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STATE OF IDAHO

**ARTICLES OF AMENDMENT
OF
EARLS COMMUNICATIONS, INC.**

IDAHO SECRETARY OF STATE

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**ARTICLE I
NAME**

The name of this corporation is Earls Communications, Inc.

**ARTICLE II
AMENDMENTS**

Article VI of the Articles of Incorporation of said corporation shall be amended by deleting it in its entirety and substituting therefor the following:

The corporation is authorized to issue two classes of stock to be designated respectively "Common Stock" and "Preferred Stock." The number of authorized shares of Preferred Stock is 500,000, and the number of authorized shares of Common Stock is 5,000,000. Both the Preferred Stock and the Common Stock shall have a par value of \$0.01.

Section 1. Preferred Stock

A statement of the rights, preferences, privileges and restrictions granted to or imposed on the shares of Preferred Stock or on the holders of them is as follows:

(a) All shares of Preferred Stock shall be identical with each other in all respects.

(b) All shares of Preferred Stock shall be of such rank as to any other series, if any, of Preferred Stock (as hereinafter defined) as shall be provided in the resolutions of the stockholders of the Corporation creating such other series, subject in each case to the conditions contained herein.

Section 2. Dividends

(a) Prior to declaring or paying any dividend, whether in cash or property or in securities of the Corporation (or subscription or other rights to purchase or acquire securities of the Corporation), or any combination thereof on any shares of the Common Stock, \$0.01 par value, of the Corporation (the "Common Stock"), the Board of Directors shall declare and pay a dividend upon each share of the Preferred Stock then outstanding, in an amount equal to \$0.15 multiplied by the number of years (or fraction thereof) from the Original Issuance (as hereinafter defined) to the record date established for payment of such dividend (which record date shall be within ten (10) days of payment or the same date as the record date for the payment of dividends

on other stock), less the amount of all dividends previously paid in respect of such share pursuant to this Section 2(a).

(b) Whenever any dividend, whether in cash or property or in securities of the Corporation (or subscription or other rights to purchase or acquire securities of the Corporation), may be declared or paid on any share of the Common Stock, after declaring and paying any dividend required pursuant to Section 2(a) hereof, the Board of Directors also shall declare and pay a dividend on the same terms, at the same rate and in like kind as the dividend payable in respect of the Common Stock, upon each share of the Preferred Stock then outstanding, so that all shares of the Preferred Stock will participate in such dividend equally with such shares of Common Stock and Preferred Stock, pro rata per share (calculated as provided in Section 2(c) hereof).

(c) In connection with any dividend declared or paid under Section 2(b) hereof as a result of the payment of a dividend on any shares of Common Stock, each share of Preferred Stock shall be deemed to be that number of shares (including fractional shares) of Common Stock into which it is then convertible, rounded up to the nearest one-tenth of a share. No fractional shares of capital stock shall be issued as a dividend hereunder. The Corporation shall pay a cash adjustment for any such fractional interest in an amount equal to the fair market value thereof on the last Business Day (as hereinafter defined) immediately preceding the date for payment of dividends, as determined by the Board of Directors in good faith.

Section 3. Rights on Liquidation, Dissolution or Winding Up.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation (collectively, a "Liquidation"), the holders of Preferred Stock (the "Preferred Stockholders") then outstanding shall be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders, whether from capital, surplus or earnings, before any payment shall be made to the holders of Common Stock (the "Common Stockholders"), an amount per share equal to the Base Price (as hereinafter defined) for such share, plus, in each case, an amount equal to \$0.15 per share multiplied by the number of years (or fraction thereof) from the Original Issuance Date to the date of such payment, less the amount of all dividends or other payments previously made in respect of such share pursuant to Section 2(a) hereof.

(b) If, upon any Liquidation, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the Preferred Stockholders the full amounts to which they respectively shall be entitled pursuant to Section 3(a) hereof, the Preferred Stock shall share ratably in any distribution of assets according to the respective amounts which would be payable thereto upon such distribution if all amounts payable on or with respect to the shares of Preferred Stock held thereby were paid in full.

