

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

AMNEX INC

CIK: **793526** | IRS No.: **112790221** | State of Incorpor.: **NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-17158** | Film No.: **96665935**
SIC: **4899** Communications services, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 1996

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from to

Commission File Number: 0-17158

AMNEX, INC.
(Exact name of registrant as specified in its charter)

New York 11-2790221
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

101 Park Avenue, Suite 2507, New York, New York 10178
(Address of principal executive offices) (Zip Code)

(212) 867-0166
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or such shorter period that the registrant was required
to file such reports); and (2) has been subject to such filing requirements for
the past 90 days. [X] Yes [] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Section 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. [] Yes [] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date: Common Stock, \$.001 par value:
24,392,505 shares at September 30, 1996.

Part I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Balance Sheets - September 30, 1996 and
December 31, 1995
Condensed Consolidated Statements of Income - Three and Nine months
ended September 30, 1996 and 1995
Condensed Consolidated Statements of Cash Flows - Nine months
ended September 30, 1996 and 1995
Condensed Consolidated Statements of Shareholders' Equity - Nine months
ended September 30, 1996
Notes to Condensed Consolidated Financial Statements - September 30, 1996

Item 2. Management's Discussion and Analysis of Financial Condition and
Results of Operation

<TABLE>
<CAPTION>

AMNEX, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 1996 (Unaudited)	December 31, 1995
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 1,807	\$ 94
Trade receivables, less allowance for doubtful accounts of \$3,802 in 1996 and \$2,954 in 1995	26,748	17,080
Parts inventory	369	289
Deferred income taxes	121	121
Note receivable	11	1,290
Customer advances	3,403	3,940
Deposits and other current assets	981	602
	-----	-----
Total current assets	33,440	23,416
Property and equipment, net	14,618	11,595
Deposits and other	2,049	3,953
Intangible assets, net	7,061	1,361
Goodwill, net	29,675	9,255
	-----	-----
	\$ 86,843	\$ 49,580
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 16,420	\$ 11,865
Accounts payable	4,275	4,266
Accrued expenses	10,508	3,200
Accrued commissions	4,088	2,062
Current portion of capital lease obligations	2,113	756
Current portion of long-term debt	880	737
	-----	-----
Total current liabilities	38,284	22,886
Long-term debt, due to related parties	1,198	
Capital lease obligations	2,819	2,170
Long-term debt, less current portion	5,461	4,132
	-----	-----
Total liabilities	47,762	29,188
	-----	-----
Commitments and contingencies		
Minority interest	10	
Shareholders' equity:		
Preferred stock, \$.001 par; authorized 5,000,000 shares	10,882	9,023
Common stock, \$.001 par; authorized 40,000,000 shares, issued 24,410,755 shares at September 30, 1996 and 19,484,030 shares at December 31, 1995	24	19
Capital in excess of par value	52,453	39,963
Common stock issuable	2,630	
Accumulated deficit	(26,442)	(28,137)
	-----	-----
	39,547	20,868
Less: 18,250 Common Shares held in treasury, at cost	(476)	(476)
	-----	-----
Total shareholders' equity	39,071	20,392
	-----	-----
	\$ 86,843	\$ 49,580
	=====	=====

</TABLE>

See notes to consolidated financial statements

<TABLE>
<CAPTION>

AMNEX, INC.
Condensed Consolidated Statements of Income
For the Three and Nine Months Ended September 30, 1996 and 1995
(in thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	
Revenues	\$ 37,430	\$ 30,391	\$ 88,188	\$ 80,644
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	29,325	25,529	70,863	66,635
Selling, general and administrative	5,216	3,197	11,414	9,001
Depreciation and amortization	883	483	1,807	1,374
	---	---	---	---
	35,424	29,209	84,084	77,010
	-----	-----	-----	-----
Operating income	2,006	1,182	4,104	3,634
Interest expense	869	456	1,973	1,368
	---	---	---	---
Income before income taxes	1,137	726	2,131	2,266
Provision for income taxes	240	221	436	891
	---	---	---	---
Net income	\$ 897	\$ 505	\$ 1,695	\$ 1,375
	===	===	=====	=====
Preferred share dividend	154	153	462	386
	---	---	---	---
Net income available for common share	\$ 743	\$ 352	\$ 1,233	\$ 989
	===	===	=====	=====
Earnings per common share	\$ 0.03	\$ 0.02	\$ 0.06	\$ 0.05
	====	====	====	====
Weighted average number of shares outstanding used in computing earnings per common share:	24,666	19,796	22,014	19,118

</TABLE>

See notes to consolidated financial statements

<TABLE>
<CAPTION>

AMNEX, INC.

Condensed Consolidated Statements of Cash Flows
 Nine Months Ended September 30, 1996 and 1995
 (in thousands)
 (Unaudited)

	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,695	\$ 1,375
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,124	2,110
Provision for losses on receivables	(494)	(778)
Changes in operating assets and liabilities:		
Trade receivables	546	(5,113)
Parts inventory	(80)	
Note receivable	1,279	
Customer advances, deposits and other current assets	564	(105)
Deposits and other assets	169	(475)
Accounts payable and accrued expenses	(3,888)	(316)
Net cash provided by (used in) operating activities	3,915	(3,302)
Cash flows from investing activities:		
Cash paid on acquisition of Teleplus dealer agreement	(1,500)	
Cash paid on acquisition of pay telephones	(150)	
Cash received on acquisition	910	
Phone contracts purchased	(579)	
Proceeds on disposition of assets	867	
Expenditures for property and equipment	(1,840)	(2,161)
Net cash used in investing activities	(2,292)	(2,161)
Cash flows from financing activities:		
Proceeds from sale of Preferred Shares	2,000	3,052
Proceeds from sale of Common Shares	225	
Proceeds from the exercise of options	136	1,052
Payment of Stock Registration costs	(20)	
Borrowings (repayments) under revolving credit, net	(621)	1,666
Payments on related party debt	(146)	
Payments on long-term debt	(557)	(70)
Principal payments under capital lease obligations	(927)	(230)
Net cash provided by financing activities	90	5,470
Net increase in cash and cash equivalents	1,713	7
Cash and cash equivalents at beginning of period	94	593
Cash and cash equivalents at end of period	\$ 1,807	\$ 600

See notes to consolidated financial statements

Supplemental disclosure of cash flow information:

Nine months ended September 30, 1996:

1. In January 1996, the holder of an aggregate of 50,000 shares of the Company's Series E Preferred Stock elected to convert such shares into 50,000 shares of the Company's Common Stock.
2. Interest of approximately \$1,601,000 was paid.
3. Income taxes of approximately \$244,000 were paid.
4. Capital lease obligations incurred to acquire property and equipment were approximately \$1,548,000.
5. The Company issued 4,099,086 Common Shares upon acquisition of Capital

Network System, Inc.

6. The Company issued 550,725 Common Shares upon acquisition of National Business Exchange, Inc.
7. The Company holds 1,052,336 issuable Common Shares for the acquisition of the Teleplus, Inc. Dealer Agreement.
8. The Company issued 44,643 Common Shares pursuant to the conversion of \$150,000 of debt plus accrued interest thereon.
9. The Company issued 54,340 Common Shares for the acquisition of pay telephones.

Nine months ended September 30, 1995:

1. The Company issued 125,000 Common Shares pursuant to an equity participation agreement.
2. The Company issued 332,500 Common Shares pursuant to the conversion of 33,250 Series B Preferred Shares.
3. Interest of approximately \$1,421,000 was paid.
4. Income taxes of approximately \$151,000 were paid.

</TABLE>

See notes to consolidated financial statements

<TABLE>
<CAPTION>

AMNEX, INC.
Condensed Consolidated Statement of
Shareholders' Equity December 31, 1995
through September 30, 1996
(in thousands, except par value)
(Unaudited)

	Balance, December 31, 1995	Exercise of Stock Options	Conversion of Preferred Shares	Issuance of Preferred Shares	Conversion of Debt	Issuance of Common Shares	Common Stock Issuable	Net Income	Balance, September 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common stock, \$.001 par value, Shares	19,484	53	50		45	4,779			24,411
Amount	\$ 19	\$ 1	\$	\$	\$	\$ 4	\$	\$	\$ 24
Capital in excess of par value	39,963	135	141		156	12,058			52,453
Preferred stock									
Series B	362								362
Series D	3,533								3,533
Series E	3,052		(141)						2,911
Series F	2,076								2,076
Series G				2,000					2,000

Common stock issuable						2,630			2,630
Accumulated deficit	(28,137)						1,695		(26,442)
Treasury stock	(476)								(476)
<hr/>									
Total shareholders' equity	\$ 20,392	\$ 136	\$ 2,000	\$ 156	\$ 12,058	\$ 2,630	\$ 1,695	\$ 39,071	
	=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements

AMNEX, INC.

Note to the Condensed Consolidated Financial Statements

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information in response to the requirements of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996; results of operations for the three and nine months ended September 30, 1996 and 1995; cash flows for the nine months ended September 30, 1996 and 1995; and changes in shareholders' equity for the nine months ended September 30, 1996. For further information, refer to AMNEX's financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 1995. The December 31, 1995 balance sheet has been derived from AMNEX's audited financial statements as of that date.

2. Preferred Stock

In January 1996, the holder of an aggregate of 50,000 shares of the Company's Series E Preferred Stock elected to convert such shares into 50,000 shares of the Company's Common Stock.

In September 1996, the Company obtained proceeds of \$2,000,000 through the sale of an aggregate of 100,000 Series G Preferred Shares at \$20 per share. The Series G Preferred Shares have the following rights and preferences, among others: (i) 5% cumulative dividend payable in cash or, at the option of the Board of Directors of the Company and subject to the requirements of applicable law, in Common Shares or additional Series G Preferred Shares of the Company, only upon conversion of the Series G Preferred Shares; (ii) voting rights, with the number of votes equaling the number of Common Shares issuable upon conversion of the Series G Preferred Shares as of the original issue date thereof; (iii) the right to convert each share into Common Shares of the Company at a conversion price generally equal to the lesser of (a) the average per share market value for the five trading days immediately preceding September 19, 1996 and (b) 80% of the average per share market value for the five trading days immediately preceding the

conversion; and (iv) a liquidation preference of \$20 per share plus an amount equal to accrued but unpaid dividends per share.

3. Acquisition of Capital Network Systems Inc. ("CNSI")

On April 26, 1996, the stockholders of CNSI signed a Stock Purchase Agreement (the "Acquisition") with the Company which provides for the exchange of 100% of the common stock of CNSI for AMNEX common stock. There were 4,099,086 shares of unregistered AMNEX Common Stock exchanged with the stockholders of CNSI in addition to certain payments made and to be made of approximately \$1.1 million. The Acquisition closed on June 28, 1996, effective June 30, 1996. The accompanying financial statements give effect to the acquisition occurring effective June 30, 1996 and the results from operations has been reflected in the Statement of Operations for the three months ended September 30, 1996. The acquisition was accounted for as a purchase.

The estimated purchase price and allocation thereof is presented below:

<TABLE>		<C>
<S>		(in thousands)
Market value of shares issued		\$ 14,859
Less: Discount for unregistered stock based upon a preliminary estimate of independent appraisal		(4,458)
Add: Cash consideration to be paid		1,094

		11,495
Add: Assumption of CNSI affiliate indebtedness which was not acquired		150
Forgiveness for related party receivables - current		409
Forgiveness for related party receivables - long-term		249
Forgiveness of debt due from CNSI affiliate, which was not acquired		540
Employee termination benefits		1,763
Lease termination costs		898
Reduction of switching equipment to net realizable value		1,076
Estimated costs associated with Acquisition Agreement		970
Write-off of deferred financing costs		104

Estimated Purchase Price		\$ 17,654
		=====

</TABLE>

Allocation of the purchase price on the basis of fair value in excess of book value:

<TABLE>		<C>
<S>		
Book value of CNSI net assets acquired		\$ (2,467)
Goodwill		20,059

Estimated Purchase Price		\$ 17,654
		=====

</TABLE>

The pro forma unaudited results of operations for the nine months ended September 30, 1996 and 1995 assuming the consummation of the CNSI acquisition as of the beginning of 1996 and 1995 are as follows (in thousands, except per share amounts):

<TABLE>		<C>	<C>
<S>		1996	1995
		----	----
Revenues	\$	112,563	\$ 112,994
Net income		2,875	(368)
Net income per Common Share	\$	0.10	(0.02)

</TABLE>

4. Acquisition of Teleplus, Inc. Dealer Agreement ("Teleplus")

On August 31, 1996, Teleplus assigned to the Company its Dealer Agreement with CNSI in exchange for cash and AMNEX common stock. In exchange for the Dealer Agreement there are 1,052,336 of unregistered AMNEX Common Stock issuable to Teleplus, 526,168 issuable on January 30, 1997 and 526,168 issuable on January 30, 1998.

The purchase price and allocation thereof is presented below:

<TABLE>		<C>
<S>		
Market value of shares issuable		\$ 3,757

Less:	Discount for unregistered stock based upon a preliminary estimate of independent appraisal	(1,127)
Add:	Cash consideration paid	1,500

	Estimated Purchase Price	\$ 4,130
		=====
Allocation of the purchase price on the basis of fair value in excess of book value:		
	Covenant not to compete	\$ 10
	Intangibles	4,120

	Estimated Purchase Price	\$ 4,130
		=====

</TABLE>

5. Acquisition of National Business Exchange, Inc. ("NBE")

On September 30, 1996, the stockholders of NBE signed a Stock Purchase Agreement with the Company which provides for the exchange of 80% of the common stock of NBE for 550,725 shares of unregistered AMNEX Common Stock having a market value of \$1.9 million. After accounting for an unregistered stock discount and estimated acquisition costs the estimated purchase price is \$1.68 million and has been allocated based on the fair value of the assets acquired.

6. Subsequent Event

On November 8, 1996, the Company entered into an Asset Purchase Agreement with, among others, Coastal Telecom Payphone Company, Inc. with regard to the acquisition of, among other assets, approximately 4,300 pay telephones located primarily in New Jersey. The Asset Purchase Agreement provides for an aggregate purchase price for the assets to be acquired of \$10 million, payable to the extent of \$2.5 million in cash, and the balance in approximately 2,308,000 Common Shares of the Company. The Asset Purchase Agreement also provides for an additional payment, in consideration of certain restrictive covenants granted by each seller, among other consideration, of \$2.0 million payable to the extent of \$1.5 million in cash and the balance in approximately 154,000 Common Shares of the Company. The Company's obligation to pay the cash portion of the purchase price and additional consideration is subject to the receipt of financing. The Company has received a commitment letter for a loan in excess of the \$4.0 million required to consummate the Asset Purchase Agreement and anticipates that it will be able to close the transaction on the scheduled closing date of November 15, 1996. In the event financing is not received, then, in lieu of tendering the \$2.5 million cash portion of the purchase price and the \$1.5 million cash portion of the additional consideration, the Company shall be obligated to deliver an aggregate of approximately 1,846,000 Common Shares of the Company. The purchase price is subject to adjustment under certain circumstances.

As indicated above, the closing of the Asset Purchase Agreement is scheduled to occur on November 15, 1996, however, if the Company shall not have received the proceeds of the financing by such date, then the closing date may be deferred to a date not later than December 16, 1996. The consummation of the transaction is subject to the satisfaction of a number of conditions to closing. No assurances can be given that the Asset Purchase Agreement will be consummated on the terms set forth above or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 1996 Compared with
Three and Nine Months Ended September 30, 1995

Results of Operations

Revenues for the three months ended September 30, 1996 and 1995 were \$37.4 million and \$30.4 million, respectively, and \$88.1 million and \$80.6 million, for the nine months ended September 30 1996 and 1995, respectively. The 1996 third quarter revenues included a full three months of operations from CNSI, which was acquired on June 28, 1996. Revenues from this transaction for the three months ended September 30, 1996 were \$8.5 million, with \$6.3 million derived from international operations and the remaining from the domestic 0+ and 1+ line of business. The 1996 third quarter operations also included \$1.6 million in revenues from the Company's coin sent paid product and \$1.6 million in revenues from the Company's payphone operations, these lines of business generated no appreciable revenues during the three months ended September 30, 1995. Other Company revenues for the quarter were \$23.1 million for domestic operator services, \$2.3 million for 1+ long distance and \$0.5 million from integrated services. As projected, domestic operator services continued their decline in volumes from the previous year's third quarter results, a decline of \$4.7 million or 16.7 % for the three month period ended September 30 1996 compared to 1995. This has been more than offset by increased revenues from the CSNI acquisition, new 1+ coin sent paid revenues and Crescent operations (pay phones), as noted above. The decrease in domestic operator services revenue has been caused by continuing trends impacting the operator services industry, including (i) increases in the number of consumers who dial access numbers, rather than dialing "0+" and utilizing the operator services company who provides services for the telephone used (referred to in the industry as "Dial Around") and (ii) continued efforts by governmental regulatory agencies to establish maximum rates which may be charged for "0+" calls ("Rate Caps"). For the most recent three month period, domestic operator services provided 68.1% of total revenues, while making up 93.2% of revenue for the same period last year. This planned revenue shift is consistent with the Company's efforts to develop and acquire revenue sources from new product lines.

Cost of sales, as a percentage of revenues, was 78.3% and 84.0% for the three months ended September 30, 1996 and 1995, respectively and 80.4% and 82.6% for the nine months ended September 30, 1996 and 1995, respectively. The decrease relates to improved profit margins with the change of the product mix now offered by the Company. As the Company continues to rely less on domestic operator services, overall Company margins will continue to improve. Particularly, for the quarter, bad debt and billing and collection costs have

decreased as a percent of sales as the international business (CNSI), coin sent paid and the payphone operation (Crescent) realize less dilution of receivables. Operator wages continued their decrease from a year ago as cost control measures implemented at the end of 1995 have been maintained. As a percentage of revenues, operator wages for the period September 30, 1996 and 1995 were 2.4% and 3.8%, respectively.

Selling, general, and administrative expenses, as a percentage of revenues, were 12.9% and 11.1%, respectively, for the nine months ended September 30, 1996 and 1995. The increase relates directly to the acquisition of CNSI, which has redundant selling, general and administrative expenses. As part of the CNSI consolidation and integration plan, these costs are specifically targeted for reduction or elimination. Approximately \$1.3 million of such costs were absorbed in operations for the three month period ended September 30, 1996. A significant portion of these costs have now been reduced or eliminated providing cost savings in future periods that will be reflected in earnings.

Interest expense was \$883 thousand and \$483 thousand for the three months period ended September 30, 1996 and 1995, respectively. This is due to additional capital lease obligations of the integrated services product lines and increased loans associated with the Crescent acquisition in October 1995. Furthermore, it reflects approximately \$280 thousand in interest for CNSI, represented by short term and long term borrowing assumed as part of the acquisition.

The Company's Management has established goals to strategically position the Company in markets which will lower its cost of sales, improve profit margins and secure its customer base. This is expected to be achieved in part through the development and deployment of new technologies as well as through strategic acquisitions.

As part of that strategy, as discussed more fully in Note 5 of the Condensed Consolidated Notes to the Financial Statements, the Company purchased 80% of NBE as of September 30, 1996. As a furtherance of the Company's strategy, this acquisition should provide significant synergies to the existing cost structure of AMNEX, while providing a new and expanding business in billing and collection niche markets. There are no results of operations of NBE in the statement of operations for the three or nine month periods ended September 30, 1996 and 1995. In addition, and as part of the consolidation plan of CNSI, the Company purchased CNSI's Dealer Agreement with Teleplus Inc. This will continue to increase margins in the Mexico international market, by eliminating specific commissions to brokers and agents.

The Company may enter into other lines of business, through acquisition or internal development, where such lines of business are expected to meet its strategic goals.

Liquidity and Capital Resources

The Company had a working capital deficiency of \$4.8 million at September 30, 1996, as compared to working capital of \$530 thousand at December 31, 1995. The September 30, 1996 working capital deficiency reflects an improvement of \$1.6 million since June 30, 1996. The most significant changes occurred in the second quarter of 1996 due to the CNSI acquisition. As of the June 28, 1996 closing, CNSI carried over a working capital deficiency of approximately \$3.5 million. In addition, acquisition related accruals for reserves, transaction costs and obligations totaled another \$4.7 million.

The Company experienced a dramatic improvement in net cash provided by (used in) operating activities during the nine months ended September 30, 1996. Net cash provided by operating activities was \$3.9 million for the nine month period ended September 30, 1996, as compared to cash used in operating activities of \$(3.3) million for the period ended September 30, 1995. The improvement was primarily due to improved collection efforts with respect to the Company's trade receivables and customer advances, as well as cash flow provided by the Company's coin sent paid and payphone operations.

In addition, as explained in more detail in Note 2, the Company obtained \$2.0 million from the issuance of Series G Preferred Stock. As part of the agreement, additional equity lines of credit of \$8.0 million are available to the Company, subject to the satisfaction of certain conditions, over the course of the next four quarters ending September 30, 1997. The lines are available in the maximum amounts of \$0.5 million, \$2.5 million, \$2.5 million and \$2.5 million for each of the next four quarters, should the Company, at its own discretion, but subject to the satisfaction of certain conditions, choose to draw down the equity lines. These draws would be similar in structure to the Series G Preferred Stock mentioned in Note 2 of the condensed consolidated financial statements.

For a description of the acquisition of NBE, see Note 5 of the Notes to Condensed Consolidated Financial Statements.

Recent Developments

For a description of the terms of a certain Asset Purchase Agreement, dated as of November 8, 1996, between the Company and, among others, Coastal Telecom Payphone Company, Inc. (which agreement has not yet been consummated), see Note 6 of the Notes to Condensed Consolidated Financial Statements.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<TABLE>	
<S>	<C>
2.1	Asset Purchase Agreement dated as of August 31, 1996 by and between Teleplus, Inc. and AMNEX, Inc.
3.1	Certificate of Amendment of Certificate of Incorporation filed September 16, 1996
3.2	Restated Certificate of Incorporation, as amended
3.3	By-Laws, as amended
10.1	Convertible Preferred Stock Purchase Agreement dated as of September 19, 1996 between AMNEX, Inc. and Southbrook International Investments, Ltd.
27	Financial Data Schedule

</TABLE>

(b) Reports on Form 8-K

One Current Report on Form 8-K was filed during the quarter ended September 30, 1996 as follows:

Date of Report (date of earliest event reported):
June 28, 1996
Items Reported: 2 and 7
Financial Statements Filed:

Capital Network System, Inc.

Historical Financial Statements

Report of Independent Auditors
Consolidated Balance Sheet as of September 30, 1995 and
Consolidated Statement of Operations for the years ended
September 30, 1995, 1994 and 1993
Consolidated Statement of Changes in Stockholders'
Deficit for the years ended September 30,
1995, 1994 and 1993
Consolidated Statement of Cash Flows for the years ended
September 30, 1995, 1994 and 1993
Notes to the Consolidated Financial Statements

Interim Period Consolidated Financial Statements
(Unaudited)

Consolidated Balance Sheet as of June 30, 1996
Consolidated Statement of Operations for the nine
months ended June 30, 1996 and 1995
Consolidated Statement of Changes in Stockholders'
Deficit for the nine months ended June 30, 1996
Consolidated Statement of Cash Flows for the nine months
ended June 30, 1996 and 1995
Notes to the Consolidated Financial Statements

AMNEX, INC.

Pro Forma Consolidated Financial Statements (Unaudited)

Pro Forma Condensed Consolidated Balance Sheet as of
June 30, 1996
Pro Forma Condensed Consolidated Statement of Operations
for the six months ended June 30, 1996
Pro Forma Condensed Consolidated Statement of Operations
for the twelve months ended December 31, 1995
Notes to Pro Forma Condensed Consolidated Financial
Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMNEX, INC.

By: ___/s/ Peter M. Izzo, Jr. ___
Peter M. Izzo, Jr.
President and Chief Executive Officer
Date: November 14, 1996

By: ___/s/ Richard L. Stoun ___
Richard L. Stoun Chief Accounting Officer
Date: November 14, 1996

ASSET PURCHASE AGREEMENT

Dated as of August 31, 1996

by and between

TELEPLUS, INC.

and

AMNEX, INC.

<TABLE>
<CAPTION>

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT dated as of August 31, 1996 (this "Agreement") by and between TelePlus, Inc., a Texas corporation ("Seller"), and AMNEX, Inc., a New York corporation ("Buyer").

W I T N E S S E T H:

WHEREAS, Buyer desires to purchase from Seller and Seller desires to sell to Buyer, all of the rights of Seller resulting in the termination of Seller's interest in and to that certain Mexico Sales Representative Agreement (the "Dealer Agreement") dated November 3, 1993 between Seller and Capital Network System, Inc., a Texas corporation and a wholly-owned subsidiary of Buyer ("CNSI"), upon the terms and conditions and for the purchase price hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration set forth herein, the parties hereto agree as follows:

SECTION 1. Certain Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Actions" means any claims, actions, complaints, grievances, suits, proceedings and investigations, whether at law, in equity or in admiralty or before any court, arbitrator, arbitration panel or Governmental Authority.

"Closing" means the closing of the transactions contemplated hereby, which shall take place simultaneously with the execution and delivery of this Agreement on the date first above written.

"Closing Date" means the date first above written.

"Commission" means the Securities and Exchange Commission.

"Costs and Expenses" shall include all of the costs and expenses relating to the Registration Statement involved, including but not limited to registration, filing and qualification fees, blue-sky expenses, printing expenses, reasonable fees and disbursements of counsel to Buyer, counsel to

Seller, and accounting fees; provided, however, that underwriting discounts and commissions and reimbursable underwriters' expenses will be borne pro rata by the holders of the securities included in the Registration Statement.

"Damages" mean losses, liabilities, costs, damages, claims, taxes and expenses (including attorneys fees and expenses.)

"Dealer Agreement" means that certain Mexico Sales Representative Agreement dated November 3, 1993 between Seller and CNSI.

"Governmental Authority" means any agency, instrumentality, department, commission, court, tribunal or board of any government, whether foreign or domestic and whether national, federal, state, provincial or local.

"Laws" mean laws, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies.

"Lien" means any security interest, lien, mortgage, claim, charge, pledge, restriction, equitable interest or encumbrance of any nature.

"Person" means any natural person, corporation, business trust, joint venture, association, company, firm, partnership, or other entity or government or Governmental Authority.

"Registration Statement" means an appropriate shelf registration statement pursuant to Rule 415 under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in effect.

SECTION 2. Assignment of Dealer Agreement.

2.1. Dealer Agreement To Be Assigned. Seller hereby sells, conveys, transfers, assigns and delivers to Buyer, its successors and assigns, free and clear of all Liens, all of Seller's right, title and interest in and to the Dealer Agreement and Buyer hereby buys and accepts, the Dealer Agreement.

SECTION 3. Consideration.

3.1. Amount of Purchase Price. The total consideration

(the "Purchase Price") to be paid by Buyer for assignment and termination of Seller's interest in the Dealer Agreement and the covenant not to compete set forth in Section 7 hereof (the "Covenant") shall be \$5,250,000 of which \$10,000 shall be allocated to the Covenant.

3.2. Payment of Purchase Price.

(a) Concurrently with the execution hereof, Buyer is paying to Seller \$1,500,000 of the Purchase Price (the "Initial Payment"), by the delivery by Buyer to Seller of a certified or bank cashier's check in such amount payable to the order of Seller or by means of a wire transfer in such amount to an account number and depository designated by Seller; and

(b) \$3,750,000.00 of the Purchase Price shall be payable as follows:

(i) on January 30, 1997 Buyer shall issue and deliver 526,168 shares of Common Stock of Buyer, \$.001 par value per share (the "AMNEX Common Stock"), to Seller; and

(ii) on January 30, 1998 Buyer shall issue and deliver 526,168 shares of AMNEX Common Stock to Seller. Such number of shares of AMNEX Common Stock (collectively, the "AMNEX Shares") have been determined

by averaging the closing share price as reflected in the "Close" column in the NASDAQ/Wall Street Journal Quotation of Buyer's Common Stock for the 30 trading days preceding August 1, 1996, as reported by the NASDAQ Stock Market.

