

Division of Corporations

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## From:

Account Name : EDWARD H. GILBERT, P.A.  
Account Number : I19990000063  
Phone : (561) 361-9300  
Fax Number : (561) 361-9369

## BASIC AMENDMENT

## YOUTH ENHANCEMENT SYSTEMS, INC.

Certificate of Status	0
Certified Copy	0
Page Count	08
Estimated Charge	\$35.00

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SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

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ARTICLES OF AMENDMENT  
YOUTH ENHANCEMENT SYSTEMS, INC.

## CERTIFICATE OF DESIGNATION

## SERIES A PREFERRED STOCK

RESOLVED, that pursuant to the authority vested in the Board of Directors of Youth Enhancement Systems, Inc., a Florida corporation (the "Corporation") by Article III of the Corporation's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") and pursuant to the provisions of § 607.0602 of the Florida Business Corporation Act, this certificate of designation (the "Certificate of Designation") shall create a series of preferred stock out of the authorized but unissued shares of preferred capital stock of the Corporation, such series to be designated Series A Preferred Stock (the "Series A Preferred Stock"). The Series A Preferred Stock shall consist of Three Million (3,000,000) shares and the preferences and other rights and the qualifications, limitations or restrictions of the Series A Preferred Stock shall be as follows:

1. Dividends.

(a) Each issued and outstanding share of Series A Preferred Stock shall entitle the holder of record thereof to receive, when, as and if declared by the Board of Directors, out of any funds legally available therefor, a dividend (the "Dividend") in the amount of three cents (\$0.03) per share per annum (the "Dividend Amount"), subject to adjustment as hereinafter set forth; provided that no Dividend shall accrue as to any of the Series A Preferred Stock for the period (the "Interest Free Period") commencing on and as of the date of issuance of the first share of Series A Preferred Stock (the "Issuance Date") and ending on the last day of the Corporation's fourth fiscal quarter subsequent to the Issuance Date. Subsequent to the Interest Free Period, the Dividend shall accrue for each subsequent fiscal quarter (each, a "Quarterly Period"), provided that if the Corporation fails to generate earnings before income tax ("EBIT") for any such Quarterly Period (each, an "Eliminated Dividend Accrual Period") then no Dividends shall accrue as to the Series A Preferred Stock for the Eliminated Dividend Accrual Period. If Dividends have accrued for a particular Quarterly Period and are declared by the Board of Directors, such accrued Dividends shall be paid in the form of cash and shall be paid within forty five (45) days after the date of declaration thereof (each such date being a "Dividend Due Date").

(b) The record date for the payment of Dividends declared on the Series A Preferred Stock shall be the last day of each Quarterly Period. All Dividends payable to the holders of the Series A Preferred Stock in accordance with paragraph 1.(a) shall be cumulative.

(c) In the event of a split or subdivision of the outstanding shares of Series A Preferred Stock, or the combination or the outstanding shares of Series A Preferred Stock, as the case may be, the Dividends provided for herein shall automatically and without any further action be decreased, in the case

- (a) Edward H. Gilbert, Esq.
- (b) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c) (561) 361-9300
- (d) (((H04000159817 3)))
- (e) Florida Bar No. 180595

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of a split or subdivision, or increased, in the case of a combination, in proportion to the increase or decrease in the number of shares of Series A Preferred Stock outstanding immediately before such split, subdivision or combination.

2. Priority.

(a) So long as any Series A Preferred Stock shall be outstanding, no dividends, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on the common shares of the Corporation (the "Common Stock") or any other security junior to the Series A Preferred Stock as to dividend rights, unless all Dividends on the Series A Preferred Stock for all prior Quarterly Periods shall have been paid or declared and duly provided for. The provisions of this paragraph 2.(a) shall not, however, apply to a dividend payable in Common Stock or any other security of the Corporation junior to the Series A Preferred Stock.

(b) The Corporation may in the future, without the consent of holders of the Series A Preferred Stock, issue common stock and other series of preferred stock which rank on parity with or junior to the Series A Preferred Stock as to dividend and/or liquidation rights. The consent of the holders of a majority of the outstanding Series A Preferred Stock is required for the issuance of any series or preferred stock which is senior as to dividend and/or liquidation rights to the Series A Preferred Stock.

3. Redemption Rights. The Corporation shall have no right or obligation to redeem all or any part of the Series A Preferred Stock.

4. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (a "Liquidation"), the then holders of record of the Series A Preferred Stock shall be entitled to receive, before and in preference to any distribution or payment of assets of the Corporation or the proceeds thereof may be made or set apart for the holders of Common Stock or any other security junior to the Series A Preferred Stock in respect of distributions upon Liquidation out of the assets of the Corporation legally available for distribution to its stockholders, an amount (the "Liquidation Preference") in cash equal to \$1.00 per share of Series A Preferred Stock (subject to adjustment if the number of Series A Preferred Stock has been adjusted pursuant hereto) plus accrued and unpaid Dividends, if any, on each such share of Series A Preferred Stock on the date fixed for the distribution to the holders of Series A Preferred Stock and any other series of preferred stock then outstanding ranking on parity with the Series A Preferred Stock upon liquidation ("Parity Stock"), and in the event the assets of the Corporation legally available for distribution to its stockholders shall be insufficient to permit payment in full of the Liquidation Preference to the holders of the Series A Preferred Stock and Parity Stock, then the entire assets and funds of the Corporation legally available for distribution to such holders of the Series A Preferred Stock and the Parity Stock then outstanding shall be distributed ratably among the holders of the Series A Preferred Stock and Parity Stock based upon the proportion the total amount distributable on each share upon liquidation bears to the aggregate amount available for distribution on all Series A Preferred Stock and on all such Parity Stock.

- (a.) Edward H. Gilbert, Esq.
- (b.) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c.) (561) 361-9300
- (d.) ((H04000159817 3)))
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5. Voting Rights. For so long as the Series A Preferred Stock is outstanding, each share of the Series A Preferred Stock shall entitle the holder thereof to vote on all matters to be voted on by the holders of the Common Stock; and the number of votes per share of Series A Preferred Stock such holder shall be entitled to shall be equal one (1) vote for each one (1) share of Series A Preferred Stock.

6. Conversion.

(a) Voluntary Conversion.

(1) Each share of Series A Preferred Stock shall be convertible, at the option of the respective holders thereof (a "Voluntary Conversion") at any time after the date of issuance at the office of any transfer agent for the Series A Preferred Stock, or if there is none, then at the office of the transfer agent for the Common Stock, or if there is no such transfer agent, at the principal executive office of the Corporation, into fully paid and non-assessable shares of Common Stock on the basis of one (1) share of Common Stock for each one (1) share of Series A Preferred Stock (the "Conversion Price"), subject to adjustment from time to time in certain instances, as hereinafter provided.

(2) Each Voluntary Conversion of Series A Preferred Stock shall be effected by the surrender of the certificate or certificates representing the Series A Preferred Stock to be converted, duly endorsed, at the office of the transfer agent for the Series A Preferred Stock, or if there is no such transfer agent, at the office of any transfer agent for the Common Stock, or if there is no such transfer agent, at the principal executive office of the Corporation, at any time during its usual business hours, together with written notice by the holder of such Series A Preferred Stock stating that such holder desires to convert all, or a stated number, of the Series A Preferred Stock, represented by such certificate or certificates, which notice shall also specify the name or names (with addresses) and denominations in which the certificate or certificates representing the Common Stock issuable upon Voluntary Conversion shall be issued and shall include instructions for delivery thereof. Such Voluntary Conversion shall be deemed to have been effected as of the close of business on the date on which such certificate or certificates shall have been surrendered and such notice shall have been received, and, at such time, the rights of the holder of such Series A Preferred Stock (or specified portion thereof) as such holder shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock are to be issued upon such Voluntary Conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby. The Corporation shall advise the holders of the Series A Preferred Stock of the name and location of the transfer agent to which the Series A Preferred Stock

- (a.) Edward H. Gilbert, Esq.
- (b.) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c.) (561) 361-9300
- (d.) (((H04000159817 3)))
- (e.) Florida Bar No. 180595

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shall be submitted for Voluntary Conversion and from time to time thereafter advise such holders of any change in such name and/or location.

(3) If, at the time of Voluntary Conversion, any Dividends on the shares of the Series A Preferred Stock affected by any such Voluntary Conversion for all applicable Quarterly Periods have not been paid, no sum shall be set aside for by the Company for same, but any such unpaid Dividends shall become a debt due from the Company to the holder of record of the Series A Preferred Stock subject to the Voluntary Conversion.

(b) Mandatory Conversion.

