
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2011

Commission File Number 0-13839

CAS MEDICAL SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-1123096

(I.R.S. employer
identification no.)

44 East Industrial Road, Branford, Connecticut 06405

(Address of principal executive offices, including zip code)

(203) 488-6056

(Registrant's telephone number, including area code)

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 for 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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$.004 par value 13,604,284 shares as of August 8, 2011.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**CAS Medical Systems, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)**

<u>Assets</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Current assets:		
Cash and cash equivalents	\$ 15,388,288	\$ 4,492,690
Accounts receivable, net of allowance	3,333,467	2,606,616
Recoverable income taxes	—	13,655
Inventories	4,450,817	4,812,965
Other current assets	431,252	310,187
Total current assets	<u>23,603,824</u>	<u>12,236,113</u>
Property and equipment:		
Leasehold improvements	257,764	252,517
Equipment at customers	1,868,550	1,686,919
Machinery and equipment	4,796,280	5,114,460
	<u>6,922,594</u>	<u>7,053,896</u>
Accumulated depreciation and amortization	<u>(5,210,421)</u>	<u>(5,244,819)</u>
Property and equipment, net	1,712,173	1,809,077
Intangible and other assets, net	693,993	651,626
Total assets	<u>\$ 26,009,990</u>	<u>\$ 14,696,816</u>

CAS Medical Systems, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

Liabilities and Stockholders' Equity	June 30, 2011	December 31, 2010
Current liabilities:		
Accounts payable	\$ 1,492,798	\$ 2,283,906
Accrued expenses	1,157,362	909,331
Note payable	134,335	—
Total current liabilities	2,784,495	3,193,237
Deferred gain on sale and leaseback of property	832,108	899,426
Income taxes payable	211,159	211,159
Total liabilities	3,827,762	4,303,822
Commitments and Contingencies		
Series A exchangeable preferred stock \$.001 par value per share, 54,500 shares issued and outstanding and subject to redemption requirements. Liquidation value of \$5,483,306 at June 30, 2011	5,075,123	—
Stockholders' equity:		
Preferred stock, \$.001 par value per share, 1,000,000 shares authorized - Series A convertible preferred stock, 95,500 shares issued and outstanding. Liquidation value of \$9,590,853 at June 30, 2011	8,834,745	—
Common stock, \$.004 par value per share, 40,000,000 shares authorized, 13,696,851 and 13,575,401 shares issued at June 30, 2011 and December 31, 2010, respectively, including shares held in treasury	54,787	54,302
Common stock held in treasury, at cost - 86,000 shares	(101,480)	(101,480)
Additional paid-in capital	10,427,418	10,002,600
(Accumulated deficit) retained earnings	(2,108,365)	437,572
Total stockholders' equity	17,107,105	10,392,994
Total liabilities and stockholders' equity	\$ 26,009,990	\$ 14,696,816

See accompanying notes.

CAS Medical Systems, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Net sales	\$ 5,717,179	\$ 6,318,343	\$ 11,360,303	\$ 12,426,787
Cost of sales	<u>3,591,538</u>	<u>3,585,318</u>	<u>7,100,107</u>	<u>7,039,496</u>
Gross profit	2,125,641	2,733,025	4,260,196	5,387,291
Operating expenses:				
Research and development	805,229	465,088	1,517,573	928,765
Selling, general and administrative	<u>2,977,904</u>	<u>2,583,842</u>	<u>5,668,747</u>	<u>4,703,602</u>
	<u>3,783,133</u>	<u>3,048,930</u>	<u>7,186,320</u>	<u>5,632,367</u>
Operating loss	(1,657,492)	(315,905)	(2,926,124)	(245,076)
Other (income) expense, net	<u>(2,493)</u>	<u>22,966</u>	<u>(5,055)</u>	<u>47,969</u>
Loss from continuing operations before income taxes	(1,654,999)	(338,871)	(2,921,069)	(293,045)
Income tax benefits	<u>(107,097)</u>	<u>(146,775)</u>	<u>(127,544)</u>	<u>(139,829)</u>
Loss from continuing operations	(1,547,902)	(192,096)	(2,793,525)	(153,216)
Income from discontinued operations, net of income taxes	<u>207,896</u>	<u>199,768</u>	<u>247,588</u>	<u>368,410</u>
Net (loss) income	(1,340,006)	7,672	(2,545,937)	215,194
Preferred stock dividends	<u>74,158</u>	<u>—</u>	<u>74,158</u>	<u>—</u>
Net (loss) income applicable to common stockholders	<u>\$ (1,414,164)</u>	<u>\$ 7,672</u>	<u>\$ (2,620,095)</u>	<u>\$ 215,194</u>
Per share basic and diluted income (loss) applicable to common stockholders:				
Continuing operations	<u>\$ (0.12)</u>	<u>\$ (0.02)</u>	<u>\$ (0.22)</u>	<u>\$ (0.01)</u>
Discontinued operations	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Net (loss) income	<u>\$ (0.11)</u>	<u>\$ 0.00</u>	<u>\$ (0.20)</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding:				
Basic and diluted	13,086,493	11,617,719	13,048,845	11,480,541