(c) Until such time as the AMNEX Shares are registered under the Securities Act pursuant to Section 12 hereof, the AMNEX Shares shall be unregistered and subject to certain trading restrictions which shall be as set forth in Rule 144 promulgated under the Securities Act.

3.3. Due and Payable Commissions. Buyer shall pay Seller within the time specified by the Dealer Agreement all monies and commissions due, payable and/or accrued through the Closing Date (i.e., commissions for July and August 1996 services shall be paid in September and October 1996, respectively).

SECTION 4. Representations and Warranties of Seller.

Seller hereby warrants and represents to and agrees with Buyer as follows:

4.1. Good Standing. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas, has full power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted, and is duly qualified or licensed to do business as a foreign corporation in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified as a foreign corporation would not materially adversely affect the business of Seller.

4.2. Authorization; Consents; Conflicts.

The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Seller and all other corporate action of Seller necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes the valid and binding obligation of Seller enforceable against it in accordance with the terms hereof. No consent of any lender, trustee, security holder of Seller, or other Person is required for Seller to enter into and deliver this Agreement or to consummate the transactions contemplated hereby, nor do the Articles of Incorporation or By-Laws of Seller or any Contract, mortgage or other instrument to which Seller is a party or by which Seller is bound or affecting any of its properties conflict with or restrict the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

4.3. No Additional Agreements. The Dealer Agreement, a true and correct copy of which is attached on Schedule 4.3, represents the only Contract, agreement, instrument or understanding between Seller and CNSI, other than this Agreement and no other Person other than CNSI has any rights arising out of or related to the Dealer Agreement and is, to the best of Seller's knowledge, in full force and effect. To the best of Seller's knowledge, Seller is not in breach of the Dealer Agreement.

4.4. No Amounts Due and Owing. To the best of Seller's knowledge, there are no amounts due and owing to Seller from either Buyer or CNSI other than commissions for July and August 1996 referred in Section 3.3 hereof.

4.5. Legal Proceedings. Except for the ATI Settlement described in Section 4.6, below, there are no Actions (whether or not purportedly on behalf of Seller) pending or, to the knowledge

of Seller, threatened against or affecting Seller or any of its properties, rights or business. Seller is not in default with respect to any order, writ, injunction or decree of any Governmental Authority that may effect the Dealer Agreement. The ATI Settlement will not have an adverse effect on the Dealer Agreement.

4.6. Orders, Decrees, Etc. There are no orders, decrees, injunctions, rulings, decisions, directives, consents or regulations of any court or any Governmental Authority issued against, or binding on, Seller which do or may affect, limit or control the Dealer Agreement, except for that certain Agreed Order of Dismissal With Prejudice and to Dissolve Cash Bond and Compromise Settlement Agreement and Mutual Release in the case styled, TelePlus, Inc. and Capital Network System, Inc. vs. American Telesource International, Inc., et al., (CA95-CI-01168) in the District Court, Bexar County, Texas, 45th Judicial District (the "ATI Settlement").

4.7. Governmental Approvals. No governmental authorization, approval, order, license, permit, franchise, or consent and no registration, declaration or filing by Seller or any shareholder or Affiliate of Seller with any Governmental Authority is required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

4.8. No Omissions. Seller does not, as of the date of this Agreement, know of any facts or circumstances not disclosed to Buyer which indicate that the Dealer Agreement may be adversely affected or which otherwise reasonably should be disclosed to Buyer in order to make any of the representations or warranties made herein on the part of the Seller not misleading. No representation or warranty by Seller contained in this Agreement, and no statement contained in any Schedule, Exhibit, certificate or other instrument furnished to Buyer under or in connection with this Agreement, contains any untrue statement of any material fact, or omits to state any material fact necessary in order to make the statements contained herein or therein not misleading.

4.9. Investment Intent. Seller is acquiring the AMNEX Shares for its own account and not with a present view to, or for sale in connection with, any distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"). Seller consents to the placement of the following legend on each certificate representing the AMNEX Shares:

"THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (i) A REGISTRATION STATEMENT UNDER SUCH ACT IS THEN IN EFFECT WITH RESPECT THERETO, (ii) A WRITTEN OPINION FROM COUNSEL FOR THE ISSUER OR OTHER COUNSEL FOR THE HOLDER REASONABLY ACCEPTABLE TO THE ISSUER HAS BEEN DELIVERED TO THE ISSUER TO THE EFFECT THAT NO SUCH REGISTRATION IS REQUIRED OR (iii) A 'NO ACTION' LETTER OR ITS THEN EQUIVALENT HAS BEEN ISSUED BY THE STAFF OF THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER OR SALE."

4.10. Restricted Securities. Seller understands that the AMNEX Shares will not be registered when issued and delivered to Seller under the Securities Act for the reason that the sale provided for in this Agreement is exempt pursuant to Section 4 of the Securities Act and that the reliance of Buyer on such exemption is predicated in part on Seller's representations set forth herein. Seller represents that it is experienced in evaluating companies such as Buyer, is able to fend for itself, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to suffer the total loss of its investment. Seller further represents that Buyer has furnished it with Buyer's Annual Report on Form 10-K for the year ended December 31, 1995 and subsequent reports on Form 10-Q and 8-K (the "AMNEX Public Documents") and that Seller has reviewed the same and has been afforded the opportunity to obtain such other information as it has deemed necessary to evaluate its investment in AMNEX Common Stock, ask questions of and receive answers from the Company and to obtain additional information (to the extent the Company possessed such

information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to it or to which it had access.

Seller understands that the AMNEX Shares may not be sold, transferred or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that in the absence of an effective registration statement covering the Shares or an available exemption from registration under the Securities Act, the AMNEX Shares must be held indefinitely.

SECTION 5. Representations and Warranties of Buyer.

Buyer warrants and represents to and agrees with Seller as follows:

5.1. Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, has full power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted, and is duly qualified or licensed to do business as a foreign corporation in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified as a foreign corporation would not materially adversely affect the business of Buyer.

5.2. Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Buyer and all other corporate action of Buyer, including all shareholder approvals, authorizations and ratifications, necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes a binding obligation of Buyer enforceable against Buyer in accordance with its terms. No consent of any lender, trustee, security holder of Buyer, or other Person is required for Buyer to enter into and deliver this Agreement or to consummate the transactions contemplated hereby, nor do the Certificate of Incorporation or By-Laws of Buyer or any Contract, mortgage or other instrument to which Buyer is a party or by which Buyer is bound or affecting any of its properties conflict with or restrict the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

5.3. No Additional Agreements. Buyer is not in default with respect to any order, writ, injunction or decree of any Governmental Authority that may effect the Dealer Agreement.

5.4. Orders, Decrees, Etc. There are no orders, decrees, injunctions, rulings, decisions, directives, consents or regulations of any court or any Governmental Authority issued against, or binding on, Buyer which do or may affect, limit or control the Dealer Agreement, except for that certain Agreed Order of Dismissal With Prejudice and to Dissolve Cash Bond and Compromise Settlement Agreement and Mutual Release in the case styled TelePlus, Inc. and Capital Network System, Inc. vs. American Telesource International, Inc., et al., (CA95-CI-01168) in the District Court, Bexar County, Texas, 45th Judicial District.

5.5. Governmental Approvals. No governmental authorization, approval, order, license, permit, franchise, or consent and no registration, declaration or filing by Buyer or any shareholder or Affiliate of Buyer with any Governmental Authority is required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

5.6. No Omissions. No representation or warranty by Buyer contained in this Agreement, and no statement contained in any Schedule, Exhibit, certificate or other instrument furnished to Buyer under or in connection with this Agreement, and no AMNEX Public Document contains any untrue statement of any material fact, or omits to state any material fact necessary in order to make the statements contained herein or therein not

misleading.

5.7. Restricted Securities. As and when required by this Agreement, the Buyer shall issue, deliver to Seller and register the AMNEX Shares, and when issued, the AMNEX Shares will be duly authorized, validly issued, fully paid and non-assessable, and listed for trading on, the Nasdaq Stock Market or such national securities exchange on which the AMNEX Shares are then listed, if any.

SECTION 6. Non-Disclosure, Non Interference.

6.1. Non-Disclosure. The Seller recognizes the interest of Buyer in maintaining the confidential nature of the proprietary and other business and commercial information of Buyer and CNSI.

a. In consideration thereof, Seller shall not, except to the extent necessary to fulfill this Agreement, or, except as authorized in writing by Buyer, directly or indirectly, publish, disclose or use, or authorize anyone else to publish, disclose or use, any secret or confidential matter, or proprietary or other confidential business information not in the public domain and acquired by Seller, relating to any aspect of the operations, customers, marketing, contracts, activities, research, investigations or obligations of any of Buyer or CNSI now known to the Seller as a result of the Dealer Agreement, (the "Confidential Information").

b. In the event that Seller becomes legally required to disclose any Confidential Information, Seller shall provide Buyer with prompt notice so that it may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section 6.1. In the event that such protective order or other remedy is not obtained, or that Buyer waives compliance with the provisions of this Section 6.1, Seller shall

furnish only that portion of the Confidential Information which is legally required to be furnished, in the opinion of counsel to Seller.

6.2. Non-Interference. Seller shall not (a) infringe or interfere with any of Buyer's or CNSI's copyright, trademark or trade name rights, or any profits therefrom, or (b) use or disclose, for itself or for the benefit of another, any Confidential Information.

SECTION 7. Non-Competition

7.1. Non-Competition. For a period of three years from and after the date hereof, Seller shall not (a) sell, directly or indirectly, either for itself or as an agent for another, any telecommunications product or service to any person or entity for which Seller was paid by CNSI or any of its affiliates any type of compensation, commission or fee, including without limitation, the 2% Fee (as such term is defined in the Dealer Agreement) (such person or entity being referred to herein as a "Current CNSI Customer"), unless CNSI's contract with a Current CNSI Customer has been terminated or expired and a period of sixty (60) days has elapsed since the date of such termination or expiration, (b) compete, directly or indirectly, by providing or offering to provide, directly or indirectly, either for itself or as an agent for another, operator services to any person or entity that is not a Current CNSI Customer but subsequent to the date of this Agreement, enters into and is under a contract with Buyer or CNSI for the provision of operator services in Mexico (a "Future CNSI Customer"), (c) request, induce or attempt to influence any Current CNSI Customer or Future CNSI Customer to limit, curtail or cancel its business with Buyer or CNSI, (d) engage in any activity that would tend to disparage or diminish Buyer's or CNSI's reputation, or (e) request, induce or attempt to influence any current or future officer, director, employee, consultant, agent or representative of Buyer or CNSI to commit any act that, if committed by Seller, would constitute a breach of any provision of this Section 7. Buyer and Seller expressly acknowledge and agree that the terms and conditions of this Agreement shall not limit Seller from selling, directly or indirectly, either for itself or as an agent for another, any telecommunications product or service to any person or entity which is not, at the time of such sale(s), and has not been for a period of sixty (60) days preceding such sale(s), a Current CNSI Customer or which is not, at the time of such sale(s), a Future CNSI Customer, or from selling any

telecommunication product or service other than operator services to any Future CNSI Customer.

7.2. Non-Solicitation. Neither Seller nor any Affiliate of Seller, and neither Buyer or CNSI nor any of their respective Affiliates, for a period of three years from and after the date hereof, shall, directly or indirectly, hire, offer to hire, entice away, retain, employ or solicit or attempt to solicit (either for itself or as agent for another) for employment or induce, persuade or encourage any person to leave the other party's employ who, prior to the date hereof was, or during such period will be, employed or retained by the other party as a consultant, agent, employee or otherwise. For purposes of this Section 7.2, a person shall be deemed to be in the "employ" of CNSI or Buyer if such person is employed by an affiliate of Buyer or by an unaffiliated entity conducting business as an employment agency, including without limitation, Manpower, Inc, and Seller after due inquiry is aware of such relationship.

7.3. Specific Performance. Seller acknowledges and agrees that any breach of Section 6 above or this Section 7 is likely to result in irreparable injury to Buyer, that monetary damages will be an inadequate remedy of such breach and that, accordingly, in addition to any other remedy that Buyer may have, Buyer shall be entitled to enforce the specific performance of such Section 6 and this Section 7 and to seek both permanent and temporary relief in the event of any breach hereof.

7.4. Severability. The parties acknowledge that the time, scope, geographic area and other provisions of this Section 7 have been specifically negotiated by sophisticated commercial parties and agree that all such provisions are reasonable under the circumstances of the transactions contemplated by this Agreement. If any portion of this Section 7 shall be determined to be invalid and unenforceable as written, each such portion shall be enforced to the extent reasonable under the circumstances and such determination shall not affect the validity or enforceability of the balance hereof, and such balance shall remain in full force and effect. It is understood that Seller is entering into this non-competition agreement in order to induce Buyer to enter into this Agreement.

SECTION 8. Indemnification.

8.1. Indemnification by Seller. Seller agrees to indemnify and hold Buyer harmless from and against any and all Damages which Buyer may sustain at any time by reason of the breach or inaccuracy of or failure to comply with any warranties, representations, conditions, covenants or agreements of Seller contained in this Agreement, or in any agreement or document

delivered pursuant hereto or in connection with this Agreement or arising out of the consummation of the transactions contemplated hereby.

8.2. Indemnification by Buyer. Buyer agrees to indemnify and hold Seller harmless from and against any and all Damages which Seller may sustain at any time by reason of the breach or inaccuracy of or failure to comply with any warranties, representations, conditions, covenants or agreements of Buyer contained in this Agreement, or in any agreement or document delivered pursuant hereto or in connection with this Agreement or arising out of the consummation of the transactions contemplated hereby.

8.3. Procedures for Indemnification. In the event that any claim is asserted against any party hereto, or any party hereto is made a party defendant in any action or proceeding, and such claim, action or proceeding involves a matter which is the subject of this indemnification, then such party (an "Indemnified Party") shall give written notice to the other party hereto (the "Indemnifying Party") of such claim, action or proceeding, and such Indemnifying Party shall have the right to join in the defense of said claim, action or proceeding at such Indemnifying Party's own

cost and expense and, if the Indemnifying Party agrees in writing to be bound by and to promptly pay the full amount of any final judgment from which no further appeal may be taken and if the Indemnified Party is reasonably assured of the Indemnifying Party's ability to satisfy such agreement, then at the option of the Indemnifying Party, such Indemnifying Party may take over the defense of such claim, action or proceeding, except that, in such case, the Indemnified Party shall have the right to join in the defense of said claim, action or proceeding at its own cost and expense.

SECTION 9. Registration Rights.

9.1. Required Registration. For purposes of this Section 9 only, the term "Registrable Securities" shall mean the AMNEX Shares acquired pursuant to this Agreement, provided, however, that if such shares of AMNEX Shares owned by Seller may be sold, pursuant to an exemption from the registration requirements of the Securities Act, including, without limitation, pursuant to Rule 144 under the Securities Act, such shares shall not be deemed to be Registrable Securities. Buyer shall in good faith use its reasonable its best efforts to cause a Registration Statement covering one-half of the Registrable Shares to become effective with the Commission on or prior to August 31, 1997 and

to remain effective until the completion of the distribution of the Registrable Shares to be offered or sold, but in any case not longer than such period as is required for the intended method of distribution, or such shorter period which will terminate when all Registrable Shares covered by such Registration Statement have been sold or withdrawn. Buyer shall in good faith use its reasonable best efforts to cause a Registration Statement covering the remaining of the Registrable Shares to become effective with the Commission on or prior to August 31, 1998 and to remain effective until the completion of the distribution of the Registrable Shares to be offered or sold, but in any case not longer than such period as is required for the intended method of distribution, or such shorter period which will terminate when all AMNEX Shares covered by such Registration Statement have been sold or withdrawn. Buyer shall bear all of the Costs and Expenses of such Registration Statements.

9.2. Procedure for Registration. In connection with the filing of a Registration Statement pursuant to Section 9.1 hereof, Buyer shall in good faith use its reasonable its best efforts to qualify, the Registrable Shares being registered for sale under the securities or blue-sky laws of such states and jurisdictions within the United States as shall be reasonably requested by Seller; provided, however, that Buyer shall not be required in connection therewith or as a condition thereto to qualify to do business, to become subject to taxation or to file a consent to service of process generally in any of the aforesaid states or jurisdictions;

9.3. Piggyback Registration. Subject to the requirements of Section 9.1 above, if at any time Buyer shall propose the filing of a registration statement on an appropriate form under the Securities Act of any securities of Buyer, otherwise than pursuant to Section 9.1 hereof and other than a registration statement on Forms S-8 or S-4 or any equivalent form then in effect, then Buyer shall give Seller notice of such proposed registration and shall include in any registration statement relating to such securities all or a portion of the Registrable Shares then owned by Seller, which Seller shall request, by notice given by such Seller to Buyer within 15 days after the giving of such notice by Buyer, to be so included; provided, however, the number of Registrable shares owned by Seller to be included shall not exceed that percentage of the Registrable Shares as would equal the percentage obtained by dividing the number of Registrable Shares actually issued to Seller by the number of shares of AMNEX Common Stock then outstanding, calculated on a fully diluted basis to be registered

as part of such offering. For example, if Buyer has 30,000,000 shares of AMNEX Common Stock outstanding, calculated on a fully diluted basis, and Seller has

3,000,000 Registrable Shares (10%) and Buyer intends to register 3,000,000 shares of AMNEX Common Stock (10%), then Seller shall have the right to piggyback 300,000 Registrable Shares (10% of the newly registered shares of common stock). In the event of the inclusion of Registrable Shares pursuant to this Section 9.3, Buyer shall bear all of the Costs and Expenses of such registration. In the event the distribution of securities of Buyer covered by a Registration Statement referred to in this Section 9.3 is to be underwritten, then Buyer's obligation to include Registrable Shares in such Registration Statement shall be subject, at the option of Buyer, to the following further conditions, unless Seller refuses to be bound by such conditions in which event the terms of Paragraph 9.1, hereof, shall control:

(a) The distribution for the account of Seller shall be underwritten by the same underwriters who are underwriting the distribution of the securities for the account of Buyer and/or any other persons whose securities are covered by such Registration Statement, and Seller will enter into an agreement with such underwriters containing customary provisions;

(b) If the underwriting agreement entered into with the aforesaid underwriters contains restrictions upon the sale of securities of Buyer, other than the securities which are to be included in the proposed distribution, for a period not exceeding 180 days from the effective date of the Registration Statement, then such restrictions will be binding upon Seller and, if requested by Buyer, Seller will enter into a written agreement to that effect; and

(c) If the underwriters advise Buyer that they are unwilling to include any or all of Seller's securities in the proposed underwriting because such inclusion will interfere with the orderly sale and distribution of the securities being offered by Buyer, then the number of Seller's securities to be included will be reduced pro rata on the basis of the number of shares owned by Seller, or there will be no inclusion of Seller's securities in the registration statement and proposed distribution, in accordance with such statement by the underwriters.

9.4. Indemnification by Buyer. Buyer will indemnify and hold harmless Seller, any underwriter (as defined in the Securities Act) each partner, officer and shareholder, director of

Seller, and each person, if any, who controls Seller or such underwriter within the meaning of the Securities Act (but, in the case of an underwriter or a controlling person, only if such underwriter or controlling person indemnifies the persons mentioned in subdivision (b) of Section 9.5 hereof in the manner set forth therein), against any losses, claims, damages or liabilities, joint or several, to which Seller or any such underwriter, partner, officer, shareholder, director or controlling person becomes subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) are caused by any untrue statement or alleged untrue statement of any material fact contained in any preliminary prospectus (if used prior to the effective date of the Registration Statement), or contained, on the effective date thereof, in any Registration Statement under which AMNEX Shares were registered under the Securities Act, the prospectus contained therein, or any amendment or supplement thereto, or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and Buyer will reimburse Seller and any such underwriter, partner, officer, shareholder, director or controlling person for any legal or other expenses reasonably incurred by Seller, or any such partner, officer, director, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Buyer will not be liable to any such persons in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information furnished to Buyer in writing by such person expressly for inclusion in any of the foregoing documents; provided, further, however, that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any untrue statement, alleged untrue statement, omission or alleged omission made in any preliminary prospectus but eliminated or remedied in the final prospectus

(filed pursuant to Rule 424 of the Securities Act), such indemnity agreement shall not inure to the benefit of Seller and its partners, officers, shareholder, and directors, underwriter, broker or other person acting on behalf of Seller and each other person, if any, who controls any of the foregoing persons within the meaning of the Securities Act from whom the person asserting any loss, claim, damage, liability or expense purchased the AMNEX Shares which are the subject thereof, if a copy of such final prospectus had been made available to such person and Seller, underwriter, broker or other person acting on behalf of Seller and such final prospectus was not delivered to

such person with or prior to the written confirmation of the sale of such AMNEX Shares.

9.5. Indemnification by Seller. Seller shall:

(a) Furnish in writing all information to Buyer concerning itself and its holdings of securities of Buyer as shall be required in connection with the preparation and filing of any Registration Statement covering any AMNEX Shares; and

(b) Indemnify and hold harmless Buyer, each of its directors, each of its officers who has signed a Registration Statement, each person, if any, who controls Buyer within the meaning of the Securities Act and any underwriter (as defined in the Securities Act) for Buyer, against any losses, claims, damages or liabilities to which Buyer or any such director, officer, controlling person or underwriter may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) are caused by any untrue or alleged untrue statement of any material fact contained in any preliminary prospectus (if used prior to the effective date of the Registration Statement) or contained on the effective date thereof, in any Registration Statement under which AMNEX Shares were registered under the Securities Act, the prospectus contained therein, or any amendment or supplement thereto, or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished in writing to Buyer by Seller expressly for inclusion in any of the foregoing documents, and Seller shall reimburse Buyer and any such underwriter, officer, director or controlling person for any legal or other expenses reasonably incurred by Seller or any such director, officer or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action. Notwithstanding the foregoing provisions of this Section 9.5, Seller shall not be required to indemnify Buyer or any such underwriter, officer, director or controlling persons for any amount in excess of the amount of the proceeds received by Seller.

9.6. Holdback Agreement. If Buyer at any time shall

register shares of stock under the Securities Act for sale to the public (other than on Form S-4 or Form S-8 promulgated under the Securities Act or any successor forms thereto), and the board of directors of Buyer reasonably determines that public sales of AMNEX Shares would materially interfere with such offering, then Seller shall not sell publicly, make any short sale of, grant publicly any option for the purchase of, or otherwise dispose publicly of, any AMNEX Shares (other than those AMNEX Shares included in such registration pursuant to Sections 9.1 or 9.3). The board of directors shall, as promptly as practicable, give Seller written notice of any such development. In the event of a request by the board of directors of the Buyer that Seller refrain from effecting any public sales of the AMNEX Shares (other

than those AMNEX Shares included in such registration statement pursuant to Section 9.1 or 9.3), Buyer shall be required to lift such restrictions regarding effecting public sales or distributions as soon as reasonably practicable after the board of directors shall reasonably determine that public sales by the Seller shall not interfere with such offering, provided, that in no event shall any requirement that the Seller refrain from effecting public sales of the AMNEX Shares extend for more than 90 days and provided further, that in no event shall Seller be required to refrain from effecting public sales of the AMNEX Shares for more than one 90 day period within any 12 month period.

Buyer shall obtain the agreement of any person permitted to sell shares of stock in a registration to be bound by and to comply with this Section 9.6 as if such person was a stockholder hereunder.

SECTION 10. Survival of Representations; Effect of Certificates.

10.1. Survival. The parties hereto agree that all representations, warranties, covenants, conditions and agreements contained herein or in any instrument or other document delivered pursuant to this Agreement or in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and any investigation or audit made by any party hereto.

SECTION 11. No Broker. Buyer, on the one hand, and Seller, on the other hand, each represents to the other that no broker or finder has been involved with any of the transactions relating to this Agreement. If a claim by any broker or finder that such broker or finder represented or was retained by Seller, on the one hand, or Buyer, on the other hand, in connection herewith, Seller, on the one hand, or Buyer, on the other hand, as

the case may be, agrees to indemnify and hold the other harmless from and against any and all loss, liability, cost, damage, claim and expense, including, without limitation, attorneys' fees and disbursements, which may be incurred in connection with such claim.

SECTION 12. Notices. All notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be deemed to have been given when hand delivered, when received if sent by telecopier or by same day or overnight recognized commercial courier service or three business days after being mailed in any general or branch office of the United States Postal Service, enclosed in a registered or certified postpaid envelope, addressed to the address of the parties stated below or to such changed address as such party may have fixed by notice:

To Seller: TelePlus, Inc.
23705 I.H. 10 West, Suite 210
San Antonio, Texas 78257
Fax: 210-698-3901
Attn: Robert T. Mahler

- copy to -

Gresham, Davis, Gregory, Worthy
& Moore
112 East Pecan, Ninth Floor
San Antonio, Texas 78205-1542
Fax: 210-226-5154
Attn: Peter E. Hosey, Esq.

To Buyer: AMNEX, Inc.
100 West Lucerne Circle,

Suite 100,
Orlando, Florida 32801
407-246-0005
Attn: John Kane

- copy to -

Stroock & Stroock & Lavan
Seven Hanover Square
New York, New York 10004-2696
Telecopier: 212-806-6006
Attn: Susan O. Posen, Esq.

provided, that any notice of change of address shall be effective only upon receipt.

SECTION 13. Miscellaneous.

13.1. Entire Agreement. This Agreement, including the Exhibits and Schedules hereto, sets forth the entire agreement and understanding between the parties and merges and supersedes all prior discussions, agreements and understandings of every kind and nature among them as to the subject matter hereof, and no party shall be bound by any condition, definition, warranty or representation other than as expressly provided for in this Agreement or as may be on a date on or subsequent to the date hereof duly set forth in writing signed by each party which is to be bound thereby. Unless otherwise expressly defined, terms defined in the Agreement shall have the same meanings when used in any Exhibit or Schedule and terms defined in any Exhibit or Schedule shall have the same meanings when used in the Agreement or in any other Exhibit or Schedule. This Agreement (including the Exhibits and Schedules hereto) shall not be changed, modified or amended except by a writing signed by each party to be charged and this Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by each party to be charged.

