

Document Number Only

P96000027944

C T CORPORATION SYSTEM

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 660 East Jefferson Street  
 Address  
 Tallahassee, Florida 32301  
 City State Zip Phone  
 904-222-1092  
 CORPORATION(S) NAME

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 \*\*\*\*\*35.00 \*\*\*\*\*35.00

Tutor Time Learning Systems, Inc.

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if any problems/questions.

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FLORIDA DEPARTMENT OF STATE  
Sandra B. Mortham  
Secretary of State

August 7, 1998

CT CORPORATION SYSTEM

TALLAHASSEE, FL

SUBJECT: TUTOR TIME LEARNING SYSTEMS, INC.  
Ref. Number: P96000027944

WALK-IN  
PICK-UP

We have received your document for TUTOR TIME LEARNING SYSTEMS, INC. and your check(s) totaling \$35.00. However, the enclosed document has not been filed and is being returned for the following correction(s):

The date of adoption and signing dates must be completed.

The document must contain written acceptance by the registered agent, (i.e. "I hereby am familiar with and accept the duties and responsibilities as registered agent for said corporation/limited liability company"); and the registered agent's signature.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 487-6908.

Teresa Brown  
Corporate Specialist

Letter Number: 698A00041263

ATTN: TERESA BROWN

RECEIVED  
58 AUG 10 AM 11:38  
DIVISION OF CORPORATION

SECOND AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
TUTOR TIME LEARNING SYSTEMS, INC.

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SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

The undersigned, being the Secretary of Tutor Time Learning Systems, Inc., a Florida corporation (the "Corporation"), hereby certifies on behalf of the Corporation as follows:

- (a) The name of the Corporation is Tutor Time Learning Systems, Inc. The date of filing of its original Articles of Incorporation with the Secretary of State of the State of Florida was March 28, 1996.
- (b) The Corporation is hereby amending and restating its Amended and Restated Articles of Incorporation as set forth in the Second Amended and Restated Articles of Incorporation of Tutor Time Learning Systems, Inc., attached hereto as ANNEX A (the "Restated Articles").
- (c) The Restated Articles contains amendments to the Articles of Incorporation requiring shareholder approval. The Restated Articles were adopted by the shareholders of the Corporation on August <sup>9<sup>th</sup></sup> 1998.
- (d) The designation of each voting group of shareholders entitled to vote separately on the said amendment and restatement is hereby stated as follows:
  - (i) Common Stock; and
  - (ii) Series B Preferred Stock.
- (e) The number of votes cast for said amendment and restatement by each said voting group of shareholders was sufficient for approval thereof.

IN WITNESS WHEREOF, this Certificate has been duly executed by the Secretary of the Corporation as of the 7<sup>th</sup> day of August, 1998.

By:   
Richard Weissman, President

ATTEST:

By:   
John Floegel, Secretary

**SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION**  
**OF**  
**TUTOR TIME LEARNING SYSTEMS, INC.**

Pursuant to the provisions of Sections 607.0821, 607.0704 and 607.1007 of the Florida Business Corporation Act, the undersigned corporation adopts the following Second Amended and Restated Articles of Incorporation:

**ARTICLE I**

The name of the Corporation is TUTOR TIME LEARNING SYSTEMS, INC. (the "Corporation"), Charter #P96000027944, filed March 28, 1996.

**ARTICLE II**

The address of the principal office of the Corporation is 621 N.W. 53rd Street, Suite 450, Boca Raton, Florida 33487.

**ARTICLE III**

The street address of the Corporation's initial registered office is 1200 South Pine Island Road, City of Plantation, State of Florida 33324, and the name of its initial registered agent at such office is CT Corporation System.

**ARTICLE IV**

**CAPITAL STOCK**

The total number of shares of all classes of stock which the Corporation has authority to issue is thirty-four million two hundred forty thousand one hundred ten (34,240,110) shares, consisting of (a) twenty million (20,000,000) shares of Common Stock with a par value of \$.01 per share (the "Common Stock") and (b) fourteen million two hundred forty four thousand one hundred nine (14,244,109) shares of Preferred Stock (the "Preferred Stock"), of which (i) three million (3,000,000) shares are Series A Preferred Stock with a par value of \$.01 per share (the "Series A Preferred Stock"), (ii) six million seven hundred forty-four thousand one hundred nine (6,744,109) shares are Series B Preferred Stock with a par value of \$.01 per share (the "Series B Preferred Stock") and (iii) three million five hundred thousand (3,500,000) shares are Series C Preferred Stock with a par value of \$.01 per share (the "Series C Preferred Stock"). The number of the authorized shares of any such class or classes may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of the Corporation on the basis specified in Part B, Section 4 of this Article IV.

The Board of Directors of the Corporation is authorized to provide for the issuance of up to 1,000,000 shares of undesignated Preferred Stock in series and, by filing the appropriate articles of amendment with the Secretary of State of Florida, is authorized to establish the number of shares to be included in each such series and the preferences, limitations and relative rights of each such series.

#### A. COMMON STOCK

1. **Voting Rights.** The holders of shares of Common Stock shall be entitled to one vote for each share held with respect to all matters voted on by the stockholders of the Corporation.

2. **Liquidating Rights.** Subject to the prior and superior right of the Preferred Stock provided for in Part B, Section 3 of this Article IV, upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation (a "Liquidation"), the holders of Common Stock shall be entitled to receive the remaining funds to be distributed on the basis of the number of shares of Common Stock held by each of them.

3. **Other Rights.** The Common Stock shall have all rights not otherwise granted to the holders of the Preferred Stock of the Corporation.

#### B. PREFERRED STOCK

Preferred Stock may be issued in one or more series. The rights, preferences, privileges and restrictions granted to, and imposed upon, the first three such series, designated Series A, Series B and Series C, are set forth in succeeding provisions of this Article IV.

##### Section 1.

##### Designation

(a) **Series A Preferred Stock.** The initial series of Preferred Stock shall be designated and known as "Series A Preferred Stock". The number of authorized shares constituting such series shall be three million (3,000,000).

(b) **Series B Preferred Stock.** The initial series of Preferred Stock shall be designated and known as "Series B Preferred Stock". The number of authorized shares constituting such series shall be six million seven hundred forty-four thousand one hundred nine (6,744,109).

(c) **Series C Preferred Stock.** The initial series of Preferred Stock shall be designated and known as "Series C Preferred Stock". The number of authorized shares constituting such series shall be three million five hundred thousand (3,500,000).