See accompanying notes.

CAS Medical Systems, Inc.
Condensed Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

For the Six Months Ended June 30, 2011

	<u>Preferred Stock</u>		<u>Common Stock</u>				<u>Additional Paid - in Capital</u>	<u>(Accumulated Deficit) Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Issued</u>		<u>Held in Treasury</u>				
			<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
BALANCE, December 31, 2010	—	\$ —	13,575,401	\$ 54,302	86,000	\$(101,480)	\$10,002,600	\$ 437,572	\$10,392,994
Net loss								(2,545,937)	(2,545,937)
Common stock issued upon exercise of stock options and warrants			40,550	162			33,463		33,625
Common stock issued under stock purchase plan			1,516	6			4,481		4,487
Restricted stock issued, net of cancellations			79,384	317			(317)		—
Sale of preferred stock, net of expenses	95,500	8,834,745							8,834,745
Accretion of Series A Exchangeable Preferred Stock							(33,306)		(33,306)
Stock compensation	—	—					420,497		420,497
BALANCE, June 30, 2011	<u>95,500</u>	<u>\$8,834,745</u>	<u>13,696,851</u>	<u>\$54,787</u>	<u>86,000</u>	<u>\$(101,480)</u>	<u>\$10,427,418</u>	<u>\$ (2,108,365)</u>	<u>\$17,107,105</u>

See accompanying notes.

CAS Medical Systems, Inc.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2011	2010
OPERATING ACTIVITIES:		
Net (loss) income	\$ (2,545,937)	\$ 215,194
Less income from discontinued operations	247,588	368,410
Loss from continuing operations	(2,793,525)	(153,216)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	454,569	459,899
Stock compensation	420,497	83,033
Amortization of gain on sale and leaseback	(67,319)	(67,319)
Deferred income taxes	(127,545)	—
Changes in operating assets and liabilities:		
Accounts receivable	(726,851)	(995,681)
Inventories	362,148	1,286,233
Other current assets	(121,066)	(436,769)
Accounts payable and accrued expenses	(543,077)	288,598
Income taxes payable	13,655	690,196
Net cash (used in) provided by operating activities of continuing operations	(3,128,514)	1,154,974
INVESTING ACTIVITIES:		
Expenditures for property and equipment	(294,142)	(216,859)
Purchase of intangible assets	(105,889)	(24,515)
Net cash used in investing activities of continuing operations	(400,031)	(241,374)
FINANCING ACTIVITIES:		
Proceeds from note payable	154,150	183,656
Repayments of note payable	(19,815)	(100,519)
Repayments under line-of-credit	—	(1,194,657)
Repayments of long-term debt	—	(321,359)
Deferred financing costs	—	(123,219)
Proceeds from sale of preferred stock, net	13,876,562	—
Proceeds from issuance of common stock	38,113	1,936,778
Net cash provided by financing activities of continuing operations	14,049,010	380,680
Net cash provided by continuing operations	10,520,465	1,294,280
Cash flows from discontinued operations		
Cash provided by operating activities of discontinued operations	375,133	836,944
Net cash provided by discontinued operations	375,133	836,944
Net change in cash and cash equivalents	10,895,598	2,131,224
Cash and cash equivalents, beginning of period	4,492,690	1,186,779
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 15,388,288	\$ 3,318,003
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ (5,051)	\$ 99,136
Cash paid during the period for income taxes, net	\$ (42,383)	\$ (750,777)

See accompanying notes.