13.2. Governing Law; Arbitration. THIS AGREEMENT AND ITS VALIDITY, CONSTRUCTION AND PERFORMANCE SHALL BE GOVERNED IN ALL RESPECTS BY THE LAWS OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES HERETO AGREE TO ARBITRATE IN LIEU OF LITIGATION. ALL CLAIMS, CONTROVERSIES,

DISPUTES, DIFFERENCES OR QUESTIONS BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATING TO THE PERFORMANCE, BREACH, CONSTRUCTION, INTERPRETATION OR EFFECT OF THIS AGREEMENT OR ANY CLAUSE CONTAINED HEREIN, OR CONCERNING ANY SUCH RIGHTS AND LIABILITIES OF THE PARTIES HERETO, SHALL BE SUBMITTED TO BINDING ARBITRATION UNDER THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. SUBJECT TO THE TERMS AND PROVISIONS SET FORTH HEREIN, SUCH ARBITRATOR(S) SHALL HAVE FULL POWER AND AUTHORITY TO AWARD ANY AND ALL APPROPRIATE DAMAGES AND OTHER RELIEF, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOST PROFITS OR REVENUES, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND SPECIFIC PERFORMANCE. THE ARBITRATION PROCEEDINGS SHALL TAKE PLACE IN THE CITY OF NEW YORK, NEW YORK, AND THE JUDGMENT AND DETERMINATION OF SUCH PROCEEDINGS SHALL BE BINDING ON ALL PARTIES HERETO. JUDGMENT UPON ANY AWARD RENDERED BY ANY ARBITRATOR(S) APPOINTED HEREUNDER MAY BE ENTERED INTO ANY COURT HAVING COMPETENT JURISDICTION THEREOF. ALL COSTS OF ARBITRATION SHALL BE BORNE EQUALLY BY THE ARBITRATING PARTIES HERETO, EXCEPT FOR ATTORNEYS' FEES, AS TO WHICH EACH SUCH PARTY SHALL BEAR ITS OWN COSTS. WITHIN FIFTEEN DAYS AFTER WRITTEN NOTICE BY ONE PARTY TO THE OTHER PARTY OF ITS DEMAND FOR ARBITRATION, WHICH DEMAND SHALL SET FORTH THE NAME AND ADDRESS OF ITS DESIGNATED ARBITRATOR, THE OTHER PARTY SHALL SELECT ITS DESIGNATED ARBITRATOR AND SO NOTIFY THE DEMANDING PARTY. WITHIN FIFTEEN DAYS THEREAFTER, THE TWO ARBITRATORS SO SELECTED SHALL SELECT THE THIRD ARBITRATOR. THE DISPUTE SHALL BE HEARD BY THE ARBITRATORS WITHIN SIXTY DAYS AFTER SELECTION OF THE THIRD ARBITRATOR. THE DECISION OF ANY TWO ARBITRATORS SHALL BE BINDING UPON THE PARTIES. IN DEFAULT OF EITHER SIDE NAMING ITS ARBITRATOR AS AFORESAID OR IN DEFAULT OF THE SELECTION OF THE SAID THIRD ARBITRATOR AS AFORESAID, THE AMERICAN ARBITRATION ASSOCIATION SHALL DESIGNATE SUCH ARBITRATOR UPON THE APPLICATION OF EITHER PARTY.

13.3. Benefit of Parties; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Agreement may not be assigned by Seller except with the prior written consent of Buyer. Nothing herein contained shall confer or is intended to confer on any third party or entity which is not a party to this Agreement any rights under this Agreement.

13.4. Pronouns. Whenever the context requires, the use in this Agreement of a pronoun of any gender shall be deemed to refer also to any other gender, and the use of the singular shall be deemed to refer also to the plural.

13.5. Headings. The headings in the sections, paragraphs, Schedules and Exhibits of this Agreement are inserted for convenience of reference only and shall not constitute a part hereof. The words "herein," "hereof," "hereto" and "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement.

13.6. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one Agreement binding on all the parties hereto, notwithstanding that such parties are not signatories to the original or the same counterpart. The parties also agree that for purposes of satisfying Section 3.2, hereof, a facsimile copy of an executed counter-part original shall be treated as an original instrument until replaced by the executed counter-part original.

13.7. Further Assurances. Buyer and Seller shall do and perform such further acts and execute and deliver such further instruments as may be required by law or reasonably requested by either party at such requesting party's expense to carry out and effectuate the purposes of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

TELEPLUS, INC.

By: _____
Name:
Title:

AMNEX, INC.

By: _____
Name:
Title:

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
AMNEX, INC.

Under Section 805 of the Business Corporation Law

Pursuant to the provisions of Section 805 of the Business Corporation Law, the undersigned, being the Chairman of the Board and Secretary, respectively, of AMNEX, INC. (the "Company"), DO HEREBY CERTIFY AND SET FORTH:

1. The name of the Company is AMNEX, Inc. The Company was formed under the name NY-Tel Communications, Inc.

2. The Certificate of Incorporation of the Company was filed by the Department of State on March 15, 1985.

3. The Certificate of Incorporation of the Company is hereby amended by the addition of a provision stating the number, designation, relative rights, preferences and limitations of a series of shares of Preferred Stock, \$.001 par value, as fixed by the Board of Directors.

4. The foregoing amendment to the Certificate of Incorporation is effected by adding the following Section (i) to Article (4) thereof:

"(i) Series G Preferred Shares. A series of Preferred Stock is hereby created, to be limited in amount to 145,000 of the 5,000,000 authorized shares of Preferred Stock. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

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Section 1. Designation, Amount and Par Value. The series of Preferred Stock shall be designated as the Series G Convertible Preferred Stock (the "Series G Preferred Stock"), and the number of shares so designated shall be 145,000, of which 20,000 is reserved for issuance solely for payment of stock dividends, if any, hereunder. The par value of each share of Preferred Stock shall be \$.001. Each share of Preferred Stock shall have a stated value of \$20 per share (the "Stated Value"). The Series G Preferred Stock shall rank, with

respect to dividends and distributions upon a Liquidation (as hereinafter defined) or otherwise, pari passu with each other series of preferred stock of the Company outstanding as of the Original Issue Date, including without limitation the Company's Series B Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock, and shall rank pari passu with respect to dividends and distributions upon a Liquidation or otherwise with each other series of preferred stock of the Company hereafter created unless the terms of such other series of preferred stock expressly states that such series ranks junior to the Series G Preferred Stock. All such other series of preferred stock ranking pari passu with the Series G Preferred Stock is referred to as the "Other Preferred Stock."

Section 2. Dividends.

(a) Holders of Series G Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the Stated Value per share) equal to 5% per annum, payable, in cash or (at the Company's option) shares of Common Stock or additional Series G Preferred Stock, which the Company shall immediately convert into shares of Common Stock at the Conversion Ratio (as hereinafter defined), in arrears on the Conversion Date (as hereinafter defined) without interest. Dividends on the Series G Preferred Stock shall accrue daily

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commencing the Original Issue Date (as defined in Section 7) and shall be deemed to accrue on such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. The party that holds the Series G Preferred Stock on an applicable record date for any dividend payment will be entitled to receive such dividend payment and any other accrued and unpaid dividends which accrued prior to such dividend payment date, without regard to any sale or disposition of such Series G Preferred Stock subsequent to the applicable record date but prior to the applicable dividend payment date. Except as otherwise provided herein, if at any time the Company pays less than the total amount of dividends then accrued to the Series G Preferred Stock, such payment shall be distributed ratably among the holders of such series based upon the number of shares held by each holder.

(b) So long as any Series G Preferred Stock shall remain outstanding, neither the Company nor any subsidiary thereof shall redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (as defined in Section 7), nor shall the Company directly or indirectly pay or declare any dividend or make any distribution (other than a dividend or distribution described in Section 5) upon, nor shall any distribution be made in respect of, any Junior Securities, nor shall any monies be set aside for or applied to the purchase or redemption (through a sinking fund or otherwise) of

any Junior Securities unless all dividends on the Series G Preferred Stock for all past dividend periods shall have been paid.

Section 3. Voting Rights. The holders of Series G Preferred Stock shall be entitled to vote on all matters for which holders of the Company's Common Stock are entitled to vote, and shall vote together with such Common Stock as a single class. Each share of Series G Preferred Stock shall be entitled to the number of votes on such matters as equals the number of shares of

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Common Stock issuable upon conversion of such share of Series G Preferred Stock had such share been converted on the Original Issue Date in accordance with the terms hereof. So long as any shares of Series G Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the shares of the Series G Preferred Stock then outstanding, (i) alter or change adversely the powers, preferences or rights given to the Series G Preferred Stock (except that the foregoing shall not be construed to limit the ability of the Company, without the vote of such holders, to grant such voting rights or, subject to the other provisions set forth herein, conversion rights, as it may determine with regard to shares of its capital stock now or hereafter authorized) or (ii) authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation (as defined below) senior to, or prior to the Series G Preferred Stock.

Section 4. Liquidation. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of shares of Series G Preferred Stock shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series G Preferred Stock an amount equal to the Stated Value, plus an amount equal to accrued but unpaid dividends per share, whether declared or not, but without interest, before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed shall be distributed among the holders of Series G Preferred Stock ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. A sale, conveyance or disposition of all or substantially all of the assets of the Company or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of shall be deemed a

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Liquidation; provided that, a consolidation or merger of the Company with or into any other company or companies shall not be treated as a Liquidation, but instead shall be subject to the provisions of Section 5. The Company shall mail written notice of any such liquidation, not less than 45 days prior to the payment date stated therein, to each record holder of Series G Preferred Stock.

Section 5. Conversion.

(a) Each share of Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio at the option of the holder in whole or in part at any time after the expiration of the earlier to occur of (i) 90 days after the Original Issue Date and (ii) the date that the Securities and Exchange Commission (the "Commission") declares effective under the Securities Act of 1933, as amended (the "Securities Act"), the registration statement (the "Registration Statement") contemplated by the Registration Rights Agreement (the "Registration Rights Agreement"), by and between the Company and the original holder of Series G Preferred Stock relating to the Series G Preferred Stock and the shares of Common Stock into which the Series G Preferred Stock is convertible in accordance with the terms hereof. Any conversion under this Section 5(a) shall be of a minimum amount of at least 1,000 shares of Series G Preferred Stock. The holder shall effect conversions by surrendering the certificate or certificates representing the shares of Series G Preferred Stock to be converted to the Company, together with the form of conversion notice attached hereto as Exhibit A (the "Holder Conversion Notice") in the manner set forth in Section 5(j). Each Holder Conversion Notice shall specify the number of shares of Series G Preferred Stock to be converted and the date on which such conversion is to be effected, which date may not be prior to the date the holder delivers such Notice by facsimile (the "Holder Conversion Date"). Subject to Section 5(c) and, as to the original holder (or its sole designee), subject to Section 3.11 of the Purchase

Agreement (as defined in Section 7), each Holder Conversion Notice, once given, shall be irrevocable. If the holder is converting less than all shares of Series G Preferred Stock represented by the certificate or certificates tendered by the holder with the Holder Conversion Notice, the Company shall promptly deliver to the holder a certificate for such number of shares as have not been converted.

(b) Provided that 10 Trading Days shall have elapsed from the date the Commission declared the Registration Statement effective under the Securities Act, each share of the Series G Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio at the option of the Company in whole or in part at any time on or after the expiration of one year after the Original Issue Date; provided, however, that the Company is not permitted to deliver a Company Conversion Notice (as defined below) within 10 days of issuing

any press release or other public statement relating to such conversion. The Company shall effect such conversion by delivering to the holders of such shares of Series G Preferred Stock to be converted a written notice in the form attached hereto as Exhibit B (the "Company Conversion Notice"), which Company Conversion Notice, once given, shall be irrevocable. Each Company Conversion Notice shall specify the number of shares of Preferred Stock to be converted and the date on which such conversion is to be effected, which date will be at least one Trading Day after the date the Company delivers such Notice by facsimile to the holder (the "Company Conversion Date"). The Company shall give such Company Conversion Notice in accordance with Section 5(j) below at least one Trading Day before the Company Conversion Date. Any such conversion shall be effected on a pro rata basis among the holders of Series G Preferred Stock. Upon the conversion of shares of Series G Preferred Stock pursuant to a Company Conversion Notice, the holders of the Series G Preferred Stock shall

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surrender the certificates representing such shares at the office of the Company or of any transfer agent for the Series G Preferred Stock or Common Stock. If the Company is converting less than all shares of the Series G Preferred Stock, the Company shall, upon conversion of such shares subject to such Company Conversion Notice and receipt of the certificate or certificates representing such shares of Series G Preferred Stock deliver to the holder or holders a certificate for such number of shares of Series G Preferred Stock as have not been converted. Each of a Holder Conversion Notice and a Company Conversion Notice is sometimes referred to herein as a "Conversion Notice," and each of a "Holder Conversion Date" and a "Company Conversion Date" is sometimes referred to herein as a "Conversion Date."

(c) (i) If on any Conversion Date for any shares of Series G Preferred Stock applicable to any conversion under Section 5(a) or 5(b), the average Per Share Market Value of the Common Stock for the five (5) Trading Days immediately preceding the Conversion Date exceeds 150% of the Initial Conversion Price (as hereinafter defined), the number of shares issuable upon conversion of such shares of Series G Preferred Stock shall be reduced by a number of shares equal to 50% of (A) the amount by which such Per Share Market Value exceeds 150% of the Initial Conversion Price, divided by (B) such average Per Share Market Value, times (C) the number of shares which would otherwise be issuable upon such conversion, but for the reduction provided for in this Section 5(c) (i).

(ii) Not later than three Trading Days after the Conversion Date, the Company will deliver to the holder (i) a certificate or certificates which shall be free of restrictive legends and trading restrictions (other than those then required by law and as set forth in the Purchase Agreement), representing the number of shares of Common Stock being acquired upon the

conversion of shares of Series G Preferred Stock and (ii) one or more certificates representing the number of shares of Series G Preferred Stock not converted; provided, however that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion of any shares of Series G Preferred Stock until certificates evidencing such shares of Series G Preferred Stock are either delivered for conversion to the Company or any transfer agent for the Series G Preferred Stock or Common Stock, or the holder notifies the Company that such certificates have been lost, stolen or destroyed and provides a bond (or other adequate security reasonably acceptable to the Company) satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith. The Company shall, upon request of the holder, use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section 5(c) electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. In the case of a conversion pursuant to a Holder Conversion Notice, if such certificate or certificates are not delivered by the date required under this Section 5(c), the holder shall be entitled by written notice to the Company at any time on or before such holder's receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the shares of Preferred Stock tendered for conversion.

(d) (i) The conversion price for each share of Series G Preferred Stock (the "Conversion Price") in effect on any Conversion Date shall be the lesser of (a) the average Per Share Market Value for the five (5) Trading Days immediately preceding the Original Issuance Date (the "Initial Conversion Price") and (b) 80% of the average Per Share Market Value for the five (5) Trading Days immediately preceding the Conversion Date; provided, however, that the percentage

set forth in clause (b) above is subject to reduction in accordance with the Registration Rights Agreement.

(ii) If the Company, at any time while any shares of Series G Preferred Stock are outstanding, (a) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Junior Securities payable in shares of its capital stock (whether payable in shares of its Common Stock or of capital stock of any class), (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares, or (d) issue by

reclassification of shares of Common Stock any shares of capital stock of the Company, the Initial Conversion Price designated in Section 5(d)(i)(a) shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5(d)(ii) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(iii) If the Company, at any time while any shares of Series G Preferred Stock are outstanding, shall issue rights or warrants to all holders of Common Stock (and not to the holders of the Series G Preferred Stock) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Per Share Market Value of Common Stock at the record date mentioned below, the Initial Conversion Price designated in Section 5(d)(i)(a) shall be multiplied by a fraction, of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number

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of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Per Share Market Value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. However, upon the expiration of any right or warrant to purchase Common Stock the issuance of which resulted in an adjustment in the Initial Conversion Price designated in Section 5(d)(i)(a) pursuant to this Section 5(d)(iii), if any such right or warrant shall expire and shall not have been exercised, the Initial Conversion Price designated in Section 5(d)(i)(a) shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such rights or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants actually exercised.

(iv) If the Company, at any time while shares of Series G Preferred Stock are outstanding, shall distribute to all holders of Common Stock

(and not to holders of Series G Preferred Stock) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Section 5(d)(iii) above) then in each such case the Initial Conversion Price at which each share of Series G Preferred Stock shall thereafter be convertible shall be determined by multiplying the Initial Conversion Price in effect immediately prior

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to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and of which the numerator shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined by a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") selected in good faith by the holders of a majority in interest of the shares of Series G Preferred Stock; and provided, further that the Company, after receipt of the determination by such Appraiser shall have the right to select an additional Appraiser, in which case the fair market value shall be equal to the average of the determinations by each such Appraiser. In either case the adjustments shall be described in a statement provided to all holders of Preferred Stock of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(v) All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(vi) Whenever the Initial Conversion Price is adjusted pursuant to Section 5(d)(ii), (iii), (iv) or (v), the Company shall promptly mail to each holder of Series G Preferred Stock,

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a notice setting forth the Initial Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(vii) In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the holders of the Series G Preferred Stock then outstanding shall have the right thereafter to convert such shares only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the holders of the Series G Preferred Stock shall be entitled upon such event to receive such amount of securities or property as the shares of the Common Stock of the Company into which such shares of Series G Preferred Stock could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the holder of Series G Preferred Stock the right to receive the securities or property set forth in this Section 5(d)(vii) upon any conversion following such consolidation, merger, sale, transfer or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(viii) If:

- (a) the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- (b) the Company shall declare a special nonrecurring cash

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dividend on or a redemption of its Common Stock; or

- (c) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or
- (d) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company (other than a subdivision or combination of the outstanding shares of Common Stock), any consolidation or merger to which the Company is a party, any sale

or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or

- (e) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Series G Preferred Stock, and shall cause to be mailed to the holders of Preferred Stock at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date

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on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

(ix) In any case in which this Section shall require that an adjustment be made effective as of the record date for a specified event, the Company may elect to defer until occurrence of such event (A) issuing to the holder, if Series G Preferred Stock is to be converted after such record date, the Underlying Shares and other capital stock of the Company, if any, issuable upon such conversion over and above the Underlying Shares and other capital stock of the Company, if any, issuable upon such conversion thereof on the basis of the Conversion Price prior to adjustment and (B) paying to the holder any amount in cash in lieu of a fractional share pursuant to the terms hereof, provided, however, that the Company shall deliver to the holder a due bill or other appropriate instrument evidencing the holder's right to receive such additional Underlying Shares, other capital stock and/or cash upon the occurrence of the event requiring such adjustment.

(e) If at any time conditions shall arise by reason of action taken by the Company which in the opinion of the Board of Directors are not adequately covered by the other provisions

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hereof and which might materially and adversely affect the rights of the holders of Series G Preferred Stock (different than or distinguished from the effect generally on rights of holders of any class of the Company's capital stock) or if at any time any such conditions are expected to arise by reason of any action contemplated by the Company, the Company shall mail a written notice briefly describing the action contemplated and the material adverse effects of such action on the rights of the holders of Series G Preferred Stock at least 20 calendar days prior to the effective date of such action, and an Appraiser selected by the holders of majority in interest of the Series G Preferred Stock shall give its opinion as to the adjustment, if any (not inconsistent with the standards established in this Section 5), of the Conversion Price (including, if necessary, any adjustment as to the securities into which shares of Series G Preferred Stock may thereafter be convertible) and any distribution which is or would be required to preserve without diluting the rights of the holders of shares of Series G Preferred Stock; provided, however, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case the adjustment shall be equal to the average of the adjustments recommended by each such Appraiser. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or opinions or the taking of any such action contemplated, as the case may be; provided, however, that no such adjustment of the Conversion Price shall be made which in the opinion of the Appraiser(s) giving the aforesaid opinion or opinions would result in an increase of the Conversion Price to more than the Conversion Price then in effect.

(f) The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of Series G Preferred Stock as herein provided, free from preemptive rights or any other actual

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contingent purchase rights of persons other than the holders of Series G Preferred Stock, such number of shares of Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 5(b) and Section 5(d) hereof) upon the conversion of all outstanding shares of Series G Preferred Stock, and in no circumstances shall such reserved and available shares of Common Stock be less than twice the number of shares of Common Stock

which would be issuable upon conversion of the Series G Preferred Stock were such conversion effected on the Original Issue Date. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid and nonassessable.

(g) Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the holder of a share of Series G Preferred Stock shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(h) The issuance of certificates for shares of Common Stock on conversion of Series G Preferred Stock shall be made without charge to the holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Preferred Stock so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to

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the satisfaction of the Company that such tax has been paid.

(i) Shares of Series G Preferred Stock converted into Common Stock or redeemed pursuant to the terms hereof shall be canceled and shall have the status of authorized but unissued shares of preferred stock.

(j) Each Holder Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to the attention of the Chief Financial Officer of the Company at the facsimile telephone number and address of the principal place of business of the Company. Each Company Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to each holder of Series G Preferred Stock at the facsimile telephone number and address of such holder appearing on the books of the Company or provided to the Company by such holder for the purpose of such Company Conversion Notice, or if no such facsimile telephone number or address appears or is so provided, at the principal place of business of the holder. Any such notice shall be deemed given and effective upon the earliest to occur of (i)(a) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) prior to 6:00 p.m. (Eastern Standard Time) on any date, such date (or, in the case of a Company Conversion Notice, the next Trading Day) or such

later date as is specified in the Conversion Notice, and (b) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) after 6:00 p.m. (Eastern Standard Time) on any date, the next date (or, in the case of a Company Conversion Notice, the next Trading Day after such next day) or such later date as is specified in the Conversion Notice, (ii) five days after deposit in the United States mails or (iii) upon actual receipt by the party to whom such notice is required to be given.

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Section 6. Company Redemption Option.

The Company may, at its option, redeem any outstanding and unconverted Series G Preferred Stock on the third anniversary of the Original Issue Date (the "Optional Redemption Date"), provided that the Company notifies the holders thereof no later than the third business day prior to the Optional Redemption Date of its intention to do so.

If the Company elects to redeem such outstanding and unconverted shares of Series G Preferred Stock, the redemption price per share (the "Optional Redemption Price") shall equal the Conversion Price on the Optional Redemption Date and shall be paid by the Company to the holders of such unconverted Series G Preferred Stock on the Optional Redemption Date. If any portion of the Optional Redemption Price shall not be paid by the Company within 7 calendar days after the Optional Redemption Date, such Optional Redemption Price shall be increased by an amount accruing from the 7th day to the 21st day after the Optional Redemption Date at the rate of 5% per annum, from the 22nd day to the 60th day at 8% per annum and from the 61st day until paid at the rate of 12% per annum. However, if any portion of the Optional Redemption Price remains unpaid more than 7 calendar days after the Optional Redemption Date, then the holder may elect, by written notice to the Company given within 45 days after the Optional Redemption Date, to either (i) demand conversion in accordance with the formula and the time frame therefor set forth in Section 5 for a conversion at the option of the holder hereof of all Series G Preferred Shares for which the Optional Redemption Price, plus interest, has not been paid in full (the "Unpaid Optional Redemption Shares"), in which event the Per Share Market Price for such shares shall be the lower of the Per Share Market Price calculated on the Optional Redemption Date and the Per Share Market Price as of the holder's written demand for conversion, or (ii) demand that the Company withdraw its election to force such

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redemption. If the holder elects option (i) above, the Company shall within three business days of its receipt of such election deliver to the holder the shares of Common Stock issuable upon conversion of the Unpaid Shares subject to such holder conversion demand and otherwise perform its obligations hereunder with respect thereto; or, if the Holder elects option (ii) above, the Company shall promptly, and in any event not later than three business days from receipt of holder's notice of such election, return to the holder all of the Unpaid Optional Redemption Shares.

Section 7. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Common Stock" means shares now or hereafter authorized of the class of Common Stock, par value \$.001, of the Company and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Conversion Ratio" means, at any time, a fraction, of which the numerator is Stated Value plus accrued but unpaid dividends (which shall not include dividends paid upon conversion) and of which the denominator is the Conversion Price at such time.

"Junior Securities" means the Common Stock and all other equity securities of the Company, except the Other Preferred Stock.

"Original Issue Date" shall mean the date of the first issuance of any shares of the Series G Preferred Stock regardless of the number of transfers of any particular shares of Series G Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series G Preferred Stock.

"Per Share Market Value" means on any particular date (a) the closing bid price per share of the Common Stock on such date on The NASDAQ SmallCap Market or other market or

stock exchange on which the Common Stock has been listed or if there is no such price on such date, then the closing bid price on such market or exchange on the date nearest preceding such date, or (b) if the Common Stock is not listed on The NASDAQ SmallCap Market or any market or stock exchange, the closing bid for a share of Common Stock in the over-the-counter market, as reported by the NASDAQ Stock Market at the close of business on such date, or (c) if the Common Stock is not quoted on the NASDAQ Stock Market, the closing bid price for a share of Common Stock in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), of (d) if the Common Stock is no longer reported by the National Quotation Bureau Incorporated (or similar organization

or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period as determined by the holder, or (e) if the Common Stock is no longer publicly traded the fair market value of a share of Common Stock as determined by an Appraiser (as defined in Section 5(d)(iv) above) selected in good faith by the holders of a majority in interest of the shares of the Series G Preferred Stock; provided, however, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case, the fair market value shall be equal to the average of the determinations by each such Appraiser.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Purchase Agreement" means the Convertible Preferred Stock Purchase Agreement between the Company and the original holder of the Series G Preferred Stock.

"Trading Day" means (a) a day on which the Common Stock is traded on The NASDAQ SmallCap Market or principal stock exchange on which the Common Stock has been listed, or (b) if the Common Stock is not listed on The NASDAQ SmallCap Market or any stock exchange, a day on which the Common Stock is traded in the over-the-counter market, as reported by the NASDAQ Stock Market, or (c) if the Common Stock is not quoted on the NASDAQ Stock Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices).

EXHIBIT A

NOTICE OF CONVERSION
AT THE ELECTION OF HOLDER

(To be Executed by the Registered Holder
in order to Convert shares of Series G Preferred Stock)

The undersigned hereby elects to convert the number of shares of Series G Convertible Preferred Stock indicated below, into shares of Common Stock, par value U.S.\$.001 per share (the "Common Stock"), of AMNEX, Inc. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any

conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion

Number of shares of Series G Preferred Stock to be
Converted

Applicable Conversion Price

Signature

Name:

Address:

The Company undertakes to promptly upon its receipt of this conversion notice (and, in any case prior to the time it effects the conversion requested hereby), notify the converting holder by facsimile of the number of shares of Common Stock outstanding on such date and the number of shares of Common Stock which would be issuable to the holder if the conversion requested in this conversion notice were effected in full, whereupon, the holder may, within one day of the notice from the Company, revoke the conversion requested hereby to the extent that it determines that such conversion would result in it owning in excess of 4.9% of the outstanding shares of Common Stock on such date, and the Company shall issue to the holder one or more certificates representing shares of Series G Preferred Stock which have not been converted as a result of this provision. If the holder waives the applicability of this limitation by notice to the Company delivered upon its receipt of the Company's notice regarding the number of outstanding shares of Common Stock or if the Purchaser fails to respond to the Company's notice within one day thereafter, the Company shall effect in full the conversion requested in this notice.

EXHIBIT B

AMNEX, INC.

NOTICE OF CONVERSION AT
THE ELECTION OF THE COMPANY

The undersigned in the name and on behalf of AMNEX, Inc. (the "Company") hereby notifies the addressee hereof that the Company hereby elects to exercise its right to convert [] shares of its Series G Convertible Preferred Stock held by the Holder into shares of Common Stock, par value U.S.\$0.001 per share (the "Common Stock") of the Company according to the terms hereof, as of the date written below. No fee will be charged to the Holder for any conversion hereunder, except for such transfer taxes, if any which may be incurred by the Company if shares are to be issued in the name of a person other than the person to whom this notice is addressed.

Conversion calculations:

Date to Effect Conversion

Number of Shares of Preferred Stock to be Converted

Applicable Conversion Price

Number of Shares of Common Stock Outstanding as at
the Close of Trading on the Conversion Date

AMNEX, INC.

By: _____

Title: _____

5. This Amendment has been adopted by the Board of Directors of the Corporation under the authority granted to it pursuant to Section 502 of the Business Corporation Law.

IN WITNESS WHEREOF, the undersigned have signed this Certificate as of the 13th day of September, 1996 and affirm that the statements made herein are true under the penalties of perjury.

/s/ Kenneth G. Baritz

Kenneth G. Baritz
Chairman of the Board

/s/ Amy S. Gross

Amy S. Gross
Secretary

RESTATED CERTIFICATE OF INCORPORATION

OF

AMNEX, INC.

(AS AMENDED THROUGH SEPTEMBER 16, 1996)

(1) The name of the corporation is AMNEX, Inc. (the "Corporation").

(2) The Corporation is formed to engage in any act or activity for which corporations may be organized under the Business Corporation Law of the State of New York, provided that it is not formed to engage in any act or activity which requires the consent or approval of any state official, department, board, agency, or other body without such consent or approval first being obtained.

(3) The office of the Corporation in the State of New York shall be located in the County of New York.

