



THE UNITED STATES  
CORPORATION  
COMPANY

P98000042059

ACCOUNT NO. : 072100000032

REFERENCE : 106941 4336650

AUTHORIZATION : Patricia Pigott

COST LIMIT : \$ 62.75

ORDER DATE : January 21, 1999

ORDER TIME : 12:06 PM

ORDER NO. : 106941-005

CUSTOMER NO: 4336650

CUSTOMER: Ms. Michelle E. Smith  
Baker & McKenzie  
1200 Brickwell Avenue  
19th Floor  
Miami, FL 33131

*Amend*

FILED  
99 JAN 21 PM 4:15  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

900002749969--9

DOMESTIC AMENDMENT FILING

NAME: GENERAL ROOFING SERVICES, INC.

EFFECTIVE DATE:

XX ARTICLES OF AMENDMENT  
       RESTATED ARTICLES OF INCORPORATION

PLEASE RETURN THE FOLLOWING AS PROOF OF FILING:

XX CERTIFIED COPY  
       PLAIN STAMPED COPY  
       CERTIFICATE OF GOOD STANDING

CONTACT PERSON: Jeanine Reynolds

EXAMINER'S INITIALS:

*1/21/99*

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99 JAN 21 PM 12:49  
DEPARTMENT OF STATE  
DIVISION OF CORPORATIONS  
TALLAHASSEE, FLORIDA

**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**

**GENERAL ROOFING SERVICES, INC.**

Pursuant to the provisions of Section 607.1007 of the Florida Business Corporation Act, the undersigned Florida profit corporation amends and restates its Articles of Incorporation as follows:

ARTICLE I

NAME

The name of this Corporation is General Roofing Services, Inc. (hereinafter called the "Corporation"). The address of the principal office and the mailing address of the Corporation is 951 South Andrews Avenue, Pompano Beach, Florida 33069.

ARTICLE II

NATURE OF BUSINESS

This Corporation is being formed for the following purposes:

A. To engage in any and all lawful business or activity permitted under the laws of the United States and the State of Florida.

B. To generally have and exercise all powers, rights and privileges necessary and incident to carrying out properly the objects herein mentioned.

C. To do anything and everything necessary, suitable, convenient or proper for the accomplishment of any of the purposes or the attainment of any or all of the objects hereinbefore enumerated or incidental to the purposes and powers of this Corporation or which at any time appear conducive thereto or expedient.

ARTICLE III

CAPITAL STOCK

The aggregate number of shares of all classes of capital stock which this Corporation shall have authority to issue is 100,000,000 shares, consisting of (i) 90,000,000 shares of common stock, par value \$0.01 per share (the "Common Stock"), and (ii) 10,000,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"). The designations and the preferences, limitations and relative rights of the Preferred Stock and the Common Stock of the Corporation are as follows:

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## A. PROVISIONS RELATING TO THE PREFERRED STOCK

1. The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have such designations and powers, preferences and rights, and qualifications, limitations and restrictions thereof as are stated and expressed herein and in the resolution or resolutions providing for the issuance of such class or series adopted by the Board of Directors of the Corporation (the "Board") as hereinafter prescribed.

2. Subject to Section B below, authority is hereby expressly granted to and vested in the Board to authorize the issuance of the Preferred Stock from time to time in one or more classes or series, to determine and take necessary proceedings fully to effect the issuance and redemption of any such Preferred Stock, and, with respect to each class or series of the Preferred Stock, to fix and state by the resolution or resolutions from time to time adopted providing for the issuance thereof the following:

(a) whether or not the class or series is to have voting rights, full or limited, or is to be without voting rights;

(b) the number of shares to constitute the class or series and the designations thereof;

(c) the preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, with respect to any class or series;

(d) whether or not the shares of any class or series shall be redeemable, and, if redeemable, the redemption price or prices, the time or times at which and the terms and conditions upon which such shares shall be redeemable and the manner of redemption;

(e) whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and if such retirement or sinking fund or funds are established, the annual amount thereof and the terms and provisions relative to the operation thereof;

(f) the dividend rate, whether dividends are payable in cash, stock of the Corporation or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of the dividends payable on any other class or classes or series of stock, whether or not such dividend shall be cumulative or noncumulative, and, if cumulative, the date or dates from which such dividends shall accumulate;

(g) the preferences, if any, and the amounts thereof which the holders of any class or series thereof shall be entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

(h) whether or not the shares of any class or series shall be convertible into, or exchangeable for, the shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such conversion or exchange may be made, with such adjustments, if

any, as shall be stated and expressed or provided for in such resolution or resolutions; and

(i) such other special rights and protective provisions with respect to any class or series as the Board may deem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other series thereof in any or all of the foregoing respects. The Board may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The Board may decrease the number of shares of the Preferred Stock designated for any existing class or series by a resolution, subtracting from such series unissued shares of the Preferred Stock designated for such class or series, and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.

## B. CLASS A PREFERRED STOCK

Designation. Two million two hundred twenty thousand three hundred (2,222,300) shares of the Corporation's Preferred Stock have been designated by the Board of Directors of the Corporation as "Class A Preferred Stock" (the "Class A Preferred Stock"). The Class A Preferred Stock shall have the powers, preferences, rights, qualifications, limitations and restrictions set forth below, as the same may be amended from time to time in accordance with Section 12.

### Section 1. Dividends.

1A. General Obligation. When and as declared by the Corporation's Board of Directors and to the extent permitted under the Florida Business Corporation Act, the Corporation shall pay preferential dividends in cash to the holders of the Class A Preferred Stock (the "Class A Preferred") as provided in this Section 1. Except as otherwise provided herein, dividends on each share of the Class A Preferred (a "Share") shall accrue on a daily basis at the rate of (x) 10% per annum until January 4, 2002 and (y) 12% per annum between January 4, 2002 and January 4, 2004, of the Liquidation Value thereof from and including the date of issuance of such Share to and including the first to occur of (i) the date on which the Liquidation Value of such Share (plus all accrued and unpaid dividends thereon) is paid to the holder thereof in connection with the liquidation of the Corporation or the redemption of such Share by the Corporation, (ii) the date on which such Share is converted into shares of Conversion Stock hereunder and the accrued and unpaid dividends thereon are either paid in cash or converted into additional shares of Conversion Stock pursuant to paragraph 6A(vi) below, or (iii) the date on which such Share is otherwise acquired by the Corporation. Such dividends shall accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends; provided that if any Shares of the Class A Preferred are outstanding on January 4, 2004, dividends on each Share shall accrue thereafter on a daily basis at the rate of 12% per annum and shall be declared and paid quarterly in cash on each Dividend Reference Date. The date on which the Corporation initially issues any Share shall be deemed to be its "date of issuance" regardless of the number of times transfer of such Share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such Share.

1B. Distribution of Partial Dividend Payments. Except as otherwise provided

herein, if at any time the Corporation pays less than the total amount of dividends then accrued with respect to the Class A Preferred, such payment shall be distributed pro rata among the holders thereof based upon the aggregate accrued but unpaid dividends on the Shares held by each such holder.