CAS Medical Systems, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

June 30, 2011

(1) The Company

CAS Medical Systems, Inc. (the “Company” or “CASMED”) is a medical technology company that develops, manufactures and distributes non-invasive patient monitoring products that are vital to patient care. Our products include the FORE-SIGHT® Absolute Tissue Oximeter and sensors, and our Traditional Monitoring products which include MAXNIBP® blood pressure measurement technology, bedside monitoring products and supplies for neonatal intensive care. These products are designed to provide accurate, non-invasive, biologic measurements that guide healthcare providers to deliver improved patient care. The products are sold by CASMED through its own sales force, via distributors, manufacturers’ representatives and pursuant to original equipment manufacturer (“OEM”) agreements both internationally and in the United States.

(2) Basis of Presentation

The condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2010. The condensed consolidated balance sheet as of December 31, 2010 was derived from the audited financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Estimates that are particularly sensitive to change in the near-term are inventory valuation allowances, deferred income tax asset valuation allowances and allowances for doubtful accounts. Actual results could differ from those estimates. In the opinion of the Company, all adjustments (consisting of normal recurring accruals) necessary to present fairly the consolidated financial position of the Company and its consolidated results of operations and cash flows have been included in the accompanying financial statements. The results of operations for interim periods are not necessarily indicative of the expected results for the full year.

(3) Private Placement of Preferred Stock

On June 8, 2011, the Company entered into an investment agreement with a private investor pursuant to which the Company issued on June 9, 2011 (i) 95,500 shares of a newly created series of preferred stock, designated “Series A Convertible Preferred Stock,” par value \$0.001 per share which are convertible into authorized but unissued shares of common stock, par value \$0.004 per share, of the Company and (ii) 54,500 shares of a newly created series of preferred stock, designated “Series A Exchangeable Preferred Stock,” par value \$0.001 per share which are convertible, following stockholder approval, into authorized but unissued shares of common stock, par value \$0.004 per share, of the Company. A Special Meeting of the Company’s Stockholders will take place at the Company’s offices on August 22, 2011 for the purposes described above.

The Company received an aggregate cash purchase price of \$15,000,000 representing a per-share purchase price of \$100 for the Series A Convertible Preferred Stock and \$100 for the Series A Exchangeable Preferred Stock. The Company utilized a placement agent to assist in the transaction which was paid a fee of \$900,000 plus certain expenses. The Company received net proceeds, after expenses, of \$13,876,562.

Series A Convertible Preferred Stock

The shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock") issued upon closing are convertible at the option of the holder into common stock at a conversion price of \$2.82 (the "Conversion Price"). The Conversion Price is subject to standard weighted average anti-dilution adjustments subject to limitations under NASDAQ listing rules.

Following the date of issuance, the stated value (\$100 per share) of the Series A Preferred Stock will accrete at an annual rate of 7% compounded quarterly. On an annual basis prior to the third anniversary of the original date of issuance, the holders may elect, pursuant to certain requirements, to receive the following twelve months of accretion in the form of a dividend of 7% per annum, payable quarterly in cash at the holder's option. After the third anniversary of the closing, such accretion may be made in cash at the Company's option. The Series A Preferred Stock is subject to certain default provisions whereby the dividend rate shall be increased by an additional 5% per annum.