(4) (a) The aggregate number of shares of stock which the Corporation shall have the authority to issue is Forty-five Million (45,000,000) of which Forty Million (40,000,000) are Common Shares, \$.001 par value per share, and Five Million (5,000,000) are Preferred Shares, \$.001 par value per share.

(b) The Board of Directors hereby is vested with the authority to provide for the issuance of the Preferred Shares, at any time and from time to time, in one or more series, each of such series to have such voting powers, designations, preferences and

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relative participating, optional, conversion and other rights, and such qualifications, limitations or restrictions thereon as expressly provided in the resolution or resolutions duly adopted by the Board of Directors providing for the issuance of such shares or series thereof. The authority which hereby is vested in the Board of Directors shall include, but not be limited to, the authority to provide for the following matters relating to each series of the Preferred Shares:

(i) The designation of any series.

(ii) The number of shares initially constituting any such series.

(iii) The increase, and the decrease, to a number not less than the number of the outstanding shares of any such series, of the number of shares constituting such series theretofore fixed.

(iv) The rate or rates and the times at which dividends on the Preferred Shares or any series thereof shall be paid, and whether or not such dividends shall be cumulative, and, if such dividends shall be cumulative, the date or dates from and after which they shall accumulate.

(v) Whether or not the Preferred Shares or series thereof shall be redeemable, and, if such shares shall be

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redeemable, the terms and conditions of such redemption, including but not limited to the date or dates upon or after which such shares shall be redeemable and the amount per share which shall be payable upon such redemption, which amount may vary under different conditions and at different redemption dates.

(vi) The amount payable on the Preferred Shares or series thereof in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided, however, that the holders of shares ranking senior to other shares shall be entitled to be paid, or to have set apart for payment, not less than the liquidation value of such shares before the holders of the Common Shares or the holders of any other series of Preferred Shares ranking junior to such shares.

(vii) Whether or not the Preferred Shares or series thereof shall have voting rights, in addition to the voting rights provided by law, and, if such shares shall have such voting rights, the terms and conditions thereof, including but not limited to the right of the holders of such shares to vote as a separate class either alone or with the holders of shares of one or more other class or series of Preferred Shares and the right to have more than one vote per share.

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(viii) Whether or not a sinking fund shall be provided for the redemption of the Preferred Shares or series thereof, and, if such a sinking fund shall be provided, the terms and conditions thereof.

(ix) Whether or not a purchase fund shall be provided for the Preferred Shares or series thereof, and, if such a purchase fund shall

be provided, the terms and conditions thereof.

(x) Whether or not the Preferred Shares or series thereof shall have conversion privileges, and, if such shares shall have conversion privileges, the terms and conditions of conversion, including but not limited to any provision for the adjustment of the conversion rate or the conversion price.

(xi) Any other relative rights, preferences, qualifications, limitations and restrictions.

(c) Series A Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 30,000 of the 5,000,000 authorized but unissued Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

(i) Designation of Series. The designation of the series of Preferred Shares created hereby shall be Series A

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Preferred Shares (hereinafter the "Series A Preferred Shares").

(ii) Dividends.

(A) The holders of Series A Preferred Shares, in preference to the holders of Common Shares, shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of eight dollars (\$8.00) per share per annum, and no more. Subject to the requirements of applicable law, dividends on the Series A Preferred Shares shall be payable annually, when and as declared by the Board of Directors, commencing in 1993. Such dividends on the Series A Preferred Shares shall be cumulative so that if all or any part of such dividends shall not have been paid or distributed in any year, or declared and set apart, the amount of the deficiency (without interest) shall be paid or distributed, or declared and set apart, before any dividend or other distribution shall be paid upon, or declared and set apart for, Common Shares. Declared but unpaid dividends shall not bear interest.

(B) Except as hereinafter provided and subject to the requirements of applicable law, including, without limitation, the obtaining of any necessary approvals or consents from the holders of the Common Shares of the Corporation, any dividend declared on the Series A Preferred Shares shall be paid in

cash or, at the option of the Corporation, in Common Shares of the Corporation having a market price, on the day immediately preceding the date on which such dividend is declared (the "Valuation Date"), equal to the amount of the dividend. As used herein, the term "market price" shall mean the closing selling price or, if not available, the mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices, of the Common Shares as quoted on a national securities exchange, or in the over-the-counter market as reported by NASDAQ or, if not available, by the National Quotation Bureau, Incorporated, as the case may be, or, if there is no selling or bid or asked price on a particular day, then the closing selling price or, if not available, the

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mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices on the nearest trading date before that day and for which such prices are available, and if the Common Shares are not listed on such an exchange or traded in such a market on the Valuation Date, then the market price shall be determined by the Board of Directors by taking into consideration all relevant factors, including, but not limited to, the Corporation's net worth, prospective earning power and dividend paying capacity.

(iii) Voting Rights. The holders of the Series A Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to such number of votes for each Series A Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as required by law. The number of votes to which the holders of the Series A Preferred Shares shall be entitled to vote for each Series A Preferred Share shall equal the number of Common Shares of the Corporation into which such Series A Preferred Share shall be convertible on or after October 1, 1992 (without giving effect to any reductions in the Conversion Price, as hereinafter defined, as provided for in subsection (v) (A) hereof).

(iv) Redemption.

(A) In the event any holder or holders of Series A Preferred Shares shall give written notice to the Corporation of an election to convert such shares into Common Shares of the Corporation as provided for in subsection (v)(B)(ii) hereof (whether or not such holder shall have theretofore surrendered the certificate(s) representing the Series A Preferred Shares for conversion), the Corporation may elect, at its option, by notice given prior to any Effective Conversion Date (as hereinafter defined) as provided in (B) below, to redeem all or any part of the outstanding Series A Preferred

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Shares with respect to which an election to convert has been given to the Corporation at a price per share in cash equal to one hundred thirty dollars (\$130.00) (the "Redemption Price") plus all accrued and unpaid dividends with respect to such Series A Preferred Shares.

(B) Notice of every redemption shall be given by mailing the same to every holder of record of any shares then to be redeemed, prior to any Effective Conversion Date and not less than ten (10) nor more than thirty (30) days prior to the date fixed as the date for the redemption thereof (the "Redemption Date"), at the respective addresses of such holders as the same shall appear on the stock transfer books of the Corporation. The notice described above shall state that the shares specified in such notice will be redeemed by the Corporation at the Redemption Price plus all accrued and unpaid dividends on the Redemption Date, upon the surrender for cancellation, at the place designated in such notice, of the certificate(s) representing the shares so to be redeemed, properly endorsed for transfer, or accompanied by a proper instrument of assignment and transfer, and bearing all necessary transfer tax stamps thereto affixed and cancelled (provided, however, that such surrender shall not be required if the holder of record shall have theretofore duly surrendered the certificate(s) representing the Series A Preferred Shares in accordance with the conversion provisions set forth in subsection (v) hereof). On and after the Redemption Date, each holder of shares called for redemption shall be entitled to receive therefore, in cash, the Redemption Price, plus accrued and unpaid dividends as of the Redemption Date, upon presentation and surrender at the place designated in such notice of the certificate(s) for shares held by such holder and called for redemption, properly endorsed for transfer or accompanied by proper instruments of

assignment or transfer, and bearing all necessary transfer tax stamps thereto affixed and cancelled (provided, however, that such surrender shall not be required if the holder of record shall have theretofore surrendered the certificate(s) representing the Series A Preferred Shares in accordance with the conversion provisions set forth in subsection (v) hereof). If the

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Corporation shall give notice of redemption as aforesaid (and unless the Corporation shall fail to pay the Redemption Price of the shares duly presented for redemption, plus all accrued and unpaid dividends as of the Redemption Date, in accordance with such notice), all shares called for redemption shall be deemed to have been redeemed on the Redemption Date, whether or not the certificates for said shares shall be surrendered for redemption and cancellation, and said shares so called for redemption shall from and after said date cease to represent any interest whatever in the Corporation or its property, and the holders thereof shall have no rights other than the right to receive the Redemption Price, plus all accrued and unpaid dividends as of the Redemption Date, but without any right to receive dividends or interest thereon from or after said date. All Series A Preferred Shares redeemed under the provisions of this subsection shall be forthwith retired and cancelled.

(v) Conversion.

(A) Conversion Right and Price. Subject to the Corporation's redemption right as provided for in subsection (iv) hereof, each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time on or after October 1, 1992, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing one hundred dollars (\$100.00) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean twenty six and two-thirds cents (\$.26 - 2/3), subject to adjustment as hereinafter set forth; provided, however, that, in the event the Corporation's Pre-tax Net Income (as hereinafter defined) for the twelve (12) month period ending June 30, 1993 (the "12 Month Period") shall not exceed one million dollars (\$1,000,000), then, effective with the determination of the Corporation's Pre-tax Net Income for the 12 Month Period (there being no retroactive adjustment), the Conversion Price shall instead be as follows: (i) if the Corporation attains a Pre-tax Net Income for the 12

Income is equal to or less than one million dollars (\$1,000,000), the Conversion Price shall be twenty cents (\$.20); and (ii) if the Corporation does not attain a Pre-tax Net Income for the 12 Month Period, the Conversion Price shall be thirteen and one-third cents (\$.13 - 1/3). For purposes hereof, the terms "Pre-tax Net Income" and "Net Loss" shall mean the Corporation's consolidated net income or loss before all taxes determined in accordance with generally accepted accounting principles, as calculated by the Company's Chief Financial Officer, except that any pre-tax effect of certain reductions in conversion prices provided for in that certain Agreement dated as of March 11, 1992 by and among the Company, David A. Lyons, Steven G. Chrust and Friedli Corporate Finance AG, shall be excluded. For purposes hereof, the Corporation's Pre-tax Net Income or Net Loss for the fiscal quarter ending December 31, 1992 shall be deemed equal to the difference between the Corporation's Pre-tax Net Income or Net Loss for the fiscal year ending December 31, 1992, as audited and reported upon by the independent auditors of the Corporation, and the Corporation's Pre-tax Net Income or Net Loss for the nine (9) month period ending September 30, 1992.

(B) Procedure. Before any holder of Series A Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor, duly endorsed, at the office of the Corporation and (ii) shall give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series A Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written notice pursuant to and in accordance with (ii) above (such thirtieth (30th) day being hereinafter referred to as the "Effective Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer books of the Corporation shall

then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series A Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled. Notwithstanding anything hereinabove to the contrary, in the event the Corporation shall exercise its redemption rights pursuant to subsection (iv) hereof, the Corporation shall be under no obligation to issue Common Shares to the holder and the holder's sole rights shall be as set forth under such subsection (iv).

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (i) pay any dividend on its capital stock payable in Common Shares (except with respect to the dividend payable to the holders of the Series A Preferred Shares); (ii) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (iii) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (iv) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series A Preferred Shares immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in

the case of a subdivision, combination, reclassification,

exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (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 subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that, subject to the Corporation's redemption rights described hereinabove, the holder of each Series A Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series A Preferred Shares might have been converted immediately prior to such consolidation or merger.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series A Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount equal to the product of (1) such fraction of a share times (2) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series A Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Shares, the

Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes; provided, however that nothing contained herein shall preclude

the Corporation from satisfying its obligations in respect of the conversion of the Series A Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that the certificate(s) representing Series A Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by subsections (iv) and (v) hereof.

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series A Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

(vi) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series A Preferred Shares will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Corporation to the holders of any Common Shares by reason of the ownership thereof, an amount equal to (1) the fixed sum of one hundred dollars (\$100.00) per share and no more and (2) all accrued and unpaid dividends due with respect to the Preferred Shares (the "Preferential Amount"). If, upon the occurrence of such an event, the

assets and funds thus distributed among the holders of Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of Series A Preferred Shares in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts

required to be paid to the holders of Series A Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A Preferred Shares shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

- (vii) Sinking Fund. The Series A Preferred Shares shall not be entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(d) Series B Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 356,000 of the 5,000,000 authorized Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

- (i) Designation of Series. The designation of the series of Preferred Shares created hereby shall be Series B Preferred Shares (hereinafter the "Series B Preferred Shares").
- (ii) Dividends.

(A) The holders of Series B Preferred Shares, in preference to the holders of Common Shares and on a pari passu basis with the holders of Series A Preferred Shares, if any, shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of forty cents (\$.40) per share per annum, and no more. Subject to the requirements of applicable law, dividends on the Series B Preferred Shares shall be payable annually, when and as declared by the Board of Directors, commencing in 1993. Such dividends on the Series B Preferred Shares shall be cumulative so that if all or any part of such dividends shall not have been paid or distributed in any year, or declared and set apart, the amount of the deficiency (without interest) shall be paid or distributed, or declared and set apart, before any dividend or other distribution shall be paid upon, or declared and set apart for, Common Shares. Declared but unpaid dividends shall not bear interest. For dividend purposes, Series B Preferred Shares shall be deemed to have been issued as of the date of

issuance of the Series A Preferred Shares for which they were exchanged.

(B) Except as hereinafter provided and subject to the requirements of applicable law, including, without limitation, the obtaining of any necessary approvals or consents from the holders of the Common Shares and/or Series A Preferred Shares of the Corporation, any dividend declared on the Series B Preferred Shares shall be paid in cash or, at the option of the Corporation, in Common Shares of the Corporation having a market price, on the day immediately preceding the date on which such dividend is declared (the "Valuation Date"), equal to the amount of the dividend. As used herein, the term "market price" shall mean the closing selling price or, if not available, the mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices, of the Common Shares as quoted on a national securities exchange, or in the over-the-counter market as reported by NASDAQ or, if not available, by the National Quotation Bureau, Incorporated, as the case may be, or, if there is no selling or bid or asked price on a particular day, then the closing selling price or, if not available, the mean of the closing bid and asked

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prices, or, if not available, the mean of the highest bid and lowest asked prices on the nearest trading date before that day and for which such prices are available, and if the Common Shares are not listed on such an exchange or traded in such a market on the Valuation Date, then the market price shall be determined by the Board of Directors by taking into consideration all relevant factors, including, but not limited to, the Corporation's net worth, prospective earning power and dividend paying capacity.

(iii) Voting Rights. The holders of the Series B Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to such number of votes for each Series B Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as required by law. The number of votes to which the holders of the Series B Preferred Shares shall be entitled to vote for each Series B Preferred Share shall equal the number of Common

Shares of the Corporation into which such Series B Preferred Share is convertible.

(iv) Redemption.

(A) In the event any holder or holders of Series B Preferred Shares shall give written notice to the Corporation of an election to convert such shares into Common Shares of the Corporation as provided for in subsection (v)(B)(ii) hereof (whether or not such holder shall have theretofore surrendered the certificate(s) representing the Series B Preferred Shares for conversion), the Corporation may elect, at its option, by notice given prior to any Effective Conversion Date (as hereinafter defined) as provided in (B) below, to redeem all or any part of the outstanding Series B Preferred Shares with respect to which an election to convert has been given to the Corporation at a price per share in cash equal to six dollars fifty cents (\$6.50) (the

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"Redemption Price") plus all accrued and unpaid dividends with respect to such Series B Preferred Shares.

(B) Notice of every redemption shall be given by mailing the same to every holder of record of any shares then to be redeemed, prior to any Effective Conversion Date and not less than ten (10) nor more than thirty (30) days prior to the date fixed as the date for the redemption thereof (the "Redemption Date"), at the respective addresses of such holders as the same shall appear on the stock transfer books of the Corporation. The notice described above shall state that the shares specified in such notice will be redeemed by the Corporation at the Redemption Price plus all accrued and unpaid dividends on the Redemption Date, upon the surrender for cancellation, at the place designated in such notice, of the certificate(s) representing the shares so to be redeemed, properly endorsed for transfer, or accompanied by a proper instrument of assignment and transfer, and bearing all necessary transfer tax stamps thereto affixed and cancelled (provided, however, that such surrender shall not be required if the holder of record shall have theretofore duly surrendered the certificate(s) representing the Series B Preferred Shares in accordance with the conversion provisions set forth in subsection (v) hereof). On and after the Redemption Date, each holder of shares called for redemption shall be entitled to receive therefor, in cash, the Redemption

Price, plus accrued and unpaid dividends as of the Redemption Date, upon presentation and surrender at the place designated in such notice of the certificate(s) for shares held by such holder and called for redemption, properly endorsed for transfer or accompanied by proper instruments of assignment or transfer, and bearing all necessary transfer tax stamps thereto affixed and cancelled (provided, however, that such surrender shall not be required if the holder of record shall have theretofore surrendered the certificate(s) representing the Series B Preferred Shares in accordance with the conversion provisions set forth in subsection (v) hereof). If the Corporation shall give notice of redemption as aforesaid (and unless the Corporation shall fail to pay the Redemption Price of the shares duly presented for

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redemption, plus all accrued and unpaid dividends as of the Redemption Date, in accordance with such notice), all shares called for redemption shall be deemed to have been redeemed on the Redemption Date, whether or not the certificates for said shares shall be surrendered for redemption and cancellation, and said shares so called for redemption shall from and after said date cease to represent any interest whatever in the Corporation or its property, and the holders thereof shall have no rights other than the right to receive the Redemption Price, plus all accrued and unpaid dividends as of the Redemption Date, but without any right to receive dividends or interest thereon from or after said date. All Series B Preferred Shares redeemed under the provisions of this subsection shall be forthwith retired and cancelled.

(v) Conversion.

(A) Conversion Right and Price. Subject to the Corporation's redemption right as provided for in subsection (iv) hereof, each Series B Preferred Share shall be convertible, at the option of the holder thereof, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing five dollars (\$5.00) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean fifty cents (\$.50), subject to adjustment as hereinafter set forth.

(B) Procedure. Before any holder of Series B Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor,

duly endorsed, at the office of the Corporation and (ii) shall give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series B Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written

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notice pursuant to and in accordance with (ii) above, or such shorter period of time as the Board of Directors shall determine with respect to any particular conversion (such thirtieth (30th) day or end of shorter period of time being hereinafter referred to as the "Effective Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer books of the Corporation shall then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series B Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled. Notwithstanding anything hereinabove to the contrary, in the event the Corporation shall exercise its redemption rights pursuant to subsection (iv) hereof, the Corporation shall be under no obligation to issue Common Shares to the holder and the holder's sole rights shall be as set forth under such subsection (iv).

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (i) pay any dividend on its capital stock payable in Common Shares (except with respect to the dividend payable to the holders of the Series B Preferred Shares); (ii) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (iii) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (iv) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having

similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common

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Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series B Preferred Shares immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination, reclassification, exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (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 subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that, subject to the Corporation's redemption rights described hereinabove, the holder of each Series B Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series B Preferred Shares might have been converted immediately prior to such consolidation or merger.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series B Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount equal to the product of (i) such fraction of a share times (ii) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but

unissued Common Shares, solely for the purpose of effecting the conversion of the Series B Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series B Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series B Preferred Shares, the Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes; provided, however that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the Series B Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that the certificate(s) representing Series B Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by subsections (iv) and (v) hereof.

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series B Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

(vi) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series B Preferred Shares

will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Corporation to the holders of any Common Shares by reason of the ownership thereof, and on a pari passu basis with the holders of the Series A Preferred Shares, if any, an amount equal to (i) the fixed sum of five dollars (\$5.00) per share and no more and (ii) all accrued and unpaid dividends due with respect to the Series B Preferred Shares (the "Preferential Amount"). If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution to the holders of the Series B Preferred Shares shall be distributed ratably among such holders in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts required to be paid to the holders of Series A and Series B Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A and Series B Preferred Shares shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

(vii) Sinking Fund. The Series B Preferred Shares shall not be entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(e) Series C Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 1,090,910 of the 5,000,000 authorized Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

(i) Designation of Series. The designation of the series of

Preferred Shares created hereby shall be Series C Preferred Shares (hereinafter the "Series C Preferred Shares").

(ii) Dividends.

(A) The holders of Series C Preferred Shares, in preference to the holders of Common Shares and on a pari passu basis with the holders of Series A Preferred Shares and Series B Preferred Shares, if any, shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of twenty-seven and one-half cents (\$.275) per share per annum, and no more. Subject to the requirements of applicable law, dividends on the Series C Preferred Shares shall be payable annually, when and as declared by the Board of Directors, commencing in 1994. Such dividends on the Series C Preferred Shares shall be cumulative so that if all or any part of such dividends shall not have been paid or distributed in any year, or declared and set apart, the amount of the deficiency (without interest) shall be paid or distributed, or declared and set apart, before any dividend or other distribution shall be paid upon, or declared and set apart for, Common Shares. Declared but unpaid dividends shall not bear interest.

(B) Except as hereinafter provided and subject to the requirements of applicable law, including, without limitation, the obtaining of any necessary approvals or consents from the holders of the Common Shares and/or Series A Preferred Shares and/or Series B Preferred Shares of the Corporation, any dividend declared on the Series C Preferred Shares shall be paid in cash or, at the option of the Corporation, in Common Shares of the Corporation having a market price, on the day immediately preceding the date on which such dividend is declared (the "Valuation Date"), equal to the amount of the dividend. As used herein, the term "market price" shall

mean the closing selling price or, if not available, the mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices, of the Common Shares as quoted on a national securities exchange, or in the over-the-counter market as reported by NASDAQ or, if not available, by the National Quotation Bureau, Incorporated, as the case may be, or, if there is no selling or bid or asked price on a particular day, then the closing selling price or, if not available, the mean of the closing bid and asked

prices, or, if not available, the mean of the highest bid and lowest asked prices on the nearest trading date before that day and for which such prices are available, and if the Common Shares are not listed on such an exchange or traded in such a market on the Valuation Date, then the market price shall be determined by the Board of Directors by taking into consideration all relevant factors, including, but not limited to, the Corporation's net worth, prospective earning power and dividend paying capacity.

(iii) Voting Rights. The holders of the Series C Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to such number of votes for each Series C Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as required by law. The number of votes to which the holders of the Series C Preferred Shares shall be entitled to vote for each Series C Preferred Share shall equal the number of Common Shares of the Corporation into which such Series C Preferred Share is convertible multiplied by six (6).

(iv) Redemption. The Series C Preferred Shares shall not be subject to mandatory redemption by either the Corporation or the holders thereof.

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(v) Conversion.

(A) Conversion Right and Price. Each Series C Preferred Share shall be convertible, at the option of the holder thereof, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing two dollars seventy-five cents (\$2.75) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean two dollars seventy-five cents (\$2.75), subject to adjustment as hereinafter set forth.

(B) Procedure. Before any holder of Series C Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor, duly endorsed, at the office of the Corporation and (ii) shall

give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series C Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written notice pursuant to and in accordance with (ii) above, or such shorter period of time as the Board of Directors shall determine with respect to any particular conversion (such thirtieth (30th) day or end of shorter period of time being hereinafter referred to as the "Effective Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer books of the Corporation shall then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series C Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled.

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (a) pay any dividend on its Common Shares payable in Common Shares;

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(b) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (c) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (d) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series C Preferred Shares immediately prior to the occurrence of such event. An

adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination, reclassification, exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (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 subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that the holder of each Series C Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series C Preferred Shares might have been converted immediately prior to such consolidation or merger.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series C Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount equal to the product of (i) such fraction of a share times (ii) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series C Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series C Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series C Preferred Shares, the Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its

authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes; provided, however that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the Series C Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that the certificate(s) representing Series C Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole

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discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by subsections (iv) and (v) hereof.

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series C Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

(vi) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series C Preferred Shares will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Corporation to the holders of any Common Shares by reason of the ownership thereof, and on a pari passu basis with the holders of the Series A and Series B Preferred Shares, if any, an amount equal to (i) the fixed sum of two dollars seventy-five (\$2.75) per share and no more and (ii) all accrued and unpaid dividends due with respect to the Series C Preferred Shares (the "Preferential Amount"). If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution to the holders of the Series C Preferred Shares shall be

distributed ratably among such holders in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts required to be paid to the holders of Series A, Series B and Series C Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A, Series B and Series C Preferred Shares shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the

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affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

- (vii) Sinking Fund. The Series C Preferred Shares shall not be entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(f) Series D Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 1,413,337 of the 5,000,000 authorized Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

- (i) Designation of Series. The designation of the series of Preferred Shares created hereby shall be Series D Preferred Shares (hereinafter the "Series D Preferred Shares").
- (ii) Dividends.

(A) The holders of Series D Preferred Shares, in preference to the holders of Common Shares and on a pari passu basis with the holders of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares, if any, shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of twenty-five cents (\$.25) per share per annum, and no more. Subject to the requirements of applicable law, dividends on the Series D Preferred Shares shall be payable annually, when and as declared by the Board of Directors, commencing in 1994. Such dividends on the Series D Preferred Shares shall be cumulative so that if all or any part of such dividends shall not have been paid or distributed in any year, or declared and set apart, the amount of the

deficiency (without interest) shall be paid or distributed, or declared and set apart, before any dividend or other distribution shall be paid upon, or declared and set apart for, Common Shares. Declared but unpaid dividends shall not bear interest.

For dividend purposes, in the event Series D Preferred Shares are issued in exchange for Series C Preferred Shares, the Series D Preferred Shares shall be deemed to have been issued as of the date of issuance of the Series C Preferred Shares for which they were exchanged.

(B) Except as hereinafter provided and subject to the requirements of applicable law, including, without limitation, the obtaining of any necessary approvals or consents from the holders of the Common Shares and/or Series A Preferred Shares and/or Series B Preferred Shares and/or Series C Preferred Shares of the Corporation, any dividend declared on the Series D Preferred Shares shall be paid in cash or, at the option of the Corporation, in Common Shares of the Corporation having a market price, on the day immediately preceding the date on which such dividend is declared (the "Valuation Date"), equal to the amount of the dividend. As used herein, the term "market price" shall mean the closing selling price or, if not available, the mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices, of the Common Shares as quoted on a national securities exchange, or in the over-the-counter market as reported by NASDAQ or, if not available, by the National Quotation Bureau, Incorporated, as the case may be, or, if there is no selling or bid or asked price on a particular day, then the closing selling price or, if not available, the mean of the closing bid and asked prices, or, if not available, the mean of the highest bid and lowest asked prices on the nearest trading date before that day and for which such prices are available, and if the Common Shares are not listed on such an exchange or traded in such a market on the Valuation Date, then the market price shall be determined by the Board of Directors by taking into consideration all relevant factors, including, but not limited to, the Corporation's net worth, prospective earning power and dividend paying capacity.

- (iii) Voting Rights. The holders of the Series D Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and

shall be entitled to such number of votes for each Series D Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as required by law. The number of votes to which the holders of the Series D Preferred Shares shall be entitled to vote for each Series D Preferred Share shall equal the number of Common Shares of the Corporation into which such Series D Preferred Share is convertible multiplied by six (6).

(iv) Redemption. The Series D Preferred Shares shall not be subject to mandatory redemption by either the Corporation or the holders thereof.

(v) Conversion.

(A) Conversion Right and Price. Each Series D Preferred Share shall be convertible, at the option of the holder thereof, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing two dollars fifty cents (\$2.50) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean two dollars fifty cents (\$2.50), subject to adjustment as hereinafter set forth.

(B) Procedure. Before any holder of Series D Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor, duly endorsed, at the office of the Corporation and (ii) shall give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series D Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written notice pursuant to and in accordance with (ii) above, or such shorter period of time as the Board of Directors

shall determine with respect to any particular conversion (such thirtieth (30th) day or end of shorter period of time being hereinafter referred to as the "Effective Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer books of the Corporation shall then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series D Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled.

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (a) pay any dividend on its Common Shares payable in Common Shares; (b) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (c) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (d) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series D Preferred Shares immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination, reclassification, exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation

in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (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 subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that the holder of each Series D Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series D Preferred Shares might have been converted immediately prior to such consolidation or merger.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series D Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount equal to the product of (i) such fraction of a share times (ii) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series D Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series D Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series D Preferred Shares, the Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient

for such purposes; provided, however that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the Series D Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that the certificate(s) representing Series D Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by subsections (iv) and (v) hereof.