1C. Participating Dividends. In the event that the Corporation declares or pays any dividends upon the Common Stock (whether payable in cash, securities or other property), the Corporation shall also declare and pay to the holders of the Class A Preferred at the same time that it declares and pays such dividends to the holders of the Common Stock, the dividends which would have been declared and paid with respect to the Common Stock issuable upon conversion of the Class A Preferred had all of the outstanding Class A Preferred been converted immediately prior to the record date for such dividend, or if no record date is fixed, the date as of which the record holders of Common Stock entitled to such dividends are to be determined.

1D. Reduction of Dividend. In the event the Corporation makes a Qualified Public Offering, the Corporation may elect either to (i) reduce the dividend accrual rate on the Class A Preferred from the otherwise applicable rate to 8% per annum or (ii) eliminate any further accrual of dividends on the Class A Preferred Stock after the date such Qualified Public Offering closes by making a single cash payment to each holder thereof in the amount of six (6) quarterly dividend payments at the then applicable dividend rate on the date such Qualified Public Offering closes.

## Section 2. Liquidation.

Upon any liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), each holder of Class A Preferred shall be entitled to be paid, before any distribution or payment is made upon any Junior Securities, an amount in cash equal to the greater of (a) the aggregate Liquidation Value of all Shares held by such holder (plus all accrued and unpaid dividends thereon) or (b) the amount such holder would receive if the Class A Preferred had been converted into Common Stock pursuant to Section 6 hereof immediately prior to such liquidation, dissolution or winding up of the Corporation, and the holders of Class A Preferred shall not be entitled to any further payment. If upon any such liquidation, dissolution or winding up of the Corporation the Corporation's assets to be distributed among the holders of the Class A Preferred are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid under this Section 2, then the entire assets available to be distributed to the Corporation's stockholders shall be distributed pro rata among such holders based upon the aggregate Liquidation Value (plus all accrued and unpaid dividends) of the Class A Preferred held by each such holder. Prior to the liquidation, dissolution or winding up of the Corporation, the Corporation shall declare for payment all accrued and unpaid dividends with respect to the Class A Preferred, but only to the extent of funds of the Corporation legally available for the payment of dividends. Not less than 60 days prior to the payment date stated therein, the Corporation shall mail written notice of any such liquidation, dissolution or winding up to each record holder of Class A Preferred, setting forth in reasonable detail the amount of proceeds to be paid with respect to each Share and each share of Common Stock in connection with such liquidation, dissolution or winding up.

## Section 3. Priority of Class A Preferred on Dividends and Redemptions.

So long as any Class A Preferred remains outstanding, without the prior written consent of the holders of a majority of the outstanding shares of Class A Preferred, the Corporation

shall not, nor shall it permit any Subsidiary to (x) redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (including, without limitation, warrants, options and other rights to acquire such Junior Securities), or directly or indirectly redeem, purchase or make any payments with respect to any stock appreciation rights, phantom stock plans or similar rights or plans (except for repurchases of Common Stock from employees of the Corporation and its Subsidiaries upon termination of employment pursuant to arrangements approved by the Corporation's Board of Directors, so long as no Event of Noncompliance is in existence immediately prior to or is otherwise caused by any such repurchase), or (y) directly or indirectly pay or declare any dividends or make any distribution upon any Junior Securities, except for dividends payable in shares of Common Stock issued upon the outstanding shares of Common Stock. Notwithstanding the foregoing, nothing in this Section 3 shall preclude the holders of the options or warrants described in paragraph 6B(iii) from exercising such options or warrants by exchanging other securities of the Corporation pursuant to the terms contained in such options or warrants.

#### Section 4. Redemptions.

4A. Scheduled Redemption. On January 4, 2006 (the "Scheduled Redemption Date"), the Corporation shall redeem all outstanding Shares of Class A Preferred at a price per Share equal to the Liquidation Value thereof (plus accrued and unpaid dividends thereon).

4B. Redemption Payments. Unless otherwise stated herein, for each Share which is to be redeemed hereunder, the Corporation shall be obligated to pay to the holder thereof (upon surrender by such holder at the Corporation's principal office of the certificate representing such Share) an amount in cash equal to the Liquidation Value of such Share (plus all accrued and unpaid dividends thereon). If the funds of the Corporation legally available for redemption of Shares on any Redemption Date are insufficient to redeem the total number of Shares to be redeemed on such date, those funds which are legally available shall be used to redeem the maximum possible number of Shares pro rata among the holders of the Shares to be redeemed based upon the aggregate Liquidation Value of such Shares held by each such holder (plus all accrued and unpaid dividends thereon). At any time thereafter when additional funds of the Corporation are legally available for the redemption of Shares, such funds shall immediately be used to redeem the balance of the Shares which the Corporation has become obligated to redeem on any Redemption Date but which it has not redeemed. Prior to any redemption of Class A Preferred, the Corporation shall declare for payment in cash all accrued and unpaid dividends with respect to the Shares which are to be redeemed, but only to the extent of funds of the Corporation legally available for the payment of dividends.

4C. Notice of Redemption. Except as otherwise provided herein, the Corporation shall mail written notice of each redemption of any Class A Preferred (other than a redemption at the request of a holder or holders of Class A Preferred) to each record holder thereof not more than 60 nor less than 30 days prior to the date on which such redemption is to be made. In case fewer than the total number of Shares represented by any certificate are redeemed, a new certificate representing the number of unredeemed Shares shall be issued to the holder thereof without cost to such holder within five business days after surrender of the certificate representing the redeemed Shares.

4D. Determination of the Number of Each Holder's Shares to be Redeemed. Except as otherwise provided herein, the number of Shares of Class A Preferred to be redeemed from

each holder thereof in redemptions hereunder shall be the number of Shares determined by multiplying the total number of Shares to be redeemed times a fraction, the numerator of which shall be the total number of Shares then held by such holder and the denominator of which shall be the total number of Shares then outstanding.

4E. Dividends After Redemption Date. No Share shall be entitled to any dividends accruing after the date on which the Liquidation Value of such Share (plus all accrued and unpaid dividends thereon) is paid in cash to the holder of such Share. On such date, all rights of the holder of such Share shall cease, and such Share shall no longer be deemed to be issued and outstanding.

4F. Redeemed or Otherwise Acquired Shares. Any Shares which are redeemed or otherwise acquired by the Corporation shall be canceled and retired to authorized but unissued shares and shall not be reissued, sold or transferred.

4G. Other Redemptions or Acquisitions. The Corporation shall not, nor shall it permit any Subsidiary to, redeem or otherwise acquire any Shares of Class A Preferred, except as expressly authorized herein or pursuant to a purchase offer made pro rata to all holders of Class A Preferred on the basis of the number of Shares owned by each such holder.

4H. Special Redemptions.

