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in the office of the Secretary of State  
of the State of California

NOV 23 1998

AMENDED AND RESTATED CERTIFICATE OF  
DETERMINATION OF PREFERENCES  
OF SERIES A PREFERRED STOCK OF  
CIM VISION INTERNATIONAL CORPORATION

*Bill Jones*  
BILL JONES, Secretary of State

The undersigned, Carl B. Hunt and Jeffrey G. Kurschner, hereby certify that:

A. They are the duly elected and acting President and Secretary, respectively of CIM Vision International Corporation, a California corporation ("Corporation")

B. The number of authorized shares constituting the Series A Convertible Preferred Stock is 4,376,475 shares, none of which have been issued.

C. Pursuant to authority given by the Corporation's Articles of Incorporation, the Board of Directors has duly adopted the following recitals and resolutions:

WHEREAS, the Articles of Incorporation of this Corporation provide for a class of shares known as Preferred Stock, issuable from time to time in one or more series; and

WHEREAS, the Board of Directors of this Corporation is authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, to fix the number of shares constituting any such series, and to determine the designation thereof; and

WHEREAS, this Corporation has not issued any Preferred Stock, and the Board of Directors of this Corporation desires, pursuant to its authority as aforesaid, to fix the rights, preferences, privileges and restrictions of the first series of Preferred Stock and the number of shares constituting and the designation of said series;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby fixes and determines the designation of, the number of shares constituting, and the rights, preferences, privileges and restrictions relating to, said first series of Preferred Stock in this Certificate of Determination of Preferences of Series A Preferred Stock ("Certificate") as follows:

1. Designation and Number of Shares.

(a) The first series of Preferred Stock has been designated "Series A Convertible Preferred Stock" (herein "Series A Preferred"). The Series A Preferred shall have no par value.

(b) The number of shares constituting the Series A Preferred shall be 4,376,475 shares (the Series A Preferred").

2. Dividends.

(a) The holders of shares of Series A Preferred shall be entitled to receive dividends if, when and as declared by the Board of Directors of the Corporation. The right to receive dividends on Series A Preferred shall be non-cumulative, and no right to dividends shall accrue by reason of the fact that no dividend has been declared on the Series A Preferred in any prior year.

(b) The Corporation shall not declare or pay any distribution (as defined below) on shares of Common Stock until the holders of the Series A Preferred then outstanding shall have first received a distribution at the same rate per share, as is declared on shares of Common Stock, treating each share of Series A Preferred as if converted into Common Stock adjusted in accordance with the anti-dilution provisions of Section 5.

(c) For purposes of this Section 1, unless the context requires otherwise, "distribution" shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise, payable other than in Common Stock or other securities of the Corporation, or the purchase or redemption of shares of the Corporation (other than repurchases of Common Stock held by employees or directors of, or consultants to, the Corporation upon termination of their employment or services pursuant to agreements providing for such repurchase at a price not exceeding fair market value of such shares for cash or property, including any such transfer, purchase or redemption by a subsidiary of this Corporation, but excluding distributions upon the liquidation or dissolution of the Corporation.

3. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Preferred then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount equal to \$3.36 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid on such shares.

A merger, consolidation or other reorganization to which the Corporation is a party, or any acquisition or sale of all or substantially all of the assets of the Corporation in which the shareholders of the Corporation's Common Stock (the Series

A Preferred deemed to be fully converted) immediately prior to such event do not own a majority of the outstanding shares of Common Stock of the surviving corporation immediately after such event, will be deemed to be a liquidation.

If upon any such liquidation, dissolution or winding up of the Corporation the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred the full preferential amount to which they shall be entitled pursuant to the above provisions, the entire assets and funds of the Corporation available for distribution shall be distributed solely among the holders of the Series A Preferred ratably in proportion to the full preferential amounts which would otherwise be payable in respect of the shares held by them upon such distribution.

(b) After payment of all preferential amounts required to be paid to the holders of Series A Preferred, upon the dissolution, liquidation or winding up of the Corporation, the remaining assets and funds of the Corporation available for distribution shall be distributed in equal amounts per share to the holders of Series A Preferred and the holders of Common Stock (treating each share of Series A Preferred as if converted into Common Stock).