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series D Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

(vi) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series D Preferred Shares will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Corporation to the holders of any Common Shares by reason of the ownership thereof, and on a pari passu basis with the holders of the Series A, Series B and Series C Preferred Shares, if any, an amount equal to (i) the fixed sum of two dollars fifty cents (\$2.50) per share and no more and (ii) all accrued and unpaid dividends due with respect to the Series D Preferred Shares (the "Preferential Amount"). If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of Series D Preferred Shares shall be insufficient to permit the payment to such holders of the

full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution to the holders of the Series D Preferred Shares shall be distributed ratably among such holders in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts required to be paid to the holders of Series A, Series B, Series C and Series D Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A, Series B, Series C and Series D Preferred Shares

shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

- (vii) Sinking Fund. The Series D Preferred Shares shall not be entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(g) Series E Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 1,085,000 of the 5,000,000 authorized Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

- (i) Designation of Series. The designation of the series of Preferred Shares created hereby shall be Series E Preferred Shares (hereinafter the "Series E Preferred Shares").
- (ii) Dividends.

(A) The holders of Series E Preferred Shares, in preference to the holders of Common Shares and on a pari passu basis with the holders of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares, if any, shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate of twenty-two and one-half cents (\$.225) per share per annum, and no more. Subject to the requirements of applicable law, dividends on the Series E Preferred Shares shall be payable annually, when and as declared by the Board of Directors, commencing in 1996. Such dividends on the Series E Preferred Shares shall be cumulative so that if all or any part of such dividends shall not have been paid or distributed in any year, or declared and set apart, the amount of the deficiency (without interest) shall be paid or distributed, or declared and set apart, before any dividend or other distribution shall be paid upon, or declared and set apart for, Common Shares. Declared but unpaid dividends shall not bear interest.

(B) Except as hereinafter provided and subject to the requirements of applicable law, including, without limitation,

the obtaining of any necessary approvals or consents from the holders of the Common Shares and/or Series A Preferred Shares and/or Series B Preferred Shares and/or Series C Preferred Shares and/or Series D Preferred Shares of the Corporation, any dividend declared on the Series E Preferred Shares shall be paid in cash or, at the option of the Corporation, in Common Shares of the Corporation, the number of which shall be equal to the amount of the dividend divided by the Conversion Price (as hereinafter defined) then in effect.

- (iii) Voting Rights. The holders of the Series E Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to such number of votes for each Series E Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as

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required by law. The number of votes to which the holders of the Series E Preferred Shares shall be entitled to vote for each Series E Preferred Share shall equal the number of Common Shares of the Corporation into which such Series E Preferred Share is convertible.

- (iv) Redemption. The Series E Preferred Shares shall not be subject to mandatory redemption by either the Corporation or the holders thereof.

- (v) Conversion.

(A) Conversion Right and Price. Each Series E Preferred Share shall be convertible, at the option of the holder thereof, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing two dollars eighty-one and one-quarter cents (\$2.8125) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean two dollars eighty-one and one-quarter cents (\$2.8125), subject to adjustment as hereinafter set forth.

(B) Procedure. Before any holder of Series E Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor, duly endorsed, at the office of the Corporation and (ii) shall

give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series E Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written notice pursuant to and in accordance with (ii) above, or such shorter period of time as the Board of Directors shall determine with respect to any particular conversion (such thirtieth (30th) day or end of shorter period of time being hereinafter referred to as the "Effective Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer

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books of the Corporation shall then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series E Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled.

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (a) pay any dividend on its Common Shares payable in Common Shares; (b) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (c) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (d) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series E Preferred Shares

immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination, reclassification, exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (other than a change

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in par value or from par value to no par value or from no par value to par value, or as a result of subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that the holder of each Series E Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series E Preferred Shares might have been converted immediately prior to such consolidation or merger.

(iii) In the event, as of June 30, 1996, the Common Shares are listed on an Exchange or traded in the OTC Market and the June 1996 Common Share Price (as hereinafter defined) does not equal or exceed the Conversion Price then in effect, the Conversion Price shall thereupon, effective June 30, 1996, be reduced to equal the June 1996 Common Share Price. As used herein, (a) the term "June 1996 Common Share Price" shall mean the average of the "market prices" of the Common Shares of the Corporation during the last five (5) trading days immediately preceding June 30, 1996 and (b) the term "market price" shall mean the closing bid price or, if not available, the highest bid price of the Common Shares as quoted on an Exchange or in the OTC Market, as reported by NASDAQ or, if not available, by NQBI.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series E Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount

equal to the product of (i) such fraction of a share times (ii) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series E Preferred

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Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series E Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series E Preferred Shares, the Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes; provided, however that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the Series E Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that the certificate(s) representing Series E Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by the subsection (v).

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series E Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

(vi) Liquidation Preference. In the event of any voluntary or

involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series E Preferred Shares will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the

Corporation to the holders of any Common Shares by reason of the ownership thereof, and on a pari passu basis with the holders of the Series A, Series B, Series C and Series D Preferred Shares, if any, an amount equal to (i) the fixed sum of two dollars eighty-one and one-quarter cents (\$2.8125) per share and no more and (ii) all accrued and unpaid dividends due with respect to the Series E Preferred Shares (the "Preferential Amount"). If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of Series E Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution to the holders of the Series E Preferred Shares shall be distributed ratably among such holders in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts required to be paid to the holders of Series A, Series B, Series C, Series D and Series E Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A, Series B, Series C, Series D and Series E Preferred Shares shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

(vii) Sinking Fund. The Series E Preferred Shares shall not be entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(h) Series F Preferred Shares. A series of Preferred Shares is hereby created, to be limited in amount to 415,250 of the 5,000,000 authorized Preferred Shares. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

(i) Designation of Series. The designation of the series of Preferred Shares created hereby shall be Series F Preferred Shares (hereinafter the "Series F Preferred Shares").

(ii) Dividends.

The holders of Series F Preferred Shares, on a pari passu basis with the holders of the Corporation's Common Shares (based upon the number of Common Shares into which the Series F Preferred Shares are convertible), shall be entitled to receive such dividends as may be declared by the Board of Directors. Declared but unpaid dividends shall not bear interest.

The rights of the holders of the Series F Preferred Shares shall be junior and subordinate to the rights of the holders of the Series A, Series B, Series C, Series D and Series E Preferred Shares of the Corporation to receive dividends, as well as to the right of any other series of Preferred Shares of the Corporation hereafter created which shall have any preferential right to receive dividends before the holders of the Common Shares.

(iii) Voting Rights. The holders of the Series F Preferred Shares shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to such number of votes for each Series F Preferred Share entitled to vote at such meetings as is set forth below, voting together with the holders of Common Shares, and other Preferred Shares who are entitled to vote, if any such shares are then outstanding, and not as a separate class, except as required by law. The number of votes to which the holders of the Series F Preferred Shares shall be entitled to vote for each Series F Preferred Share shall equal the number of Common Shares of the Corporation into which such Series F Preferred Share is convertible.

(iv) Redemption. The Corporation may elect, at its option, at any time and from time to time, by notice given as provided below, to redeem all or any part of the outstanding Series F Preferred Shares, from any or all holders thereof, at a redemption price of five dollars (\$5.00) per share (the "Redemption Price").

If the Corporation elects to redeem all or any part of the outstanding Series F Preferred Shares, notice of such redemption (the "Redemption Notice") shall be given by mailing the same to every holder of record of any shares then to be redeemed, not less than thirty (30) prior to the date fixed as the date for the redemption thereof (the "Redemption Date"), at the respective addresses of such holders as the same shall appear on the stock transfer books of the Corporation. The Redemption Notice shall state that the shares specified in such notice will be redeemed by the Corporation at the Redemption Price on the Redemption Date, upon the surrender for cancellation, at the place designated in such notice, of the certificate(s) representing the shares so to be redeemed, properly endorsed for transfer, or accompanied by a proper instrument of assignment and transfer, and bearing all necessary transfer tax stamps thereto affixed and canceled. Following receipt of the Redemption Notice and at any time before the Redemption Date, each holder of shares called for redemption may elect to convert all or any part of such shares into Common Shares of the Corporation pursuant to and in accordance with (v) below. On and after the Redemption Date, each holder of shares called for redemption who has not converted such shares shall be entitled to receive therefor, in cash, the Redemption Price upon presentation and surrender at the place designated in such notice of the certificate(s) for shares held by such holder and called for redemption, properly endorsed for transfer or accompanied by proper instruments of assignment or transfer, and bearing all necessary transfer tax stamps thereto affixed and

canceled. If the Corporation shall give notice of redemption as aforesaid, all shares called for redemption and not converted shall be deemed to have been redeemed on the Redemption Date, whether or not the certificates for said shares shall be surrendered for redemption and cancellation, and said shares so called for redemption shall from and after said date cease to represent any interest whatever in the Corporation or its property, and the holders thereof shall have no rights other than the right to receive the Redemption Price, without interest thereon.

(v) Conversion.

(A) Conversion Right and Price. Each Series F Preferred Share shall be convertible, at the option of the holder thereof, at the office of the Corporation, into such number of Common Shares of the Corporation as is determined by dividing five dollars (\$5.00) by the Conversion Price (as hereinafter defined). For purposes hereof, the term "Conversion Price" shall mean five dollars (\$5.00), subject to adjustment as hereinafter set forth.

(B) Procedure. Before any holder of Series F Preferred Shares shall be entitled to receive Common Shares upon conversion, the holder shall (i) (a) surrender the certificate(s) therefor, duly endorsed, at the office of the Corporation and (ii) shall give written notice to the Corporation at such office that the holder elects to convert the same into Common Shares and shall further state therein the number of Series F Preferred Shares being converted. Subject to the provisions hereof, effective thirty (30) days following the later of the receipt by the Corporation of the certificate(s) pursuant to and in accordance with (i) above and the written notice pursuant to and in accordance with (ii) above, or such shorter period of time as the Board of Directors shall determine with respect to any particular conversion (such thirtieth (30th) day or end of shorter period of time being hereinafter referred to as the "Effective

Conversion Date"), the holder shall thereupon be deemed to be the holder of record of the Common Shares issuable upon conversion, notwithstanding that the stock transfer books of

the Corporation shall then be closed or that the certificate(s) representing such Common Shares shall not then be actually delivered to the holder. Subject to the provisions hereof, immediately following the Effective Conversion Date, the Corporation shall cause its transfer agent to issue and deliver to such holder of Series F Preferred Shares a certificate(s) for the number of Common Shares to which the holder shall be entitled.

(C) Adjustment of Conversion Price.

(i) In the event that the Corporation shall (a) pay any dividend on its Common Shares payable in Common Shares; (b) effect a subdivision of its outstanding shares into a greater number of Common Shares (by reclassification, stock split or otherwise than by payment of a dividend in Common Shares); (c) effect a combination or consolidation of its outstanding Common Shares into a lesser number of Common Shares (by reclassification, reverse split or otherwise); (d) issue by reclassification, exchange or substitution of its Common Shares any shares of capital stock of the Corporation or effect any other transaction having similar effect, the Conversion Price in effect immediately prior to such action shall be adjusted so that upon the exercise of the conversion right hereof at any time after the occurrence of any event described above, the holder shall be entitled to receive the Common Shares to which such holder would have been finally entitled, after giving effect to the occurrence of such event, as if such holder had converted the Series F Preferred Shares immediately prior to the occurrence of such event. An adjustment made pursuant to this paragraph (C) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, combination, reclassification, exchange or substitution.

(ii) In case of any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (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 subdivision or combination) in, outstanding Common Shares, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that the holder of each Series F Preferred Share then outstanding shall have the right to convert such share into the kind and amount of shares or other securities and property receivable upon such consolidation or merger by a holder of the number of Common Shares into which such Series F Preferred Shares might have been converted immediately prior to such consolidation or merger.

(iii) In the event, as of October 10, 1997, the Common Shares are listed on a national securities exchange (an "Exchange") or traded in the over-the-counter market (the "OTC Market") and the October 1997 Common Share Price (as hereinafter defined) does not equal or exceed the Conversion Price then in effect, the Conversion Price shall thereupon, effective October 10, 1997, be reduced to equal the October 1997 Common Share Price. As used herein, (a) the term "October 1997 Common Share Price" shall mean the average of the "market prices" of the Common Shares of the Corporation during the trading days from October 1, 1997 through October 10, 1997 and (b) the term "market price" shall mean the closing price or, if not available, the average of the closing bid and asked prices or, if not available, the average of the highest bid and lowest asked prices of the Common Shares as quoted on an Exchange or in the OTC Market, as reported by NASDAQ or, if not available, by the National Quotation Bureau, Incorporated; provided, however, that, in no event shall the Conversion Price be reduced to less than three dollars fifty cents (\$3.50) per share (subject to adjustment pursuant to the provisions of subparagraphs (i) and (ii) of this paragraph (C)) pursuant to the

provisions of this subparagraph (iii). Any adjustment pursuant to the provisions of this subparagraph (iii) shall apply only to such Series F Preferred Shares which are outstanding as of the effective date of the adjustment and shall not apply retroactively with respect to any Series F Preferred Shares theretofore converted.

(D) Fractional Shares. No fractional Common Shares shall be issued upon conversion of Series F Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay, in cash, an amount equal to the product of (i) such fraction of a share times (ii) the market price (as hereinabove defined) of one Common Share on the Effective Conversion Date.

(E) Reservation of Shares Issuable Upon Conversion. The Corporation shall at all times use its best efforts to reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series F Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series F Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series F Preferred Shares, the Corporation will, as its sole obligation, subject to the requirements of applicable state law, take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes; provided, however that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the Series F Preferred Shares by delivery of purchased Common Shares which are held in the treasury of the Corporation.

(F) Lost, Stolen or Destroyed Certificates. In the event that the holder shall notify the Corporation that

the certificate(s) representing Series F Preferred Shares have been lost, stolen or destroyed and either (i) provide a letter, in form satisfactory to the Corporation, to the effect that he will indemnify the Corporation from any loss incurred by it in connection therewith, and/or (ii) provide an indemnity bond in such amount as is reasonably required by the Corporation, the Corporation having the option of electing either (i) or (ii) or both, the Corporation may, in its sole discretion, accept such letter and/or indemnity bond in lieu of the surrender of the certificate(s) as required by this

subsection (v).

(G) Statutory Restrictions. The foregoing provisions for conversion of the Series F Preferred Shares shall be subject to all applicable statutory limitations and restrictions.

- (vi) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series F Preferred Shares will be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Corporation to the holders of any Common Shares by reason of the ownership thereof, and on a pari passu basis with the holders of the Series A, Series B, Series C, Series D and Series E Preferred Shares, if any, an amount equal to the fixed sum of five dollars (\$5.00) per share and no more (the "Preferential Amount"). If, upon the occurrence of such an event, the assets and funds thus distributed among the holders of Series F Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferential Amount, then, the entire assets and funds of the Corporation legally available for distribution to the holders of the Series F Preferred Shares shall be distributed ratably among such holders in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. After the payment or setting apart of the full Preferential Amounts required to be paid to the holders of Series A, Series B, Series

C, Series D, Series E and Series F Preferred Shares, the holders of Common Shares or any other stock of the Corporation ranking in liquidation junior to the Series A, Series B, Series C, Series D, Series E and Series F Preferred Shares shall be entitled to receive ratably all remaining assets or surplus funds of the Corporation. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

- (vii) Sinking Fund. The Series F Preferred Shares shall not be

entitled to the benefit of any sinking fund to be applied to their purchase or redemption.

(i) Series G Preferred Shares. A series of Preferred Stock is hereby created, to be limited in amount to 145,000 of the 5,000,000 authorized shares of Preferred Stock. The designation, relative rights, powers, preferences, qualifications and limitations are as follows:

Section 1. Designation, Amount and Par Value. The

series of Preferred Stock shall be designated as the Series G Convertible Preferred Stock (the "Series G Preferred Stock"), and the number of shares so designated shall be 145,000, of which 20,000 is reserved for issuance solely for payment of stock dividends, if any, hereunder. The par value of each share of Preferred Stock shall be \$.001. Each share of Preferred Stock shall have a stated value of \$20 per share (the "Stated Value"). The Series G Preferred Stock shall rank, with respect to dividends and distributions upon a Liquidation (as hereinafter defined) or otherwise, pari passu with each other series of preferred stock of the Company outstanding as of the Original Issue Date, including without limitation the Company's Series B Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred

Stock, and shall rank pari passu with respect to dividends and distributions upon a Liquidation or otherwise with each other series of preferred stock of the Company hereafter created unless the terms of such other series of preferred stock expressly states that such series ranks junior to the Series G Preferred Stock. All such other series of preferred stock ranking pari passu with the Series G Preferred Stock is referred to as the "Other Preferred Stock."

Section 2. Dividends.

(a) Holders of Series G Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the Stated Value per share) equal to 5% per annum, payable, in cash or (at the Company's option) shares of Common Stock or additional Series G Preferred Stock, which the Company shall immediately convert into shares of Common Stock at the Conversion Ratio (as hereinafter defined), in arrears on the Conversion Date (as hereinafter defined) without interest. Dividends on the Series G Preferred Stock shall accrue daily commencing the Original Issue Date (as defined in Section 7) and shall be deemed to accrue on such date whether or not earned or declared and whether or not there are

profits, surplus or other funds of the Company legally available for the payment of dividends. The party that holds the Series G Preferred Stock on an applicable record date for any dividend payment will be entitled to receive such dividend payment and any other accrued and unpaid dividends which accrued prior to such dividend payment date, without regard to any sale or disposition of such Series G Preferred Stock subsequent to the applicable record date but prior to the applicable dividend payment date. Except as otherwise provided herein, if at any time the Company pays less than the total amount of dividends then accrued to the Series G Preferred Stock, such payment shall be distributed ratably among the holders of such series based upon the number of shares held by each holder.

(b) So long as any Series G Preferred Stock shall remain outstanding, neither the Company nor any subsidiary thereof shall redeem, purchase or otherwise acquire directly or indirectly any Junior Securities (as defined in Section 7), nor shall the Company

directly or indirectly pay or declare any dividend or make any distribution (other than a dividend or distribution described in Section 5) upon, nor shall any distribution be made in respect of, any Junior Securities, nor shall any monies be set aside for or applied to the purchase or redemption (through a sinking fund or otherwise) of any Junior Securities unless all dividends on the Series G Preferred Stock for all past dividend periods shall have been paid.

Section 3. Voting Rights. The holders of Series G Preferred

Stock shall be entitled vote on all matters for which holders of the Company's Common Stock are entitled to vote, and shall vote together with such Common Stock as a single class. Each share of Series G Preferred Stock shall be entitled to the number of votes on such matters as equals the number of shares of Common Stock issuable upon conversion of such share of Series G Preferred Stock had such share been converted on the Original Issue Date in accordance with the terms hereof. So long as any shares of Series G Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the shares of the Series G Preferred Stock then outstanding, (i) alter or change adversely the powers, preferences or rights given to the Series G Preferred Stock (except that the foregoing shall not be construed to limit the ability of the Company, without the vote of such holders, to grant such voting rights or, subject to the other provisions set forth herein, conversion rights, as it may determine with regard to shares of its capital stock now or hereafter authorized) or (ii) authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation (as defined below) senior to, or prior to the Series G Preferred Stock.

Section 4. Liquidation. Upon any liquidation, dissolution or

winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of shares of Series G Preferred Stock shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series G Preferred Stock an amount equal to the Stated Value, plus an amount equal to accrued but unpaid dividends per share, whether declared or not, but without interest, before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be

distributed shall be distributed among the holders of Series G Preferred Stock ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. A sale, conveyance or disposition of all or substantially all of the assets of the Company or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of shall be deemed a Liquidation; provided that, a consolidation or merger of the Company with or into any other company or companies shall not be treated as a Liquidation, but instead shall be subject to the provisions of Section 5. The Company shall mail written notice of any such liquidation, not less than 45 days prior to the payment date stated therein, to each record holder of Series G Preferred Stock.

Section 5. Conversion.

(a) Each share of Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio at the option of the holder in whole or in part at any time after the expiration of the earlier to occur of (i) 90 days after the Original Issue Date and (ii) the date that the Securities and Exchange Commission (the "Commission") declares effective under the Securities Act of 1933, as amended (the "Securities Act"), the registration statement (the "Registration Statement") contemplated by the Registration Rights Agreement (the "Registration Rights Agreement"), by and between the Company and the original holder of Series G Preferred Stock relating to the Series G Preferred Stock and the shares of Common Stock into which the Series G Preferred Stock is convertible in accordance with the terms hereof. Any conversion under this Section 5(a) shall be of a minimum amount of at least 1,000 shares of Series G Preferred Stock. The holder shall effect conversions by surrendering the certificate or certificates representing the shares of Series G Preferred Stock to be converted to the Company, together with the form of conversion notice attached hereto as Exhibit A (the "Holder Conversion Notice") in the manner set

forth in Section 5(j). Each Holder Conversion Notice shall specify the number of shares of Series G Preferred Stock to be converted and the date on which such conversion is to be effected, which date may not be prior to the date the holder delivers such Notice by facsimile (the "Holder Conversion Date"). Subject to Section 5(c) and, as to the original holder (or its sole designee), subject to

Section 3.11 of the Purchase Agreement (as defined in Section 7), each Holder Conversion Notice, once given, shall be irrevocable. If the holder is converting less than all shares of Series G Preferred Stock represented by the certificate or certificates tendered by the holder with the Holder Conversion Notice, the Company shall promptly deliver to the holder a certificate for such number of shares as have not been converted.

(b) Provided that 10 Trading Days shall have elapsed from the date the Commission declared the Registration Statement effective under the Securities Act, each share of the Series G Preferred Stock shall be convertible into shares of Common Stock at the Conversion Ratio at the option of the Company in whole or in part at any time on or after the expiration of one year after the Original Issue Date; provided, however, that the Company is not permitted to deliver a Company Conversion Notice (as defined below) within 10 days of issuing any press release or other public statement relating to such conversion. The Company shall effect such conversion by delivering to the holders of such shares of Series G Preferred Stock to be converted a written notice in the form attached hereto as Exhibit B (the "Company Conversion Notice"), which Company Conversion Notice, once given, shall be irrevocable. Each Company Conversion Notice shall specify the number of shares of Preferred Stock to be converted and the date on which such conversion is to be effected, which date will be at least one Trading Day after the date the Company delivers such Notice by facsimile to the holder (the "Company Conversion Date"). The Company shall give such Company Conversion Notice in accordance with Section 5(j) below at least one Trading Day before the Company Conversion Date. Any such conversion shall be effected on a pro rata basis among the holders of Series G Preferred Stock. Upon the conversion of shares of Series G Preferred Stock pursuant to a Company Conversion Notice, the holders of the Series G Preferred Stock shall surrender the certificates representing such shares at the office of the Company or of any transfer agent for the Series G Preferred Stock or Common Stock. If the Company is converting less than all shares of the Series G Preferred Stock, the Company shall, upon conversion of such shares subject to such Company Conversion Notice and receipt of the certificate or certificates representing such shares of Series G Preferred Stock deliver to the holder or holders a certificate for such number of shares of Series G Preferred Stock as have not been converted. Each of a Holder

Conversion Notice and a Company Conversion Notice is sometimes referred to herein as a "Conversion Notice," and each of a "Holder Conversion Date" and a "Company Conversion Date" is sometimes referred to herein as a "Conversion Date."

(c) (i) If on any Conversion Date for any shares of Series G Preferred Stock applicable to any conversion under Section 5(a) or 5(b), the average Per Share Market Value of the Common Stock for the five (5) Trading Days immediately preceding the Conversion Date exceeds 150% of the Initial Conversion Price (as hereinafter defined), the number of shares issuable upon conversion of such shares of Series G Preferred Stock shall be reduced by a number of shares equal to 50% of (A) the amount by which such Per Share Market Value exceeds 150% of the Initial Conversion Price, divided by (B) such average Per Share Market Value, times (C) the number of shares which would otherwise be issuable upon such conversion, but for the reduction provided for in this Section 5(c) (i).

(ii) Not later than three Trading Days after the Conversion Date, the Company will deliver to the holder (i) a certificate or certificates which shall be free of restrictive legends and trading restrictions (other than those then required by law and as set forth in the Purchase Agreement), representing the number of shares of Common Stock being acquired upon the conversion of shares of Series G Preferred Stock and (ii) one or more certificates representing the number of shares of Series G Preferred Stock not converted; provided, however that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon conversion of any shares of Series G Preferred Stock until certificates evidencing such shares of Series G Preferred Stock are either delivered for conversion to the Company or any transfer agent for the Series G Preferred Stock or Common Stock, or the holder notifies the Company that such certificates have been lost, stolen or destroyed and provides a bond (or other adequate security reasonably acceptable to the Company) satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith. The Company shall, upon request of the holder, use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section 5(c) electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. In the case of a

conversion pursuant to a Holder Conversion Notice, if such certificate or certificates are not delivered by the date required under this Section 5(c), the holder shall be entitled by written notice to the Company at any time on or before such holder's receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the shares of Preferred Stock tendered for conversion.

(d) (i) The conversion price for each share of Series G Preferred Stock (the "Conversion Price") in effect on any Conversion Date shall be the lesser of (a) the average Per Share Market Value for the five (5) Trading Days immediately preceding the Original Issuance Date (the "Initial Conversion Price") and (b) 80% of the average Per Share Market Value for the five (5) Trading Days immediately preceding the Conversion Date; provided, however, that the percentage set forth in clause (b) above is subject to reduction in accordance with the Registration Rights Agreement.

(ii) If the Company, at any time while any shares of Series G Preferred Stock are outstanding, (a) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Junior Securities payable in shares of its capital stock (whether payable in shares of its Common Stock or of capital stock of any class), (b) subdivide outstanding shares of Common Stock into a larger number of shares, (c) combine outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, the Initial Conversion Price designated in Section 5(d)(i)(a) shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5(d)(ii) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(iii) If the Company, at any time while any shares of Series G Preferred Stock are outstanding, shall issue rights or

warrants to all holders of Common Stock (and not to the holders of the Series G Preferred Stock) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Per Share Market Value of Common Stock at the record date mentioned below, the Initial Conversion Price designated in Section 5(d)(i)(a) shall be multiplied by a fraction, of which the denominator

shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Per Share Market Value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants. However, upon the expiration of any right or warrant to purchase Common Stock the issuance of which resulted in an adjustment in the Initial Conversion Price designated in Section 5(d)(i)(a) pursuant to this Section 5(d)(iii), if any such right or warrant shall expire and shall not have been exercised, the Initial Conversion Price designated in Section 5(d)(i)(a) shall immediately upon such expiration be recomputed and effective immediately upon such expiration be increased to the price which it would have been (but reflecting any other adjustments in the Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such rights or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants actually exercised.