(i) Fundamental Change

(a) If, before January 4, 2002, a Fundamental Change is proposed to occur, the Corporation shall give 10 business days prior written notice of such proposed Fundamental Change describing in reasonable detail the material terms and date of consummation thereof to each holder of Class A Preferred, and the Corporation shall give each holder of Class A Preferred prompt written notice of any material change in the terms or timing of such transaction. Without the prior written consent of the holders of a majority of the Shares, the Corporation may not engage in or permit a Fundamental Change to occur before January 4, 2002 unless the transactions contemplated by such Fundamental Change would result in a cash payment to each holder of Shares of an amount sufficient to yield at least the greater of (1) a 25% IRR for such holder; or (2) (A) \$15.00 per Share if the Fundamental Change occurs before January 4, 2000, (B) \$18.00 per Share if the Fundamental Change occurs from January 4, 2000 until January 4, 2001, and (C) \$20.00 per Share if the Fundamental Change occurs from January 4, 2001 until January 4, 2002 (in each case, with such price per share being proportionately adjusted for subsequent stock splits, combinations and dividends affecting the Common Stock).

(b) The term "Fundamental Change" means (1) any sale, transfer or issuance or series of sales, transfers and/or issuances of Common Stock by the Corporation or any holders thereof in any transaction (including a stock sale, tender offer, merger or recapitalization) which results in any Person or group of Persons (as the term "group" is used under the Securities Exchange Act of 1934) owning more than 50% of the Common Stock outstanding at the time of such sale, transfer or issuance or series of sales, transfers and/or issuances or (2) any sale or transfer of more than 50% of the assets of the Corporation and its Subsidiaries on a consolidated basis (measured either by book value in accordance with

generally accepted accounting principles consistently applied or by fair market value determined in the reasonable good faith judgment of the Corporation's Board of Directors) in any transaction or series of transactions (other than sales in the ordinary course of business).

(ii) The Corporation shall redeem any and all Shares when and as required pursuant to Section 3P of the Purchase Agreement.

(iii) Exercise of a right to a redemption pursuant to this paragraph 4H shall not relieve the Corporation of its obligation to redeem Class A Preferred on the Scheduled Redemption Date pursuant to paragraph 4A above.

#### Section 5. Voting Rights.

5A. Election of Directors. In the election of directors of the Corporation, the holders of the Class A Preferred, voting separately as a single class to the exclusion of all other classes of the Corporation's capital stock and with each Share of Class A Preferred entitled to one vote for each share of Conversion Stock issuable upon conversion of the Class A Preferred as of the record date for such vote or, if no record date is specified as of the date of such vote, shall be entitled to elect two directors to serve on the Corporation's Board of Directors until their successors are duly elected by the holders of the Class A Preferred or they are removed from office by the holders of the Class A Preferred (the "Investor Directors"). If the holders of the Class A Preferred for any reason fail to elect anyone to fill any such directorship, such position shall remain vacant until such time as the holders of the Class A Preferred elect a director to fill such position and shall not be filled by resolution or vote of the Corporation's Board of Directors or the Corporation's other stockholders.

5B. Other Voting Rights. The holders of the Class A Preferred shall be entitled to notice of all stockholders meetings in accordance with the Corporation's bylaws, and except as otherwise prohibited by applicable law, the holders of the Class A Preferred shall be entitled to vote on all matters submitted to the stockholders for a vote together with the holders of the Common Stock voting together as a single class with each share of Common Stock entitled to one vote per share and each Share of Class A Preferred entitled to one vote for each share of Conversion Stock issuable upon conversion of the Class A Preferred as of the record date for such vote or, if no record date is specified, as of the date of such vote.

5C. Restrictions. For so long as any Shares are outstanding, the Corporation may not, without the written consent of holders of a majority of the shares of Conversion Stock issuable upon conversion of such Shares:

(i) Authorize, issue or enter into any agreement providing for the issuance (contingent or otherwise) of, (a) any notes or debt securities containing equity features (including, without limitation, any notes or debt securities convertible into or exchangeable for Junior Securities or other equity securities or containing profit participation features) or (b) any capital stock or other equity securities (or any securities convertible into or exchangeable for any capital stock or other equity securities) which are senior to or on a parity with the Class A Preferred with respect to the payment of dividends, redemptions or distributions upon liquidation or otherwise (including, without limitation, any additional shares of Class A Preferred);

(ii) except as expressly contemplated by the Purchase Agreement or otherwise



permitted herein, make any amendment to the Articles of Incorporation or the Corporation's bylaws, or file any resolution of the Board of Directors with the Florida Secretary of State containing any provisions, which would increase the number of authorized shares of the Class A Preferred or adversely affect or otherwise impair the rights or the relative preferences and priorities or conversion rights of the holders of the Class A Preferred or any Conversion Stock under the Purchase Agreement, Articles of Incorporation, the Corporation's bylaws or the Registration Agreement;

(iii) merge or consolidate with any Person (including, but not limited to, a Founding Subsidiary), or, except as permitted by subparagraph 3F(xvii) of the Purchase Agreement, permit any Subsidiary to merge or consolidate with any Person other than with another Wholly-Owned Subsidiary or with the Corporation; provided that a merger between the Corporation and any Subsidiary is not permitted unless the Corporation survives such merger and the Corporation's Articles of Incorporation are not amended or restated in connection with such merger;

(iv) liquidate, dissolve or effect a recapitalization or reorganization in any form of transaction (including, without limitation, any reorganization into a limited liability company, a partnership or any other non-corporate entity which is treated as a partnership for federal income tax purposes); or

(v) effect a division or combination (as such terms are defined in Section 607.10025 of the Florida Business Corporation Act) of the Class A Preferred.

#### Section 6. Conversion.

##### 6A. Conversion Procedure.

(i) At any time and from time to time, upon written notice to the Company, any holder of Class A Preferred may convert all or any portion of the Class A Preferred (including any fraction of a Share) held by such holder into a number of shares of Conversion Stock computed by multiplying the number of Shares to be converted by \$9.00 and dividing the result by the Conversion Price then in effect.

(ii) Except as otherwise provided herein, each conversion of Class A Preferred shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing the Class A Preferred to be converted have been surrendered for conversion at the principal office of the Corporation. At the time any such conversion has been effected, the rights of the holder of the Shares converted as a holder of Class A Preferred shall cease and the Person or Persons in whose name or names any certificate or certificates for shares of Conversion Stock are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the shares of Conversion Stock represented thereby.

(iii) The conversion rights of any Share subject to redemption hereunder shall terminate on the Redemption Date for such Share unless the Corporation has failed to pay to the holder thereof all amounts owing pursuant to such redemption (including all accrued and unpaid dividends thereon) in cash.

(iv) Notwithstanding any other provision hereof, if a conversion of Class A

Preferred is to be made in connection with a Public Offering, a Fundamental Change, an Organic Change or other transaction affecting the Corporation, the conversion of any Shares of Class A Preferred may, at the election of the holder thereof, be conditioned upon the consummation of such transaction, in which case such conversion shall not be deemed to be effective until such transaction has been consummated.

(v) As soon as possible after a conversion has been effected (but in any event within five business days), the Corporation shall deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Conversion Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the converting holder has specified;

(b) payment in an amount equal to all accrued dividends with respect to each Share converted which have not been paid prior thereto or converted into additional shares of Conversion Stock in accordance with subparagraph (vi) below, plus the amount payable under subparagraph (x) below with respect to such conversion; and

(c) a certificate representing any Shares of Class A Preferred which were represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which were not converted.