After the third anniversary of the original date of issuance, the Company can force conversion of all, and not less than all, of the outstanding Series A Preferred Stock into Company common stock as long as the closing price of our common stock is at least 250% of the Conversion Price, or \$7.05 per common share, for at least 20 of the 30 consecutive trading days immediately prior to the conversion and the average daily trading volume is greater than 50,000 shares per day over the 30 consecutive trading days immediately prior to such conversion. The Company's ability to cause a conversion is subject to certain other conditions as provided pursuant to the terms of the Series A Preferred Stock.

The Series A Preferred Stock is entitled to a liquidation preference equal to the greater of 100% of the accreted value for each share of Series A Preferred Stock outstanding on the date of a liquidation plus all accrued and unpaid dividends or the amount a holder would have been entitled to had the holder converted the shares of Series A Preferred Stock into common stock immediately prior to the liquidation. The Series A Preferred Stock will vote together with the common stock as-if-converted on the original date of issuance. Holders of Series A Preferred Stock are entitled to purchase their pro rata share of additional stock issuances in certain future financings.

Series A Exchangeable Preferred Stock

Prior to approval by the stockholders of the Company, holders of the Series A Exchangeable Preferred Stock will not have any voting rights and the stated value of the Series A Exchangeable Preferred Stock of \$100 per share will accrete at an annual rate of 10%, compounded quarterly. Upon approval by the stockholders of the Company, the Series A Exchangeable Preferred Stock will have substantially identical terms to the Series A Preferred Stock. In the event stockholder approval is not obtained by October 1, 2011, the rate will increase by 2% per fiscal quarter up to a maximum of 20% per annum. Prior to the third anniversary of the original date of issuance, the holders may elect, pursuant to certain requirements, to receive the accretion in the form of a dividend of 10% per annum (subject to increase as described above), payable quarterly in cash at the holder's option through the third anniversary of the closing and thereafter at the Company's option.

Pursuant to the terms of the Series A Preferred Stock and Series A Exchangeable Preferred Stock, a holder must issue a written request to the Company by June 15th 2011, 2012, or 2013 to receive cash dividends for the applicable succeeding four fiscal quarters ended June 30th, September 30th, December 31st, and March 31st and for any period prior to the date of such letter and the original issue date of June 9, 2011. The Company did not receive such a request by June 15, 2011 for the fiscal quarters through March 31, 2012. The Company has accrued \$40,852 related to the accretion of the Series A Preferred Stock and \$33,306 related to the accretion of the Series A Exchangeable Preferred Stock.

In the event stockholder approval is not obtained and the Series A Exchangeable Preferred Stock is outstanding five years from the date of issuance, the holders shall have the right to require the Company to redeem all or part of the outstanding shares of Series A Exchangeable Preferred Stock for a per share amount in cash as defined by the investment agreement.

(4) Inventories; Property and Equipment; Intangible and Other Assets

Inventories consist of:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Raw materials	\$ 3,503,708	\$ 3,733,550
Work in process	24,318	2,950
Finished goods	922,791	1,076,465
	<u>\$ 4,450,817</u>	<u>\$ 4,812,965</u>

Property and equipment are stated at cost and include FORE-SIGHT cerebral oximetry monitors primarily located at customer sites within the United States. Such equipment is held under a no-cost program whereby customers purchase disposable sensors for use with the Company's equipment. The Company retains title to the monitors shipped to its customers under this program. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Intangible assets consist of patents issued, patents pending, trademarks, purchased technology and other deferred charges which are recorded at cost. Patents are amortized on a straight-line basis over 20 years. Capitalized costs are amortized over their estimated useful lives. Deferred financing costs are amortized over the term of the related debt. Other deferred charges are amortized over their estimated useful lives.

Intangible and other assets consist of the following:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Patents and other assets	\$ 682,321	\$ 593,166
Patents pending	271,711	254,975
Purchased technology	46,026	46,026
Deferred finance charges	—	170,205
	<u>1,000,058</u>	<u>1,064,372</u>
Accumulated amortization	<u>(306,065)</u>	<u>(412,746)</u>
	<u>\$ 693,993</u>	<u>\$ 651,626</u>

Amortization expense of intangible and other assets for the six months ended June 30, 2011 was \$63,523. Estimated amortization expense for the calendar year 2011 is \$97,092. Expected amortization expense of intangible and other assets for the next five calendar years follows:

2012	\$ 65,000
2013	51,000
2014	23,000
2015	14,000
2016	14,000
	<u>\$ 167,000</u>

The Company reviews its intangibles and other assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company believes that the carrying amounts of its long-lived assets are fully recoverable.