#### 4. Voting.

Each holder of outstanding shares of Series A Preferred shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred held by such holders are then convertible (as adjusted from time to time pursuant to Section 5 hereof), at each meeting of stockholders of the Corporation (and written actions of shareholders in lieu of meetings) with respect to any and all matters presented to the shareholders of the Corporation for their action or consideration. Except as provided by law, or by the provisions of Section 8 below, holders of Series A Preferred shall vote together with the holders of Common Stock as a single class.

5. Optional Conversion. The holders of the Series A Preferred shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Preferred shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing \$3.36 by the Conversion Price (as defined below) in effect at the time of conversion. The "Conversion Price" shall initially be \$3.36. Such initial Conversion Price, and the rate at which shares of Series A Preferred may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

(b) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price.

(c) Mechanics of Conversion.

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

(ii) The Corporation shall at all times when the Series A Preferred shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series A Preferred, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred. Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Series A Preferred, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

(iii) Upon any such conversion, no adjustment to the Conversion Price shall be made for any declared but unpaid dividends on the Series A Preferred surrendered for conversion or on the Common Stock delivered upon conversion, which unpaid dividends shall remain payable in accordance with the terms of such declaration.

(iv) All shares of Series A Preferred which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and payment of any dividends declared but unpaid thereon, and the person or persons entitled to receive the shares of Common Stock in exchange therefor shall be treated for all purposes as the record holder or holders of such shares of Common Stock at the close of business on the Conversion Date. Any shares of Series A Preferred so converted shall be retired and cancelled and shall not be reissued, and the Corporation (without the need for stockholder action) may from time to time take such appropriate action as may be necessary to reduce the authorized Series A Preferred accordingly.

(v) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred pursuant to this Section 5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(d) Adjustments to Conversion Price for Dilution Issues:

(i) Special Definitions. For purposes of this Subsection 5(d), the following definitions shall apply:

(A) "Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding options described in subsection 5(d)(I)(D)(II) below.

(B) "Original Issue Date" shall mean the date on which a share of Series A Preferred was first issued.

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

(D) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Subsection 5(d)(iii) below, deemed to be issued) by the Corporation after the Original Issue Date, other than:

- (I) shares of Common Stock issued or issuable as a dividend or distribution on Series A Preferred or upon conversion of Series A Preferred;
- (II) shares of Common Stock issued or issuable by reason of a dividend, stock split, split up or other distribution on shares of Common Stock that is covered by Subsection 5(e) or 5(f) below;
- (III) up to 1,500,000 shares of Common Stock, which shares or options therefor may be issued to employees or directors of, or consultants to, the Corporation, provided that such shares are issued pursuant to stock option plans or agreements that have been approved by the Corporation's Board of Directors; or
- (IV) shares of Common Stock or Convertible Securities issued in connection with a business acquisition or combination of or by the Corporation (whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise) or as part of a strategic alliance or joint venture within the scope of the Corporation's business, provided that such business transaction is approved by the Board of Directors.

(ii) No Adjustment of Conversion Price. No adjustment in the number of shares of Common Stock into which the Series A Preferred is convertible shall be made, by adjustment in the Conversion Price: (a) unless the consideration per share (determined pursuant to Subsection 5(d)(v)) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price in effect on the date of, and immediately prior to, the issue of such Additional Shares, or (b) if prior to such issuance, the Corporation receives written notice from the holders of at least a majority of the then outstanding shares of the Series A Preferred agreeing that no such adjustment shall be made to such shares of Series A Preferred as the result of the issuance of Additional Shares of Common Stock (provided that such notice be applicable only to the specific issuance of Additional Shares of Common Stock described in such notice, and shall not be applicable to any other or subsequent issuances of Additional Shares of Common Stock).

(iii) Issue of Securities Deemed Issue of Additional Shares of Common Stock.

If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities, issuable upon the conversion or exchange thereof, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Subsection 5(d)(v) hereof) of such Additional Shares of Common Stock would be less than the Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) No further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of Options or conversion or exchange of such Convertible Securities;

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

(C) Upon the expiration or termination of any unexercised Option, the Conversion Price computed on the original issuance thereof, and any subsequent adjustments based thereon, shall be recomputed to reflect such termination;

(D) In the event of any change in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any Option or Convertible Security, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Conversion Price then in effect shall forthwith be

readjusted to such Conversion Price as would have obtained had the adjustment which was made upon the issuance of such Option or Convertible Security not exercised or converted prior to such change been made upon the basis of such change; and

(E) No readjustment pursuant to clause (B) or (D) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of (i) the Conversion Price as in effect on the original adjustment date applicable to the Options or Convertible Securities actually exercised or converted, as the case may be, or (ii) the Conversion Price that would have been in effect as of the date of such readjustment as a result of any issuances of Additional Shares of Common Stock between such original adjustment date and such readjustment date.

