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REFERENCE : 415998 4332146

AUTHORIZATION : *Patricia Pizito*

COST LIMIT : \$ 35.00

ORDER DATE : November 28, 2001

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ORDER NO. : 415998-005

CUSTOMER NO: 4332146

CUSTOMER: Lisa Falenski, Legal Asst  
Dkw Law Group, Pc  
58th Floor, Usx Tower  
600 Grant Street  
Pittsburgh, PA 15219

*Amend*

DOMESTIC AMENDMENT FILING

NAME: QUAL KIDS CORP.

EFFECTIVE DATE:

RECEIVED  
01 NOV 28 PM 12:16  
DIVISION OF CORPORATION

XX ARTICLES OF AMENDMENT  
       RESTATED ARTICLES OF INCORPORATION

500004696805--8

PLEASE RETURN THE FOLLOWING AS PROOF OF FILING:

       CERTIFIED COPY  
XX PLAIN STAMPED COPY  
       CERTIFICATE OF GOOD STANDING

CONTACT PERSON: Jeanine Reynolds -- EXT# 1133

EXAMINER'S INITIALS:

*AR*  
*11/28/01*

**ARTICLES OF AMENDMENT  
TO ARTICLES OF INCORPORATION  
OF  
QUAL KIDS CORP.**

**FILED**  
01 NOV 28 PM 1:03  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

The undersigned hereby certifies as follows:

1. The name of the Company is QUAL KIDS CORP. (the "Company").
2. The Articles of Incorporation of the Company were filed on February 2, 1998 and Articles of Amendment were filed on August 20, 1999 and on July 6, 2000.
3. Article IV of the Articles of Incorporation of the Company is hereby amended to read as follows:

**ARTICLES IV. AUTHORIZED SHARES**

The maximum number of shares of each class of the capital stock that the Company is authorized to issue is as follows:

<u>Class</u>	<u>Number of Shares</u>	<u>Par Value</u>	<u>Face Amount</u>
Common Stock	10,000,000	\$.01	
Series A Preferred Stock	5,000,000	\$.01	
Series B Preferred Stock	5,000,000	\$.01	
Series C Preferred Stock	5,000,000	\$.01	\$.24

A. Common Stock.

Except as may be otherwise required by law or by these Articles of Incorporation, each share of Common Stock of the Company shall have one vote on each matter voted upon by the stockholders of the Company. Subject to the rights of the Preferred Stock (as defined below), as and when declared by the Board of Directors, dividends shall be set apart and paid ratably and equally to all holders of the Common Stock of the Company. Subject to the rights of the Preferred Stock, in the event of a merger, consolidation, share exchange, sale, transfer, dissolution, liquidation or winding up of the Company, the assets of the Company available for distribution shall be set apart and paid ratably and equally to the holders of the Common Stock of the Company.

B. Preferred Stock.

1. Definition. The Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock are collectively referred to herein as the Preferred Stock.

2. Dividends.

(a) Dividends to Holders of the Series A and Series B Preferred Stock. The holders of Series A Preferred Stock and the holders of Series B Preferred Stock will be entitled to the same rights to receive dividends as the holders of Common Stock.

(b) Dividends to Holders of the Series C Preferred Stock. Holders of the then outstanding shares of Series C Preferred Stock shall be entitled to receive dividends for each share of Series C Preferred Stock then outstanding, out of funds legally available for such purpose, in an amount in any fiscal year of the Corporation equal to ten percent (10%) of the Face Amount; provided, however, that the Corporation may elect to defer and accrue the payment of dividends owed hereunder in the event that in the Company's good faith determination funds legally available are required for the working capital needs of the Company. In the event that the dividends provided for in this Section 2(a) are not paid during any fiscal year, such dividends shall accumulate.

(c) Restriction on Dividends to Other Classes of Stock. Unless and until all accrued dividends described in Section 2(a) above have been declared and paid to the holders of the then outstanding shares of Series C Preferred Stock in the then current fiscal year of the Corporation, or the consent of the holders of a majority of the outstanding shares of Series C Preferred Stock is given, while any Series C Preferred Stock is outstanding: (i) no dividends whatsoever shall be paid or declared and no distribution shall be made on any other series of Preferred Stock or Common Stock of the Corporation, and (ii) no shares of any other series of Preferred Stock or Common Stock of the Corporation shall be purchased, redeemed, or acquired by the Corporation and no funds shall be paid into or set aside or made available for a sinking fund for the purchase, redemption, or acquisition thereof.