(c) In the event of any Liquidation, after payment shall have been made to the Preferred Stockholders of the full amounts to which they shall be entitled pursuant to Section 3(a) hereof, and after the holders of any other class having preference over the Common Stock in the

event of a Liquidation have received the full preferential amount to which they are entitled, the Preferred Stockholders shall be entitled to share with the Common Stockholders in all remaining assets of the Corporation available for distribution to Common Stockholders. For purposes of calculating the amount of any payment to be made upon any such Liquidation, each share of Preferred Stock shall be deemed to be that number of shares (including fractional shares) of Common Stock into which it is then convertible, rounded to the nearest one-tenth of a share.

Section 4. Special Redemption.

(a) In the event of and simultaneously with the closing of an Event of Sale (as hereinafter defined), the Corporation shall (unless otherwise prevented by law) redeem all the shares of Preferred Stock then outstanding for a cash amount per share of Preferred determined as set forth herein (the "Special Redemption Price", said redemption being referred to herein as a "Special Redemption"). For purposes of this Section 4, the Special Redemption Price shall be equal to the Base Price for such share plus, in each case, an amount equal to \$0.15 per share multiplied by the number of years (or fraction thereof) from the Original Issuance Date to the date of such payment, less the amount of all dividends or other payments previously made in respect of such share pursuant to Section 2(a) hereof. To the extent that a Special Redemption and a Liquidation are occurring concurrently, the Special Redemption shall be deemed to occur first. The date upon which the Special Redemption shall occur is sometimes referred to herein as the "Special Redemption Date."

(b) At any time on or after the Special Redemption Date, a Preferred Stockholder shall be entitled to receive the Special Redemption Price for each such share of Preferred Stock owned by such holder. Subject to the provisions of clause (c) below, payment of the Special Redemption Price will be made upon actual delivery to the Corporation or its transfer agent of the certificate representing such Preferred Stock.

(c) If, on the Special Redemption Date, less than all the Preferred Stock then outstanding may be legally redeemed by the Corporation, the Special Redemption shall be pro rate with respect to such Preferred based upon the number of outstanding shares of Preferred Stock then owned by each holder thereof.

(d) On and after any Special Redemption Date, all rights in respect of the Preferred redeemed, except the right to receive the applicable Special Redemption Price as herein provided, shall cease and terminate; and such shares of Preferred Stock shall no longer be deemed to be outstanding, whether or not the certificates representing such shares of Preferred Stock have been received by the Corporation; provided, however, that if the Corporation defaults in the payment of the Redemption Payment, the rights of the Preferred Stockholders shall continue until the Corporation cures such default.

(e) Anything contained herein to the contrary notwithstanding, the provisions of this Section 4 may, at the option of the holders of a majority of the shares of Preferred Stock then outstanding, be waived by delivery of written notice to the Corporation prior to the closing of

any Event of Sale, in which event the Corporation shall not redeem any shares of Preferred Stock pursuant to this Section 4.

(f) Any notice or other request to be given to the Preferred Stockholders pursuant to Section 6(e) hereof in connection with an Event of Sale shall include a statement by the Corporation of (i) the Special Redemption Price which each Preferred Stockholder shall be entitled to receive upon the occurrence of a Special Redemption under this Section 4 and (ii) the extent to which the Corporation will, if at all, be legally prohibited from paying each Preferred Stockholder the Special Redemption Price; provided, however, that the statements made by the Corporation in such notice shall not be binding upon the Corporation or the Preferred Stockholder and the Preferred Stockholder shall have the right to challenge such statements or amounts.

Section 5. Voting

(a) The Preferred Stockholders together with the Common Stockholders, shall be entitled to vote as one class on all matters as to which Common Stockholders shall be entitled to vote, in the same manner and with the same effect as such Common Stockholders. In any such vote, each share of Preferred Stock shall entitle the holder thereof to the number of votes per share that equals the number of shares of Common Stock (including fractional shares) into which each such share of Preferred is then convertible, rounded up to the nearest one-tenth of a share.