(5) Principal Products and Services

The Company has categorized its sales of products and services into the following categories:

- Tissue oximetry monitoring products – includes sales of the FORE-SIGHT cerebral monitors, sensors and accessories.
- Traditional monitoring products - includes:
 - 1) Vital signs bedside monitors and accessories incorporating various combinations of measurement parameters for both human and veterinary use. Parameters found in these monitors include the Company's proprietary MAXNIBP non-invasive blood pressure, pulse oximetry, electro-cardiography, temperature, and capnography.
 - 2) Blood pressure measurement technology – includes sales to OEM manufacturers of the Company's proprietary MAXNIBP non-invasive blood pressure technology, sold as a discrete module to be included in the OEM customers own multi-parameter monitors, and related license fees.
 - 3) Supplies and service – includes sales of neonatal intensive care supplies including electrodes and skin temperature probes, and service repair.

(6) Discontinued Operations

On November 5, 2010, the Company sold certain assets and liabilities related to its Statcorp business unit, which included its blood pressure and infusor cuff product lines, in exchange for \$3,200,000 in cash at closing. As provided in the purchase agreement, the aggregate consideration paid to the Company at closing was subject to an adjustment based upon changes in the net working capital of the business as of the closing date relative to a net working capital target. The adjustment resulted in \$78,964 of additional consideration paid to the Company. Further, the Company has accrued an earn-out payment from the buyer of \$250,000 as of June 30, 2011 as a result of the buyer reaching certain net revenue thresholds in the six-month period following the closing.

The following table represents the financial results of the discontinued operations for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues	\$ 0	\$ 1,906,099	\$ 0	\$ 4,292,687
Cost of products sold	0	1,481,353	0	3,566,227
Gross profit	0	424,746	0	726,460
Operating expenses	0	95,530	0	174,404
Interest expense	0	21,880	0	45,947
Other income	314,993	0	375,133	0
Income from discontinued operations before income taxes	314,993	307,336	375,133	506,109
Income tax expense	107,097	107,568	127,545	137,699
Income from discontinued operations	<u>\$ 207,896</u>	<u>\$ 199,768</u>	<u>\$ 247,588</u>	<u>\$ 368,410</u>

Interest expense allocated to discontinued operations in 2010 relates to the Company's bank term note which was originated to finance the acquisition of the Statcorp business unit in May 2005. The term note was repaid in full commensurate with the sale of the business unit in November 2010.

Income from discontinued operations of \$207,896 and \$247,588 for the three and six-month periods ended June 30, 2011, respectively, primarily includes a \$250,000 earn-out accrued by the Company and fees paid by the buyer for transitional support services provided by the Company. Transitional support services were concluded during the second quarter of 2011.

(7) Income (Loss) per Common Share Applicable to Common Stockholders

Basic earnings (loss) per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if common stock equivalents such as unvested restricted common shares, outstanding warrants and options or convertible preferred stock were exercised or converted into common stock. For all periods reported, the Company incurred net losses from continuing operations. Therefore, for each period reported, diluted loss per share is equal to basic loss per share because the effect of including such common stock equivalents or other securities would have been anti-dilutive.

At June 30, 2011, stock options and warrants to purchase 463,000 and 889,401, shares of common stock, respectively, were excluded from the diluted earnings per share calculation as they would have been anti-dilutive. On an as-converted basis, 3,546,099 shares of common stock pertaining to the private placement of 95,500 shares of Series A convertible preferred stock issued on June 9, 2011 were also excluded as they would have been anti-dilutive.