3. Liquidation Rights. In the event of any sale, voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company whereby the aggregate amount of assets or funds available for distribution to the shareholders is less than \$10,000,000, the holders of each share of Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series A Preferred Stock, the Series B Preferred Stock or the Common Stock of the Company by reason of their

ownership thereof, an amount equal to \$.96 plus all accrued but unpaid dividends for each outstanding share of Series C Preferred Stock. After the payment to the holders of the Series C Preferred Stock of the preferential amounts so payable to them, the holders of Series A Preferred Stock and Series B Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Common Stock of the Company by reason of their ownership thereof, an amount equal to: (i) \$2.89 for each outstanding share of Series A Preferred Stock; and (ii) \$5.78 for each outstanding share of Series B Preferred Stock. For purposes of payment upon liquidation, the Series A Preferred Stock and the Series B Preferred Stock shall rank pari passu with respect to one another. After payment to the holders of Preferred Stock of the preferential amounts so payable to them, the holders of Preferred Stock and the holders of the Common Stock will be entitled to receive all remaining assets or funds in proportion to the number of shares owned.

All of the preferential amounts to be paid to the holders of the Preferred Stock under this Section 3 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 Company to, the holders of the Common Stock in connection with such sale, liquidation, dissolution or winding up.

If the assets or funds to be distributed to the holders of the Series C Preferred Stock under this Section 3 are insufficient to permit the payment to such holders of their full preferential amounts, the assets and funds legally available for distribution will be distributed first to the holders of Series C Preferred Stock ratably among the holders of the Series C Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive.

If the assets or funds to be distributed to the holders of the Series A and Series B Preferred Stock under this Section 3 are insufficient to permit the payment to such holders of their full preferential amounts, the assets and funds legally available for distribution will be distributed first to the holders of Series A and Series B Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive.

#### 4. Conversion Rights.

The holders of Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof at any time and from time to time, into such number of fully paid and nonassessable shares of Common Stock as is determined (i) for each share of Preferred Stock,

by dividing \$0.24 by the Conversion Price (as defined below) in effect at the time of conversion (the "Conversion Rate"). The conversion price at which shares of Common Stock shall be deliverable upon conversion of Preferred Stock without the payment of additional consideration by the holder thereof (the "Conversion Price") shall initially be \$0.24 per share.

In the event of a liquidation of the Company, the Conversion Rights shall terminate at the close of business on the day immediately preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of Preferred Stock pursuant to Section 3 of this Division B.

(b) Mechanics of Conversion.

(i) In order for a holder of Preferred Stock to convert shares of Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Preferred Stock, at the office of the transfer agent for the Company (or at the principal office of the Company if the Company serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of Preferred Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or his or its attorney duly authorized in writing. The date of receipt of such certificates and notice by the transfer agent (or by the Company if the Company serves as its own transfer agent) shall be the conversion date ("Conversion Date"). The Company shall, as soon as practicable after the Conversion Date, issue and deliver at such office to such holder of Preferred Stock, or to his or its nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled.

(ii) The Company shall at all times when Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Preferred Stock.

(iii) On the Conversion Date, all shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices

and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor.

(iv) If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of the sale of securities in such underwritten offering.

(c) Adjustments to Conversion Price for Diluting Issues.

(i) Special Definitions. For purposes of this Section 4(c), the following definitions shall apply:

(A) "Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(B) "Original Issue Date" shall mean with respect to the Preferred Stock, the date on which each share of Preferred Stock was first issued

(C) "Convertible Securities" shall mean any evidences of indebtedness, shares or other securities of the Company directly or indirectly convertible into or exchangeable for Common Stock.