(d) **Series Preferred Stock and Investor Preferred Stock.** The Series B Preferred Stock and the Series C Preferred Stock are collectively called the "Investor Preferred Stock." The Series A Preferred Stock and the Investor Preferred Stock are collectively called the "Series Preferred Stock."

## Section 2.

### Dividends

(a) **Computation of Cumulative Dividends.** The holders of the outstanding shares of Series C Preferred Stock shall be entitled to receive, out of any funds legally available therefor, cumulative dividends at the annual rate of \$0.375 per share per annum of Series C Preferred Stock at such times as hereafter described in this Section 2(a). The holders of the outstanding shares of Series B Preferred Stock shall be entitled to receive, out of any funds legally available therefor, cumulative dividends at an annual rate of \$0.30 per share per annum of Series B Preferred Stock at such times as hereafter described in this Section 2(a). Dividends on the Investor Preferred Stock shall accrue on each share of Investor Preferred Stock from the date of original issuance of such share, whether or not earned or declared, and shall accrue until paid if, as and when declared by the Board of Directors of the Corporation, or upon Liquidation pursuant to Section 3 hereof or upon redemption pursuant to Section 6 hereof. If any "Event of Noncompliance" shall occur under and as defined in Section 8(a) of the Series B Preferred Stock Purchase Agreement among the Corporation and the purchasers named therein (the "Series B Purchase Agreement") or Section 7(a) of the Series C Preferred Stock Purchase Agreement among the Corporation and the purchasers named therein (the "Series C Purchase Agreement" and with the Series B Purchase Agreement collectively, the "Purchase Agreements"), cumulative dividends shall accrue from day to day and shall be payable quarterly (i) in the case of the Series C Preferred Stock, at the rate of \$0.90 per share per annum on the Series C Preferred Stock and (ii) in the case of the Series B Preferred Stock, at a rate of \$0.72 per share per annum on the Series B Preferred Stock. All numbers relating to calculation of cumulative dividends shall be subject to equitable adjustment in the event of any stock dividend, stock split, combination, reorganization, recapitalization, reclassification or other similar event involving a change in the capital structure of either series of the Investor Preferred Stock. Such dividends on the Investor Preferred Stock shall be cumulative so that if such dividends in respect to any previous or current annual dividend period, at the annual rate specified above, shall not have been paid or declared and a sum sufficient for the payment thereof set apart, the deficiency shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for the holders of the Series A Preferred Stock or the Common Stock. Upon the conversion of any shares of Investor Preferred Stock, all such accrued and unpaid cumulative dividends on such shares of Investor Preferred Stock to and until the date of such conversion shall be cancelled and shall not be due and payable.

(b) **Participating Dividends.** In the event that the Board of Directors of the Corporation shall declare a dividend payable upon the then outstanding shares of Common Stock (other than a stock dividend on the Common Stock distributed solely in the form of additional shares of Common Stock), each holder of shares of Series

Preferred Stock shall be entitled to the amount of dividends equal to the amount which would be paid on the Series Preferred Stock if the Series Preferred Stock had been converted into Common Stock immediately prior to the record date for the dividend on the Common Stock.

### Section 3.

#### Liquidation Rights

(a) In the event of any Liquidation, before any distribution or payment is made to any holders of Common Stock or any other class or series of capital stock of the Corporation designated to be junior to the Investor Preferred Stock (with respect to rights on Liquidation, the Series B Preferred Stock shall rank on parity with the Series C Preferred Stock and each shall rank prior to the Series A Preferred Stock and the Common Stock), the holders of each share of Investor Preferred Stock shall be entitled to be paid first out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes whether such assets are capital, surplus or earnings ("Available Assets"), (i) in the case of the Series B Preferred Stock, an amount equal to the greater of (A) \$4.00 per share of Series B Preferred Stock, plus all accrued but unpaid dividends thereon, whether or not earned or declared up to and including the date full payment shall be tendered to the holders of the Series B Preferred Stock with respect to such Liquidation and (B) an amount equal to such amount per share of Series B Preferred Stock as would have been payable had each share of Series B Preferred Stock, and all other outstanding shares of any class or series of capital stock of the Corporation, if any, which are convertible into Common Stock, been converted to Common Stock immediately prior to such event of Liquidation (ii) in the case of the Series C Preferred Stock, an amount equal to the greater of (A) \$5.00 per share of Series C Preferred Stock, plus all accrued but unpaid dividends thereon, whether or not earned or declared up to and including the date full payment shall be tendered to the holders of the Series C Preferred Stock with respect to such Liquidation and (B) an amount equal to such amount per share of Series C Preferred Stock as would have been payable had each share of Series C Preferred Stock, and all other outstanding shares of any class or series of capital stock of the Corporation, if any, which are convertible into Common Stock, been converted to Common Stock immediately prior to such event of Liquidation. In the event of any Liquidation, before any distribution or payment is made to any holders of Common Stock or any other class or series of capital stock of the Corporation designated to be junior to the Series A Preferred Stock and subject to the prior and superior liquidation rights and preferences of the Investor Preferred Stock and any other class or series of preferred stock designated in the future to be senior to, or on a parity with, the Series A Preferred Stock with respect to distributions on Liquidation, the holders of each share of Series A Preferred Stock shall be entitled to be paid out of the Available Assets, an amount equal to \$2.91 per share of Series A Preferred Stock, plus all accrued but unpaid dividends thereon.

(b) Series Preferred Stock Priority. All of the preferential amounts to be paid to the holders of the Investor Preferred Stock shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the

distribution of any Available Assets to, the holders of the Common Stock and any other series of Preferred Stock (including, without limitation, the Series A Preferred Stock) in connection with such Liquidation. All of the preferential amounts to be paid to the Series A Preferred Stock shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Corporation to, the holders of the Common Stock and any other series of Preferred Stock which is junior to the Series A Preferred Stock in connection with such Liquidation. After the payment or the setting apart for payment of the preferential amounts payable to the holders of the Series Preferred Stock and the holders of any other series of Preferred Stock, then the holders of Common Stock shall be entitled to receive all remaining assets of this Corporation as provided in Part A, Section 2. If the Available Assets to be distributed to the holders of the Series Preferred Stock upon any Liquidation shall be insufficient to pay each holder of Series Preferred Stock its full preferential amount, the Available Assets shall be distributed ratably among the holders of Series Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive, with such Available Assets to be distributed first to the holders of the Investor Preferred Stock, then to the holders of the Series A Preferred Stock and finally to the holders of Common Stock.