(vi) In connection with the conversion of each Share, all or any portion of the accrued and unpaid dividends on such Share being converted may, at the converting holder's option, be converted into an additional number of shares of Conversion Stock determined by dividing the amount of such accrued but unpaid dividends to be applied for such purpose by the Conversion Price then in effect. All accrued and unpaid dividends on any Shares being converted that the holder thereof does not elect to be converted into additional shares of Conversion Stock shall be paid in cash upon the conversion of such Share.

(vii) The issuance of certificates for shares of Conversion Stock upon conversion of Class A Preferred shall be made without charge to the holders of such Class A Preferred for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Conversion Stock. Upon conversion of each Share of Class A Preferred, the Corporation shall take all such actions as are necessary in order to insure that the Conversion Stock issuable with respect to such conversion shall be validly issued, fully paid and nonassessable, free and clear of all taxes, liens, charges and encumbrances with respect to the issuance thereof.

(viii) The Corporation shall not close its books against the transfer of Class A Preferred or of Conversion Stock issued or issuable upon conversion of Class A Preferred in any manner which interferes with the timely conversion of Class A Preferred. The Corporation shall assist and cooperate with any holder of Shares required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of Shares hereunder (including, without limitation, making any filings required to be made by the Corporation).

(ix) The Corporation shall at all times reserve and keep available out of its

authorized but unissued shares of Conversion Stock, solely for the purpose of issuance upon the conversion of the Class A Preferred, such number of shares of Conversion Stock issuable upon the conversion of all outstanding Class A Preferred. All shares of Conversion Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Conversion Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Conversion Stock may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Conversion Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of the Class A Preferred.

(x) If any fractional interest in a share of Conversion Stock would, except for the provisions of this subparagraph, be delivered upon any conversion of the Class A Preferred, the Corporation, in lieu of delivering the fractional share therefor, shall pay an amount to the holder thereof equal to the Market Price of such fractional interest as of the date of conversion.

6B. Conversion Price.

(i) The initial Conversion Price shall be \$9.00. In order to prevent dilution of the conversion rights granted under this Section 6, the Conversion Price shall be subject to adjustment from time to time pursuant to this paragraph 6B.

(ii) If and whenever the Corporation issues or sells, or in accordance with paragraph 6C is deemed to have issued or sold, any shares of its Common Stock for a consideration per share less than the Conversion Price in effect immediately prior to the time of such issue or sale, then immediately upon such issue or sale or deemed issue or sale the Conversion Price shall be reduced to the Conversion Price determined by dividing (a) the sum of (1) the product derived by multiplying the Conversion Price in effect immediately prior to such issue or sale by the number of shares of Common Stock Deemed Outstanding immediately prior to such issue or sale, plus (2) the consideration, if any, received by the Corporation upon such issue or sale, by (b) the number of shares of Common Stock Deemed Outstanding immediately after such issue or sale.

(iii) Notwithstanding the foregoing, there shall be no adjustment in the Conversion Price as a result of (a) any issue or sale (or deemed issue or sale) of Common Stock to employees and directors of the Corporation and its Subsidiaries pursuant to stock option plans and stock ownership plans approved by a majority of the Corporation's Board of Directors, including at least one Investor Director (as such number of shares is proportionately adjusted for subsequent stock splits, combinations and dividends affecting the Common Stock), (b) the issuance or sale of Common Stock to the Founders pursuant to the Additional Founders Issuance or pursuant to "earn-out" provisions of Article I of certain of the Acquisition Agreements, (c) the exercise of the Warrants or the Petra Warrants, (d) upon the exercise of the options to acquire 216,300 shares of Common Stock which have been granted prior to the Closing Date or options to acquire 507,500 shares (which options shall not have an exercise price less than \$9.00) that may be granted subsequent to the Closing Date to employees and directors of the Corporation and its Subsidiaries or (e) any issue or sale of Common Stock in connection with an acquisition of another company or business (1) permitted under subparagraph 3F(a)(xvii) of the Purchase Agreement on terms approved by a

majority of the Corporation's Board of Directors, including at least one Investor Director, or (2) approved by holders of a majority of the shares of Conversion Stock issuable upon conversion of the Shares.

6C. Effect on Conversion Price of Certain Events. For purposes of determining the adjusted Conversion Price under paragraph 6B, the following shall be applicable:

(i) Issuance of Rights or Options. If the Corporation in any manner grants or sells any Options and the price per share for which Common Stock is issuable upon the exercise of such Options, or upon conversion or exchange of any Convertible Securities issuable upon exercise of such Options, is less than the Conversion Price in effect immediately prior to the time of the granting or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the granting or sale of such Options for such price per share. For purposes of this paragraph, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the total amount, if any, received or receivable by the Corporation as consideration for the granting or sale of such Options, plus the minimum aggregate amount of additional consideration payable to the Corporation upon exercise of all such Options, plus in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the Conversion Price shall be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Corporation in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon conversion or exchange thereof is less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this paragraph, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the Conversion Price shall be made when Common Stock is actually issued upon the conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the Conversion Price had been or are to be made pursuant to other provisions of this Section 6, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Conversion Rate. If the purchase price provided

for in any Options, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock changes at any time, the Conversion Price in effect at the time of such change shall be immediately adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this paragraph 6C, if the terms of any Option or Convertible Security which was outstanding as of the date of issuance of the Class A Preferred are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change; provided that no such change shall at any time cause the Conversion Price hereunder to be increased.

(iv) Treatment of Expired Options and Unexercised Convertible Securities. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Security without the exercise of any such Option or right, the Conversion Price then in effect hereunder shall be adjusted immediately to the Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued. For purposes of this paragraph 6C, the expiration or termination of any Option or Convertible Security which was outstanding as of the date of issuance of the Class A Preferred or is referred to in paragraph 6B(iii) shall not cause the Conversion Price hereunder to be adjusted unless, and only to the extent that, a change in the terms of such Option or Convertible Security caused it to be deemed to have been issued after the date of issuance of the Class A Preferred and caused the Conversion Price hereunder to be reduced.

(v) Calculation of Consideration Received. If any Common Stock, Option or Convertible Security is issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor (net of discounts, commissions and related expenses). If any Common Stock, Option or Convertible Security is issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Corporation shall be the Market Price thereof as of the date of receipt. If any Common Stock, Option or Convertible Security is issued to the owners of the non-surviving entity in connection with any merger in which the Corporation is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Option or Convertible Security, as the case may be. The fair value of any consideration other than cash and securities shall be determined jointly by the Corporation and the holders of a majority of the outstanding Class A Preferred. If such parties are unable to reach agreement within a reasonable period of time, the fair value of such consideration shall be determined by an independent appraiser experienced in valuing such type of consideration jointly selected by the Corporation and the holders of a majority of the outstanding Class A Preferred. The determination of such appraiser shall be final and binding upon the parties, and the fees and expenses of such appraiser shall be borne by the Corporation.

(vi) Integrated Transactions. In case any Option is issued in connection with the

issue or sale of other securities of the Corporation, together comprising one integrated transaction in which no specific consideration is allocated to such Option by the parties thereto, the Option shall be deemed to have been issued for a consideration of \$.01; provided that if the Company is subsequently required by the Securities and Exchange Commission or its independent auditors to allocate a specific value to any such Option, such value shall be the consideration for which such Option shall be deemed to have been issued.