(D) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section 4(c)(iii) below, deemed to be issued) by the Company after the Original Issue Date, other than shares of Common Stock issued or issuable:

(I) upon the conversion of shares of Preferred Stock or as a dividend or distribution on Series C Preferred Stock;

(II) pursuant to the acquisition of another company by the Company by merger, purchase of substantially all of the assets or other reorganization;

(III) to directors or employees of, or consultants to, the Company pursuant to the exercise of Options granted under the Stock Option Plan of the Company, as amended, or otherwise, in any event not to exceed an aggregate of 1,000,000 shares of Common Stock;

(IV) of an offering of Common Stock by the Company in which holders of Preferred Stock have elected to participate pursuant to registration rights granted to them by the Company;

(V) to The Nemours Foundation or to the National Association of Child Care Resource and Referral Agencies in consideration for content availability and/or referral services; or

(VI) by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clauses (I), (II), (III), (IV), (V) or this clause (VI).

(ii) No Adjustment of Conversion Price. No adjustment in the number of shares of Common Stock into which the Preferred Stock is convertible shall be made, by adjustment in the applicable Conversion Rate thereof unless the consideration per share (determined pursuant to Section 4(c) for an Additional Share of Common Stock issued or deemed to be issued by the Company) is less than the Conversion Price in effect on the date of, and immediately prior to, the issue of such Additional Shares.

(iii) Issue of Securities Deemed Issue of Additional Shares of Common Stock. If the Company at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) No further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible

Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities,

(B) If such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Company, or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustment based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities,

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price computed, upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if;

(I) in the case of Convertible Securities or Options for Common Stock, only the Additional Shares of Common Stock issued were shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Company for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Company upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any; actually received by the Company upon such conversion or exchange, and

(II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Company for the issue of such Options, whether or not exercised, plus the consideration deemed to have been received by the Company upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(D) No readjustment pursuant to clause (C) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of (i) the Conversion Price on the original adjustment date, or (ii) the Conversion Price, as applicable, that



would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

(E) in the case of any Options which expire by their terms not more than 90 days after the date of issue thereof, no adjustments of the Conversion Price shall be made until the expiration or exercise of all such Options issued on the same date, whereupon such adjustment shall be made in the manner provided in clause (C) above; and

(F) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustments previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this subsection 3(c)(iii) as of the actual date of their issuance.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. Subject to the provisions of Section 4(c) above, in the event the Company shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 4(c)(iii), but excluding shares issued as a dividend or distribution as provided in Section 4(e) or upon a stock split or combination as provided in Section 4(d)), without consideration or for a consideration per share less than the Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Conversion Price, as applicable, shall be reduced, concurrently with such issue to a price (calculated to the nearest cent) determined by multiplying the Conversion Price by a fraction, (x) the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price, and (y) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; provided that for the purposes of this subsection 4(c), all shares of Common Stock issuable upon exercise, conversion or exchange of outstanding Options or Convertible Securities, as the case may be, shall be deemed to be outstanding, and immediately after any Additional Shares of Common Stock shall be deemed issued pursuant to subsection 4(c) above, such Additional Shares of Common Stock shall be deemed to be outstanding.

Notwithstanding the foregoing, the applicable Conversion Price shall not be so reduced at such time if the amount of such reduction would be an amount less than \$.01, but any such amount

shall be carried forward and a reduction with respect thereto made at the time of and together with any subsequent reduction which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$.01 or more.

(v) Determination of Consideration. For purposes of this Section 4(c), the consideration received by the Company for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) Cash and Property. Such consideration shall:

(I) insofar as it consists of cash, be computed including all sums of cash received by the Company for such Additional Shares, excluding amounts paid or payable for accrued interest or accrued dividends;

(II) insofar as it consists of property other than cash be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(III) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Company for consideration, which covers both, be the proportion of such consideration so received, computed as provided in clauses (I) and (II) above, as determined in good faith by the Board of Directors.

(B) Options and Convertible Securities. The consideration per share received by the Company for Additional Shares of Common Stock deemed to have been issued pursuant to Section 3(c), relating to Options and Convertible Securities, shall be determined by dividing:

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

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

(d) Adjustment for Stock Splits and Combination. If the Company shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in Additional Shares of Common Stock, then and in each such event the Conversion Price then in effect shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction;

(x) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(y) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions.

(f) Adjustments for Other Dividends and Distribution. In the event the Company at any time or from time to time after the Original

Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company other than shares of Common Stock (other than as otherwise adjusted in this Section 4), then and in each such event provision shall be made so that the holders of Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company that they would have received had their Preferred Stock been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the Conversion Date, retained such securities receivable by them as aforesaid during such period giving application to all adjustments called for during such period (subject to all other adjustments called for during such period under this Section 4), under this paragraph with respect to the rights of the holders of Preferred Stock.