In the event the Corporation, after the Original Issue Date, amends the terms of any Options or Convertible Securities (whether such Options or convertible Securities were outstanding on the Original Issue Date or were issued after the Original Issue Date), then such Options or Convertible Securities, as so amended, shall be deemed to have been issued after the Original Issue Date and the provisions of this Subsection 5(d)(iii) shall apply.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock.

In the event the Corporation shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 5(d)(iii), but excluding shares issued as a stock split or combination as provided in Subsection 5(e) or upon a dividend or distribution as provided in Subsection 5(f), without consideration or for a consideration per share less than the Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Conversion Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; provided that for the purpose of this Subsection 5(d)(iv), all shares of Common Stock issuable upon conversion of securities convertible into Common Stock that are outstanding immediately prior to such issue shall be deemed to be outstanding.

(v) Determination of Consideration. For the purposes of this Subsection 5(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:



(A) Cash and Property: Such consideration shall:

(I) insofar as it consists of cash, be computed at the aggregate of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

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

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

(B) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 5(d)(iii), relating to Options and Convertible Securities, shall be determined by dividing

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

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

(e) Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Conversion Price then in effect immediately before the combination shall be proportionately increased. Any

adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

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

- (1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and
- (2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, if such record date shall have been fixed and such dividend is not fully paid, or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions; and provided further, however, that no such adjustment shall be made if the holders of Series A Preferred simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series A Preferred had been converted into Common Stock on the date of such event.

(g) Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series A Preferred shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had the Series A Preferred been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such

period, giving application to all adjustments called for during such period under this paragraph with respect to the rights of the holders of the Series A Preferred; and provided further, however, that no such adjustment shall be made if the holders of Series A Preferred simultaneously receive a dividend or other distribution of such securities in an amount equal to the amount of such securities as they would have received if all outstanding shares of Series A Preferred had been converted into Common Stock on the date of such event.

(h) Adjustment for Reclassification, Exchange or Substitution. If the Common Stock issuable upon the conversion of the Series A Preferred shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for below), then and in each such event, the holder of each such share of Series A Preferred shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by holders of the number of shares of Common Stock into which such shares of Series A Preferred might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(i) Adjustment for Merger or Reorganization, etc. In case of any consolidation or merger of the Corporation with or into another corporation or the sale of all or substantially all of the assets of the Corporation to another corporation, each share of Series A Preferred shall thereafter be convertible (or shall be converted into a security which shall be convertible) into the kind and amount of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such Series A Preferred would have been entitled upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions in this Section 5 set forth with respect to the rights and interest thereafter of the holders of the Series A Preferred, to the end that the provisions set forth in this Section 5 (including provisions with respect to changes in and other adjustments of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon conversion of the Series A Preferred.

(j) No Impairment. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred against impairment.

(k) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 5, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred, furnish or cause to be furnished to such holder a similar certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price then in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which then would be received upon the conversion of Series A Preferred.

(i) Notice of Record Date. In the event:

(i) that the Corporation declares a dividend (or any other distribution) on its Common Stock payable in Common Stock or other securities of the Corporation;

(ii) that the Corporation subdivides or combines its outstanding shares of Common Stock;

(iii) of any reclassification of the Common Stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock or a stock dividend or stock distribution thereon), or of any consolidation or merger of the Corporation into or with another corporation, or of the sale of all or substantially all of the assets of the Corporation;  
or

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

then the Corporation shall cause to be filed at its principal office or at the office of the transfer agent of the Series A Preferred, and shall cause to be mailed to the holders of the Series A Preferred at their last addresses as shown on the records of the Corporation or such transfer agent, at least ten days prior to the date specified in (A) below or twenty days before the date specified in (B) below, a notice stating

(A) the record date of such dividend, distribution, subdivision or combination, 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, distribution, subdivision or combination are to be determined, or

(B) the date on which such reclassification, consolidation, merger, sale, 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, dissolution or winding up.