(vii) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation or any Subsidiary, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock.

(viii) Record Date. If the Corporation takes a record of the holders of Common Stock for the purpose of entitling them (a) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (b) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

6D. Subdivision or Combination of Common Stock. If the Corporation at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and if the Corporation at any time combines (by reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

6E. Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Corporation's assets or other transaction, in each case which is effected in such a manner that the holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, is referred to herein as an "Organic Change". Prior to the consummation of any Organic Change, the Corporation shall make appropriate provisions (in form and substance satisfactory to the holders of a majority of the Shares then outstanding) to insure that each of the holders of Class A Preferred shall thereafter have the right to acquire and receive, in lieu of or in addition to (as the case may be) the shares of Conversion Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Class A Preferred, such shares of stock, securities or assets as such holder would have received in connection with such Organic Change if such holder had converted its Class A Preferred immediately prior to such Organic Change. In each such case, the Corporation shall also make appropriate provisions (in form and substance satisfactory to the holders of a majority of the Class A Preferred then outstanding) to insure that the provisions of this Section 6 and Sections 7 and 8 hereof shall thereafter be applicable to the Class A Preferred (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Corporation, an immediate adjustment of the Conversion Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of Conversion Stock acquirable and receivable upon conversion

of Class A Preferred, if the value so reflected is less than the Conversion Price in effect immediately prior to such consolidation, merger or sale). The Corporation shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor entity (if other than the Corporation) resulting from consolidation or merger or the entity purchasing such assets assumes by written instrument (in form and substance reasonably satisfactory to the holders of a majority of the Shares then outstanding), the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

6F. Certain Events. If any event occurs of the type contemplated by the provisions of this Section 6 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Corporation's Board of Directors shall make an appropriate adjustment in the Conversion Price so as to protect the rights of the holders of Class A Preferred; provided that no such adjustment shall increase the Conversion Price as otherwise determined pursuant to this Section 6 or decrease the number of shares of Conversion Stock issuable upon conversion of each Share of Class A Preferred.

6G. Notices.

(i) Immediately upon any adjustment of the Conversion Price, the Corporation shall give written notice thereof to all holders of Class A Preferred, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Corporation shall give written notice to all holders of Class A Preferred at least 20 days prior to the date on which the Corporation closes its books or takes a record (a) with respect to any dividend or distribution upon Common Stock, (b) with respect to any pro rata subscription offer to holders of Common Stock or (c) for determining rights to vote with respect to any Organic Change, dissolution or liquidation.

(iii) The Corporation shall also give written notice to the holders of Class A Preferred at least 20 days prior to the date on which any Fundamental Change or Organic Change shall take place.

6H. Mandatory Conversion. All Shares of Class A Preferred shall be mandatorily convertible into Conversion Stock upon the earlier to occur of the following events:

(i) if, at any time after January 4, 2001, (a) the Corporation's Common Stock is publicly traded on the Nasdaq National Market System or a national securities exchange; (b) the closing price of the Common Stock for at least 30 consecutive trading days is greater than \$20.00 per share (as such price per share is proportionately adjusted for subsequent stock splits, combinations and stock dividends of or on the Common Stock subsequent to January 4, 1999); and (c) either (x) the EBITDA as described in the audited financial statements of the Corporation for the most recently completed fiscal year is equal to or greater than \$30,000,000 or (y) the EBITDA for the most recently completed four fiscal quarters is equal to or greater than \$35,000,000; provided that if the Corporation has elected to exercise its option to eliminate future dividend obligations pursuant to the provisions of paragraph 1D(ii) hereof, the provisions of this paragraph 6H(i) shall be inoperative and no Shares of Class A Preferred shall be mandatorily convertible hereunder; or

(ii) upon a stock for stock sale of all of the stock of, or merger involving, the Corporation, where (a) the price per share offered for Common Stock of the Corporation is greater than \$20.00 (as such price per share is proportionately adjusted for subsequent stock splits, combinations and dividends affecting the Common Stock after the Closing Date); (b) the acquirer of the Common Stock is a corporation, the shares of which are publicly traded on the Nasdaq National Market System or a national securities exchange (the "Acquirer"); (c) prior to the acquisition of the Corporation, the Acquirer has an equity market capitalization equal to or greater than \$500,000,000; and (d) pursuant to the terms of the acquisition of the Corporation, the holder or holders of Class A Preferred receive stock registered under all applicable securities laws and not subject to any restrictions thereunder, other than those pursuant to Rule 145 of the Securities Act; provided that, in such event, holders of Class A Preferred deemed to be affiliates shall receive the rights to register and sell such stock under applicable securities laws within 90 days of receipt thereof.

#### Section 7. Purchase Rights.

If at any time the Corporation grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of Common Stock (the "Purchase Rights"), then each holder of Class A Preferred shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Conversion Stock acquirable upon conversion of such holder's Class A Preferred immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

#### Section 8. Events of Noncompliance.

8A. Definitions. An Event of Noncompliance shall have occurred if:

(i) the Corporation fails to pay on any Dividend Reference Date after January 4, 2004 the full amount of dividends which have accrued from and after January 1, 2004 on the Class A Preferred, whether or not such payment is legally permissible or is prohibited by any agreement to which the Corporation is subject;

(ii) the Corporation fails to make any redemption payment with respect to the Class A Preferred which it is required to make hereunder or under the Purchase Agreement, whether or not such payment is legally permissible or is prohibited by any agreement to which the Corporation is subject;

(iii) the Corporation materially breaches or otherwise fails to perform or observe in any material respect any other covenant, agreement or obligation set forth herein or in the Purchase Agreement, the Registration Agreement or the Stockholders Agreement and fails to cure such breach or failure to perform by the earlier of (x) with respect to any covenant, agreement or obligation of the Corporation pursuant to which the Corporation is required to provide notice of a matter or circumstance to holders of Shares, the twentieth (20) day after the date on which the Corporation acquires knowledge about such matter or (y) the twentieth (20) day after the date on which any holder of Shares provides notice of such breach;



(iv) any representation or warranty contained in the Purchase Agreement or information required to be furnished to any holder of Preferred Underlying Common pursuant to the Purchase Agreement, or any information contained in writing required to be furnished by the Corporation or any Subsidiary to any holder of Preferred Underlying Common, is false or misleading on the date made or furnished, the Indemnified Liabilities resulting from or reflected by the aggregate of all such breaches of representations or warranties exceed \$100,000 (the "Trigger Amount") and the holders of Preferred Underlying Common have not been paid in cash (or compensated in any other manner acceptable to the holders of a majority of the Preferred Underlying Common) for such Indemnified Liabilities within 30 days of determination thereof.

(v) the Corporation makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or an order, judgment or decree is entered adjudicating the Corporation bankrupt or insolvent; or any order for relief with respect to the Corporation is entered under the Federal Bankruptcy Code; or the Corporation petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator of the Corporation or of any substantial part of the assets of the Corporation, or commences any proceeding relating to the Corporation under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against the Corporation and either (a) the Corporation by any act indicates its approval thereof, consent thereto or acquiescence therein or (b) such petition, application or proceeding is not dismissed within 60 days;

(vi) a judgment is rendered against the Corporation or any Subsidiary for an amount (in excess of insurance proceeds actually received by or paid on behalf of the Corporation) of \$5,000,000 and, within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(vii) the Corporation or any Subsidiary defaults in the performance of any obligation or agreement if the effect of such default is to cause an amount exceeding \$5,000,000 to become due prior to its stated maturity or to permit the holder or holders of any obligation to cause an amount exceeding \$5,000,000 to become due prior to its stated maturity.