(c) **Reorganization.** If at any time or from time to time there shall be a merger or consolidation of the Corporation with or into another entity unless the stockholders of the Corporation immediately prior to such transaction own a majority of the voting securities of the resulting entity, or the sale of all or substantially all of the Corporation's assets to any other person or entity, or any other form or business combination or reorganization in which Control of the Corporation is transferred (a "Reorganization"), such Reorganization shall be regarded, at the option of the holders of at least a majority of the then outstanding shares of (i) in the case of the Series B Preferred Stock, the Series B Preferred Stock (voting as a separate class) and (ii) in the case of the Series C Preferred Stock, the Series C Preferred Stock (voting as a separate class), as a Liquidation but only with respect to each such series of Investor Preferred Stock; provided, however, that if the holders of at least a majority of either series of Investor Preferred Stock elects to regard such Reorganization as a Liquidation pursuant to this paragraph (c), any holder of shares of such other series of Investor Preferred Stock may, at the option of such holder, consider such Reorganization a Liquidation with respect to such holder's shares and participate ratably in such distribution as set forth in paragraph (b) above. A Reorganization shall not be considered a Liquidation for purposes of the Series A Preferred Stock. "Control" shall be deemed to have been transferred in a transaction or series of transactions in which any person, or group of related persons, shall have acquired beneficial ownership of more than 50% of the Common Stock (assuming all rights, options, warrants or convertible or exchangeable securities entitling the holders thereof to subscribe for or purchase or otherwise acquire shares of Common Stock ("Common Stock Equivalents") have been fully exercised or converted) or of substantially all of the assets of the Corporation.

(d) **Distributions in Property Other than Cash.** Whenever the distribution provided for in this Section 3 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in



good faith by the Board of Directors of the Corporation. All distributions (including distributions other than cash) made hereunder shall be made pro rata with respect to each series of Preferred Stock in accordance with the liquidation preference amounts described in Section 3(b) above. In the event of any dispute between the holders of the Series Preferred Stock and the Corporation regarding the determination of the fair market value of non-cash distributions, at the election of the holders of at least 66⅔% of the then outstanding shares of Investor Preferred Stock, the Corporation shall engage an Independent Appraiser (as hereinafter defined) selected by the Corporation and reasonably acceptable to the holders of at least a majority of the then outstanding shares of Series Preferred Stock entitled to receive such distributions to prepare an independent appraisal of the fair market value of such property to be distributed. The expenses of any appraisal by such Independent Appraiser shall be borne by the Corporation.

(e) **Adjustment.** The amounts set forth above and throughout this Section 3 shall be subject to equitable adjustment whenever there shall occur a stock dividend, stock split, combination, reorganization, recapitalization, reclassification or other similar event involving a change in the capital structure of the Series Preferred Stock.

#### Section 4.

##### Voting Rights

(a) **General.** Except as otherwise expressly provided in this Section 4, or as otherwise required by law, each holder of Series Preferred Stock shall be entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holder's shares of Series Preferred Stock could be converted, pursuant to the provisions of Section 5 hereof, at the record date for the determination of stockholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of stockholders is solicited. Except as otherwise expressly provided in this Section 4 or as otherwise required by law, the holders of shares of Series Preferred Stock and Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters submitted to the stockholders of the Corporation.

(b) **Series B Directors.** The holders of the Series B Preferred Stock, voting as a separate class, shall be entitled to elect three directors (the "Series B Directors") to the Board of Directors of the Corporation. At any annual or special meeting of the Corporation (or in a written consent in lieu thereof) held for the purpose of electing directors, the presence in person or by proxy (or by written consent) of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class) shall constitute a quorum for the election of the Series B Directors. The holders of at least a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class) present in person or by proxy at any meeting relating to the election of directors (calculated after the determination of a quorum) shall then be entitled to elect the Series B Directors. A Series B Director may be removed during his or her term of office, without cause, by and only by, the affirmative vote or written consent of the holders of at least a majority of the then outstanding shares of the

Series B Preferred Stock (voting as a separate class). A vacancy in a seat held by a Series B Director shall be filled by vote or written consent of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class) present in person at any meeting (calculated after the determination of a quorum) or by written consent. Without the written consent of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class), the number of directors of the Corporation shall not exceed eleven in number.

If any "Event of Noncompliance" has occurred under and as defined in Section 8(b) of the Series B Purchase Agreement, both "Independent Directors" (as defined in the Stockholders' Agreement, dated as of February 18, 1998, as amended by Amendment No. 1 to the Stockholders Agreement, dated as of August 6, 1998, and as further amended from time to time, among the Corporation and those persons listed in Exhibit A attached thereto (the "Stockholders' Agreement")) sitting on the Board of Directors of the Corporation shall, at the request of the holders of a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class), be removed and the holders of the shares of the Series B Preferred Stock will have the special right to elect two individuals to fill such directorships, to fill any vacancy of such directorships and to remove any individual elected to such directorships. If any "Event of Noncompliance" has occurred under and as defined in Section 7(b) of the Series C Purchase Agreement, one Management Director (as defined in the Stockholders' Agreement) sitting on the Board of Directors of the Corporation shall, at the request of the holders of a majority of the then outstanding shares of Series C Preferred Stock (other than those shares of Series C Preferred Stock held by Triumph (as such term is defined in the Series C Purchase Agreement)) (voting as a separate class), be removed and the holders of the shares of Series C Preferred Stock (other than those shares of Series C Preferred Stock held by Triumph) will have the special right to elect one individual to fill such directorship to fill any vacancy of such directorship and to remove any individual elected to such directorship. Such special rights shall continue until such time as there is no longer any "Event of Noncompliance" in existence, at which time such special rights shall terminate subject to revesting upon the occurrence and continuation of any "Event of Noncompliance" which gives rise to such special rights hereunder. After the expiration of such "Event of Noncompliance", such newly elected directors shall resign and both the two removed "Independent Directors" and the one removed "Management Director" shall be reappointed so that the Board of Directors shall be constituted as it was immediately prior to the occurrence of the "Event of Noncompliance" giving rise to the special rights to elect directors.