6. Mandatory Conversion.

(a) Upon the earlier of (i) the closing of the sale of shares of Common Stock in a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, in which the aggregate purchase price to the public equals or exceeds \$15,000,000 and the per share offering price is at least \$10.00 (appropriately adjusted in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), or (ii) the vote or affirmative written consent of the holders of a majority of the Series A Preferred (the "Mandatory Conversion Date"), all outstanding shares of Series A Preferred shall automatically be converted into shares of Common Stock, at the then effective Conversion Price, and thereafter all references herein to the Series A Preferred shall be deleted and shall be of no further force or effect.

(b) All holders of record of shares of Series A Preferred shall be given written notice of the Mandatory Conversion Date and the place designated for mandatory conversion of all such shares of Series A Preferred pursuant to this Section 6. Such notice need not be given in advance of the occurrence of the Mandatory Conversion Date. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series A Preferred at such holder's address last shown on the records of the transfer agent for the Series A Preferred (or the records of the Corporation, if it serves as its own transfer agent). Upon receipt of such notice, each holder of shares of Series A Preferred shall surrender his or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled pursuant to this Section 6. On the Mandatory Conversion Date, all rights with respect to the Series A Preferred so converted, including rights, if any, to receive notices and vote (other than as a holder of Common Stock) will terminate, except only the rights of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series A Preferred has been converted, and payment of any declared but unpaid dividends thereon. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his or its attorney duly authorized in writing. As soon as practicable after the Mandatory Conversion Date and the surrender of the

certificate or certificates for Series A Preferred, the Corporation shall cause to be issued and delivered to such holder, or on his or its written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and cash as provided in Subsection 5(b) in respect of any fraction or a share of Common Stock otherwise issuable upon such conversion.

(c) All certificates evidencing shares of Series A Preferred which are required to be surrendered for conversion in accordance with the provisions hereof shall, from and after the Mandatory Conversion Date, be deemed to have been retired and cancelled and the shares of Series A Preferred represented thereby converted into Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock at the close of business on the Mandatory Conversion Date. The Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized Series A Preferred accordingly.

7. Redemption. Subject to the provisions of the California General Corporation Law and to any other applicable legal restrictions on the right of a corporation to redeem its own shares, the Series A Preferred shall be redeemed by the Corporation upon the written request of at least a majority of the then outstanding Series A Preferred. Upon such request, the redemption shall be effected in three substantially equal annual installments commencing after the fifth anniversary of the issuance of the Series A Preferred, which commencement date shall not be less than 45 days after the request (the "Redemption Date"). On the Redemption Date, the Corporation shall commence the redemption of all outstanding shares of Series A Preferred by paying the first annual installment. Each share of Series A Preferred to be so redeemed shall be redeemed against payment in said three installments of an amount in cash equal to \$4.54 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus, in each case, all declared and unpaid dividends thereon to the Redemption Date.

Notice of such redemption (the "Redemption Notice") specifying the Redemption Date, the redemption price, the number of outstanding shares of Series A Preferred to be redeemed, the number of shares of the Series A Preferred held by the holder which the Corporation shall redeem on such Redemption Date in accordance with the provisions hereof, the place where the amount to be paid upon redemption is payable and the date on which such holder's Conversion Rights (as hereinafter defined) as to such redeemed shares terminate and calling upon such holder to surrender his certificate or certificates representing the shares to be redeemed to the Corporation in the manner and at the place to be designated in such Redemption Notice, shall be mailed, postage prepaid, at least thirty (30) days prior to said Redemption Date to the holders of record of the Series A

Preferred at their respective addresses as the same shall appear on the books of the Corporation. On or after the Redemption Date, each holder of shares of the Series A Preferred to be redeemed shall surrender his certificate or certificates representing such shares to the Corporation in the manner and at the place designated in the Redemption Notice, and thereupon the installments payable upon the redemption shall be paid to the order of the person whose name appears on such certificate or certificates as the owner thereof. All shares of redeemed stock shall be cancelled and retired and not reissued.

If the Redemption Notice shall have been so mailed, and if, on or before the Redemption Date specified in such notice, all funds necessary for each redemption installment shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, on and after said Redemption Date, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, the right to receive dividends thereon shall cease, and all rights with respect to such shares of Series A Preferred so called for redemption shall forthwith cease and terminate, except the right of the holders thereof to receive out of the funds so set aside in trust the installments payable on redemption thereof but without any interest.