#### 8B. Consequences of Events of Noncompliance.

(i) If an Event of Noncompliance has occurred, the applicable dividend rate on the Class A Preferred shall increase immediately by an increment of two (2) percentage points. Thereafter, until such time as no Event of Noncompliance exists (or, in the case of an Event of Noncompliance set forth in (iv) above, until the holders of Shares are fully compensated for the Indemnified Liabilities, including the Trigger Amount, resulting from or reflected by such breach, whether pursuant to the terms hereof or pursuant to the terms of Section 7Q of the Purchase Agreement, it being the right of the holders of a majority of the Shares to determine the manner in which all holders of Shares shall be compensated for such Indemnified Liabilities), the dividend rate shall increase automatically at the end of each succeeding 180-day period by an additional increment of two percentage points (but in no event shall the dividend rate exceed 14%). Any increase of the dividend rate resulting from the operation of this subparagraph shall terminate as of the close of business on the date on which no Event of Noncompliance exists, subject to subsequent increases pursuant to this paragraph.

(ii) If an Event of Noncompliance has occurred, the holder or holders of a majority of the Class A Preferred then outstanding may demand (by written notice delivered to the Corporation) immediate redemption of all or any portion of the Class A Preferred owned by such holder or holders at a price per Share equal to the Liquidation Value thereof (plus all accrued and unpaid dividends thereon). The Corporation shall give prompt written notice of such election to the other holders of Class A Preferred (but in any event within five days after receipt of the initial demand for redemption), and each such other holder may demand immediate redemption of all or any portion of such holder's Class A Preferred by giving written notice thereof to the Corporation within seven days after receipt of the Corporation's notice. The Corporation shall redeem all Class A Preferred as to which rights under this paragraph have been exercised within 15 days after receipt of the initial demand for redemption.

(iii) If an Event of Noncompliance of the type described in subparagraph 8A(v) has occurred, all of the Class A Preferred then outstanding shall be subject to immediate redemption by the Corporation (without any action on the part of the holders of the Class A Preferred) at a price per Share equal to the Liquidation Value thereof (plus all accrued and unpaid dividends thereon). The Corporation shall immediately redeem all Class A Preferred upon the occurrence of such Event of Noncompliance.

(iv) If any Event of Noncompliance has occurred, the number of directors constituting the Corporation's Board of Directors shall, at the request of the holders of a majority of the Class A Preferred then outstanding, be increased by such number which shall constitute a minimum majority of the Board of Directors, and the holders of Class A Preferred shall have the special right, voting separately as a single class (with each Share being entitled to one vote) and to the exclusion of all other classes of the Corporation's stock, to elect individuals to fill such newly created directorships, to remove any individuals elected to such directorships and to fill any vacancies in such directorships. The special right of the holders of Class A Preferred to elect members of the Board of Directors may be exercised at the special meeting called pursuant to this subparagraph (iv), at any annual or other special meeting of stockholders and, to the extent and in the manner permitted by applicable law, pursuant to a written consent in lieu of a stockholders meeting. Such special right shall continue until such time as there is no longer any Event of Noncompliance in existence, at which time such special right shall terminate subject to revesting upon the occurrence and continuation of any Event of Noncompliance which gives rise to such special right hereunder; provided that, the special right contained in this subparagraph (iv) may not be exercised for a period of 90 days from the occurrence and continuation of an Event of Noncompliance where such Event of Noncompliance is one of those described in subparagraphs 8A(i), (iii), (iv), (vi) or (vii) hereof.

At any time when such special right has vested in the holders of Class A Preferred, a proper officer of the Corporation shall, upon the written request of the holder of at least 10% of the Class A Preferred then outstanding, addressed to the secretary of the Corporation, call a special meeting of the holders of Class A Preferred for the purpose of electing directors pursuant to this subparagraph. Such meeting shall be held at the earliest legally permissible date at the principal office of the Corporation, or at such other place designated by the holders of at least 10% of the Class A Preferred then outstanding. If such meeting has not been called by a proper officer of the Corporation within 10 days after personal service of such written request upon the secretary of the Corporation or within 20 days after mailing the same to the secretary of the Corporation at its principal office, then the holders of at least 10% of the Class A Preferred then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and

such meeting may be called by such Person so designated upon the notice required for annual meetings of stockholders and shall be held at the Corporation's principal office, or at such other place designated by the holders of at least 10% of the Class A Preferred then outstanding. Any holder of Class A Preferred so designated shall be given access to the stock record books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to this subparagraph.

At any meeting or at any adjournment thereof at which the holders of Class A Preferred have the special right to elect directors, the presence, in person or by proxy, of the holders of a majority of the Class A Preferred then outstanding shall be required to constitute a quorum for the election or removal of any director by the holders of the Class A Preferred exercising such special right. The vote of a majority of such quorum shall be required to elect or remove any such director.

Any director so elected by the holders of Class A Preferred shall continue to serve as a director until the expiration of the lesser of (a) a period of six months following the date on which there is no longer any Event of Noncompliance of the type described in subparagraph 8A in existence or (b) the remaining period of the full term for which such director has been elected. After the expiration of such six-month period or when the full term for which such director has been elected ceases (provided that the special right to elect directors has terminated), as the case may be, the number of directors constituting the Board of Directors of the Corporation shall decrease to such number as constituted the whole Board of Directors of the Corporation immediately prior to the occurrence of the Event or Events of Noncompliance giving rise to the special right to elect directors.

(v) If any Event of Noncompliance exists, each holder of Class A Preferred shall also have any other rights which such holder is entitled to under any contract or agreement at any time and any other rights which such holder may have pursuant to applicable law.

#### Section 9. Registration of Transfer.

The Corporation shall keep at its principal office a register for the registration of Class A Preferred. Upon the surrender of any certificate representing Class A Preferred at such place, the Corporation shall, at the request of the record holder of such certificate, execute and deliver (at the Corporation's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of Shares represented by the surrendered certificate. Each such new certificate shall be registered in such name and shall represent such number of Shares as is requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate, and dividends shall accrue on the Class A Preferred represented by such new certificate from the date to which dividends have been fully paid on such Class A Preferred represented by the surrendered certificate.

#### Section 10. Replacement.

Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing Shares of Class A Preferred, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor its own agreement shall be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of Shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate, and dividends shall accrue on the Class A Preferred represented by such new certificate from the date to which dividends have been fully paid on such lost, stolen, destroyed or mutilated certificate.

#### Section 11. Definitions.

"Additional Founders Issuance" means the issuance of up to 500,000 shares of Common Stock of the Company to the Founders upon the achievement by the Corporation and its Subsidiaries of EBITA (without giving effect to the EBITA of Persons acquired by the Corporation after January 15, 1999 or to corporate overhead expenses (to the extent such expenses do not exceed \$5,800,000)) for the fiscal year ended December 31, 1999 of \$22,000,000 or greater.