(g) Adjustment for Reclassification, Exchange, or Substitution. If the Common Stock issuable upon the conversion of Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares provided for above), the Conversion Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that the Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of Preferred Stock immediately before that change.

(h) Certificate as to Adjustments. Upon the occurrence of each adjustment of the Series Conversion Price pursuant to this Section 4, the Company at its expense shall promptly compute such adjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock, a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based. The Company shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a similar certificate setting forth (i) such adjustments, (ii) the Conversion Price then in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which then would be received upon the conversion of Preferred Stock.

## 5. Voting Rights.

(a) The holders of shares of Preferred Stock will be entitled to one vote for each share so held with respect to all matters voted

on by the Shareholders of the Company. Except as otherwise provided by law or as set forth below, the holders of shares of Preferred Stock will vote with all other holders of voting shares of the Company as a single class.

6. Election of Directors.

(a) The number of members of the Company's Board of Directors shall be no less than 5 and no more than 10 to be elected annually.

(b) One director shall be elected by the holders of Series B Preferred Stock as long as such holders own at least 5% of the capital stock of the Company.

(c) Two directors shall be elected by the holders of the Series C Preferred Stock as long as such holders own at least 5% of the capital stock of the Company.

7. Protective Provisions.

(a) The Company shall not, without the prior written consent or affirmative vote of the holders of at least: (i) 51% of the outstanding shares of Series B Preferred Stock, together as one class; and (ii) 51% of the outstanding shares of Series C Stock, together as one class, in each case given in writing or by vote at a meeting, consenting or voting, as the case may be:

(i) Effect any amendment to the Articles of Incorporation of the Company that (a) would change the authorized number of shares, or the rights, preferences and privileges of, the Series A Preferred Stock (which amendment would require the affirmative vote of a majority of the Series A Preferred Stock, voting as a separate class), or (b) change the authorized number of shares, or the rights, preferences and privileges of, the Series B Preferred (which amendment would require the affirmative vote of a majority of the Series B Preferred, voting as a separate class), or (c) change the authorized number of shares or the rights, preferences and privileges of, the Series C Preferred (which amendment would require the affirmative vote of a majority of the Series C Preferred, voting as a separate class);

(ii) Create any class or series of shares having dividend, liquidation or other rights or preferences superior to those of the Series B Preferred or Series C Preferred Stock;

(iii) Declare any dividends on Common Stock;

(iv) Purchase, redeem or retire any shares of its capital stock or other equity securities other than in accordance with Section 8 hereof;

(v) Change the size of the Board of Directors;

(vi) Approve or effect any merger, reorganization or sale of substantially all of the assets, any voluntary liquidation or winding up of the Company, or any reclassification or recapitalization of capital stock of the Company;

(vii) Change the location or nature of its business operations, or invest any funds in any concern not strictly related to the business, or transact any business or enter into any agreement with members of the Board of Directors, management or officers of the company, unless at "arms length";

(viii) Make any loan or advance to any person, except advances and similar expenditures in the ordinary course of business or under terms of employee stock or option plan approved by the Board of Directors;

(ix) Merge or consolidate with any other Company or voluntarily liquidate or dissolve or sell, lease or otherwise dispose of all or substantially all of the properties or assets of the Company.

(x) Acquire all or substantially all of the properties, assets or stock of any company or entity (except for consideration of less than 10% of the Company's consolidated net worth as of the end of the prior fiscal quarter);

(xi) Sell or otherwise dispose of any material assets of the Company with a value of in excess of \$250,000.00 other than in the ordinary course of business; or

(xii) Expend funds in excess of \$500,000.00 per year for capital improvements or Company infrastructure.

8. Redemption.

(a) The holders of Series C Preferred Stock may demand that the Company redeem all, but not less than all, of the Series C Preferred Shares held by each such holder at any time after the fifth anniversary of the Effective Date of this Certificate by giving notice to the Company (the "Redemption Notice"). The purchase price to be paid by

the Company shall be equal to the Face Amount of such Preferred Shares plus all accrued dividends.