## Section 5.

### Conversion Rights

The holders of the shares of Series Preferred Stock shall have the following rights with respect to the conversion of such shares into shares of Common Stock:

(a) **General**. Subject to and in compliance with the provisions of this Section 5, each share of Series Preferred Stock held by any person or entity may, at the option of such person or entity, be converted at any time and from time to time into fully-paid and non-assessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series Preferred Stock shall be entitled to receive upon conversion shall be the product obtained by multiplying the Applicable Conversion Rate (determined as provided in Section 5(b)) by the number of shares of Series Preferred Stock being converted at any time.

(b) **Applicable Conversion Rate**. The conversion rate in effect at any time for each series of Series Preferred Stock (the "Applicable Conversion Rate") shall be the quotient obtained by dividing (i) in the case of the Series A Preferred Stock, \$2.91 by the Applicable Conversion Value, calculated as provided in Section 5(c), (ii) in the case of the Series B Preferred Stock, \$4.00 by the Applicable Conversion Value, calculated as provided in Section 5(c), and (iii) in the case of the Series C Preferred Stock, \$5.00 by the Applicable Conversion Value, calculated as provided in Section 5(c).

(c) **Applicable Conversion Value**. The "Applicable Conversion Value" in effect from time to time for each series of Series Preferred Stock, except as adjusted in accordance with Section 5(d) hereof, shall be (i) in the case of the Series A Preferred Stock, \$2.91, (ii) in the case of the Series B Preferred Stock, \$4.00 and (iii) in the case of the Series C Preferred Stock, \$5.00.

(d) **Adjustments to Applicable Conversion Value of Investor Preferred Stock.**

(i) **Upon Dilutive Issuances of Common Stock or Convertible Securities.**

A. If the Corporation shall, while there are any shares of Series B Preferred Stock outstanding, issue or sell shares of its Common Stock or Common Stock Equivalents (other than as provided below) without consideration or at a price per share less than the Applicable Conversion Value of the Series B Preferred Stock in effect immediately prior to such issuance or sale (a "Series B Diluting Issue"), then in each such case such Applicable Conversion Value of the Series B Preferred Stock, except as hereinafter provided, shall be lowered to an amount equal to such price per share until such time as such Applicable Conversion Value shall be equal to \$3.10 (as equitably adjusted whenever an Extraordinary Common Stock Event shall have occurred); at which time the Applicable Conversion Value of the Series B Preferred Stock, except as hereinafter provided, shall be lowered further so as to be equal to an amount determined by multiplying such Applicable Conversion Value by a fraction (A) the numerator of which shall be (I) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock or Common Stock Equivalents (calculated on a fully-diluted basis assuming the conversion of all then presently exercisable Common Stock

Equivalents whose exercise or conversion price is less than the price of such Series B Diluting Issue), plus (II) the number of shares of Common Stock or Common Stock Equivalents which the net aggregate consideration, if any, received by the Corporation for the total number of such additional shares of Common Stock or Common Stock Equivalents so issued in such Series B Diluting Issue would purchase at the Applicable Conversion Value of the Series B Preferred Stock in effect immediately prior to such further reduction, and (B) the denominator of which shall be (I) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock or Common Stock Equivalents (calculated on a fully-diluted basis assuming the exercise or conversion of all then presently exercisable Common Stock Equivalents whose exercise or conversion price is less than the price of such Series B Diluting Issue), plus (II) the number of such additional shares of Common Stock or Common Stock Equivalents so issued in such Series B Diluting Issue; provided, however, that in no event shall the Applicable Conversion Value of the Series B Preferred Stock be less than \$2.91 (as equitably adjusted whenever an Extraordinary Common Stock Event shall have occurred). The provisions of this Section 5(d)(i)(A) as they may apply to the Series B Preferred Stock may be waived in any instance (without the necessity of convening any meeting of stockholders of the Corporation) upon the written agreement of at least a majority of the then outstanding shares of Series B Preferred Stock (voting as a separate class).

B. If the Corporation shall, while there are any shares of Series C Preferred Stock outstanding, issue or sell shares of its Common Stock or Common Stock Equivalents (other than as provided below) without consideration or at a price per share less than the Applicable Conversion Value of the Series C Preferred Stock in effect immediately prior to such issuance or sale (a "Series C Diluting Issue"), then in each such case such Applicable Conversion Value of the Series C Preferred Stock, except as hereinafter provided, shall be lowered to an amount equal to such price per share until such time as such Applicable Conversion Value shall be equal to \$3.88 (as equitably adjusted whenever an Extraordinary Common Stock Event shall have occurred); at which time the Applicable Conversion Value of the Series C Preferred Stock, except as hereinafter provided, shall be lowered further so as to be equal to an amount determined by multiplying such Applicable Conversion Value by a fraction (A) the numerator of which shall be (I) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock or Common Stock Equivalents (calculated on a fully-diluted basis assuming the conversion of all then presently exercisable Common Stock Equivalents whose exercise or conversion price is less than the price of such Series C Diluting Issue), plus (II) the number of shares of Common Stock or Common Stock Equivalents which the net aggregate consideration, if any, received by the Corporation for the total number of such additional shares of Common Stock or Common Stock Equivalents so issued in such Series C Diluting Issue would purchase at the Applicable Conversion Value of the Series C

Preferred Stock in effect immediately prior to such further reduction, and (B) the denominator of which shall be (I) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock or Common Stock Equivalents (calculated on a fully-diluted basis assuming the exercise or conversion of all then presently exercisable Common Stock Equivalents whose exercise or conversion price is less than the price of such Series C Diluting Issue), plus (II) the number of such additional shares of Common Stock or Common Stock Equivalents so issued in such Series C Diluting Issue; provided, however, that in no event shall the Applicable Conversion Value of the Series C Preferred Stock be less than \$3.64 (as equitably adjusted whenever an Extraordinary Common Stock Event shall have occurred). The provisions of this Section 5(d)(i)(B) as they may apply to the Series C Preferred Stock may be waived in any instance (without the necessity of convening any meeting of stockholders of the Corporation) upon the written agreement of at least a majority of the then outstanding shares of Series C Preferred Stock (voting as a separate class).

(ii) Upon Dilutive Issuances of Warrants, Options and Purchase Rights to Common Stock or Convertible Securities.