"Bank Agreement" means the credit agreement and the related agreements between the Corporation, its Subsidiaries, BankBoston (as agent thereunder) and other lenders referred to in paragraph 2J of the Purchase Agreement, as such agreements are in effect at the closing and amended, modified or waived from time to time as permitted by paragraph 3M of the Purchase Agreement and any refinancing thereof that the Corporation enters into in accordance with paragraph 3M of the Purchase Agreement.

"Common Stock" means, collectively, the Corporation's Common Stock, par value \$0.01 per share, and any capital stock of any class of the Corporation hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

"Common Stock Deemed Outstanding" means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to subparagraphs 6C(i) and 6C(ii) hereof whether or not the Options or Convertible Securities are actually exercisable at such time, but excluding any shares of Common Stock issuable upon conversion of the Class A Preferred.

"Conversion Stock" means shares of the Corporation's Common Stock, par value \$.01 per share; provided that if there is a change such that the securities issuable upon conversion of the Class A Preferred are issued by an entity other than the Corporation or there is a change in the type or class of securities so issuable, then the term "Conversion Stock" shall mean one share of the security issuable upon conversion of the Class A Preferred if such security is issuable in shares, or shall mean the smallest unit in which such security is issuable if such security is not issuable in shares.

"Convertible Securities" means any stock or securities directly or indirectly convertible into or exchangeable for Common Stock.

"Dividend Reference Date" means March 31, June 30, September 30 and December 31 of each year.

"EBITA" means earnings before interest, taxes, and amortization, and excluding any extraordinary, unusual or nonrecurring gains or losses, as determined under generally accepted accounting principles, consistently applied.

"EBITDA" means earnings before interest, taxes, depreciation and amortization, and excluding any extraordinary, unusual or nonrecurring gains or losses, as determined under generally accepted accounting principles, consistently applied.

"Founders" has the meaning set forth in the Stockholders Agreement.

"Fundamental Change" has the meaning set forth in paragraph 4H hereof.

"Indemnified Liabilities" has the meaning set forth in the Purchase Agreement..

"IRR" means the annual interest rate, compounded quarterly, which, when used to calculate the net present value as of January 4, 1999 of all Cash Inflows and all Cash Outflows (as defined below), causes such net amount to equal zero. "Cash Inflows" as used herein shall include all cash payments received by holders of the Class A Preferred with respect to or in exchange for the Class A Preferred owned by holders of the Class A Preferred. "Cash Outflows" as used herein shall include the sum of all cash payments made by the initial holders of Class A Preferred to acquire Class A Preferred from the Corporation

"Junior Securities" means any capital stock or other equity securities of the Corporation other than the Class A Preferred.

"Liquidation Value" of any Share as of any particular date shall be equal to \$9.00.

"Market Price" of any security, where such security is not listed on any national securities exchange or quoted in the Nasdaq National Market System or the over-the-counter market (a "Tradeable Security"), means the fair value thereof determined jointly by the Corporation and the holders of a majority of the Preferred Underlying Common. If such parties are unable to reach agreement within 20 business days, such fair value shall be determined by an independent appraiser experienced in valuing securities jointly selected by the Corporation and the holders of a majority of the Preferred Underlying Common. In any determination of the Market Price of Shares, such determination shall be based on the aggregate equity value of the Corporation divided by the sum of the number of issued and outstanding shares of Common Stock plus the number of shares of Preferred Underlying Common, and there shall be no discount for minority interests in, or a lack of liquidity of securities of, the Corporation. With respect to any Class A Preferred outstanding, the value of the Preferred Underlying Common shall be determined giving full effect to all of the rights and preferences of the Class A Preferred. The determination of such appraiser shall be final and binding upon the parties, and the Corporation shall pay the fees and expenses of such appraiser. Where such security is a Tradeable Security, "Market Price" shall be the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be

listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the Nasdaq National Market System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the Nasdaq National Market System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 31 days consisting of the day as of which "Market Price" is being determined and the 30 consecutive business days prior to such day.

"Options" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

"Person" means an individual, a partnership, a corporation, a limited liability company, a limited liability, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Petra Warrants" means the warrants to purchase 57,384 shares of Common Stock of the Company issued to Petra Capital, LLC, a Georgia limited liability company ("Petra") pursuant to a Loan and Security Agreement, dated January 16, 1998, between Petra and the GRI Companies.

"Preferred Underlying Common" means the Conversion Shares issued or issuable (i) upon conversion of the Class A Preferred and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. Any Person who holds Class A Preferred shall be deemed to be the holder of the Preferred Underlying Common obtainable upon conversion of the Class A Preferred in connection with the transfer thereof or otherwise regardless of any restriction or limitation on the conversion of the Class A Preferred, such Preferred Underlying Common shall be deemed to be in existence, and such Person shall be entitled to exercise the rights of a holder of Preferred Underlying Common hereunder. As to any particular shares of Preferred Underlying Common, such shares shall cease to be Preferred Underlying Common when they have been (a) effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them, (b) distributed to the public through a broker, dealer or market maker pursuant to Rule 144 under the Securities Act (or any similar provision then in force) or (c) repurchased by the Company or any Subsidiary.

"Public Offering" means any offering by the Corporation of its capital stock or equity securities to the public pursuant to an effective registration statement under the Securities Act, as then in effect, or any comparable statement under any similar federal statute then in force.

"Purchase Agreement" means the Purchase Agreement, dated as of January 4, 1999, by and among the Corporation and certain purchasers, as such agreement may from time to time be amended in accordance with its terms.

"Qualified Public Offering" means an initial Public Offering pursuant to which the Corporation receives net proceeds of \$50,000,000 or more, and at a price that establishes the

aggregate equity valuation of the Corporation at \$200,000,000 or more.

"Registration Agreement" means the Registration Agreement as defined in the Purchase Agreement.

"Redemption Date" as to any Share means the date specified in the notice of any redemption at the Corporation's option or at the holder's option or the applicable date specified herein in the case of any other redemption; provided that no such date shall be a Redemption Date unless the Liquidation Value of such Share (plus all accrued and unpaid dividends thereon and any required premium with respect thereto) is actually paid in full on such date, and if not so paid in full, the Redemption Date shall be the date on which such amount is fully paid.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Stockholders Agreement" means the Stockholders Agreement, dated as of January 4, 1999, between the Corporation, the investors listed on the Schedule of Investors attached thereto and the Founding Stockholders listed on the Schedule of Founders attached thereto.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing general partner of such limited liability company, partnership, association or other business entity.

"Warrants" means the warrants issued pursuant to the Purchase Agreement.

