variable Rate Convertible Preferred Stock and Series B Variable Rate Preferred Stock as a single class on all matters, including the election of directors, except as otherwise expressly required by law. Except as set forth in the foregoing sentence or as required by law, the shares of Series C Preferred Stock shall not have any voting powers, either general or special.

(8) Liquidation Preference.

(a) Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the shares of the Series C Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to shareholders under applicable law, before and in priority to any payment or distribution of assets by any means whatsoever that is made on the Common Stock or on any other class or series of capital stock of the Company ranking junior to the Series C Preferred Stock upon liquidation, the amount of \$100 per Series C Preferred Share, in the event of an involuntary or voluntary liquidation (the "Liquidation Preference"), plus a sum equal to all dividends accrued on such shares for and unpaid for the then-current Dividend Period. The sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Company shall not be deemed a dissolution, liquidation or winding up of the Company for the purposes of this Section 8, nor shall the merger or consolidation of the Company into or with any other corporation or association or the merger or consolidation of any other corporation or association into or with the Company, be deemed to be a dissolution, liquidation or winding up of the Company for the purposes of this Section 8.

(b) After the payment in full in cash of the Liquidation Preference plus accrued dividends to the holders of the Series C Preferred Shares, as provided in the foregoing paragraph (a), the holders of the Series C Preferred Shares shall have no further right or claim to any of the remaining assets of the Company, except as otherwise provided herein or as otherwise required by law.

(c) In the event the assets of the Company available for distribution to the holders of the Series C Preferred Shares upon any voluntary or involuntary liquidation, dissolution or winding up of the Company shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 8(a) above, no distribution shall be made on account of any shares of any other series of Preferred Stock or any other class of capital stock of the Company ranking on a parity with the Series C Preferred Stock upon such liquidation, dissolution or winding up unless proportionate amounts shall be paid on account of the Series C Preferred Stock, ratably, in proportion to the full amounts to which holders of all such shares which are on a parity with the Series C Preferred Stock are respectively entitled upon such dissolution, liquidation or winding up.

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(9) **Rank.** The Series C Preferred Stock shall rank junior as to payment of dividends and rights upon voluntary or involuntary liquidation, dissolution or winding up of the Company with the Company's Series A Variable Rate Convertible Preferred Stock and Series B Variable Rate Convertible Preferred Stock. The Series C Preferred Stock shall rank senior as to payment of dividends and rights upon voluntary or involuntary liquidation, dissolution or winding up of the Company as to all other classes and series of capital stock of the Company outstanding as of the date of these Articles of Amendment or issued subsequent hereto, unless consented to by the holders of at least a majority of the then-outstanding shares of Series C Preferred Stock. The Company shall not hereafter issue any shares of Preferred Stock or other capital stock ranking senior to the Series C Preferred Stock as to the payment of dividends or rights upon voluntary or involuntary liquidation, dissolution or winding up of the Company, without the prior consent of the holders of at least a majority of the then-outstanding shares of Series C Preferred Stock. Any shares of Series C Preferred Stock that shall at any time have been converted or redeemed or otherwise reacquired by the Company shall, after such conversion, redemption or reacquisition, have the status of authorized but unissued shares of Preferred Stock, without designation as to class or series until such shares are once more designated as part of a particular class or series of Preferred Stock by the Board of Directors.

(10) **Reports and Notices.** So long as any shares of the Series C Preferred Stock shall be outstanding, the Company shall provide to the holder or holders of such shares copies of all annual, quarterly and other reports of the Company and copies of all shareholder notices of the Company promptly after filing with the Securities and Exchange Commission.

(11) **Waiver by Series C Preferred Shareholders.** Except as expressly provided for herein or as otherwise required by law, any rights or benefits for the Series C Preferred Shares and the holders thereof provided herein may be waived as to all outstanding Series C Preferred Shares and the holders thereof by the consent of the holders of a majority of the then-outstanding Series C Preferred Shares.

(12) **Holder.** The term "holder" as used in this Designation of Preferences, Rights and Limitations of 4% \$100 Series C Convertible Preferred Stock means a record holder of any shares of Series C Preferred Stock.

(13) **Additional Issuances of Series C Preferred Shares.** If after the initial issuance of Series C Preferred Shares as provided herein, the Company desires to issue additional Series C Preferred Shares with a different Conversion Price, the Company shall file such amendments to its Articles of Incorporation as may be necessary to effect such change in the Conversion Price and, thereafter, the Series C Preferred Shares as initially issued shall be designated "Series C- 1" and such subsequently issued Series C Preferred Shares shall bear similar consecutively numbered designations.

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SECOND: Adoption of Amendment to Articles of Incorporation

These Articles of Amendment to Articles of Incorporation and the amendment to the Company's Articles of Incorporation set forth herein were adopted and approved by unanimous written consent of the Company's Board of Directors without shareholder action effective as of October 28, 1998, pursuant to Section 607.0602 of the Florida Business Corporation Act, and shareholder action was not required.

[Signature on next page.]

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