(b) The corporation shall not, without the affirmative approval of the holders of shares representing more than 50% of the voting power of the Preferred Stock then outstanding (determined as set forth in Section 5(a) hereof), the Common Stock or any other voting securities, given by written consent in lieu of a meeting or by vote at a meeting called for such purpose, for which meeting or approval by written consent a timely and specific notice shall have been given to each Preferred Stockholder in the manner provided for in the By-laws of the Corporation:

(i) take any action which would increase or decrease the aggregate number of authorized shares of Preferred Stock;

(ii) increase or decrease the par value of the shares of Preferred Stock;

(iii) in any manner alter or change the designations, powers, preferences, rights, qualifications, limitations or restrictions of the Preferred Stock;

(iv) take any action to cause any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation or By-laws of the Corporation which amendment, alteration or repeal adversely affects the powers, preferences or rights pertaining to the Preferred Stock;

(v) create new classes of stock having preferences as to liquidation or dividends either prior to or equal to the Preferred Stock;

(vi) issue any stock having preferences as to liquidation or dividends either prior or equal to the Preferred Stock;

(vii) change the principal business of the Corporation to anything other than the publication and sale of magazines; or

(viii) amend or change its Certificate of Incorporation in any manner other than amendments or changes which authorize creation of a new class or series of shares, or an increase in the number of authorized shares of any class or series, if the class or series of shares to which such amendment relates has rights as to liquidation and dividends subordinate or subsequent to the Preferred Stock.

Section 6. Conversion

(a)(i) Any Preferred Stockholder shall have the right, at any time or from time to time, to convert any or all of its shares of Preferred Stock into that number of fully paid and nonaccessable shares (including fractional shares) of Common Stock for each share of Preferred Stock so converted equal to the quotient of the Base Price for such share divided by the Conversion Price (as hereinafter defined) for such share as last adjusted and then in effect, rounded up to the nearest one-tenth of a share.

(ii) Any Preferred Stockholder may exercise the right to convert shares of Preferred Stock into Common Stock pursuant to this Section 6(a) by delivering to the Corporation during regular business hours, at the office of the Corporation or any transfer agent of the Corporation or at such other place as may be reasonably designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Corporation (if required by it).

(iii) Each certificate representing shares of Preferred Stock delivered for conversion pursuant to clause (ii) above shall be accompanied by written notice stating that such holder elects to convert such shares and stating the name or names (with address) in which the certificate or certificates for the shares of Common Stock are to be issued. Such conversion shall be deemed to have been effected on the date when such delivery is made (each a "Voluntary Conversion Date").

(iv) As promptly as practicable after such surrender of a certificate or certificates of Preferred Stock and all instruments and notices of Preferred Stock and all instruments and notices above prescribed or required by law, the Corporation shall issue and deliver to or upon the written order of the surrendering holder, at the place designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled and a check or cash (without interest thereon) in respect of any fractional interest in any shares of Common Stock, as provided in Section 6(c) hereof, payable with respect to the shares so converted up to and including the applicable Voluntary Conversion date.

(v) The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of Common Stock on the applicable Voluntary Conversion Date, unless the transfer books of the Corporation are closed on such Voluntary Conversion Date, in which event the holder shall be deemed to have become the stockholder of record on the next succeeding date on which the transfer books are open, provided that the applicable Conversion Price shall be that Conversion Price in effect on the Voluntary Conversion Date.

(vi) Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Preferred Stock, the Corporation shall issue and deliver to or upon the written order of the holder of such certificate, at the expense of the Corporation, a new certificate covering the number of shares of Preferred Stock representing the unconverted portion of such share certificate, which new certificate shall entitle the holder thereof to all the rights, powers and privileges of a holder of such shares.

(b)(i) Upon the occurrence of a Mandatory Conversion Event (as hereinafter defined), the Corporation shall have the right to require that all (but not less than all) of the shares of Preferred Stock issued and outstanding on the related Mandatory Notice Date (as hereinafter defined) be converted into that number of fully paid and nonaccessable shares (including fractional shares) of Common stock for each share of Preferred so converted equal to the quotient of the Base Price for such share divided by the Conversion Price for such share, as last adjusted and then in effect, rounded up to the nearest one-tenth of a share.