## Section 12. Amendment and Waiver.

No amendment, modification or waiver shall be binding or effective with respect to any provision of Sections 1 to 13 hereof without the prior written consent of the holders of a majority of the Class A Preferred outstanding at the time such action is taken; provided that no such action shall change (a) the rate at which or the manner in which dividends on the Class A Preferred accrue or the times at which such dividends become payable or the amount payable on redemption of the Class A Preferred or the times at which redemption of Class A Preferred is to occur, without the prior written consent of the holders of at least 67% of the Class A Preferred then outstanding, (b) the Conversion Price of the Class A Preferred or the number of shares or class of stock into which the Class A Preferred is convertible, without the prior written consent of the holder of at least 67% of the Class A Preferred then outstanding or (c) the percentage required to approve any change described in clauses (a) and (b) above, without the prior written consent of the holders of at least 67% of the Class A Preferred then outstanding; and provided further that no change in the terms hereof may be accomplished by merger or consolidation of the Corporation with another corporation or entity unless the Corporation has obtained the prior written consent of the holders of the applicable percentage of the Class A Preferred then outstanding.

## Section 13. Notices.

Except as otherwise expressly provided hereunder, all notices referred to herein shall be in writing and shall be delivered by registered or certified mail, return receipt requested and postage prepaid, or by reputable overnight courier service, charges prepaid, and shall be deemed to have been given when so mailed or sent (i) to the Corporation, at its principal executive offices and (ii) to any stockholder, at such holder's address as it appears in the stock records of the Corporation (unless otherwise indicated by any such holder).

C. PROVISIONS RELATING TO THE COMMON STOCK. The Common Stock shall be subject to the express terms of the Preferred Stock and any class or series thereof.

1. Except as otherwise required by law or as may be provided by the resolutions of the Board authorizing the issuance of any class or series of Preferred Stock, as hereinabove provided, all rights to vote and all voting power shall be vested exclusively in the holders of the Common Stock.

2. Subject to the rights of the holders of the Preferred Stock, the holders of the Common Stock shall be entitled to receive when, as and if declared by the Board, out of funds legally available therefor, dividends payable in cash, stock or otherwise.

3. Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and after the holders of the Preferred Stock shall have been paid in full the amounts to which they shall be entitled (if any) or a sum sufficient for such payment in full shall have been set aside, the remaining net assets of the Corporation, if any, shall be divided among and paid ratably to the holders of the Common Stock in accordance with their respective rights and interests, to the exclusion of the holders of the Preferred Stock.

## D. GENERAL PROVISIONS



1. Except as may be provided by the resolutions of the Board authorizing the issuance of any class or series of Preferred Stock, as hereinabove provided, cumulative voting by any shareholder is hereby expressly denied.

2. No shareholder of the Corporation shall have, by reason of its holding shares of any class or series of stock of the Corporation, any preemptive or preferential rights to purchase or subscribe for any other shares of any class or series of the Corporation now or hereafter to be authorized, and any other equity securities, or any notes, debentures, warrants, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities would adversely affect the dividend, voting or other rights of such shareholder.

#### ARTICLE IV

##### TERM OF EXISTENCE

This Corporation shall have perpetual existence unless sooner dissolved in accordance with the laws of the State of Florida.

#### ARTICLE V

##### INITIAL REGISTERED OFFICE AND AGENT

The street address of the initial registered office of the Corporation is 1201 Hays Street, Tallahassee, Florida 32301, and the name of the initial registered agent of this Corporation at that address is Corporation Service Company.

#### ARTICLE VI

##### AMENDMENTS

In addition to any vote required under the Florida Business Corporation Act or the terms of these Articles of Incorporation, for so long as the Stockholders Agreement remains in effect, these Articles of Incorporation may be altered, amended or restated by the affirmative vote of the holders of a majority of the Class A Preferred, voting as a separate class, and by the holders of a majority of the Common Stock; except that any amendment of Article III, the sole effect of which is to increase the number of shares of Common Stock that the Corporation has authority to issue, only requires the affirmative vote of the holders of a majority of the Common Stock.

#### ARTICLE VII

##### DIRECTORS

###### A. NUMBER OF DIRECTORS

The Corporation's Board shall consist of nine (9) directors.

#### B. DIRECTOR VACANCIES; REMOVAL

Whenever any vacancy on the Corporation's Board shall occur due to death, resignation, retirement, disqualification, removal, increase in the number of directors, or otherwise, such vacancy may be filled only (i) by the shareholders of the Corporation, upon the terms and subject to the conditions of the Stockholders Agreement so long as the Stockholders Agreement shall remain in effect or (ii) upon termination of the Stockholders Agreement, by a majority of directors in office, although less than a quorum of the entire Board.

### ARTICLE VIII

#### SHAREHOLDER MEETINGS

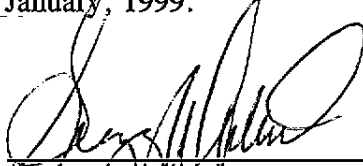
Except as otherwise required by law, special meetings of shareholders of the Corporation may be called by the Chairman of the Board, the Chief Executive Officer of the Corporation, the Board pursuant to a resolution approved by a majority of the entire Board, or by the holders of at least fifty (50%) of the Common Stock or the Class A Preferred Stock, voting separately as a class. Shareholders entitled to vote at a special meeting shall be given no less than then (10) and no more than sixty (60) days notice of the time and place of the meeting. Only business within the purpose or purposes described in the special meeting notice required by Section 607.0705 of the Florida Business Corporation Act may be conducted at a special shareholders' meeting.

### ARTICLE IX

#### INDEMNIFICATION

This Corporation shall indemnify any and all of its directors, officers, employees or agents or former directors, officers, employees or agents or any person or persons who may have served at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise in which it owns shares of capital stock or of which it is a creditor, to the full extent permitted by law in existence now or hereafter. Said indemnification shall include, but not be limited to, the expenses, including the cost of any judgments, fines, settlements and counsel's fees, actually and necessarily paid or incurred in connection with any action, suit or proceedings, whether civil, criminal, administrative or investigative, and any appeals thereof, to which any such person or his legal representative may be made a party or may be threatened to be made a party, by reason of his being or having been a director, officer, employee or agent as herein provided. The foregoing right of indemnification shall not be exclusive of any other rights to which any director, officer, employee or agent may be entitled as a matter of law or which he may be lawfully granted.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation on this 19<sup>th</sup> day of January, 1999.

A handwritten signature in black ink, appearing to read "Gregg E. Wallick", written over a horizontal line.

Gregg E. Wallick  
President and Chief Executive Officer

**CERTIFICATE  
RE  
AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
GENERAL ROOFING SERVICES, INC.**

General Roofing Services, Inc., a Florida corporation (the "Corporation"), hereby certifies, pursuant to and in accordance with Section 607.1007 of the Florida Business Corporation Act for the purpose of filing its Amended and Restated Articles of Incorporation with the Department of State of the State of Florida, that:

1. The name of the Corporation is General Roofing Services, Inc.
2. The Corporation's Amended and Restated Articles of Incorporation attached hereto (the "Restated Articles") contain certain amendments to the Corporation's Articles of Incorporation.
3. The Restated Articles contain certain amendments to the Corporation's Articles of Incorporation which require shareholder approval, and the Restated Articles were adopted and approved on January 12, 1999 by the Corporation's Board of Directors and a majority the shareholders of the Corporation pursuant to a written consent, the number of votes cast being sufficient for approval.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of January 19, 1999.

GENERAL ROOFING SERVICES, INC.

By: \_\_\_\_\_

Name:

Gregg E. Wallick

Title:

President and Chief Executive Officer