If the funds of the Corporation legally available for redemption on any Redemption Date are insufficient to redeem the total number of shares to be redeemed on such date in accordance with the above, those funds which are legally available will be used to redeem the maximum possible number of shares ratably among the holders of such shares to be redeemed. The shares of stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein, and the Corporation shall redeem such remainder as soon as the Corporation has funds legally available therefor on one or more occasions as necessary (and in the case of each such required additional redemption, if the Corporation does not have sufficient funds legally available to redeem all of such remaining shares required to be redeemed as soon as possible, it shall on each such occasion redeem such shares ratably in proportion to the full redemption amounts each holder would be entitled to receive).

8. Protective Provisions. In addition to any other rights provided by law, for so long as at least 20% of the shares of Series A Preferred originally issued by the Corporation remain outstanding, the Corporation shall not, without first obtaining the affirmative vote or written consent of the holders of not less than a majority of the then outstanding shares of Series A Preferred:

(i) Amend or repeal any provision of, or add any provision to, the Corporation's Articles or Incorporation, By-laws, or this Certificate, if such action would adversely affect the preferences, rights, privileges or powers of, or the restrictions provided for the benefit of, the Series A Preferred;

(ii) Authorize or issue any new or existing class or classes or series of capital stock having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series A Preferred, or authorize or issue shares of stock of any class or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having rights to purchase, any shares of stock of the Corporation having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series A Preferred, or obligate itself to do any of the foregoing;

(iii) Increase or decrease the number of authorized shares of Series A Preferred;

(iv) Pay or declare any dividend or distribution on any shares of its capital stock (except dividends payable solely in shares of Common Stock);

(v) Apply any of its assets to the redemption, retirement, purchase or acquisition, directly or indirectly, through subsidiaries or otherwise, of any shares of its capital stock, except for the repurchase of shares of Common Stock from directors, employees and consultants, pursuant to restricted stock and similar agreements with respect to the vesting of such shares of Common Stock, not to exceed \$25,000 for each such director, employee or consultant in any 12 month period;

(vi) Merge or consolidate into or with any other corporation or other entity or sell all or substantially all of the Corporation's assets or take any other action which results in the holders of the Corporation's capital stock prior to the transaction owning less than 50% of the voting power of the Corporation's capital stock after the transaction;

(vii) Purchase or redeem any shares of Preferred Stock other than pursuant to the redemption provisions contained in the Articles of Incorporation;  
or

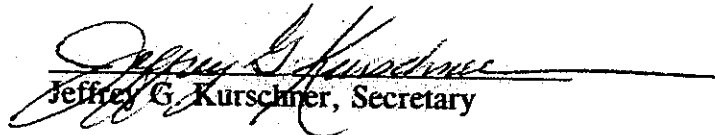
(viii) Permit a subsidiary of the Corporation to issue or obligate itself to issue securities to a third party.

D. The authorized number of shares of Preferred Stock of the Corporation is 5,000,000 and the number of shares constituting Series A Preferred, none of which has been issued is 4,376,475.



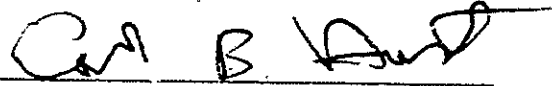
IN WITNESS WHEREOF, the undersigned has executed this Certificate on November 20, 1998.

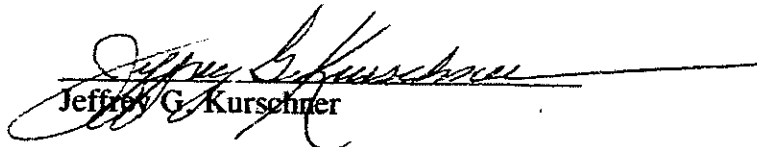
  
\_\_\_\_\_  
Carl B. Hunt, President

  
\_\_\_\_\_  
Jeffrey G. Kurschner, Secretary

The undersigned, Carl B. Hunt and Jeffrey G. Kurschner, President and Secretary, respectively, of CIM Vision International Corporation, declare under penalty of perjury that the matters set forth in the foregoing Certificate are true and of his own knowledge.

Executed at Long Beach, California on November 20, 1998.

  
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Carl B. Hunt

  
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Jeffrey G. Kurschner