(1) Each share of the Series A Preferred Stock shall be convertible, at the option of the Company (a "Mandatory Conversion") as of the last day of each Quarterly Period occurring subsequent to the Interest Free Period (each, a "Measurement Quarter"), provided that as of the last day of any such Measurement Quarter the Company has generated EBIT, at the office of any transfer agent for the Series A Preferred Stock, or if there is none, then at the office of the transfer agent for the Common Stock, or if there is no such transfer agent, at the principal executive office of the Corporation, into fully paid and non-assessable shares of Common Stock at the Conversion Price, subject to adjustment from time to time in certain instances, as hereinafter provided.

(2) In order to effect a Mandatory Conversion of Series A Preferred Stock, the Company shall provide a notice of Mandatory Conversion (each a, "Mandatory Conversion Notice") to the holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Series A Preferred Stock subject to a Mandatory Conversion by overnight courier at the address for such holder shown on the Corporation's records, within five (5) days after any Measurement Quarter where the Company has generated EBIT. In the event that any such Mandatory Conversion Notice is so provided, the date of the Mandatory Conversion (the "Mandatory Conversion Date") shall be the last day of the Measurement Quarter identified in the Mandatory Conversion Notice. The Mandatory Conversion Notice shall notify the holder of record of the Series A Preferred Stock subject to the Mandatory Conversion of the Mandatory Conversion to be effected, identifying the Mandatory Conversion Date, the number of Series A Preferred Stock and the certificate numbers thereof which are subject to the Mandatory Conversion and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, such holder's certificate or certificates for the Series A Preferred Stock subject to the Mandatory Conversion. Upon sending the Mandatory Conversion Notice, the Corporation shall become obligated to convert, at the time of Mandatory Conversion specified in the Mandatory Conversion Notice, all shares of Series A Preferred Stock specified therein. In case less than all of the shares of Series A Preferred Stock represented by any certificate are converted pursuant to this paragraph, a new certificate shall be issued representing the unconverted Series A Preferred Stock without cost to the holders thereof.

(3) After receipt of a Mandatory Conversion Notice, the Mandatory Conversion shall be effected by the surrender of the certificate or certificates representing the Series A Preferred

- (a.) Edward H. Gilbert, Esq.
- (b.) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c.) (561) 361-9300
- (d.) ((H04000159817 3)))
- (e.) Florida Bar No. 180595

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Stock to be converted, duly endorsed, at the office of any transfer agent for the Series A Preferred Stock, or if there is no such transfer agent at the office of any transfer agent for the Common Stock, or if there is no such transfer agent, at the principal executive office of the Corporation, at any time during its usual business hours, together with written notice by the holder of such Series A Preferred Stock stating the name or names (with addresses) and denominations in which the certificate or certificates representing the Common Stock issuable upon Mandatory Conversion shall be issued and shall include instructions for delivery thereof.

(4) If, at the time of Mandatory Conversion, any Dividends on the shares of the Series A Preferred Stock affected by any such Mandatory Conversion for all applicable Quarterly Periods have not been paid, no sum shall be set aside for by the Company for same, but any such unpaid Dividends shall become a debt due from the Company to the holder of record of the Series A Preferred Stock subject to the Mandatory Conversion.

(c) The Conversion Price shall be subject to adjustment from time to time as follows:

(1) In case the Corporation shall (i) issue Common Stock as a dividend or distribution on any class of the capital stock of the Corporation; (ii) split or otherwise subdivide its outstanding Common Stock; (iii) combine the outstanding Common Stock into a smaller number of shares; or (iv) issue by reclassification of its shares of capital stock of the Corporation (whether pursuant to a merger or consolidation or otherwise), the Conversion Price in effect on the record date for any stock dividend or the effective date any such other event shall be increased (or decreased in the case of a reverse stock split) so that the holder of each share of the Series A Preferred Stock thereafter be entitled to receive, upon the conversion of such share, the number of shares of Common Stock or other capital stock which it would own or be entitled to receive immediately after the happening of any of the events mentioned above had such share of the Series A Preferred Stock been converted immediately prior to the close of business on such record date or effective date. The adjustments herein provided shall become effective immediately following the record date for any such stock dividend or the effective date of any such other events.

(2) In case of any reclassification or similar change of outstanding shares of Common Stock (other than as set forth in subparagraph 6.(c)(1) above), or in case of the consolidation or merger of the Corporation with another Corporation, or the conveyance of all or substantially all of the assets of the Corporation in a transaction in which holders of the Common Stock receive shares of stock or other property including cash, each share of the Series A Preferred Stock shall thereafter be convertible only into the number of shares of stock or other securities or property, including cash, to which a holder of the number of shares of Common Stock deliverable upon conversion of such Series A Preferred Stock would have been entitled upon such reclassification, change, consolidation, merger or conveyance had such share been converted immediately prior to the effective date of such event.