(ii) The Corporation may exercise the right to convert the outstanding shares of Preferred Stock pursuant to this Section 6(b) by delivering written notice thereof (the "Mandatory Conversion Notice") by first class, certified mail, return receipt requested, postage prepaid, to each Stockholder at such holder's address appearing on the stock register of the Corporation. The Mandatory Conversion Notice shall be mailed on a date (the "Mandatory Notice Date") which shall be established by the Board of Directors, and shall be at least 30 days prior to the Mandatory Conversion Date. The Mandatory Conversion Notice sent to Preferred Stockholder shall state (A) the Mandatory Conversion Date, (B) the number of shares of Preferred Stock owned by such Preferred Stockholder subject to mandatory conversion, (C) the total number of shares of Common Stock to be issued to such Preferred Stockholder in exchange for all shares of Preferred Stock held thereby and (D) the place or places where certificates for such shares of Preferred Stock are to be surrendered for exchange; provided, however, that the statements made in the Mandatory Conversion Notice shall not be binding upon the Corporation or the Preferred Stockholder and Stockholder shall have the right to challenge such statements or amounts.

(iii) A Mandatory Conversion Notice having been given as aforesaid, the certificates for the shares of Preferred Stock to be converted as provided in such notice shall be surrendered to the Corporation not later than 60 days after the Mandatory Conversion Date at the place designated for that purpose in such Mandatory Conversion Notice, which certificate or certificates, if the Corporation shall so request and the Mandatory Conversion Notice shall so state, shall be duly endorsed or assigned in blank or to the Corporation (if required by it).

(iv) A Preferred Stockholder surrendering shares of Preferred Stock to the Corporation in response to a Mandatory Conversion Notice, shall give written notice to the corporation at the place specified in the Mandatory Conversion Notice that such shares of Preferred Stock are being surrendered for conversion, and shall state in writing therein the name or names (with address) in which the certificate or certificates for the shares of Common Stock are to be issued.

(v) Subject to the provisions of this clause (v), all shares of Preferred Stock issued and outstanding on the Mandatory Notice Date shall be deemed to have been converted into shares of Common Stock on the Mandatory Conversion Date. From and after a time immediately prior to the close of business on the Mandatory Conversion Date (unless default shall be made by the Corporation in providing shares of Common Stock in accordance with the Mandatory Conversion Notice) (A) all rights of the holders of the shares of Preferred Stock as Preferred Stockholders of the Corporation, except as expressly provided in clauses (B) and (C) below, shall cease and terminate, and such shares shall not thereafter be deemed to be outstanding, notwithstanding that any certificate for any such shares shall not have been surrendered for exchange; (B) until so surrendered for exchange, each outstanding certificate for shares of Preferred Stock shall be deemed for all purposes, other than the payment of dividends or other distributions on the Common Stock, to evidence ownership of the number of shares of Common Stock for which such shares of Preferred Stock are to be exchanged; and (C) except as provided in clause (c)(iii) hereof, no dividend or other distribution (if any) payable to holders of shares of Common Stock of record subsequent to such time shall be paid on the shares of Common Stock issuable in exchange for any shares of Preferred Stock represented by certificates which have not been so surrendered.

(vi) As promptly as practicable after the Mandatory Conversion Date and such surrender of a certificate or certificates for shares of Preferred Stock and all instruments and notices above prescribed or required by law, the Corporation shall issue and deliver to or upon the written order of the surrendering holder, at the place designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled, and a check or cash (without interest thereon) in respect of any fractional interest in any shares of Common Stock, as provided in Section 6(c) hereto, payable with respect to the shares so converted up to and including the Mandatory Conversion Date.

(vii) "Mandatory Conversion Event" shall mean either (A) the closing of the sale by the Corporation pursuant to a registration statement effective under the Securities Act of 1933, as amended, of shares of its Common Stock for a price per share not less than three times the then effective Conversion Price, the gross proceeds of which sale payable to the Corporation are not less than \$5,000,000, or (B) the conversion of not less than two thirds (2/3rds) of all shares of the Preferred Stock.

(viii) "Mandatory Conversion Date" shall mean the date on which all shares of Preferred Stock shall be deemed to have been converted into shares of Common Stock, which date shall not be prior to, nor more than 45 days after, the date of the related Mandatory Conversion event.