(iv) If the Company, at any time while shares of Series G Preferred Stock are outstanding, shall distribute to all holders of Common Stock (and not to holders of Series G Preferred Stock) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Section 5(d)(iii) above) then in each such case the Initial Conversion Price at which each share of Series G Preferred Stock shall thereafter be convertible shall be determined by

multiplying the Initial Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Per Share Market Value of Common Stock determined as of the record date mentioned above, and of which the numerator shall be such Per Share Market Value of the Common Stock on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Board of Directors in good faith; provided, however that in the event of a distribution exceeding ten percent (10%) of the net assets of the Company, such fair market value shall be determined by a nationally recognized or major regional investment banking

firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Company) (an "Appraiser") selected in good faith by the holders of a majority in interest of the shares of Series G Preferred Stock; and provided, further that the Company, after receipt of the determination by such Appraiser shall have the right to select an additional Appraiser, in which case the fair market value shall be equal to the average of the determinations by each such Appraiser. In either case the adjustments shall be described in a statement provided to all holders of Preferred Stock of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(v) All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(vi) Whenever the Initial Conversion Price is adjusted pursuant to Section 5(d)(ii), (iii), (iv) or (v), the Company shall promptly mail to each holder of Series G Preferred Stock, a notice setting forth the Initial Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(vii) In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or

into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, the holders of the Series G Preferred Stock then outstanding shall have the right thereafter to convert such shares only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the holders of the Series G Preferred Stock shall be entitled upon such event to receive such amount of securities or property as the shares of the Common Stock of the Company into which such shares of Series G Preferred Stock could have been converted immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange would have been entitled. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the holder of Series G Preferred Stock the right to receive the securities or property set forth in this Section 5(d)(vii) upon any conversion following such consolidation, merger, sale, transfer or share exchange. This provision shall

similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(viii) If:

- (a) the Company shall declare a dividend (or any other distribution) on its Common Stock; or
- (b) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or
- (c) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or
- (d) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company

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- (e) (other than a subdivision or combination of the outstanding shares of Common Stock), any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or
- (e) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Series G Preferred Stock, and shall cause to be mailed to the holders of Preferred Stock at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken,

the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding-up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

(ix) In any case in which this Section shall require that an adjustment be made effective as of the record date for a specified event, the Company may elect to defer until occurrence of

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such event (A) issuing to the holder, if Series G Preferred Stock is to be converted after such record date, the Underlying Shares and other capital stock of the Company, if any, issuable upon such conversion over and above the Underlying Shares and other capital stock of the Company, if any, issuable upon such conversion thereof on the basis of the Conversion Price prior to adjustment and (B) paying to the holder any amount in cash in lieu of a fractional share pursuant to the terms hereof, provided, however, that the Company shall deliver to the holder a due bill or other appropriate instrument evidencing the holder's right to receive such additional Underlying Shares, other capital stock and/or cash upon the occurrence of the event requiring such adjustment.

(e) If at any time conditions shall arise by reason of action taken by the Company which in the opinion of the Board of Directors are not adequately covered by the other provisions hereof and which might materially and adversely affect the rights of the holders of Series G Preferred Stock (different than or distinguished from the effect generally on rights of holders of any class of the Company's capital stock) or if at any time any such conditions are expected to arise by reason of any action contemplated by the Company, the Company shall mail a written notice briefly describing the action contemplated and the material adverse effects of such action on the rights of the holders of Series G Preferred Stock at least 20 calendar days prior to the effective date of such action, and an Appraiser selected by the holders of majority in interest of the Series G Preferred Stock shall give its opinion as to the adjustment, if any (not inconsistent with the standards established in this Section 5), of the Conversion Price (including, if necessary, any adjustment as to the securities into which shares of Series G Preferred Stock

may thereafter be convertible) and any distribution which is or would be required to preserve without diluting the rights of the holders of shares of Series G Preferred Stock; provided, however, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which case the adjustment shall be equal to the average of the adjustments recommended by each such Appraiser. The Board of Directors shall make the adjustment recommended forthwith upon the receipt of such opinion or opinions or the taking of any such action contemplated, as the case may be; provided, however, that no such adjustment of the Conversion Price shall be made which in the

opinion of the Appraiser(s) giving the aforesaid opinion or opinions would result in an increase of the Conversion Price to more than the Conversion Price then in effect.

(f) The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of Series G Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the holders of Series G Preferred Stock, such number of shares of Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 5(b) and Section 5(d) hereof) upon the conversion of all outstanding shares of Series G Preferred Stock, and in no circumstances shall such reserved and available shares of Common Stock be less than twice the number of shares of Common Stock which would be issuable upon conversion of the Series G Preferred Stock were such conversion effected on the Original Issue Date. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid and nonassessable.

(g) Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the holder of a share of Series G Preferred Stock shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(h) The issuance of certificates for shares of Common Stock on conversion of Series G Preferred Stock shall be made without charge to the holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of

any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Preferred Stock so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(i) Shares of Series G Preferred Stock converted into Common Stock or redeemed pursuant to the terms hereof shall be canceled and shall have the status of authorized but unissued shares of preferred stock.

(j) Each Holder Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to the attention of the Chief Financial Officer of the Company at the facsimile telephone number and address of the principal place of business of the Company. Each Company Conversion Notice shall be given by facsimile and by mail, postage prepaid, addressed to each holder of Series G Preferred Stock at the facsimile telephone number and address of such holder appearing on the books of the Company or provided to the Company by such holder for the purpose of such Company Conversion Notice, or if no such facsimile telephone number or address appears or is so provided, at the principal place of business of the holder. Any such notice shall be deemed given and effective upon the earliest to occur of (i) (a) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) prior to 6:00 p.m. (Eastern Standard Time) on any date, such date (or, in the case of a Company Conversion Notice, the next Trading Day) or such later date as is specified in the Conversion Notice, and (b) if such Conversion Notice is delivered via facsimile at the facsimile telephone number specified in this Section 5(j) after 6:00 p.m. (Eastern Standard Time) on any date, the next date (or, in the case of a Company Conversion Notice, the next Trading Day after such next day) or such later date as is specified in the Conversion Notice, (ii) five days after deposit in the United States mails or (iii) upon actual receipt by the party to whom such notice is required to be given.

Section 6. Company Redemption Option.

The Company may, at its option, redeem any outstanding and unconverted Series G Preferred Stock on the third anniversary of the Original Issue Date (the "Optional Redemption Date"), provided that the Company notifies the holders thereof no later than the third business day prior to the Optional Redemption Date of its intention to do so.

If the Company elects to redeem such outstanding and unconverted shares of Series G Preferred Stock, the redemption price per share (the "Optional Redemption Price") shall equal the Conversion Price on the Optional Redemption Date and shall be paid by the Company to the holders of such unconverted Series G Preferred Stock on the Optional Redemption Date. If any portion of the Optional Redemption Price shall not be paid by the Company within 7 calendar days after the Optional Redemption Date, such Optional Redemption Price shall be increased by an amount accruing from the 7th day to the 21st day after the Optional Redemption Date at the rate of 5% per annum, from the 22nd day to the 60th day at 8% per annum and from the 61st day until paid at the rate of 12% per annum. However, if any portion of the Optional Redemption Price remains unpaid more than 7 calendar days after the Optional Redemption Date, then the holder may elect, by written notice to the Company given within 45 days after the Optional Redemption Date, to either (i) demand conversion in accordance with the formula and the time frame therefor set forth in Section 5 for a conversion at the option of the holder hereof of all Series G Preferred Shares for which the Optional Redemption Price, plus interest, has not been paid in full (the "Unpaid Optional Redemption Shares"), in which event the Per Share Market Price for such shares shall be the lower of the Per Share Market Price calculated on the Optional Redemption Date and the Per Share Market Price as of the holder's written demand for conversion, or (ii) demand that the Company withdraw its election to force such redemption. If the holder elects option (i) above, the Company shall within three business days of its receipt of such election deliver to the holder the shares of Common Stock issuable upon conversion of the Unpaid Shares subject to such holder conversion demand and otherwise perform its obligations hereunder with respect thereto; or, if the Holder elects option (ii) above, the Company shall promptly, and in any event not later than three business days from receipt of holder's notice of such election, return to the holder all of the Unpaid Optional Redemption Shares.

Section 7. Definitions. For the purposes hereof, the

following terms shall have the following meanings:

"Common Stock" means shares now or hereafter authorized of the class of Common Stock, par value \$.001, of the Company and

stock of any other class into which such shares may hereafter have been

reclassified or changed.

"Conversion Ratio" means, at any time, a fraction, of which the numerator is Stated Value plus accrued but unpaid dividends (which shall not include dividends paid upon conversion) and of which the denominator is the Conversion Price at such time.

"Junior Securities" means the Common Stock and all other equity securities of the Company, except the Other Preferred Stock.

"Original Issue Date" shall mean the date of the first issuance of any shares of the Series G Preferred Stock regardless of the number of transfers of any particular shares of Series G Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series G Preferred Stock.

"Per Share Market Value" means on any particular date (a) the closing bid price per share of the Common Stock on such date on The NASDAQ SmallCap Market or other market or stock exchange on which the Common Stock has been listed or if there is no such price on such date, then the closing bid price on such market or exchange on the date nearest preceding such date, or (b) if the Common Stock is not listed on The NASDAQ SmallCap Market or any market or stock exchange, the closing bid for a share of Common Stock in the over-the-counter market, as reported by the NASDAQ Stock Market at the close of business on such date, or (c) if the Common Stock is not quoted on the NASDAQ Stock Market, the closing bid price for a share of Common Stock in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), or (d) if the Common Stock is no longer reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period as determined by the holder, or (e) if the Common Stock is no longer publicly traded the fair market value of a share of Common Stock as determined by an Appraiser (as defined in Section 5(d)(iv) above) selected in good faith by the holders of a majority in interest of the shares of the Series G Preferred Stock; provided, however, that the Company, after receipt of the determination by such Appraiser, shall have the right to select an additional Appraiser, in which

case, the fair market value shall be equal to the average of the determinations by each such Appraiser.

"Person" means a corporation, an association, a partnership,

organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Purchase Agreement" means the Convertible Preferred Stock Purchase Agreement between the Company and the original holder of the Series G Preferred Stock.

"Trading Day" means (a) a day on which the Common Stock is traded on The NASDAQ SmallCap Market or principal stock exchange on which the Common Stock has been listed, or (b) if the Common Stock is not listed on The NASDAQ SmallCap Market or any stock exchange, a day on which the Common Stock is traded in the over-the-counter market, as reported by the NASDAQ Stock Market, or (c) if the Common Stock is not quoted on the NASDAQ Stock Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices).

EXHIBIT A
NOTICE OF CONVERSION
AT THE ELECTION OF HOLDER

(To be Executed by the Registered Holder
in order to Convert shares of Series G Preferred Stock)

The undersigned hereby elects to convert the number of shares of Series G Convertible Preferred Stock indicated below, into shares of Common Stock, par value U.S.\$0.001 per share (the "Common Stock"), of AMNEX, Inc. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion

Number of shares of Series G Preferred
Stock to be Converted

Applicable Conversion Price

Signature

Name:

Address:

The Company undertakes to promptly upon its receipt of this conversion notice (and, in any case prior to the time it effects the conversion requested hereby), notify the converting holder by facsimile of the number of shares of Common Stock outstanding on such date and the number of shares of Common Stock which would be issuable to the holder if the conversion requested in this

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conversion notice were effected in full, whereupon, the holder may, within one day of the notice from the Company, revoke the conversion requested hereby to the extent that it determines that such conversion would result in it owning in excess of 4.9% of the outstanding shares of Common Stock on such date, and the Company shall issue to the holder one or more certificates representing shares of Series G Preferred Stock which have not been converted as a result of this provision. If the holder waives the applicability of this limitation by notice to the Company delivered upon its receipt of the Company's notice regarding the number of outstanding shares of Common Stock or if the Purchaser fails to respond to the Company's notice within one day thereafter, the Company shall effect in full the conversion requested in this notice.

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EXHIBIT B

AMNEX, INC.

NOTICE OF CONVERSION AT
THE ELECTION OF THE COMPANY

The undersigned in the name and on behalf of AMNEX, Inc. (the "Company") hereby notifies the addressee hereof that the Company hereby elects to exercise its right to convert [] shares of its Series G Convertible Preferred Stock held by the Holder into shares of Common Stock, par value U.S.\$0.001 per share (the "Common Stock") of the Company according to the terms hereof, as of the date written below. No fee will be charged to the Holder for any conversion hereunder, except for such transfer taxes, if any which may be incurred by the Company if shares are to be issued in the name of a person other than the person to whom this notice is addressed.

Conversion calculations:

Date to Effect Conversion

Number of Shares of Preferred Stock
to be Converted

Applicable Conversion Price

Number of Shares of Common Stock
Outstanding as at the Close of Trading on
the Conversion Date

AMNEX, INC.

By: _____

Title: _____

(5) No holder of any shares of the Corporation shall, because of his ownership of shares of the Corporation, have a pre-emptive or other right to purchase, subscribe for, or take any part of any shares of the Corporation, or any part of any notes, debentures, bonds, or other securities convertible into or providing for options or warrants to purchase shares of the Corporation which are issued, offered, or sold by the Corporation after its incorporation, whether

the shares, notes, debentures, bonds, or other securities be authorized by this certificate of incorporation or by an amended certificate duly filed and in effect at the time of the issuance, offer, or sale of such shares, notes, debentures, bonds, or other securities. Any part of the shares authorized by this Certificate of Incorporation, or by an amended certificate duly filed, and any part of any notes, debentures, bonds, or other securities convertible into or providing for options or warrants to purchase shares of the Corporation may at any time be issued, offered for sale, and sold or disposed of by the Corporation, pursuant to a resolution of its Board of Directors and to such persons and upon such terms and conditions as the Board of Directors may, in its sole discretion, deem proper and advisable, without first offering to existing shareholders any part of such shares, notes, debentures, bonds, or other securities.

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(6) The Secretary of State is designated as the agent of the Corporation upon whom process against the Corporation may be served, and the address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is 101 Park Avenue, New York, New York 10178, Attention: Vice President - General Counsel.

(7) A director of the Corporation shall not be personally liable to the Corporation or its shareholders for damages for any breach of duty in his capacity as a director, unless a judgment or other final adjudication adverse to him establishes that (i) his acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or (ii) he personally gained in fact a financial or other advantage to which he was not legally entitled or (iii) his acts violated Section 719 of the Business Corporation Law. Neither the amendment nor repeal of this Article 7, nor the adoption of any provision of the Certificate of Incorporation inconsistent with this Article 7, shall eliminate or reduce the effect of this Article 7 in respect of any matter occurring, or any cause of action, suit or claim that but for this Article 7 would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

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BY-LAWS

OF

AMNEX, INC.

(As Amended Through August 31, 1996)

ARTICLE I

OFFICES

Section 1. Principal Office

The principal office of the Corporation shall be in City of New York, County of New York, State of New York.

Section 2. Additional Offices

The Corporation may also have offices and places of business at such other places, within or without the State of New York, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Time and Place

The annual meeting of the shareholders of the Corporation and all special meetings of shareholders may be held at such time and place within or without the State of New York as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meeting

The annual meeting of shareholders shall be held on the 3rd Tuesday in June of each year, if not a legal holiday, and, if a legal holiday, then on the next business day thereafter, and the shareholders shall then elect a Board of Directors and transact such other business as may properly be brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by, at the direction of or upon authority granted by the Board of Directors, (b) otherwise brought before the meeting by, at the direction of or upon authority granted by the Board of Directors, or (c) subject to ARTICLE II, Section 10 hereof, otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the

shareholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a shareholder's notice must be received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; provided, however, that, in the event that less than 70 days' notice of the date of the meeting is given to shareholders and public disclosure of the meeting date, pursuant to a press release, is either not made or is made less than 70 days prior to the meeting date, then notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the earlier of (a) the day on which such notice of the date of the annual meeting was mailed to shareholders or (b) the day on which any such public disclosure was made.

A shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting, and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Company's books, of the shareholder proposing such business, (c) the class and number of shares of the Company which

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are beneficially owned by the shareholder, and (d) any material interest of the shareholder in such business. Notwithstanding anything in the By-Laws to the contrary, but subject to ARTICLE II, Section 10 hereof, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2, and, if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

Section 3. Notice of Annual Meeting

Written notice of the place, date and hour of the annual meeting of shareholders shall be given personally or by mail to each shareholder entitled to vote thereat, not less than ten (10) nor more than fifty (50) days prior to the meeting.

Section 4. Special Meetings

Special meetings of the shareholders, for any purposes, unless otherwise prescribed by law or by the Certificate of Incorporation, may be called by the President, Chairman of the Board or any Director of the Corporation. Such request shall state the purpose or purposes of the proposed meetings.

Section 5. Notice of Special Meeting

Written notice of a special meeting of shareholders stating the place, date and hour of the meeting, the purpose or purposes for which the

meeting is called, and by or at whose direction it is being issued, shall be given personally or by mail to each shareholder entitled to vote thereat, not less than ten (10) nor more than fifty (50) days prior to the meeting.

Section 6. Quorum

Except as otherwise provided by the Certificate of Incorporation, the holders of a majority of the shares of the Corporation issued and outstanding and entitled to vote thereat shall be necessary to and shall constitute a quorum for the transaction of business at all meetings of the shareholders. If a quorum shall not be present at any meeting of the shareholders, the shareholders entitled to vote thereat present in person or represented by proxy shall have power to adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 7. Voting

(a) At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy. Except as otherwise provided in the Certificate of Incorporation, each shareholder shall have one (1) vote for each share of stock having voting power which is registered in his name on the books of the Corporation.

(b) Except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws, all elections of Directors shall be decided by a plurality of the votes cast and all other matters shall be decided by a majority of the votes cast.

(c) At each meeting of the shareholders, the polls shall be opened and closed, the proxies and ballots shall be received and be taken in charge, and all questions touching the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by one (1) or more inspectors. Such inspector(s) shall be appointed by the Board of Directors or the chairman of the meeting. If, for any reason, any inspector(s) appointed shall fail to attend or refuse or be unable to serve, inspectors in place of any so failing to attend or refusing or unable to serve shall be appointed in like manner. Such inspector(s), before entering upon the discharge of his/their duties, shall be sworn faithfully to execute the duties of inspector(s) at such meeting with strict impartiality and according to the best of his/their ability, and the oath so taken shall be subscribed by him/them.

Section 8. Proxies

A proxy, to be valid, shall be executed in writing by the shareholder or by his attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided

in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except in those cases where an irrevocable proxy is permitted by law.

Section 9. Consents

Whenever by any provision of law or of the Certificate of Incorporation or of these By-Laws the vote of shareholders at a meeting thereof is required or permitted to be taken in connection with any corporate action, the meeting and vote of shareholders may be dispensed with if all the shareholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken. Nothing in this Section 9 shall be construed so as to alter or modify any provision of law under which the written consent of the holders of less than all outstanding shares is sufficient for corporate action.

Section 10. Notice and Qualification of Shareholder Nominees to Board

Only persons who are nominated in accordance with the procedures set forth in this Section 10 shall be qualified for election as Directors. Nominations of persons for election to the Board of Directors of the Company may be made at a meeting of shareholders by or at the direction of the Board of Directors or by any shareholder of the Company entitled to vote for the election of Directors at the meeting who complies with the procedures set forth in this Section 10. In order for persons nominated to the Board of Directors, other than those persons nominated by or at the direction of the Board of Directors, to be qualified to serve on the Board of Directors, such nomination shall be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a shareholder's notice must be received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; provided, however, that, in the event that less than 70 days' notice of the date of the meeting is given to shareholders and public disclosure of the meeting date, pursuant to a press release, is either not made or is made less than 70 days prior to the meeting date, then notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the earlier of (a) the day on which such notice of the date of the meeting was mailed to shareholders or (b) the day on which such public disclosure was made.

A shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Company which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitation of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended from time to time (including, without limitation, such documentation as is required by Regulation 14A to confirm that such person is a bona fide nominee);

and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Company's books, of such shareholder and (ii) the class and number of shares of the Company which are beneficially owned by such shareholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Company that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be qualified for election as a Director of the Company unless nominated in accordance with the procedures set forth in this Section 10. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with procedures prescribed by the By-Laws, and, if he should so determine, he shall so declare to the meeting, and the defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 1. Number; Tenure

(a) The number of Directors constituting the entire Board of Directors shall be fixed from time to time by resolution of the Board but shall not be less than three (3), except that where all the shares of the Corporation are owned beneficially and of record by less than three (3) shareholders, the number of Directors may be less than three (3) but not less than the number of shareholders.

(b) Directors shall be elected at the annual meeting of the shareholders, except as provided in Section 3 of this Article III, and each Director shall be elected to serve until his successor has been elected and has qualified.

Section 2. Resignation; Removal

Any Director may resign at any time. The Board of Directors may remove a Director for cause. Any or all of the Directors may be removed with or without cause by a vote of the shareholders. These provisions for the removal of Directors apply to the extent permitted by the laws of the State of New York.

Section 3. Vacancies

If any vacancies occur in the Board of Directors by reason of the death, resignation, retirement, disqualification or removal from office of any Director with or without cause or if any new directorships are created, the Directors then in office may choose successors, or fill the newly created directorships, and the Directors so chosen shall hold office until the next annual meeting of the shareholders and until their successors shall be duly elected and qualified, unless sooner displaced.

Section 4. Executive Committee and Other Committees

The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive Committee and other committees, each consisting of three or more Directors, which committees shall serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more Directors as alternate members of any such committee, who may replace any absent member or members of such committee. The Board of Directors, by resolution adopted by a majority of the entire Board, may remove a member of any such committee with or without cause. To the extent provided in said resolution and to the extent permitted by the laws of the State of New York, each such committee shall have and may exercise the powers of the Board of Directors. Each of such committees shall keep regular minutes of its proceedings and shall report thereon to the Board from time to time as required.

ARTICLE IV

MEETINGS OF THE BOARD

Section 1. Place

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of New York.

Section 2. Regular Meetings

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

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Section 3. Special Meetings

Special meetings of the Board of Directors may be called by the Chairman of the Board or the President, and, upon the written demand of at least two (2) Directors, shall be called by the Secretary, in each case on one (1) day's notice to each Director, either personally, by overnight mail, by telegram, by telecopier or by telephone.

Section 4. Quorum

At all meetings of the Board of Directors, a majority of the Directors then in office, shall be necessary to constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the Directors present thereat may adjourn the meeting from time to time until a quorum shall be present. One (1) day's notice of any such adjournment shall be given, either personally, by mail, by telegram, by telecopier or by telephone to each Director who was not present and, unless

announced at the meeting, to the other Directors.

Section 5. Action of the Board

Unless otherwise required by law, the vote of a majority of the Directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

Section 6. Participation in Meeting by Electronic Means

Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or any committee thereof by means of a conference telephone or similar communication equipment allowing all persons participating in such meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting.

Section 7. Action in Lieu of Meeting

Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board of Directors or committee shall be filed with the minutes of the proceedings of the Board of Directors or committee.

Section 8. Compensation

Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board of Directors, a fixed fee and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided, however, that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE V

NOTICES

Section 1. Form; Delivery

Notices to Directors and shareholders shall be in writing (except as provided herein) and may be delivered personally or by mail or, with respect to Directors only, by telegram, telecopier or telephone. Such notice is deemed to be given, if by mail, when deposited in the United States mail, with postage thereon prepaid and, if by telegram, when ordered or, if a delayed delivery is ordered, as of such delayed delivery time, and, if by telecopier, when transmitted and directed to Directors at their addresses as they appear on the records of the Corporation.

Section 2. Waiver

Whenever a notice is required to be given by any statute, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to such notice. In addition, any shareholder attending a meeting of shareholders in person or by proxy without protesting prior to the conclusion of the meeting the lack of notice thereof to him, and any Director attending a meeting of the Board of Directors or committee thereof without protesting prior to the meeting or at its commencement such lack of notice shall be conclusively deemed to have waived notice of such meeting.

ARTICLE VI

OFFICERS

Section 1. Officers

The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice-Presidents, a Secretary, a Treasurer, and such other officers as may be determined by the Board of Directors.

Section 2. Authority and Duties

All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-Laws, or, to the extent not so provided, by the Board of Directors.

Section 3. Term of Office; Removal

All officers shall be elected by the Board of Directors and shall hold office for such time as may be prescribed by the Board. Any officer or agent elected or appointed by the Board may be removed with or without cause at any time by the Board.

Section 4. Compensation

The compensation of all officers of the Corporation shall be fixed by the Board of Directors, and the compensation of agents shall either be so fixed or shall be fixed by officers thereunto duly authorized. The fact that any officer is a Director shall not preclude him from receiving a salary as an officer, or from voting upon the resolution providing the same.

Section 5. Vacancies

If an office becomes vacant for any reason, the Board of Directors may fill the vacancy. Any officer so appointed or elected by the Board shall serve only until the unexpired term of his predecessor shall have expired

unless re-elected by the Board.

Section 6. The Chairman of the Board

The Chairman of the Board of Directors shall be the Chief Executive Officer of the Corporation; he shall preside at all meetings of the Board of Directors and shareholders; he shall be ex-officio a member of all standing committees and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. The President

The President shall be the Chief Operating Officer of the Corporation; he shall have general and active management and control of the day-to-day business and affairs of the Corporation, subject to the control of the Board of Directors, and shall see that all orders and resolutions of the Board are carried into effect.

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Section 8. The Vice-President

The Vice-President or, if there be more than one, the Vice-Presidents in the order of their seniority or in any other order determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall generally assist the President and perform such other duties as the Board, the Chairman of the Board or the President shall prescribe.

Section 9. The Secretary

The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board, the Chairman of the Board or the President, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Treasurer or Assistant Secretary. He shall keep in safe custody the certificate books and shareholder records and such other books and records as the Board may direct and shall perform all other duties incident to the office of the Secretary.

Section 10. The Assistant Secretary

During the absence or disability of the Secretary, any Assistant Secretary, or if there be more than one, the one so designated by the

Secretary or by the Board of Directors, shall have all the powers and functions of the Secretary.

Section 11. The Treasurer

The Treasurer shall have the care and custody of the corporate funds and other valuable effects, including securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render the Directors, at the regular meeting of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 12. The Assistant Treasurer

During the absence or disability of the Treasurer, any Assistant Treasurer, or if there be more than one, the one so designated by the Treasurer or by the Board of Directors, shall have all the powers and functions of the Treasurer.

Section 13. Bonds

In case the Board of Directors shall so require, any officer or agent of the Corporation shall give the Corporation a bond for such term, in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office, and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

ARTICLE VIII

SHARE CERTIFICATES

Section 1. Form; Signature

The certificates for shares of the Corporation shall be in such form as shall be determined by the Board of Directors and shall be numbered consecutively and entered in books of the Corporation as they are issued. Each certificate shall exhibit the registered holder's name and the number and class of shares, and shall be signed by the Chairman of the Board, the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and shall bear the seal of the Corporation or a facsimile thereof. Where any such certificate is counter-signed by a transfer

agent, or registered by a registrar, the signature of any such officer may be a facsimile signature. In case any officer who signed or whose facsimile signature or signatures was placed on any such certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of issue.

Section 2. Lost Certificates

The Board of Directors may direct a new share certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

Section 3. Registration of Transfer

Upon surrender to the Corporation or any transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation or such transfer agent to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 4. Registered Shareholders

Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends or other distributions and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be found to recognize any equitable or legal claim to or interest in such share or shares on the part of any other person, whether or not it has actual or other notice thereof.

Section 5. Record Date

For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action affecting the interest of shareholders, the Board of Directors may fix, in advance, a record date. Such date shall not be more than fifty (50) nor less than ten (10) days before the date of any such meeting, nor more than fifty (50) days prior to any other action.

In each such case, except as otherwise provided by law, only such persons as shall be shareholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to express such consent or dissent, or to receive payment of such dividend or such allotment or rights, or otherwise to be recognized as shareholders for the related purpose, notwithstanding any registration or transfer of shares on the books of the Corporation after any such record date so fixed.

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ARTICLE IX

GENERAL PROVISIONS

Section 1. Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 2. Dividends

Dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting and may be paid in cash, in property, in shares of the capital stock or any combination thereof, subject to the provisions of the laws of the State of New York.

Section 3. Reserves

Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the Board shall deem conducive to the interests of the Corporation, and the Board may modify or abolish any such reserve in the manner in which it was created.

Section 4. Check

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 5. Seal

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal New York". The seal may be used by causing it or a facsimile thereof to be impressed

or affixed or otherwise reproduced.

ARTICLE X

INDEMNIFICATION

Section 1. Actions by or in the right of the Corporation

Any person made, or threatened to be made, a party to an action by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he, his testator or intestate, is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a Director or officer of any other corporation of any type or kind, domestic or foreign, of any partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation against amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense or settlement of such action, or in connection with an appeal therein, to the fullest extent permitted by the laws of State of New York.