A. For the purposes of Section 5(d)(i), the issuance of any Common Stock Equivalent shall be deemed an issuance of Common Stock with respect to adjustments in the Applicable Conversion Value of the Investor Preferred Stock if the Net Consideration Per Share (as hereinafter determined) which may be received by the Corporation for such Common Stock shall be less than the Applicable Conversion Value in effect at the time of such issuance. Any obligations, agreement or undertaking to issue Common Stock Equivalents at any time in the future shall be deemed to be an issuance at the time such obligation, agreement or undertaking is made or arises. No adjustment of the Applicable Conversion Value of the Investor Preferred Stock shall be made under Section 5(d)(i) upon the issuance of any shares of Common Stock which are issued pursuant to the exercise, conversion or exchange of any Common Stock Equivalents if any adjustment shall previously have been made upon the issuance of any such Common Stock Equivalents as above provided. Notwithstanding the provisions contained herein, an adjustment to the Applicable Conversion Value of the Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock shall not be deemed an issuance of Common Stock or Common Stock Equivalents for purposes of Section 5(d)(i).

B. Adjustments for Cancellation or Expiration of Common Stock Equivalents. Should the Net Consideration Per Share of any such Common Stock Equivalents be decreased from time to time, then, upon the effectiveness of each such change, the Applicable Conversion Value of the Investor Preferred Stock will be that which would have been obtained (I) had the adjustments made upon the issuance of such Common Stock Equivalents been made upon the basis of the actual Net

Consideration Per Share of such securities, and (II) had the adjustments made to the Applicable Conversion Value since the date of issuance of such Common Stock Equivalents been made to such Applicable Conversion Value as adjusted pursuant to Section 5(d)(i). Any adjustment of the Applicable Conversion Value of the Investor Preferred Stock with respect to Section 5(d)(i) which relates to any Common Stock Equivalent shall be disregarded if, as, and when such Common Stock Equivalent expires or is cancelled without being exercised, or is repurchased by the Corporation at a price per share at or less than the original purchase price, so that the Applicable Conversion Value effective immediately upon such cancellation or expiration shall be equal to the Applicable Conversion Value that would have been in effect had the expired or cancelled Common Stock Equivalent not been issued.

C. Net Consideration Per Share. For purposes of this paragraph, the "Net Consideration Per Share" which may be received by the Corporation shall be determined as follows:

(1) The "Net Consideration Per Share" shall mean the amount equal to the total amount of consideration, if any, received by the Corporation for the issuance of such Common Stock Equivalents, plus the minimum amount of consideration, if any, payable to the Corporation upon exercise, or conversion or exchange thereof, divided by the aggregate number of shares of Common Stock that would be issued if all such Common Stock Equivalents were exercised, exchanged or converted.

(2) The "Net Consideration Per Share" which may be received by the Corporation shall be determined in each instance as of the date of issuance of Common Stock Equivalents without giving effect to any possible future upward price adjustments or rate adjustments which may be applicable with respect to such Common Stock Equivalents.

(iii) Stock Dividends for Holders of Capital Stock Other Than Common Stock. In the event that the Corporation shall make or issue, or shall fix a record date for the determination of holders of any capital stock of the Corporation other than holders of Common Stock entitled to receive a dividend or other distribution payable in Common Stock or securities of the Corporation convertible into or otherwise exchangeable for shares of Common Stock of the Corporation, then such Common Stock or other securities issued in payment of such dividend shall be deemed to have been issued for no consideration, except for (A) dividends payable in shares of Common Stock payable pro rata to holders of Investor Preferred Stock and to holders of any other class of stock (whether or not paid to holders of any other class of stock), or (B) with respect to the Investor Preferred Stock, dividends payable in shares of Investor Preferred Stock; provided, however, that holders of any shares of Investor Preferred Stock shall be entitled to receive in lieu of such Investor Preferred Stock the shares of Common Stock for which the shares of Investor Preferred Stock are then convertible.

(iv) **Consideration Other than Cash.** For purposes of this Section 5(d), if a part or all of the consideration received by the Corporation in connection with the issuance of shares of the Common Stock or the issuance of any of the securities described in this Section 5(d) consists of property other than cash, such consideration shall be deemed to have a fair market value as is reasonably determined in good faith by the Board of Directors of the Corporation. In the event of any dispute between the holders of the Investor Preferred Stock and the Corporation regarding the determination of fair market value, on the request of the holders of at least 66 $\frac{2}{3}$ % of the then outstanding shares of Investor Preferred Stock (voting as a separate class), the Corporation shall engage an Independent Appraiser selected by the Corporation and reasonably acceptable to the holders of at least a majority of the outstanding shares of Investor Preferred Stock (voting as a separate class), to prepare an independent appraisal of the fair market value of such property to be distributed; provided, however, that the holders of Series B Preferred Stock will not be permitted to challenge the Corporation's determination of the fair market value of such property after the majority of the Series B Directors have affirmatively voted in favor of such determination at a properly noticed meeting of the Board of Directors or pursuant to a unanimous written consent. The expenses of any appraisal by such consulting or investment banking firm shall be borne by the Corporation.

(v) **Exceptions to Anti-dilution Adjustments: Basket for Reserved Employee Shares.** Section 5(d)(i) above shall not apply (a) under any of the circumstances which would constitute an Extraordinary Common Stock Event (as describe below); (b) to 250,000 shares of Common Stock or Common Stock Equivalents; (c) to 1,360,000 shares of Common Stock, or options exercisable therefor, issued or to be issued under the stock purchase or stock option plans approved by the Board of Directors of the Corporation; (d) to 399,300 shares of Common Stock issued upon the exercise of the Warrants (as defined in the Series B Purchase Agreement); (e) to shares of Common Stock issued upon conversion of the Series Preferred Stock; (f) to 1,000,000 shares of Common Stock issued in connection with Acceptable Acquisitions (as defined in the Series B Purchase Agreement); and (g) to Common Stock or options, warrants or other rights exercisable into Common Stock issued in connection with the incurrence of indebtedness permitted under Section 6.3 of the Series C Purchase Agreement, provided that (a) such incurrence occurs prior to December 31, 1998; (b) such indebtedness does not mature within one year of such incurrence other than in connection with the exchange of such indebtedness thereof; (c) the rate of interest on such indebtedness does not exceed 12% per annum; (d) the number of shares of Common Stock (on a fully-diluted basis) issued pursuant to Section 6.2 (c) (ii) of the Series C Purchase Agreement shall not exceed 200,359 shares of Common Stock per \$5,714,285.72 principal amount of such Indebtedness; and (e) the aggregate number of shares of all such Common Stock (on a fully diluted basis) issued pursuant the terms of Section 6.2 (c) (ii) of the Series C Purchase Agreement shall not exceed 1,402,510 shares of Common Stock.