(c)(i) If a Preferred Stockholder shall surrender more than one of the Preferred Stock for conversion at any one time, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Preferred Stock so surrendered.

(ii) No fractional shares of Common Stock shall be issued upon conversion of shares of Preferred Stock. The Corporation shall pay a cash adjustment for any such fractional interest in an amount equal to the fair market value thereof on the applicable conversion date, as determined by a majority of the Board of Directors in good faith. Fractional interests shall not be entitled to dividends, and the holders of fractional interests shall not be entitled to any rights as stockholders of the Corporation in respect of such fractional interests.

(d) For all purposes of this Section 6, the Conversion Price with respect to the Preferred Stock shall be equal to the Base Price with respect to each such share Preferred Stock, subject to adjustment from time to time as follows:

(i) If, at any time after the Original Issuance Date, the number of shares of Common Stock outstanding is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then, following the record date fixed for the determination of holders of Common Stock entitled to receive such stock dividend, subdivision or split-up, the Conversion Price shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be increased in proportion to such increase in outstanding shares.

(ii) If, at any time after the Original Issuance Date, the number of shares of Common Stock outstanding is decreased by a combination of the outstanding shares of Common Stock, then, following the record date for such combination, the Conversion Price shall be appropriately increased so that the number of shares of Common Stock issuable upon conversion of each share of Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

(iii) If, at any time after the Original Issuance Date, the number of shares of Preferred Stock outstanding is increased by a stock dividend payable in shares of Preferred Stock or by a subdivision or split-up of shares of Preferred Stock, then, following the record date fixed for the determination of holders of Preferred Stock entitled to receive such stock dividend, subdivision or split-up, the Conversion Price shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be decreased in proportion to such increase in outstanding shares.

(iv) If, at any time after the Original Issuance Date, the number of shares of Preferred Stock outstanding is decreased by a combination of the outstanding shares of Preferred Stock, then, following the record date for such combination, the Conversion Price shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be increased in proportion to such decrease in outstanding shares.

(v) In case, at any time after the Original Issuance Date, of any capital reorganization, or any reclassification of the capital stock of the Corporation (other than a change in par value or from par value to no par value or from no par value to par value, or as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the Corporation with or into another person or entity, or of the sale or other disposition of all or substantially all the properties and assets of the Corporation as an entirety to any other person (any such transaction, an "Extraordinary Transaction"), then, as a condition of such transaction, lawful and adequate provision shall be made whereby each Preferred Stockholder thereafter shall have the right to receive upon conversion or exchange of shares of Preferred Stock and upon the basis, terms and conditions specified herein and in lieu of the shares or Common Stock immediately theretofore receivable upon conversion or exchange thereof, such shares of stock, other securities or assets as such Preferred Stockholder, would have owned immediately after such transaction if such Preferred Stockholder had converted or exchanged the shares of Preferred Stock immediately before the effective date of the transaction, and in any such case appropriate provision shall be made with respect to the rights and interests of such Preferred Stockholder to the end that the provision hereof (including without limitation provisions for adjustments of the Conversion Price and of the number of shares issuable upon conversion or exchange) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the conversion or exchange thereof. The Corporation shall not effect any such consolidation, merger or sale of assets unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Corporation) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument the obligation to deliver to such Preferred Stockholder such shares of stock, other securities or assets as, in accordance with the foregoing provision, such Preferred Stockholder may be entitled to receive. The provisions of this clause (v) shall similarly apply to successive Extraordinary Transactions.

(vi) If the Corporation shall issue any shares of Common Stock or other securities convertible into, or exchangeable or exercisable for shares of Common Stock, in each case other than Excluded Stock (as hereinafter defined), for a consideration per share (in the case of securities convertible into or exchangeable or exercisable for shares of Common Stock ("Convertible Securities") such consideration per share shall be calculated by dividing the total consideration by the number of shares of Common Stock into which such securities are convertible, exchangeable or exercisable (the "Diluted Consideration Per Share") less than the applicable Conversion Price in effect immediately prior to the issuance of such Common Stock or other security, the conversion Price in effect immediately prior to each such issuance shall automatically (except as otherwise provided in this clause (vi)) be lowered to a price equal to the consideration per share, in the case of Common Stock or the Diluted Consideration Per Share, in the case of Convertible Securities, received by the Corporation upon such issuance.