- (a.) Edward H. Gilbert, Esq.
- (b.) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c.) (561) 361-9300
- (d.) (((H04000159817 3)))
- (e.) Florida Bar No. 180595

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(3) No adjustment in the Conversion Price or the number of shares of Common Stock into which a share of Series A Preferred Stock may be converted shall be required unless such adjustment (plus any adjustments not previously made by reason of this subparagraph 6.(c)(3) would require an increase or decrease of at least one percent (1%) in the number of shares of Common Stock into which each share of the Series A Preferred Stock is then convertible, provided, however, that any adjustments which are not required to be made by reason of this subparagraph 6.(c)(3) shall be carried forward and taken into account in any subsequent adjustment. All calculations and adjustments shall be made to the nearest 1/100 th of a share.

(4) After each adjustment of the Conversion Price the Corporation shall promptly prepare a certificate signed by its President or Chief Financial Officer and a Secretary or Assistant Secretary setting forth the Conversion Price, as so adjusted; the number of shares of Common Stock into which the Series A Preferred Stock may be converted, and a statement of the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the transfer agent, if any, for the Series A Preferred Stock, and the Corporation shall cause such a copy of statement to be sent by ordinary first class mail to each holder of Series A Preferred Stock.

(d) From and after the close of business on the Voluntary Conversion Date or the Mandatory Conversion Date (collectively, a "Conversion Date"), as the case may be, the Series A Preferred Stock shall no longer be deemed outstanding, the right to thereafter receive dividends thereon shall cease to accrue, and all rights of holders of the shares of Series A Preferred Stock shall forthwith, after the Conversion Date, cease and terminate, excepting only the right of the holders thereof to receive the Common Stock without interest and the Series A Preferred Stock shall not thereafter be transferred on the books of the Corporation or deemed to be outstanding for any purpose whatsoever.

(e) The Corporation shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, solely for the purpose of effecting the conversion of the Series A Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of the Series A Preferred Stock from time to time outstanding. The Corporation shall from time to time in accordance with Florida law take all steps necessary to increase the authorized amount of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the Series A Preferred Stock.

(f) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series A Preferred Stock, and any fraction resulting from the conversion of any shares of the Series A Preferred Stock shall be rounded up to the next whole number.

(g) The Corporation will pay any taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series A Preferred Stock. However, the Corporation shall not be required to pay any tax which may be payable in respect to any transfer involved in the issue and delivery of shares of Common Stock upon conversion in a name other than that in which the Series A

- (a) Edward H. Gilbert, Esq.
- (b) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c) (561) 361-9300
- (d) (((H04000159817 3)))
- (e) Florida Bar No. 180595

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Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(h) The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Certificate of Designation and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock against impairment.

7. Notice. Each share of the Series A Preferred Stock shall entitle the holder thereof to notice of any special or annual meetings of the holders of the Common Stock in the same manner as notice given to the holders of the Common Stock under the Florida Business Corporation Act. Additionally, each share of the Series A Preferred Stock shall entitle the holder thereof to receive copies of all written communication distributed by the Corporation to the holders of the Common Stock.

8. Other Rights. Except as may otherwise be required by law, the shares of the Series A Preferred Stock shall not have any preferences or relative, participating, optional or other special rights, other than those specifically set forth in this Certificate of Designation (as such Certificate of Designation may be amended from time to time) and the Articles of Incorporation, as amended from time to time.

9. Headings. The headings of the various paragraphs hereof are for convenience and for reference only and shall not affect the interpretation of any of the provisions hereof.

*(Signature Appears Next Page)*


- (a.) Edward H. Gilbert, Esq.
  - (b.) 5100 Town Center Circle, Suite 430
  - (c.) Boca Raton, Florida 33486
  - (d.) (361) 361-9300
  - (e.) ((H04000159817 3)))
- Florida Bar No. 180595

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This Certificate of Designation was unanimously adopted by the Board of Directors of the Corporation on July 31, 2004. Shareholder action is not required.

  
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Kevin Sepe, President

- (a.) Edward H. Gilbert, Esq.
- (b.) 5100 Town Center Circle, Suite 430  
Boca Raton, Florida 33486
- (c.) (561) 361-9300
- (d.) ((H04000159817 3)))
- (e.) Florida Bar No. 180595