(vi) **Upon Extraordinary Common Stock Event.** Upon the happening of an Extraordinary Common Stock Event (as hereinafter defined), the Applicable Conversion Value of each series of Series Preferred Stock (and all other

conversion values set forth in Section 5(g)) shall, simultaneously with the happening of such Extraordinary Common Stock Event, be adjusted by multiplying the Applicable Conversion Value of such series of Series Preferred Stock by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Extraordinary Common Stock Event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such Extraordinary Common Stock Event, and the product so obtained shall thereafter be the Applicable Conversion Value of such series of Series Preferred Stock. The Applicable Conversion Value, as so adjusted, shall be readjusted in the same manner upon the happening of any successive Extraordinary Common Stock Event or Events. An "Extraordinary Common Stock Event" shall mean (i) the issue of additional shares of Common Stock as a dividend or other distribution on outstanding shares of Common Stock, (ii) a subdivision of outstanding shares of Common Stock into a greater number of shares of Common Stock, or (iii) a combination or reverse stock split of outstanding shares of Common Stock into a smaller number of shares of the Common Stock.

(e) Automatic Conversion Upon Qualified Public Offering.

(i) Immediately upon the closing of an underwritten public offering on a firm commitment basis pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended, covering the offer and sale of shares of Common Stock for the account of the Corporation in which the aggregate price paid for such shares by the public is equal to or greater than \$10,000,000 (a "Series A Qualified Public Offering"), then all outstanding shares of the Series A Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such shares of Series A Preferred Stock are then convertible pursuant to Section 5 hereof as of the closing and consummation of such Series A Qualified Public Offering, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent.

(ii) Immediately upon the closing of an underwritten public offering on a firm commitments basis pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended, covering the offer and sale of shares of Common Stock for the account of the Corporation in which the aggregate price paid for such shares by the public is equal to or greater than (A) \$20,000,000 and (B) in which the price per share of Common Stock paid by the public equals or exceeds (I) if such time is on or before December 31, 1999, 175% of the then Applicable Conversion Value of the Series B Preferred Stock or (II) if such time is after December 31, 1999, 225% of the then Applicable Conversion Value of the Series B Preferred Stock (a "Series B Qualified Public Offering"), then all outstanding shares of the Series B Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such shares of Series B Preferred Stock are then convertible pursuant to Section 5 hereof as of the closing and consummation of such Series B Qualified Public Offering, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent.



(iii) Immediately upon the closing of an underwritten public offering on a firm commitments basis pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended, covering the offer and sale of shares of Common Stock for the account of the Corporation in which the aggregate price paid for such shares by the public is equal to or greater than (A) \$20,000,000 and (B) in which the price per share of Common Stock paid by the public equals or exceeds (I) if such time is on or before June 30, 2000, \$8.00 or (II) if such time is after June 30, 2000, \$10.00 (a "Series C Qualified Public Offering"), then all outstanding shares of the Series C Preferred Stock shall be converted automatically into the number of shares of Common Stock into which such shares of Series C Preferred Stock are then convertible pursuant to Section 5 hereof as of the closing and consummation of such Series C Qualified Public Offering, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent.

(iv) **Surrender of Certificates Upon Automatic Conversion.**

Upon the occurrence of a Series A Qualified Public Offering, the holders of the Series A Preferred Stock shall, upon notice from the Corporation, surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder a certificate or certificates for the number of shares of Common Stock into which the shares of Series A Preferred Stock so surrendered were convertible on the date on which such conversion occurred. Upon the occurrence of Series B Preferred Qualified Public Offering, the holders of the Series B Preferred Stock shall, upon notice from the Corporation, surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder a certificate or certificates for the number of shares of Common Stock into which such shares of Series B Preferred Stock so surrendered were convertible on the date on which such conversion occurred. Upon the occurrence of a Series C Qualified Public Offering, the holders of the Series C Preferred Stock shall, upon notice from the Corporation, surrender the certificates representing such shares at the office of the Corporation or of its transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder a certificate or certificates for the number of shares of Common Stock into which the shares of Series C Preferred Stock so surrendered were convertible on the date on which such conversion occurred. The Corporation shall not be obligated to issue such certificates unless certificates evidencing the shares of Series Preferred Stock being converted are either delivered to the Corporation or any such transfer agent, or the holder notifies the Corporation that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection therewith.

(f) **Capital Reorganization or Reclassification.** If the Common Stock issuable upon the conversion of the Series Preferred Stock shall be changed into the same or different number of shares of any class or classes of capital stock, whether by capital reorganization, recapitalization, reclassification or otherwise, then and in each such event the holders of the Series Preferred Stock shall have the right thereafter to convert such

shares into the kind and amount of shares of capital stock and other securities and property receivable upon such reorganization, recapitalization, reclassification or other change by the holders of the number of shares of Common Stock into which such shares of Series Preferred Stock might have been converted immediately prior to such reorganization, recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(g) **Certificate as to Adjustments: Notice by Corporation.** In each case of an adjustment or readjustment of the Applicable Conversion Rate, the Corporation at its expense will furnish each holder of Series Preferred Stock so affected with a certificate prepared by the Treasurer or Chief Financial Officer of the Corporation, showing such adjustment or readjustment and stating in detail the facts upon which such adjustment or readjustment is based. Within 90 days of the end of each fiscal year of the Corporation, the Corporation at its expense will furnish each holder of Series Preferred Stock so affected with a certificate prepared by the independent public accountants to the Corporation, showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based.