(vii) All calculations under this Section 6(d) shall be made to the nearest one-tenth of a cent (\$.001) or to the nearest one-tenth of a share, as the case may be.

(viii) In any case in which the provisions of this Section 6(d) shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any Preferred Stock converted after such record date and before the occurrence of such event the additional shares of capital stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of capital stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any cash amounts in lieu of fractional shares pursuant to Section 6(c)(ii) hereof; provided, however, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(e) Whenever the Conversion Price shall be adjusted as provided in Section 6(d) hereof, the Corporation shall forthwith file and keep on record at the office of the Secretary of the Corporation and at the office of the transfer agent for the Preferred Stock or a such other place as may be designated by the Corporation, a statement, signed by its President or Chief Executive Officer and by its Treasurer or Chief Financial Officer, showing in detail the facts requiring such adjustment and the Conversion Price that shall be in effect after such adjustment. The Corporation shall also cause a copy of such statement to be sent by first-class, certified mail, return receipt requested, postage prepaid, to each Preferred Stockholder at such holder's address appearing on the stock register of the Corporation; provided, however, that such statements shall not be binding upon the Corporation or the Preferred Stockholder, and the Stockholder shall have the right to challenge such statements or amounts. Where appropriate, such copy may be given in advance of any such adjustment and may be included as part of a notice required to be mailed under the provisions of Section 6(f) hereof.

(f) In the event the Corporation shall propose to take any action of the types described in clauses (i), (ii), (iii), (iv), (v) or (vi) of Section 6(d) hereof, or any Event of Sale, the Corporation shall give notice to each Preferred Stockholder in the manner set forth in Section 6(e) hereof, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to this extent such effect may be known at the date of such notice) on the Conversion Price, if appropriate, with respect to the Preferred Stock, and the number, kind of class of shares or other securities or property which shall be deliverable to purchasable upon the occurrence of such action or deliverable upon each conversion of shares of Preferred Stock. In the case of any action that would require the fixing of a record date, such notice shall be given at least 10 days prior to the record date so fixed, and in the case of any other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(g) The Corporation shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of shares of capital stock of the Corporation upon conversion of any shares of Preferred Stock; provided, however, that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the

issuance or delivery of any certificates for such shares in a name other than that of the Preferred Stockholder in respect of which such shares of Preferred Stock are being issued.

(h) The Corporation shall reserve, out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the Preferred Stock sufficient shares of Common Stock to provide for the conversion of all outstanding shares of Preferred Stock.

(i) All shares of Common Stock which may be issued in connection with the conversion provisions set forth herein will, upon issuance by the Corporation, be validly issued, fully paid and nonassessable, not subject to any pre-emptive or similar rights and free from all taxes, liens or charges with respect thereto created or imposed herein, by the Corporation.

Section 7. Warrant Rights Upon Conversion.

Any Preferred Stockholder who exercises the conversion rights set forth in Section 6 prior to December 31, 2000 shall receive, in addition to the Common Stock provided in Section 6, a warrant for the purchase of one (1) share of Common Stock for each share of Preferred Stock converted. The warrant shall be exercisable at any time and from time to time within twenty-four (24) months of issuance at a price of \$3.50 for each share of Common Stock.

Section 8. Subscription Rights on Subsequent Financing by Company.

(a) In the event that the Corporation offers for sale, other than the Primary Public Offering referred to below, additional equity securities of the Corporation (the "Offered Securities"), to any person, (the "Subsequent Financing"), the Corporation shall notify each Preferred Stockholder in writing of the proposed offer, specifying all relevant terms and conditions, not later than 30 days prior thereto and each Preferred Stockholder, or its assignee, shall have the right, exercisable by providing notice of exercise within 30 days following receipt of the aforementioned notice, to purchase that percentage of the Offered Securities which are actually sold which is equal to the percentage of the Corporation's issued and outstanding Common Stock, which each Stockholder would own, if, immediately prior to such Subsequent Financing, all of such Preferred Stockholder's shares of Preferred Stock had been converted to Common Stock; provided, however, that the Preferred Stockholders shall have the subscription rights set forth in this Section 7 only until the Corporation completes a public offering of the Corporation's Common Stock registered under the Securities Act of 1933 underwritten on a firm commitment basis at a price per share equal to at least three (3) times the then effective Conversion Price and which public offering results in gross proceeds to the Corporation of not less than \$5,000,000 (the "Primary Public Offering").