Section 2. Action or Proceeding Other than by or in the Right of the Corporation

Any person made, or threatened to be made, a party to an action or proceeding (other than one by or in the right of the Corporation to procure a judgment in its favor), whether civil or criminal, including an action by or in the right of any other corporation of any type or kind, domestic or

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foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any Director or officer of the Corporation served in any capacity at the request of the Corporation, by reason of the fact that he, his testator or intestate, was a Director or officer of the Corporation, or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, shall be indemnified by the Corporation against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, to the fullest extent permitted by the laws of the State of New York.

Section 3. Opinion of Counsel

In taking any action or making any determination pursuant to this Article, the Board of Directors and each Director, officer or employee, whether or not interested in any such action or determination, may rely upon an opinion of counsel selected by the Board.

Section 4. Other Indemnification; Limitation

The Corporation's obligation under this Article shall not be exclusive or in limitation of, but shall be in addition to, any other rights to which any such person may be entitled by (i) a resolution of shareholders, (ii) a resolution of Directors or (iii) an agreement providing for such indemnification. All of the provisions of this Article X of the By-Laws shall be valid only to the extent permitted by the Certificate of Incorporation and the laws of the State of New York.

ARTICLE XI

AMENDMENTS

Section 1. Power to Amend

These By-Laws shall be subject to amendment or repeal, and additional By-Laws may be adopted, either by the Board of Directors at any regular or special meeting of the Board or by written consent in lieu of a meeting, or by the shareholders at any regular or special meeting of the shareholders, or by written consent in lieu of a meeting.

CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT

Between

AMNEX, INC.

and

SOUTHBROOK INTERNATIONAL INVESTMENTS, LTD.

Dated as of September 19, 1996

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CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of September 19, 1996, between Southbrook International Investments, Ltd., a corporation organized and existing under the laws of the British Virgin Islands (the "Purchaser"), and Amnex, Inc., a corporation organized and existing under the laws of New York (the "Company").

WHEREAS, the Company desires to issue and sell to the Purchaser and the Purchaser desires to acquire shares of the Company's Series G Convertible Preferred Stock, par value \$.001 per share (the "Series G Preferred"), the Company's Series H Convertible Preferred Stock, par value \$.001 per share (the "Series H Preferred"), the Company's Series I Convertible Preferred Stock, par value \$.001 per share (the "Series I Preferred") and the Company's Series J Convertible Preferred Stock, par value \$.001 per share (the "Series J Preferred").

IN CONSIDERATION of the mutual covenants contained in this Agreement, the Company and the Purchaser agree as follows:

ARTICLE I

PURCHASE AND SALE OF PREFERRED SHARES

1.1 Purchase and Sale. (a) Subject to the terms and conditions set forth herein, the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase (a) an aggregate of up to 125,000 shares of Series G Preferred (collectively, the "Series G Shares"); (b) an aggregate of up to 125,000 shares of Series H Preferred (collectively, the "Series H Shares"; (c) an aggregate of up to 125,000 shares of Series I Preferred (collectively, the "Series I Shares"); and (d) an aggregate of up to 125,000 shares of the Series J Preferred (collectively, the "Series J Shares"). The Series G Shares, the Series H Shares, the Series I Shares, and the Series J Shares are collectively referred to as the "Shares." Notwithstanding anything to the contrary set forth in this Agreement, the Company shall have no obligation to sell Series G Shares, other than in accordance with Section 1.3(a), Series H Shares, Series I Shares or Series J Shares.

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(b) The Series G Preferred shall have the respective rights, preferences and privileges set forth in Exhibit A attached hereto (the "Series G Terms"), which shall be incorporated into a Certificate of Amendment to be approved by the Purchaser and filed by the Company with the Secretary of State of New York (the "Series G Amendment"). The Series H Preferred, the Series I Preferred and the Series J Preferred shall have respective rights, preferences and privileges identical to the Series G Terms as set forth in Exhibit A, mutatis mutandis, except that the Conversion Price for conversion of such Shares shall be the lesser of the Market Price at the Original Issue Date of such Shares or the percentage of the Market Price at the Conversion Date of such Shares determined by reference to the following schedule:

Market Capitalization	Percentage of Market Price
\$40,000,000 - \$89,329,999	80%
\$89,330,000 - \$95,142,999	82.5%
\$95,143,000 - \$134,329,999	84%
\$134,330,000 or more	85%

The Series H Shares, the Series I Shares and the Series J Shares shall be authorized pursuant to one or more certificates of amendment to the Company's Certificate of Incorporation to be prepared by the Company, subject to the approval of the Purchaser, and filed by the Secretary of State of New York (such

certificates of amendment, together with the Series G Amendment, are referred to as the "Certificates of Amendment").

For purposes of this Agreement, "Conversion Price," "Original Issue Date," "Conversion Date" "Trading Day" and "Per Share Market Value" shall have the meanings set forth in the Series G Terms; "Market Capitalization" shall mean the product of the Outstanding Shares at the Original Issue Date of the particular series of Shares being issued and with respect to which the computation is being made, multiplied by the average Per Share

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Market Value for the twenty (20) Trading Days immediately preceding the Original Issue Date of the particular series of Shares being issued; "Outstanding Shares" shall mean 24,000,000 plus the number of shares of common stock, \$.001 par value, of the Company ("Common Stock") theretofore issued to the Purchaser or into which Shares theretofore issued to the Purchaser may then be converted; and "Market Price" as at any date shall mean the average Per Share Market Value for the five (5) Trading Days immediately preceding such date.

1.2 Purchase Price. The purchase price for the Shares shall be \$20.00 per share.

1.3 The Closings.

(a) The Series G Closings. (i) The initial closing of the purchase and sale of Series G Shares (the "Initial Series G Closing") shall take place at the offices of Robinson Silverman Pearce Aronsohn & Berman LLP ("Robinson Silverman"), 1290 Avenue of the Americas, New York, New York 10104, immediately following the execution hereof or upon the satisfaction of the conditions set forth in Section 4.1. The date of the Initial Series G Closing is hereinafter referred to as the "Initial Series G Closing Date". At the Initial Series G Closing, the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase, 100,000 shares of Series G Preferred (the "Initial Series G Shares"), for an aggregate purchase price of \$2,000,000.

(ii) At the election of the Company, a second closing of the purchase and sale of Series G Shares (the "Second Series G Closing") shall take place at the offices of Robinson Silverman at such time, which may not be later than the 30th day after the Underlying Shares Registration Statement (hereinafter defined) relating to the Common Stock into which the Initial Series G Shares may be converted has been filed and has been declared effective by the Securities and Exchange Commission (the "SEC" or the "Commission") in accordance with the Registration Rights Agreement, as may be designated by the Company upon not less than ten (10) days notice to the

Purchaser given on or after the date such Underlying Shares Registration Statement is declared effective by the Commission; provided that the Second

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Series G Closing may take place only upon satisfaction of the conditions set forth in Section 4.1(a) and 4.1(b) and only if the Underlying Shares Registration Statement relating to the Common Stock into which the Initial Series G Shares may be converted has been filed and has been declared effective by the SEC in accordance with the Registration Rights Agreement. The date of the Second Series G Closing is referred to as the "Second Series G Closing Date." At the Second Series G Closing, the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase, such number (but in no event more than 25,000) of Series G Shares as may be designated by the Company in its notice of the Second Series G Closing.

(iii) At each Series G Closing, (a) the Company shall deliver to the Purchaser (1) one or more stock certificates representing the Series G Shares being issued and sold at such closing, registered in the name of the Purchaser and (2) all documents, instruments and writings required to have been delivered at or prior to the Series G Closing by the Company pursuant to this Agreement; and (b) the Purchaser shall deliver to the Company (1) the purchase price for the number of shares of Series G Preferred being purchased at such closing as determined pursuant to this Article I in United States dollars in immediately available funds by wire transfer to an account designated in writing by the Company prior to the particular Series G Closing Date and (2) all documents, instruments and writings required to have been delivered at or prior to such Series G Closing by the Purchaser pursuant to this Agreement and the Registration Rights Agreement.

(b) The Series H Closing. (i) At the election of the Company, the closing of the purchase and sale of the Series H Shares (the "Series H Closing") shall take place at the offices of Robinson Silverman at such time as the Company may designate, provided, however, in no case shall the Series H Closing take place until the conditions set forth in Section 4.2 have been satisfied and (A) earlier than the later of December 1, 1996, or ten days after notice from the Company to the Purchaser of its election to sell to the Purchaser Series H Shares given on or after the date that the Underlying Shares Registration Statements relating to the Initial Series G Shares, and, if there has occurred a Second Series G Closing, the Series G Shares sold

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thereat have been declared effective by the Commission, or (B) later than March 31, 1997 (the "Series H Closing Expiration Date"). The date of the Series H Closing is hereinafter referred to as the "Series H Closing Date".

(ii) At the Series H Closing, (a) the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase from the Company, such number (up to 125,000) shares of Series H Preferred as the Company may elect to issue and sell to the Purchaser, (b) the Company shall deliver to the Purchaser (1) one or more stock certificates representing the Series H Shares, registered in the name of the Purchaser and (2) all documents, instruments and writings required to have been delivered at or prior to the Series H Closing by the Company pursuant to this Agreement and the Registration Rights Agreement and (c) the Purchaser shall deliver to the Company (1) the purchase price for the Series H Shares being purchased as determined pursuant to this Article I in immediately available funds by wire transfer to an account designated in writing by the Company prior to the Series H Closing Date and (2) all documents, instruments and writings required to have been delivered at or prior to Series H Closing by the Purchaser pursuant to this Agreement and the Registration Rights Agreement.

(c) The Series I Closing. (i) At the election of the Company, the closing of the purchase and sale of Series I Shares (the "Series I Closing") shall take place at the offices of Robinson Silverman at such time as the Company may designate, provided, however, in no case shall the Series I Closing take place until the conditions set forth in Section 4.2 have been satisfied and (A) earlier than the later of April 1, 1997, or ten days after notice from the Company to the Purchaser of its election to sell to the Purchaser Series I Shares given on or after the date that the Underlying Shares Registration Statement covering Shares issued at the last prior Closing hereunder has been declared effective, or (B) later than June 30, 1997 (the "Series I Expiration Date"). The date of the Series I Closing is referred to as the "Series I Closing Date."

(ii) At the Series I Closing, (a) the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase from the Company, such number (up to 125,000) shares of

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Series I Preferred as the Company may elect to issue and sell to the Purchaser, (b) the Company shall deliver to the Purchaser (1) one or more stock

certificates representing the Series I Shares being sold at the Series I Closing, registered in the name of the Purchaser and (2) all documents, instruments and writings required to have been delivered at or prior to the Series I Closing by the Company pursuant to this Agreement and the Registration Rights Agreement, and (c) the Purchaser shall deliver to the Company (1) the purchase price for the Series I Shares being purchased, as determined pursuant to this Article I, in immediately available funds by wire transfer to an account designated in writing by the Company prior to the Series I Closing Date, and (2) all documents, instruments and writings required to have been delivered at or prior to the Series I Closing by the Purchaser pursuant to this Agreement and the Registration Rights Agreement.

(d) The Series J Closing. (i) At the election of the Company, the closing of the purchase and sale of Series J Shares (the "Series J Closing") shall take place at the offices of Robinson Silverman at such time as the Company may designate, provided, however, in no case shall the Series J Closing take place until the conditions set forth in Section 4.2 have been satisfied and (A) earlier than the later of July 1, 1997, or ten days after notice from the Company to the Purchaser of its election to sell to the Purchaser Series J Shares given on or after the date that the Underlying Shares Registration Statement covering Shares issued at the last prior Closing hereunder has been declared effective, or (B) later than September 30, 1997 (the "Series J Expiration Date"). The date of the Series J Closing is referred to as the "Series J Closing Date."

(ii) At the Series J Closing, (a) the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase from the Company, such number (up to 125,000) shares of Series J Preferred as the Company may elect to issue and sell to the Purchaser, (b) the Company shall deliver to the Purchaser (1) one or more stock certificates representing the Series J Shares being sold at the Series J Closing, registered in the name of the Purchaser and (2) all documents, instruments and writings required to have been delivered at or prior to the Series J Closing by the Company pursuant to this Agreement and the

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Registration Rights Agreement, and (c) the Purchaser shall deliver to the Company (1) the purchase price for the Series J Shares being purchased, as determined pursuant to this Article I, in immediately available funds by wire transfer to an account designated in writing by the Company prior to the Series J Closing Date, and (2) all documents, instruments and writings required to have been delivered at or prior to the Series J Closing by the Purchaser pursuant to this Agreement and the Registration Rights Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations, Warranties and Agreements of the Company. The Company hereby makes the following representations and warranties to the Purchaser:

(a) Organization and Qualification. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of the State of New York, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. The Company has no subsidiaries other than as set forth in the Schedule 2.1(a) attached hereto (collectively, the "Subsidiaries"). Each of the Subsidiaries is a corporation, duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, with the full corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each of the Company and the Subsidiaries is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not, individually or in the aggregate, have a material adverse effect on the results of operations, assets, prospects, or financial condition of the Company and the Subsidiaries, taken as a whole (a "Material Adverse Effect").

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(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated hereby and by the Registration Rights Agreement, dated the date hereof, between the Company and the Purchaser, in the form of Exhibit B (the "Registration Rights Agreement") and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement, the Warrants (hereinafter defined) and the Registration Rights Agreement by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to,

or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(c) Capitalization. The authorized, issued and outstanding capital stock of the Company is set forth in Schedule 2.1(c). No shares of Common Stock are entitled to preemptive or similar rights. Except as disclosed in Schedule 2.1(c), there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or, except as a result of the purchase and sale of the Shares hereunder, securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings, or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock. Neither the Company nor any Subsidiary is in violation of any of the provisions of its respective certificate of incorporation, bylaws or other charter documents, except that annual meetings of shareholders have not always been held in accordance with the respective bylaws.

(d) Issuance of Shares. The Shares are duly authorized, and when paid for in accordance with the terms hereof

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shall be validly issued, fully paid and nonassessable. The Company has and at all times while the Shares and the Warrants are outstanding will maintain an adequate reserve of duly authorized shares of Common Stock to enable it to perform its obligations under this Agreement, the Warrants and the Certificates of Amendment and in no circumstances shall such reserved and available shares of Common Stock be less than twice the number of shares of Common Stock which would be issuable upon conversion of the Shares issued pursuant to the terms hereof were such conversion effectuated on the Original Issue Date for such Shares. When issued in accordance with the terms hereof and the Certificates of Amendment, the shares of Common Stock into which the Shares may be converted (the "Underlying Shares") will be duly authorized, validly issued, fully paid and nonassessable; and when issued upon exercise of the Warrants in accordance with their respective terms, the Common Stock issuable on exercise of the Warrants (the "Warrant Shares") will be duly authorized, validly issued, fully paid and nonassessable.

(e) No Conflicts. The execution, delivery and performance of this Agreement and the Registration Rights Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of its certificate of incorporation or bylaws (each as amended through the date hereof)

or (ii) subject to obtaining the consents referred to in Section 2.1(f), conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company is a party, or (iii) to the knowledge of the Company result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company is subject (including Federal and state securities laws and regulations, subject to the accuracy of the Purchaser's representations herein), or by which any property or asset of the Company is bound or affected, except in the case of each of clauses (ii) and (iii), such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect. The business of the Company is not being conducted in

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violation of any law, ordinance or regulation of any governmental authority, except for violations which, individually or in the aggregate, do not have a Material Adverse Effect.

(f) Consents and Approvals. Except as specifically set forth in Schedule 2.1(f), neither the Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other person in connection with the execution, delivery and performance by the Company of this Agreement or the Registration Rights Agreement, except for (i) the filings of the Certificates of Amendment with respect to the Shares with the Secretary of State of New York, which filings shall be effected prior to the Initial Series G Closing Date, the Series H Closing Date, the Series I Closing Date and Series J Closing Date, as appropriate, (ii) the filing of the registration statements contemplated by the Registration Rights Agreement (the "Underlying Shares Registration Statements") with the SEC, which shall be filed in the time periods set forth in the Registration Rights Agreement, (iii) applications for the listing of the Underlying Shares and the Warrant Shares with the Nasdaq Small Cap Market, and (iv) other than, in all other cases, where the failure to obtain such consent, waiver, authorization or order, or to give or make such notice or filing, would not materially impair or delay the ability of the Company to effect the Series G Closings, the Series H Closing, the Series I Closing or the Series J Closing and to deliver to the Purchaser the Shares (and, upon conversion of the Shares, the Underlying Shares) or the Warrants (and, upon exercise of the Warrants, the Warrant Shares) in the manner contemplated hereby and the Registration Rights Agreement free and clear of all liens and

encumbrances of any nature whatsoever (together with the consents, waivers, authorizations, orders, notices and filings referred to in Section 2.1(f) and Schedule 2.1(f), the "Required Approvals").

(g) Litigation; Proceedings. Except as specifically disclosed in the Disclosure Materials (as defined below) or in Schedule 2.1(g), there is no action, suit, notice of violation, proceeding or, to the best knowledge of the Company, investigation pending or, to the best knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries or any of their respective properties before or by any court, governmental or administrative agency or regulatory authority (Federal, State, county, local or foreign) which (i) relates to or challenges the legality, validity or enforceability of this Agreement, the Registration Rights Agreement, the Warrants or the Shares, (ii) could, individually or in the aggregate, have a Material Adverse Effect or (iii) could, individually or in the aggregate, materially impair the ability of the Company to perform fully on a timely basis its obligations under this Agreement, the Warrants or the Registration Rights Agreement.

(h) No Default or Violation. Neither the Company nor any Subsidiary (i) is in default under or in violation of any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound, except such conflicts or defaults as do not have a Material Adverse Effect, (ii) is in violation of any order of any court, arbitrator or governmental body, except for such violations as do not have a Material Adverse Effect, or (iii) is in violation of any statute, rule or regulation of any governmental authority which could (individually or in the aggregate) (x) adversely affect the legality, validity or enforceability of this Agreement or the Registration Rights Agreement, (y) have a Material Adverse Effect or (z) adversely impair the Company's ability or obligation to perform fully on a timely basis its obligations under this Agreement or the Registration Rights Agreement.

(i) Intentionally Omitted.

(j) Disclosure Materials. The SEC Documents (hereinafter defined) and the Schedules to this Agreement furnished by or on behalf of the Company (collectively, the "Disclosure Materials") do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(k) Private Offering. The offer and sale of the Shares, the Warrants, the Underlying Shares and the Warrant Shares are exempt from registration under Section 5 of the Securities Act of 1933, as amended (the "Securities Act").

(l) SEC Documents. The Company has filed all reports required to be filed by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period

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as the Company was required by law to file such material) (the foregoing materials being collectively referred to herein as the "SEC Documents") on a timely basis, or has received a valid extension of such time of filing. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and none of the SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved, except as may be otherwise indicated in such financial statements or the notes thereto, and fairly present in all material respects the financial position of the Company as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal year-end audit adjustments. Since the date of the financial statements included in the Company's last filed Quarterly Report on Form 10-Q, there has been no event, occurrence or development that has had a Material Adverse Effect which is not specifically disclosed in any of the Disclosure Materials.

(m) Seniority. No class of equity securities of the Company is senior to the Shares in right of payment, whether upon liquidation, dissolution or otherwise. The Shares will be pari passu in all respects as to dividends and liquidation distributions with the Company's outstanding Series B, Series D, Series E and Series F Convertible Preferred Stock.

2.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Company as follows:

(a) Organization; Authority. The Purchaser is a corporation duly and validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Purchaser has the requisite power and authority to enter into and to consummate the transactions contemplated hereby and by the Registration Rights Agreement and otherwise to carry out its obligations hereunder and thereunder. The purchase of the Shares by the Purchaser hereunder has been duly authorized by all necessary action on the part of the Purchaser. Each of this Agreement and the Registration Rights Agreement has been duly executed and delivered by the Purchaser or on its behalf and constitutes the valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity.

(b) Investment Intent. The Purchaser is acquiring the Shares, the Warrants to be issued to it hereunder, the Underlying Shares and the Warrant Shares issuable upon exercise of such Warrants for its own account

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for investment purposes only and not with a view to or for distributing or reselling such Shares, Warrants, Warrant Shares or Underlying Shares or any part thereof or interest therein, without prejudice, however, to the Purchaser's right, subject to the provisions of this Agreement and the Registration Rights Agreement, at all times to sell or otherwise dispose of all or any part of such Shares, Warrants, Warrant Shares or Underlying Shares under an effective registration statement under the Securities Act and in compliance with applicable State securities laws or under an exemption from such registration.

(c) Purchaser Status. At the time the Purchaser was offered the Shares and the Warrants to be issued to it hereunder, it was, and at the date hereof, it is, at each Closing Date and each date of exercise of such Warrants and the Underlying Shares, it will be, an "accredited investor" as defined in Rule 501(a) under the Securities Act.

(d) Experience of Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, Warrants to be issued to it hereunder, Warrant Shares relating thereto and Underlying Shares and has so evaluated the merits and risks of such investment.

(e) Ability of Purchaser to Bear Risk of Investment. The Purchaser is able to bear the economic risk of an investment in the Shares,

Warrants to be issued to it hereunder, Warrant Shares relating thereto and Underlying Shares and, at the present time, is able to afford a complete loss of such investment.

(f) Prohibited Transactions. The Shares, Warrants to be issued to it hereunder, Warrant Shares relating to such Warrants and Underlying Shares to be purchased by the Purchaser are not being acquired, directly or indirectly, with the assets of any "employee benefit plan", within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(g) Access to Information. The Purchaser acknowledges receipt of the Disclosure Materials and further acknowledges that it has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Shares, the Warrants, the Warrant Shares and the Underlying Shares and the merits and risks of investing in such securities; (ii) access to information about the Company and the Company's financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information which the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment and to verify the accuracy and completeness of the information contained in the Disclosure Materials.

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(h) Non-Broker-Dealer Status. The Purchaser is not a broker-dealer and is not affiliated or associated with any broker-dealer.

(i) Reliance. The Purchaser understands and acknowledges that (i) the Shares and Warrants to be issued to it hereunder are being offered and sold, and the Underlying Shares and the Warrant Shares relating to such Warrants are being offered, to it without registration under the Securities Act in a private placement that is exempt from the registration provisions of the Securities Act and (ii) the availability of such exemption, depends in part on, and that the Company will rely upon the accuracy and truthfulness of, the foregoing representations and the Purchaser hereby consents to such reliance.

ARTICLE III

OTHER AGREEMENTS OF THE PARTIES

3.1 Transfer Restrictions. If the Purchaser should decide to dispose of

any of the Shares or Warrant to be purchased by it hereunder (and upon conversion or exercise thereof, any Underlying Shares or Warrant Shares), the Purchaser understands and agrees that it may do so only (i) pursuant to an effective registration statement under the Securities Act or (ii) pursuant to an available exemption from registration under the Securities Act. In connection with any transfer of any Shares, the Warrant, Underlying Shares or Warrant Shares other than pursuant to an effective registration statement, the Company may require that the transferor provide to the Company an opinion of counsel experienced in the area of United States securities laws selected by the transferor, the form and substance of which opinion shall be, reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such Shares, Warrant, Underlying Shares or Warrant Shares under the Securities Act or any State securities laws.

The Purchaser agrees to the imprinting, so long as appropriate, of the following legend on certificates representing the Shares and the Underlying Shares:

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER.

The legend set forth above shall be removed following a resale of Underlying Shares or Warrant Shares, as the case may be, pursuant to an effective registration statement under the Securities Act or sooner if in the opinion of counsel to the Company experienced in the area of United States securities laws such legend is no longer required under applicable

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requirements of the Securities Act. The certificates representing the Shares and the Underlying Shares and Warrant Shares shall also bear any other legends required by applicable Federal or state securities laws, which legends may be removed when, in the opinion of counsel to the Company experienced in the applicable securities laws, such legends are no longer required under the applicable requirements of such securities laws. The Company agrees that it will provide the Purchaser, upon request, with a substitute certificate or certificates, free from such legend at such time as such legend is no longer applicable. The Purchaser agrees that, in connection with any transfer of Shares, Underlying Shares or Warrant Shares by it pursuant to an effective

registration statement under the Securities Act, the Purchaser will comply with all prospectus delivery requirements of the Securities Act. The Company makes no representation, warranty or agreement as to the availability of any exemption from registration under the Securities Act with respect to any resale of Shares, Underlying Shares or Warrant Shares.

3.2 Stop Transfer Instruction. The Purchaser agrees that the Company shall be entitled to make a notation on its records and give instructions to any transfer agent of the Company in order to implement the restrictions on transfer set forth in this Agreement.

3.3 Furnishing of Information. As long as the Purchaser owns Shares or Underlying Shares, the Company will promptly furnish to it all reports filed by the Company pursuant to Section 13(a) or 15(d) of the Exchange Act (or if the Company is not at the time required to file reports pursuant to such sections, annual and quarterly reports comparable to those required by Section 13(a) or 15(d) of the Exchange Act).

3.4 Notice of Certain Events. The Company shall (i) advise the Purchaser promptly after obtaining knowledge thereof, and, if requested by the Purchaser, confirm such advice in writing, of (A) the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of the Shares or the Common Stock for offering or sale in any jurisdiction, or the initiation of any proceeding for such purpose by any state securities commission or other regulatory authority, or (B) any event that makes any statement of a material fact made in the Disclosure Materials untrue or that requires the making of any additions to or changes in the Disclosure Materials in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, (ii) use its best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption from qualification of the Shares or the Underlying Shares under any state securities or Blue Sky laws, and (iii) if at any time any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Shares or the Underlying Shares under any such laws, use its best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

3.5 Copies and Use of Disclosure Materials. The Company shall furnish the Purchaser, without charge, as many copies of the Disclosure Materials, and any amendments or supplements thereto, as the Purchaser may reasonably request. The Company consents to the use of the Disclosure Materials, and any

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amendments and supplements thereto, by the Purchaser in connection with resales

of the Shares or the Underlying Shares other than pursuant to an effective registration statement.

3.6 Blue Sky Laws. In accordance with the Registration Rights Agreement, the Company shall qualify the Shares, the Underlying Shares and the Warrant Shares under the securities or Blue Sky laws of such jurisdictions as the Purchaser may reasonably request and shall continue such qualification at all times through the third anniversary of the last Closing Date; provided, however, that neither the Company nor its Subsidiaries shall be required in connection therewith to qualify as a foreign corporation where they are not now so qualified or take any action that would subject the Company to general service in any such jurisdiction where it is not then so subject or subject the Company to any material tax in any such jurisdiction where it is not then so subject.

3.7 Solicitation Materials. The Company shall not (i) distribute any offering materials in connection with the offering and sale of the Shares, the Underlying Shares or the Warrant Shares other than the Disclosure Materials and any amendments and supplements thereto prepared in compliance herewith or (ii) solicit any offer to buy or sell the Shares, the Underlying Shares or the Warrant Shares by means of any form of general solicitation or advertising.

3.8 Subsequent Financial Statements. As long as the Purchaser owns Shares or Underlying Shares, the Company shall furnish to the Purchaser, promptly after they are filed with the Commission, a copy of all financial statements for any period subsequent to the period covered by the financial statements included in the Disclosure Materials.