(h) **Exercise of Conversion Privilege.** To exercise its conversion privilege, a holder of Series Preferred Stock shall surrender the certificate or certificates representing the shares being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock issuable upon such conversion shall be issued. The certificate or certificates for shares of Series Preferred Stock surrendered for conversion shall be accompanied by proper assignment thereof to the Corporation or in blank. The date when such written notice is received by the Corporation, together with the certificate or certificates representing the shares of Series Preferred Stock being converted, shall be the "Conversion Date". As promptly as practicable after the Conversion Date, the Corporation shall issue and shall deliver to the holder of the shares of Series Preferred Stock being converted, or on its written order, such certificate or certificates as it may request for the number of whole shares of Common Stock issuable upon the conversion of such shares of Series Preferred Stock in accordance with the provisions of this Section 5, and cash, as provided in Section 5(j), in respect of any fraction of a share of Common Stock issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Conversion Date, and at such time the rights of the holder as holder of the converted shares of Series Preferred Stock shall cease and the person(s) in whose name(s) any certificate(s) for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(i) **Cash in Lieu of Fractional Shares.** No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon the conversion of shares of Series Preferred Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of Series Preferred Stock, the Corporation shall pay to the holder of the shares of Series Preferred Stock which were converted a

cash adjustment in respect of such fractional shares in an amount equal to the same fraction of the fair market value per share of the Common Stock as determined in a reasonable manner prescribed by the Board of Directors) at the close of business on the Conversion Date. The determination as to whether or not any fractional shares are issuable shall be based upon the aggregate number of shares of Series Preferred Stock being converted at any one time by any holder thereof, not upon each share of Series Preferred Stock being converted.

(j) **Reservation of Common Stock.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series Preferred Stock (including any shares of Series Preferred Stock represented by any warrants, options, subscription or purchase rights for Series Preferred Stock), and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series Preferred Stock (including any shares of Series Preferred Stock represented by any warrants, options, subscriptions or purchase rights for such Series Preferred Stock), the Corporation shall take such action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(k) **No Reissuance of Series Preferred Stock.** No share or shares of Series Preferred Stock acquired by the Corporation by reason of redemption (except as provided in Article 5 of the Purchase Agreement), purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue. Upon any of the foregoing events, the Corporation shall from time to time take such appropriate corporate action as may be necessary to reduce the authorized number of shares of the Series Preferred Stock.

## Section 6.

### **Redemption**

(a) **Put Option Redemption.** At any time after February 13, 2005, upon the prior written request of any holder of shares of Investor Preferred Stock given to the Corporation (each a "Put Request"), the Corporation shall, upon receipt of such Put Request, redeem on the date specified in such Put Request (each a "Put Date"), which Put Date shall be not less than 90 days after the date of such Put Request, the amount of shares of Investor Preferred Stock specified in such Put Request and owned by the holder making such Put Request. The Corporation shall, within 5 days of the receipt of a Put Request delivered pursuant to this Section 6(a), provide written notice thereof to all other record holders of Investor Preferred Stock. Each other holder of Investor Preferred Stock shall be entitled to exercise its option under this Section 6(a) to cause the Corporation to redeem any of its shares of Investor Preferred Stock on the Put Date by providing written notice to the Corporation within 5 days of such holder's receipt of such Put Request.

Notwithstanding the foregoing, each of the holders of Investor Preferred Stock shall not be entitled to exercise their right to request redemption more than five times under this Section 6(a).

(b) **Investor Preferred Stock Redemption Price; Payment.** The redemption price for each share of Investor Preferred Stock redeemed pursuant to this Section 6 (the "Redemption Price") shall be (i) in the case of the Series B Preferred Stock, the greater of (A) \$4.00 per share of Series B Preferred Stock, plus all accrued but unpaid dividends thereon, whether or not earned or declared up to and including the applicable Put Date and (B) the "Fair Market Value Per Share" as of the date of the applicable Put Request (determined in accordance with Section 6(c)) times the number of shares of Common Stock into which such share of Series B Preferred Stock is convertible and (ii) in the case of the Series C Preferred Stock, the greater of (A) \$5.00 per share of Series C Preferred Stock, plus all accrued but unpaid dividends thereon, whether or not earned or declared up to and including the applicable Put Date and (B) the "Fair Market Value Per Share" as of the date of the applicable Put Request (determined in accordance with Section 6(c)) times the number of shares of Common Stock into which such share of Series C Preferred Stock is convertible. The Corporation shall pay the Redemption Price on the applicable Put Date in cash.

(c) **Fair Market Value.** "Fair Market Value Per Share" means, at any date of determination thereof, the greater of (i) the probable sale price for all of the equity of the business of the Corporation on a going concern basis that a willing purchaser would pay in an arm's length transaction in an orderly sale divided by the number of shares of Common Stock outstanding (assuming the exercise or conversion of all then presently exercisable options, warrants, purchase rights and convertible or exchangeable securities then in effect) and (ii) the probable offering price per share of Common Stock of the Corporation in a public offering of shares of Common Stock under the Securities Act of 1933, as amended. The determination of the Fair Market Value Per Share shall be based upon a review of all relevant factors, including, without limitation, significant recent events affecting the Corporation, including any pending mergers and acquisitions; revenues and earnings of the Corporation to the date of determination; projected earnings of the Corporation; price earnings and revenue multiples of comparable companies sold in the same industry; prices paid in comparable transactions; and such other matters as an independent appraiser would deem pertinent. The Fair Market Value Per Share shall be determined by a nationally recognized investment bank, accounting firm or other financial institution (an "Independent Appraiser") jointly selected and mutually agreed upon by the holders of at least a majority of the then outstanding shares of Investor Preferred Stock requesting redemption to prepare an independent appraisal of the Fair Market Value Per Share, whose determination of the Fair Market Value Per Share shall be conclusive. If within 15 days of a Put Request, the Corporation and the holders of the Investor Preferred Stock requesting redemption have not agreed on an Independent Appraiser, the Corporation and the holders of the Investor Preferred Stock requesting redemption shall each appoint an Independent Appraiser. In the event that the difference between the Fair Market Values Per Share arrived at by the Independent Appraisers so selected shall be no more than 10% greater than the lower of such Fair Market Values Per share, the Fair Market Value Per Share shall be the average of such Fair Market Values

Per Share. If the two Fair Market Values Per Share shall not be within 10% of the lower of such Fair Market Values Per Share, then the two Independent Appraisers shall select a third Independent Appraiser who shall determine a third Fair Market Value Per Share, whose determination of the Fair Market Value Per Share shall be conclusive; provided that such third Independent Appraiser shall be restricted to determining a Fair Market Value Per Share which is neither higher nor lower than the higher and lower of the other two Fair Market Values Per Share. The determination of each Independent Appraiser shall be set forth in a written detailed report mutually addressed to the Board of Directors and the holders of the Investor Preferred Stock requesting redemption within 30 days following its engagement hereunder. All costs related to the appointment of and valuation by the Independent Appraisers shall be borne by the Corporation.