(b) The price to be paid for Offered Securities purchased pursuant to subsection (a) hereof shall be equal to the price at which such securities are sold by the Corporation, and such price must be paid within three (3) days following the sale of Offered Securities to any other party.

Section 9. Reports to Preferred Stockholders.

As soon as possible following each fiscal year of the Corporation, commencing with the fiscal year ending December 31, 1998, the Corporation shall mail to all persons who were Preferred Stockholders on the date 10 days prior to the date of such mailing, a report containing unaudited financial statements of the Corporation for such fiscal year.

Section 10. Definitions.

As used herein, the following terms shall have the corresponding meanings:

(a) The term "Business Day" shall mean any day other than a Saturday, Sunday or public holiday in the state where the principal executive office of the Corporation is located.

(b) The term "Event of Sale" shall mean (i) the merger or consolidation of the Corporation into or with another corporation, partnership, joint venture, trust or other entity, or the merger or consolidation of any other corporation into or with the Corporation (in which consolidation or merger the stockholders of the Corporation receive distributions of cash or securities as a result of such consolidation or merger in complete exchange for their shares of capital stock of the Corporation), or (ii) the sale or other disposition of all or substantially all the assets of the Corporation.

(c) The term "Excluded Stock" shall mean:

(i) Common Stock issued pursuant to the Corporation's 1998 Stock Option Program, as in effect on the Original Issuance Date;

(ii) Common Stock issued to officers, directors or employees of or consultants to the Corporation, pursuant to any agreement, plan or arrangement approved by the Board of Directors of the Corporation, or pursuant to any options to purchase or rights to subscribe for such Common Stock, or securities (other than securities ranking senior to or on a parity with Preferred Stock) by their terms convertible into or exchangeable for such Common Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities, the issuance of which is approved by a majority of the holders of the Preferred Stock voting as a single class; and

(iii) Common Stock issued as a stock dividend payable in shares of Common Stock, or capital stock of any class issuable upon any subdivision, recombination, split-up or reverse stock split of all the outstanding shares of such class of capital stock.

(d) The term "outstanding," when used in reference to shares of stock, shall mean issued shares, excluding (i) shares held by the Corporation or a subsidiary thereof and (ii) shares called for redemption, funds for the redemption of which shall have been segregated or deposited in trust and committed to the payment of any amounts owing to the holders thereof.

(e) The term "Base Price" shall mean with respect to the Preferred Stock, \$3.00 per share, subject, for all purposes other than Section 6 hereof (which provisions shall be applied in accordance with their own terms), to Proportional Adjustment.

(f) The term "Proportional Adjustment" shall mean an adjustment made to the price of a security (the "Original Security") upon the occurrence of a stock split, reverse stock split, stock dividend, stock combination, reclassification or other similar change with respect to such security, so that the price of one share of the Original Security before the occurrence of any such change shall equal the aggregate price of the share (or shares or fractional share) of such security (or any other security) received by the holder of the Original Security with respect thereto upon the effectiveness of such change.

ARTICLE III DATE OF ADOPTION

The Amendment was adopted by the Board of Directors after the issuance of stock of the Corporation and adopted by the Shareholders by unanimous vote of all of the shares entitled to vote, at a meeting held on the 4th day of March, 1998, at which meeting there was at all times a quorum of the Shareholders.

ARTICLE IV NUMBER OF SHARES OUTSTANDING

At the time of the adoption of the Amendment there were 11,111 outstanding shares of the stock of the Corporation and hence there were 11,111 shares entitled to vote on the Amendment. No share of any class is entitled to vote as a class.

ARTICLE V EFFECT ON ISSUED SHARES AND STATED CAPITAL

The Amendment does not provide for an exchange, reclassification or cancellation of issued shares, nor does it effect a change in the amount of stated capital.