Notwithstanding the foregoing, the Company shall not be required to redeem the Preferred Shares if: (i) such redemption would violate any applicable law; (ii) such redemption would cause the Company's ratio of current assets to current liabilities (as determined in accordance with Generally Accepted Accounting Principles) to be less than 1 to 1.

(b) Any closing of the redemption of Preferred Stock contemplated by Section 8(a) shall be conducted at the offices of the Company within thirty days of the Company's receipt of the Redemption Notice.

9. Preemptive Rights. The Company hereby grants to the holders of Preferred Stock (the "Preferred Stockholders") the right of first refusal to purchase, pro rata, all (or any part) of New Securities (as defined in Section 9(a)) which the Company may, from time to time, propose to sell and issue. Each Preferred Stockholders' pro rata share, for purposes of this right of first refusal, is the ratio of the number of the Shares purchased by it, owned as of the date of notice under Section 9(b), to the total number of shares of the Common Stock and Preferred Stock of the Company outstanding immediately prior to the sale of New Securities. This right of first refusal will be subject to the following provisions.

(a) "New Securities" means any capital stock (including all series of Common Stock and Preferred Stock) of the Company whether now authorized or not, and rights, options or warrants to purchase capital stock, and securities of any type whatsoever that are, or may become, convertible into capital stock; provided that the term "New Securities" does not include (i) securities purchased under this Agreement; (ii) securities offered to the public pursuant to a registration statement filed pursuant to the Securities Act or thereafter; (iii) securities issued pursuant to the acquisition of another corporation by the Company by merger, purchase of substantially all the assets or other reorganization whereby the Company owns not less than fifty-one percent (51%) of the voting power of such corporation; (iv) any borrowings, direct or indirect, from financial institutions or other persons by the Company, whether or not presently authorized, including any type of loan or payment evidenced by any type of debt instrument, provided such borrowings do not have any equity features, including warrants, options or other rights to purchase capital stock, and are not convertible into capital stock of the Company; or (v) securities issued to employees, consultants or directors of the Company pursuant to any stock option plan or stock purchase or stock bonus arrangement.

(b) In the event the Company proposes to undertake an

issuance of New Securities, it will give the Preferred Stockholders written notice of its intention, describing the type of New Securities, the price and the general terms upon which the Company proposes to issue the same. Each Preferred Stockholder will have ten (10) days from the date such notice is given to agree to purchase such Preferred Stockholders' pro rata share of such New Securities for the price and upon the general terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

(c) In the event the Preferred Stockholder fails to exercise the preemptive right within said ten (10) day period, the Company will have one hundred twenty (120) days thereafter to sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby will be closed, if at all, within one hundred twenty (120) days from the date of said agreement) to sell the New Securities respecting which the Preferred Stockholders' Preemptive Right was not exercised, at a price and upon general terms no more favorable to the purchasers thereof than specified in the Company's notice. In the event the Company has not sold within said 120-day period or entered into an agreement to sell the New Securities within said 120-day period (or sold and issued New Securities in accordance with the foregoing within one hundred twenty (120) days from the date of said agreement), the Company will not thereafter issue or sell any New Securities, without first offering such securities to the Preferred Stockholder in the manner provided above.

(d) The Preemptive Right set forth in this Section 9 is nonassignable, except that (i) such right is assignable by the Preferred Stockholder to any wholly-owned subsidiary or parent of, or to any corporation or other entity which is, within the meaning of the Securities Act, controlling, controlled by or under common control with, the Preferred Stockholder and (ii) upon the death of the Preferred Stockholder, such right may pass to executor or other personal representative of the Preferred Stockholder's estate.

4. The foregoing Amendment was adopted by the shareholders of the Company's Common Stock, Series A Preferred Stock and Series B Preferred Stock as of October 5, 2001. The Company has no other class of voting securities.

5. The foregoing Amendment was approved by the shareholders of the Company in accordance with Section 607.1006 of the Florida Statutes.

6. The foregoing Amendment shall be effective as of the date of the filing of these Articles of Amendment.



IN WITNESS WHEREOF, the undersigned Officer of the Company has executed these Articles of Amendment on the 31<sup>st</sup> day of October, 2001.

**QUAL KIDS CORP.**

By:   
LARRY MILOV, President