3.9 Certain Agreements. (a) The Company covenants and agrees that it shall not directly or indirectly, without the prior consent of the Purchaser, offer, sell, grant any option to purchase, or otherwise dispose (or announce any offer, sale, grant or any option to purchase or other disposition) of any of its or its Affiliates equity or equity-equivalent securities to a third party (other than in connection with a financing of an acquisition of assets or securities and other than in connection with payment of services rendered to the Company by such third party and other than securities issued upon exercise of any currently outstanding options or warrants or upon conversion of any currently outstanding convertible debt or preferred stock disclosed in Schedule 2.1(c) or shares of Common Stock issuable upon conversion of Shares or upon exercise of the Warrant in accordance herewith and the Warrant issued to Brown Simpson, LLC in connection with the sale of the Shares) at a price which is, on the face thereof or implied therein, less than the market price or fair market value for such securities (a "Subsequent Discounted Financing") for a period of 120 days after the date of this Agreement without first offering the Purchaser the opportunity (which shall remain open for a period of five business days from the date the Purchaser receives notice thereof) to purchase all but not less than all of such additional equity or equity-equivalent securities, unless (A) the Company provides the Purchaser a written notice (the "Subsequent Financing Notice") of its intention to effect such Subsequent Discounted Financing, which Subsequent Financing Notice shall

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describe in reasonable detail the proposed terms of such Subsequent Discounted Financing and the amount of proceeds intended to be raised thereunder and (B) (i) the Purchaser shall not have notified the Company within five business days of its receipt of the Subsequent Financing Notice of its willingness to enter into good faith negotiations to provide (or to cause its sole designee to provide) financing to the Company on substantially the terms set forth in the Subsequent Financing Notice or (ii) if the Purchaser notifies the Company of its willingness to provide such financing in accordance with paragraph (B)(i) of this Section, the Purchaser does not provide such financing in a commercial reasonable and expeditious period of time, provided that such failure is not attributable to a failure by the Company to act reasonably and expeditiously with respect to such negotiations. If the Purchaser shall fail to notify the Company of its intention to enter into such negotiations within the time period contemplated by paragraph (B)(i) of this Section or does not provide the funding in accordance with paragraph (B)(ii) of this Section, the Company may effect the Subsequent Discounted Financing substantially upon the terms set forth in the Subsequent Financing Notice (to persons, or their Affiliates, specified in such Subsequent Financing Notice); provided, that the Company shall provide the Purchaser with a second Subsequent Financing Notice, and the Purchaser shall again have the right of first refusal set forth above in this Section 3.9(a), if the Subsequent Discounted Financing subject to the initial Subsequent Financing Notice shall not for any reason have been consummated substantially on the terms set forth in such Subsequent Financing Notice (or with persons different than those specified in such Subsequent Financing Notice unless such different persons are Affiliates of those persons specified) within 60 days after the date of the initial Subsequent Financing Notice and the Company desires to consummate such Subsequent Discounted Financing.

(b) The Company covenants and agrees that it shall not directly or indirectly, without the prior consent of the Purchaser, offer, sell, grant any option to purchase, or otherwise dispose (or announce any offer, sale, grant or any option to purchase or other disposition) of any of its or its Affiliates equity or equity-equivalent securities to a third party, at a price which is equal to or greater than (both on the face thereof and implied in such transaction), the market price or fair market value for such securities (a "Subsequent Non-Discounted Financing") for a period of 120 days after the date of this Agreement without providing the Purchaser a notice thereof which describes the material terms of such Subsequent Non-Discounted Financing..

(c) From the date hereof through the final Closing Date, the Company shall not and shall cause the Subsidiaries not to, without the consent of the Purchaser, (i) amend its certificate of incorporation, bylaws or other charter documents so as to adversely affect any rights of the Purchaser (provided, that amendments to the Company's certificate of incorporation solely

to increase the authorized capitalization of the Company, or subject to the other terms hereof, to effect stock splits or reverse stock splits of the Common Stock, shall not require the consent of the Purchaser); (ii) declare, authorize, set aside or pay any dividend or other distribution with respect to the Common Stock; (iii) repay, repurchase or offer to repay,

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repurchase or otherwise acquire shares of its Common Stock; or (iv) enter into any agreement with respect to any of the foregoing.

3.10 Purchaser Ownership of Common Stock. The Purchaser may not use its ability to convert Shares hereunder or under the terms of the Certificates of Amendment or to exercise its rights under the Warrant, to the extent that such conversion or exercise would result in the Purchaser owning more than 4.9% of the outstanding shares of the Common Stock; provided, however, that this Section 3.10 shall not affect the Company's right under Section 5(b) of each of the Certificates of Amendment to force the Purchaser to convert Shares under the circumstances set forth in such section. The Company shall, promptly upon its receipt of a Holder Conversion Notice tendered by the Purchaser (or its designee) under the Certificate of Amendment, and upon its receipt of a notice of exercise under the terms of the Warrant, notify the Purchaser of the number of shares of Common Stock outstanding on such date and the number of Underlying Shares and Warrant Shares which would be issuable to the Purchaser (or its designee, as the case may be) if the conversion requested in such Conversion Notice or exercise requested in such exercise notice were effected in full, whereupon, notwithstanding anything to the contrary set forth in the Certificates of Amendment or the Warrant, the Purchaser may revoke such conversion or exercise to the extent that it determines that such conversion or exercise would result in the Purchaser owning in excess of 4.9% of such outstanding shares of Common Stock.

3.11 Listing of Underlying Shares. The Company shall take all steps necessary to cause the Underlying Shares and Warrant Shares to be approved for listing in the Nasdaq Small Cap Market (or other national securities exchange or market on which the Common Stock is listed) no later than the date required thereby, and shall provide to the Purchaser evidence of such listing, and shall maintain the listing of its Common Stock on such exchange.

3.12 Conversion Procedures. Exhibit C attached hereto sets forth the procedures with respect to the conversion of the Shares, including the forms of conversion notice to be provided upon conversion, instructions as to the procedures for conversion, the form of legal opinion, if necessary, that shall be rendered to the Company's transfer agent and such other information and instructions as may be reasonably necessary to enable the Purchaser to exercise

its right of conversion smoothly and expeditiously.

3.13 Purchaser's Rights if Trading in Common Stock is Suspended. In the event that at any time within the two-year period after the last Closing Date trading in the shares of the Common Stock is suspended for three or more consecutive days on the principal market or exchange for such shares (other than as a result of the suspension of trading in securities on such market or exchange generally or temporary suspensions pending the release of material information), at Purchaser's option exercisable by written notice to the Company, the Company shall repurchase all Shares and all Underlying Shares then held by such Purchaser, at an aggregate purchase price equal to (A) the product of the Market Price as of the Trading Day immediately preceding the day of such notice multiplied by the number of shares of Common Stock into which the Shares to be purchased are then convertible (or in the case of

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Underlying Shares, the number of Underlying Shares to be purchased), plus (B) interest on such amount accruing from the 7th day to the 21st day after such notice at the rate of 5% per annum, from the 21st day to the 60th day at 8% per annum, from the 60th day to the 90th day at the rate of 12% per annum and from the 90th day until paid at the rate of 24% per annum.

3.14 No Violation of Applicable Law. Notwithstanding any provision of this Agreement to the contrary, if any repurchase or redemption of shares otherwise required under this Agreement or the Registration Rights Agreement would be prohibited by the relevant provisions of the New York Business Corporation Law, such repurchase or redemption shall be effected as soon as it is permitted under such law; provided, however, that, interest payable by the Company with respect to any such redemption or repurchase shall continue to accrue in accordance with Section 3.13 during any such period.

3.15 Repurchase or Redemption Restrictions. Notwithstanding any provision of this Agreement to the contrary, if any repurchase or redemption of shares otherwise required under this Agreement would be prohibited in the absence of consent from any lender of the Company or the Subsidiaries, or by the holders of any class of securities of the Company, the Company shall use its best efforts to obtain such consent as promptly as practicable after the repurchase or redemption is required. Interest payable by the Company with respect to any such redemption or repurchase shall continue to accrue in accordance with Section 3.13 until such consent is obtained. Nothing contained in this Section 3.15 shall be construed as a waiver by the Purchaser of any rights it may have by virtue of any breach of any representation or warranty of the Company herein as to the absence of any requirement to obtain any such consent.

3.16 Piggyback Registration Rights. For each of the Series G Preferred, Series H Preferred, Series I Preferred and Series J Preferred, as applicable, which are issued pursuant to this Agreement, during the period commencing the date hereof and ending on the earlier to occur of (i) the two-year anniversary of such applicable Closing and (ii) the date the applicable Underlying Shares Registration Statement required to be filed by the Company is declared effective under the Securities Act by the SEC, the Company may not file any registration statement that provides for the registration of shares of Common Stock to be sold by other shareholders of the Company unless the Company provides the Purchaser with not less than seven (7) Trading Days' notice of its intention to file such registration statement and provides the Purchaser the option to include any or all of the applicable Underlying Shares and Warrant Shares therein. Such registration rights shall not apply to registration statements relating solely to (i) employee benefit plans notwithstanding the inclusion of a resale prospectus for securities received under such employee benefit plan, or (ii) business combinations unless the registration statement relates to securities to be received by the holders of the Common Stock of the Company. Prior to the Initial Series G Closing Date, the Company shall withdraw its pending registration statement on Form S-3, Registration Statement No. 333-5657.

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3.17 Notice of Breaches. Each of the Company and the Purchaser shall give prompt written notice to the other of any breach of any representation, warranty or other agreement contained in this Agreement or in the Registration Rights Agreement, as well as any events or occurrences arising after the date hereof and prior to, with respect to a Series G Closing, the Initial or Second Series G Closing Date or, with respect to the Series H Closing, the Series H Closing Date, or, with respect to the Series I Closing, the Series I Closing Date or, with respect to the Series J Closing, the Series J Closing Date, which would reasonably be likely to cause any representation or warranty or other agreement of such party, as the case may be, contained herein or in the Registration Rights Agreement to be incorrect or breached as of such Closing Date. However, no disclosure by either party pursuant to this Section 3.18 shall be deemed to cure any breach of any representation, warranty or other agreement contained herein or in the Registration Rights Agreement. Neither the Company, any Subsidiary nor the Purchaser will take, or agree to commit to take, any action that is intended to make any representation or warranty of the Company or the Purchaser, as the case may be, contained herein or in the Registration Rights Agreement inaccurate in any respect at the Series G Closing Date, Series H Closing Date, Series I Closing Date or Series J Closing Date, as applicable.

Notwithstanding the generality of the foregoing, the Company shall promptly notify the Purchaser of any notice or claim (written or oral) that it

receives from any lender of the Company to the effect that the consummation of the transactions contemplated hereby or by the Registration Rights Agreement violates or would violate any written agreement or understanding between such lender and the Company, and the Company shall promptly furnish by facsimile to the Purchaser a copy of any written statement in support of or relating to such claim or notice.

3.18 Confidentiality. The Purchaser agrees to keep confidential any acquisition agreement or term sheet relating thereto delivered to it by the Company until such documents shall hereafter become publicly or generally known through no action of Purchaser.

ARTICLE IV

CONDITIONS

4.1(a) Conditions Precedent to the Obligation of the Company to Sell the Series G Shares. The obligation of the Company to sell the Series G Shares to the Purchaser is subject to the satisfaction or waiver by the Company, at or before the Initial or Second Series G Closing, as the case may be, of each of the following conditions:

(i) Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of the Purchaser shall be true and correct in all material respects as of the date when made and as of the Initial Series G Closing Date or the Second Series G Closing Date, as applicable, as though made on and as of such date (except that representations

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and warranties that are made as of a specific date need be true in all material respects only as of such date);

(ii) Performance by the Purchaser. The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to such Series G Closing;

(iii) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, or promulgated by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement; and

(iv) Required Approvals. All Required Approvals shall have been obtained other than those relating solely to the Series H Shares, Series I Shares or Series J Shares.

(b) Conditions Precedent to the Obligation of the Purchaser to Purchase the Series G Shares. The obligation of the Purchaser hereunder to acquire and pay for the Series G Shares is subject to the satisfaction or waiver by the Purchaser, at or before the Initial or Second Series G Closing, as the case may be, of each of the following conditions:

(i) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Initial Series G Closing Date (or the Second Series G Closing Date, as applicable) as though made on and as of such date (except that representations and warranties that are made as of a specific date need be true in all material respects only as of such date);

(ii) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to such Series G Closing;

(iii) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, or promulgated by any court of governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement;

(iv) Adverse Changes. Since the date of the financial statements included in the Company's Quarterly Report on Form 10-Q last filed prior to the date of this Agreement, no event which in the judgment of the Purchaser had a Material Adverse Effect shall have occurred which is not disclosed in the Disclosure Materials (for purposes hereof, changes in the market price of the Common Stock after the Initial Series G Closing Date may

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be considered in determining whether a material adverse change has occurred, and a market price of \$2.00 or less shall be a material adverse change);

(v) No Suspensions of Trading in Common Stock. The trading in the Common Stock shall not have been suspended by the SEC or the National Association of Securities Dealers, Inc. (except for any suspension of

trading of limited duration solely to permit dissemination of material information regarding the Company);

(vi) Listing of Common Stock. The Common Stock shall have at all times between the date hereof and such Series G Closing Date been, and on such Series G Closing Date be, listed for trading on the Nasdaq Small Cap Market or Nasdaq National Market;

(vii) Legal Opinions. The Company shall have delivered to the Purchaser the opinion of Certilman Balin Adler & Hyman, LLP, outside counsel to the Company, and the opinion of its inhouse counsel (together with such forementioned outside counsel, the "Company Counsel"), in substantially the forms set forth in Exhibit D(1) and D(2) (the "Legal Opinions");

(viii) Required Approvals. All Required Approvals shall have been obtained other than those relating solely to the Series H Shares, the Series I Shares or the Series J Shares;

(ix) Shares of Common Stock. On such Closing Date the Company shall have duly reserved for issuance on conversion of Series G Shares sufficient Underlying Shares;

(x) Delivery of Stock Certificates. The Company shall have delivered to the Purchaser or its designee the stock certificate(s) representing the Series G Shares to be issued and sold at such closing, registered in the name of the Purchaser, each in form satisfactory to Robinson Silverman;

(xi) Registration Rights Agreement. The Company shall have executed and delivered the Registration Rights Agreement and shall have complied in all material respects with its obligations thereunder;

(xii) Warrants. With respect to the Initial Series G Closing, the Company shall have executed and delivered to the Purchaser common stock purchase warrants (the "Warrants"), substantially in the forms attached hereto as Exhibit E(1) and (E)(2), pursuant to which (a) the Purchaser shall have the right, at any time from the Initial Series G Closing Date through the fifth anniversary of such date, to purchase up to

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225,000 shares of Common Stock at an exercise price of \$5.29 per share and (b) Brown Simpson, LLC shall have the right, at any time from the Initial Series G Closing Date through the fifth anniversary of such date, to purchase up to 50,000 shares of Common Stock at an exercise price of \$3.53 per share.

(xiii) Underlying Shares Registration Statement. With respect to the Second Series G Closing, the Underlying Shares Registration Statement with respect to the Underlying Shares issuable on conversion of the Initial Series G Shares and with respect to the Warrant Shares shall have been filed with and declared effective by the SEC, and there shall be outstanding no stop order suspending such effectiveness issued, pending or threatened to be issued (it being agreed that the number of Underlying Shares to be initially registered shall be determined in accordance with the provisions of the Registration Rights Agreement);

(xiv) Certificate of Amendment. With respect to the Initial Series G Closing, the Series G Amendment shall have been duly filed by the Secretary of State of New York, and the Company shall have delivered a copy thereof to the Purchaser certified by the Secretary of State of New York; and

(xv) Company Certificates. The Purchaser shall have received a certificate, dated the appropriate Closing Date, signed by the Secretary or an Assistant Secretary of the Company and certifying (A) that attached thereto is a true, correct and complete copy of (I) the Company's Certificate of Incorporation, as amended to the date thereof, (B) the Company's By-Laws, as amended to the date thereof, and (C) resolutions duly adopted by the Board of Directors of the Company authorizing the execution and delivery of this Agreement, the Warrant and the Registration Rights Agreement and the issuance and sale of the Series G Shares, the Warrant and the Underlying Shares and the Warrant Shares, and (ii) the incumbency of the officers executing this Agreement, the Registration Rights Agreement and the Warrant.

4.2(a) Conditions Precedent to the Obligation of the Company to Sell the Series H Shares, the Series I Shares or the Series J Shares. The obligation of the Company to sell the Series H Shares, the Series I Shares or the Series J Shares to the Purchaser is subject to the satisfaction or waiver by the Company, at or before the Series H Closing, the Series I Closing or the Series J Closing, as applicable, of each of the following conditions:

(i) Series G Closing. The Initial Series G Closing shall have occurred.

(ii) Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of the Purchaser shall be true and correct in all material respects as of the date when made and as of the Series H Closing Date, the Series I Closing Date and the Series J Closing Date, as applicable, as though made on and as of such date (except that representations and warranties that are made as of a specific date need be true in all material respects only as of such date);

(iii) Performance by the Purchaser. The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to the Series H Closing, the Series I Closing Date and the Series J Closing Date, as applicable;

(iv) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, or promulgated by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement relating to the issuance or conversion of the Series H Shares, the Series I Shares or the Series J Shares, as applicable; and

(v) Required Approvals. All Required Approvals shall have been obtained.

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(b) Conditions Precedent to the Obligation of the Purchaser to Purchase the Series H Shares, the Series I Shares or the Series J Shares. The obligation of the Purchaser hereunder to acquire and pay for the Series H Shares, the Series I Shares and the Series J Shares is subject to the satisfaction or waiver by the Purchaser, at or before the Series H Closing, the Series I Closing and the Series J Closing, as applicable, of each of the following conditions:

(i) Series G Closing. The Initial Series G Closing shall have occurred.

(ii) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company contained herein and in the Registration Rights Agreement shall be true and correct in all material respects as of the date when made and as of the Series H Closing Date, the Series I Closing Date and the Series J Closing Date, as applicable, as though made on and as of such date (except that representations and warranties that are made as of a specific date need be true in all material respects only as of such date);

(iii) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement and the Registration Rights Agreement to be performed, satisfied or complied with by the Company at or prior to the Series H Closing, the Series I Closing or the Series J Closing, as applicable;

(iv) Underlying Shares Registration Statements. With respect to the Series H Closing, the Underlying Shares Registration Statement with respect to the Underlying Shares issuable on conversion of all outstanding Series G Shares and with respect to the Warrant Shares shall have been declared

effective under the Securities Act by the SEC; with respect to the Series I Closing, the Underlying Shares Registration Statement with respect to the Underlying Shares issuable on conversion of all outstanding Series H Shares shall have been declared effective under the Securities Act by the SEC; and with respect to the Series J Closing, the Underlying Shares Registration Statement with respect to the Underlying Shares issuable on conversion of all outstanding Series I Shares shall have been declared effective by the SEC; and in each such case such Underlying Registration Statement shall remain effective and shall not be subject to any stop order and no stop order shall be pending or threatened (it being agreed that the number of Underlying Shares to be initially registered shall be determined in accordance with the provisions of the Registration Rights Agreement); and

(v) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, or promulgated by any court of governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement relating to the issuance or conversion of any of the Shares;

(vi) Adverse Changes. Since the date of the financial statements included in the Company's last filed Quarterly Report on Form 10-Q last filed prior to the date of this Agreement, no event which in the judgment of the Purchaser had a Material Adverse Effect shall have occurred which is not disclosed in the SEC Documents (for purposes hereof, changes in the market price of the Common Stock after the Initial Series G Closing Date may be considered in determining whether a material adverse change has occurred, and a market price of \$2.00 per share or less shall be deemed to be material adverse change);

(vii) Trading Volume. For the period from the date hereof through the applicable Closing Date, the average 30-day trading volume of the Common Stock shall have been 50,000 or higher;

(viii) Litigation. No material litigation shall have been instituted or threatened against the Company;

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(ix) Management. Peter Izzo, Jr. and Kenneth G. Baritz shall at all times remain substantially in their current function substantially under their current managerial positions in the Company without a material diminution of managerial responsibilities and without a material diminution, as measured from the date hereof, in their respective current Common Stock ownership positions.

(x) No Suspensions of Trading in Common Stock. The trading in the Common Stock shall not have been suspended by the SEC or the National Association of Securities Dealers, Inc. (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company);

(xi) Listing of Common Stock. The Common Stock shall have been at all times between the Series G Closing Date and the Series H Closing Date, the Series I Closing Date and the Series J Closing Date, as applicable, and on the applicable Closing Date be, listed for trading on the Nasdaq Small Cap Market or Nasdaq National Market;

(xii) Legal Opinions. The Company shall have delivered to the Purchaser the opinions of Company Counsel in form and substance reasonably satisfactory to the Purchaser, dated the applicable Closing Date;

(xiii) Required Approvals. All Required Approvals shall have been obtained;

(xiv) Shares of Common Stock. On each of the Series H Closing Date, the Series I Closing Date and the Series J Closing Date, as applicable, the Company shall have reserved for issuance to the Purchaser sufficient Underlying Shares for issuance on conversion of the Series H Shares issued, sufficient Underlying Shares for issuance on conversion of the Series I Shares issued, and sufficient Underlying Shares for issuance on conversion of the Series J Shares issued; and

(xv) Delivery of Stock Certificates. The Company shall have delivered to the Purchaser or its designee the stock certificate(s) representing the Shares, being purchased at such Closing, registered in the name of the Purchaser, each in form satisfactory to Robinson Silverman.

ARTICLE V

TERMINATION

5.1 Termination by Mutual Consent. (a) This Agreement may be terminated with respect to the transactions contemplated herein relating to both the Shares and the Underlying Shares at any time prior to the Initial Series G Closing by the mutual consent of the Company and the Purchaser.

(b) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series H Shares at any time prior to the Series H Closing by the mutual written consent of the Company and the Purchaser.

(c) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series I Shares at any time prior to the Series I Closing by the mutual written consent of the Company and the Purchaser.

(d) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series J Shares at any time prior to the Series J Closing by the mutual written consent of the Company and the Purchaser.

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5.2 Termination by the Company. (a) This Agreement may be terminated with respect to the transactions contemplated herein relating to both the Shares and the Underlying Shares prior to the Second Series G Closing by the Company, by giving notice of such termination to the Purchaser.

(b) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series H Shares prior to the Series H Closing by the Company, by giving notice of such termination to the Purchaser.

(c) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series I Shares prior to the Series I Closing by the Company, by giving notice of such termination to the Purchaser.

(d) This Agreement may be terminated with respect to the transactions contemplated herein relating solely to the Series J Shares prior to the Series J Closing by the Company, by giving notice of such termination to the Purchaser.

5.3 Termination by the Purchaser. (a) This Agreement may be terminated prior to the Second Series G Closing with respect to the transactions contemplated herein relating to both the Shares and the Underlying Shares by the Purchaser, by giving notice of such termination to the Company, if:

(i) the Company has breached any representation, warranty, covenant or agreement contained in this Agreement and such breach is not cured within five business days following receipt by the Company of notice of such breach;

(ii) there has occurred an event since the date of the financial statements included in the Company's Quarterly Report on Form 10-Q last filed prior to the date of this Agreement which could reasonably be expected to have a Material Adverse Effect and which is not disclosed in the Disclosure Materials;

(iii) trading in the Company's Common Stock has been

suspended by the SEC or the Nasdaq (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company); or

(iv) the Company's Common Stock shall have failed to be listed for trading on the Nasdaq Small Cap Market and the Purchaser shall have exercised its termination right herein provided within 10 business days of obtaining knowledge of such delisting.

(b) This Agreement may be terminated by the Purchaser prior to the Series H Closing with respect to the transactions contemplated herein relating solely to the Series H Shares, or prior to the Series I Closing with respect to the transactions contemplated herein relating solely to the Series I Shares, or prior to the Series J Closing with respect to the transactions contemplated herein relating solely to the Series J Shares, by giving notice of such termination to the Company, if:

(i) after the Initial Series G Closing Date, the Company has breached any representation, warranty, covenant or agreement contained in this Agreement or in the Registration Rights Agreement and such breach is not cured within five business days following receipt by the Company of notice of such breach;

(ii) there has occurred an event since the date of the financial statements included in the Company's Quarterly Report on Form 10-Q last filed prior to the date of this Agreement which in

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the Purchaser's judgment has had a Material Adverse Effect and which is not disclosed in the Disclosure Materials;

(iii) trading in the Company's Common Stock has been suspended by the SEC or the Nasdaq (except for any suspension of trading of limited duration solely to permit dissemination of material information regarding the Company);

(iv) the Company's Common Stock shall have failed to be listed for trading on the Nasdaq Small Cap Market or Nasdaq National Market at any time after the Initial Series G Closing Date, and the Purchaser shall have exercised its termination right herein provided within 10 Trading Days of obtaining knowledge of such delisting.

(v) the Underlying Shares Registration Statement with respect to the Underlying Shares into which the Initial Series G Shares

may be converted and with respect to the Warrant Shares is not declared effective under the Securities Act by the SEC prior to the 90th day after the Initial Series G Closing Date; or the Underlying Shares Registration Statement with respect to the Underlying Shares into which the Series G Shares issued at the Second Series G Closing may be converted has not been declared effective under the Securities Act by the SEC prior to the 90th day after the Second Series G Closing Date; or the Underlying Shares Registration Statement with respect to the Underlying Shares into which the Series H Shares may be converted has not been declared effective under the Securities Act by the SEC prior to the 90th day after the Series H Closing Date; or the Underlying Shares Registration Statement with respect to the Underlying Shares into which the Series I Shares may be converted has not been declared effective under the Securities Act by the SEC prior to the 90th day after the Series I Closing Date (it being agreed that, in each case, the initial number of Underlying Shares to be registered shall be as determined in the Registration Rights Agreement).

ARTICLE VI

MISCELLANEOUS

6.1 Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement, except as set forth in the Registration Rights Agreement. The Company shall pay all stamp and other taxes and duties levied in connection with the issuance of the Shares pursuant hereto. The Purchaser shall be responsible for the Purchaser's own tax liability that may arise as a result of the investment hereunder or the transactions contemplated by this Agreement.

6.2 Entire Agreement; Amendments. This Agreement, together with the Exhibits and Schedules hereto, and the Registration Rights Agreement contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters.

6.3 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received), telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company: AMNEX, INC.
101 Park Avenue
New York, NY 10178
Attn: Kenneth G. Baritz
Fax: (212) 867-0092

With copies to: Fred S. Skolnik, Esq.
Certilman Balin Adler & Hyman, LLP
90 Merrick Avenue
East Meadow, NY 11554
Fax: (516) 296-7111

If to the Purchaser: Southbrook International
Investments, Ltd.
c/o Tripoak Advisors, Inc.
630 Fifth Avenue, Suite 2000
New York, NY 10111
Attn: Robert L. Miller
Fax: (212) 332-3256

With copies to Brown Simpson, LLC
Carnegie Hall Tower
152 West 57th Street, 40th Floor
New York, NY 10019
Attn: James Simpson
Fax: (212) 243-1329

- and -

Robinson Silverman Pearce
Aronsohn & Berman LLP
1290 Avenue of the Americas
New York, NY 10104
Attn: Kenneth L. Henderson, Esq.
and Eric L. Cohen, Esq.
Fax: (212) 541-1357

or such other address as may be designated in writing hereafter, in the same manner, by such person.

6.4 Amendments; Waivers. No provision of this Agreement may be

waived or amended except in a written instrument signed, in the case of an amendment, by both the Company and the Purchaser, or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

6.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

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6.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Neither the Company nor the Purchaser may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. The assignment by a party of this Agreement or any rights hereunder shall not affect the obligations of such party under this Agreement.

6.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

6.8 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

6.9 Survival. The agreements and covenants contained in Article III and this Article VI shall survive the delivery and conversion of the Shares pursuant to this Agreement. The representations and warranties of the Company and the Purchaser contained in Article II shall survive until a date that is one year after the Closing.

6.10 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature

page were an original thereof.

6.11 Publicity. The Company and the Purchaser shall consult with each other in issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and neither party shall issue any such press release or otherwise make any such public statement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

6.12 Severability. In case any one or more of the provisions of this Agreement shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision which shall be a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

6.13 Delivery of W-8. The Purchaser shall deliver to the Company a completed and executed Form W-8.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

Company:

AMNEX, INC.

By: _____

Name: _____

Title: _____

Purchaser:

SOUTHBROOK INTERNATIONAL
INVESTMENTS, LTD.

By: _____
Name: _____
Title: _____

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WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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