(d) **Equitable Adjustment.** The Redemption Price set forth in this Section 6 shall be subject to equitable adjustment whenever there shall occur a stock split, stock dividend, combination, recapitalization, reclassification or other similar event involving a change in the Investor Preferred Stock.

(e) **Surrender of Certificates.** Each holder of shares of Investor Preferred Stock to be redeemed shall surrender the certificate(s) representing such shares to the Corporation at the places and times designated by the Corporation, and thereupon the Redemption Price shall be paid to the order of the person whose name appears on such certificate(s) and each surrendered certificate shall be cancelled and retired. In the event some but not all of the shares of Investor Preferred Stock represented by a certificate(s) surrendered by a holder are being redeemed, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Investor Preferred Stock which were not redeemed.

(f) **Dividends and Conversion after Redemption.** Each share to be redeemed shall retain all of the rights and privileges of the Investor Preferred Stock until such share is actually redeemed in cash, including, without limitation, the dividend rights of Section 2 herein, the liquidation preferences of Section 3 herein, the conversion rights of Section 5 herein and the voting rights of Section 4 herein.

(g) **Insufficient Funds.** If the funds of the Corporation legally available for redemption of the Investor Preferred Stock on the Put Date are insufficient to redeem the number of shares of Investor Preferred Stock to be so redeemed on such date, the holders of shares of Investor Preferred Stock shall share ratably in any fund legally available for redemption of such shares according to the respective amounts which would be payable with respect to the number of shares owned by them if the shares to be so redeemed on such date were redeemed in full. The shares of Investor Preferred Stock not redeemed shall remain outstanding and entitled to all rights and preferences provided herein. The requirement for redemption contained in this Section 6 shall be cumulative, so that if, on the applicable Put Date, such requirement shall not be fully discharged as it accrues, funds shall be applied to redeem shares of the Investor Preferred Stock held by all holders thereof as soon as practicable after funds become legally available therefor,

until the Corporation's then-existing obligations under this Section 6 shall have been discharged in full.

(h) **Failure to Redeem or Make Payments.** In the event that the Corporation fails to make the payments of the Redemption Price on the Put Date, whether as a consequence of lack of liquidity, legal restriction or otherwise, then an "Event of Noncompliance" (as defined in the Purchase Agreements) shall exist and the holders of the Investor Preferred Stock shall be entitled to the remedies provided under Section 2, the Purchase Agreements and applicable law.

## Section 7.

### **No Dilution or Impairment**

(a) The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of capital stock or 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 of the Series Preferred Stock set forth herein. Without limiting the generality of the foregoing, the Corporation (i) will not increase the par value of any shares of stock receivable on the conversion of the Series Preferred Stock above the amount payable therefor on such conversion, and (ii) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of stock on the conversion of all Series Preferred Stock from time to time outstanding.

(b) The terms of each series of Series Preferred Stock (other than the Series C Preferred) may be amended or waived by the Corporation and the holders of at least a majority of the shares of such series of Series Preferred Stock to be so amended or waived.

(c) The terms of the Series C Preferred may be amended or waived by the Corporation and the holders of at least 66 $\frac{2}{3}$ % of the shares of Series C Preferred to be so amended or waived.

**Section 8.**

**Notices of Record Date**

In the event of

(a) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right,

(b) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation or any Reorganization, or

(c) any voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then and in each such event the Corporation shall mail or cause to be mailed to each holder of Series Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and a description of such dividend, distribution or right, (ii) the date on which any such Reorganization, dissolution, liquidation or winding up is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Reorganization, dissolution, liquidation or winding up. Such notice shall be mailed by first class mail, postage prepaid, at least 20 days prior to the date specified in such notice on which such action is to be taken.

**ARTICLE V**

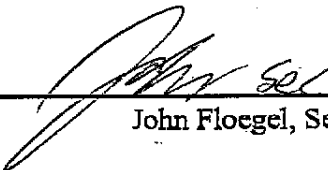
The Corporation shall indemnify and shall advance expenses on behalf of its officers and directors to the fullest extent not prohibited by law in existence either now or hereafter.

**ADOPTION**

This Second Amended and Restated Articles of Incorporation has been duly adopted by unanimous written consent of the board of directors and by written consent of a majority of the shareholders in accordance with the provisions of Sections 607.0821, 607.0704 and 607.1007 of the Florida Business Corporation Act, as amended, with written notice to nonconsenting shareholders having been given pursuant to Section 607.0704. thereof.

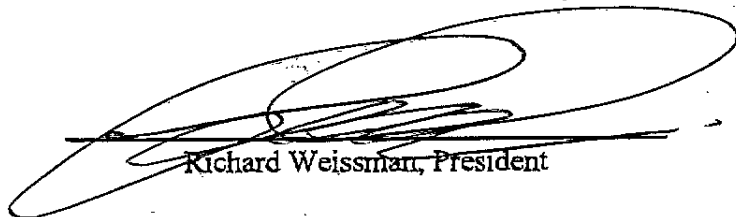
IN WITNESS WHEREOF, the undersigned has executed this Secretary's Certificate as of the 7<sup>th</sup> day of August, 1998. DATE of RECEPTION IS Aug. 10, 1998.

TUTOR TIME LEARNING SYSTEMS, INC.

  
\_\_\_\_\_  
John Floegel, Secretary

The undersigned hereby certifies that he is the duly elected, qualified and acting President of the Corporation, and hereby further certifies that John Floegel is the duly elected, qualified and acting Secretary of the Corporation and that the above signature is his genuine signature.

TUTOR TIME LEARNING SYSTEMS, INC.

  
\_\_\_\_\_  
Richard Weissman, President



HAVING BEEN NAMED AS REGISTERED AGENT AND TO RECEIVE SERVICE OF PROCESS FOR THE ABOVE STATED CORPORATION AT THE PLACE DESIGNATED IN THESE PROVISIONS, I HEREBY ACCEPT THE APPOINTMENT AS REGISTERED AGENT AND AGREE TO ACT IN THIS CAPACITY. I FURTHER AGREE TO COMPLY WITH THE PROVISIONS OF ALL STATUTES RELATIVE TO THE PROPER AND COMPLETE PERFORMANCE OF MY DUTIES, AND I AM FAMILIAR WITH AND ACCEPT THE OBLIGATIONS OF MY POSITION AS REGISTERED AGENT.

DATE: Aug 10, 1988

CT CORPORATION SYSTEM

BY: Connie Bryan

Connie Bryan,  
Special Assistant Secretary