The following table presents a reconciliation of the numerators and denominators of basic and diluted loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Loss from continuing operations	\$ (1,547,902)	\$ (192,096)	\$ (2,793,525)	\$ (153,216)
Preferred stock dividends	74,158	—	74,158	—
Loss from continuing operations applicable to common stockholders	(1,622,060)	(192,096)	(2,867,683)	(153,216)
Income from discontinued operations	207,896	199,768	247,588	368,410
Net (loss) income applicable to common stockholders	<u>\$ (1,414,164)</u>	<u>\$ 7,672</u>	<u>\$ (2,620,095)</u>	<u>\$ 215,194</u>
Weighted average shares outstanding, net of unvested restricted common shares –used to compute basic and diluted income (loss) per share applicable to common stockholders	<u>13,086,493</u>	<u>11,617,719</u>	<u>13,048,845</u>	<u>11,480,541</u>

(8) Stock Compensation Expense and Share-based Payment Plans

Stock compensation expense was \$210,308 and \$63,766, and \$420,497 and \$83,033 for the three and six-month periods ended June 30, 2011 and 2010, respectively. Stock compensation for the six months ended June 30, 2010 includes a forfeiture adjustment of (\$48,619).

As of June 30, 2011, the unrecognized stock-based compensation cost related to stock option awards and unvested restricted common stock was \$1,915,452. Such amount, net of estimated forfeitures, will be recognized in operations through the first quarter of 2015.

The following table summarizes the Company's stock option information as of and for the six-month period ended June 30, 2011:

	<u>Option Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Aggregate Intrinsic Value (1)</u>	<u>Weighted- Average Contractual Life Remaining in Years</u>
Outstanding at December 31, 2010	935,875	\$ 2.29	\$ 877,788	7.0
Granted	240,000	3.05		
Cancelled	(20,000)	2.30		
Exercised	(40,550)	0.83		
Outstanding at June 30, 2011	<u>1,115,325</u>	<u>\$ 2.51</u>	<u>\$ 559,255</u>	<u>7.4</u>
Exercisable at June 30, 2011	<u>410,243</u>	<u>\$ 2.38</u>	<u>\$ 270,856</u>	<u>4.2</u>
Vested and expected to vest at June 30, 2011	<u>991,088</u>	<u>\$ 2.51</u>	<u>\$ 540,590</u>	<u>7.4</u>

(1) The intrinsic value of a stock option is the amount by which the market value, as of the applicable date, of the underlying stock exceeds the option exercise price.

The exercise period for all outstanding stock options may not exceed ten years from the date of grant. Stock options granted to employees and members of the board of directors vest typically not less than three years from the grant date. The Company attributes stock-based compensation cost to operations using the straight-line method over the applicable vesting period.

On June 8, 2011, at the Company's annual meeting of stockholders, the CAS Medical Systems, Inc. 2011 Equity Incentive Plan (the "2011 Plan") was approved by its stockholders. The 2011 Plan provides for the availability of a maximum of 1,000,000 shares of the Company's common stock, with a maximum of 500,000 shares available for issuance with respect to awards of restricted stock and restricted stock units. As of June 30, 2011, 77,168 shares of common stock remained available for issuance under the Company's 2003 Equity Incentive Plan.

During the six months ended June 30, 2011, stock options for 200,000 shares of common stock were granted to our employees including an inducement stock option grant of 150,000 shares issued to our Vice President of Sales and Marketing commensurate with the start of his employment with our Company on January 7, 2011 and a stock option grant for 50,000 shares issued to our Chief Financial Officer. Stock options for 20,000 shares each were issued to two new members of the board of directors who were appointed on June 9, 2011 in connection with the private placement of shares of our Series A Preferred Stock and Series A Exchangeable Preferred Stock. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model assuming a weighted average expected stock price volatility of 93%, a weighted average expected option life of 4.5 years, an average risk-free interest rate of 3.3% and a 0.0% average dividend yield. The weighted average fair value of the stock options granted during the six months ended June 30, 2011 was \$2.13 per share. The stock options contain various vesting formulas however they generally vest over a three to four year period.

Restricted stock granted to employees vests typically over a period of not less than three years while restricted stock granted to members of the board of directors vests ratably over twelve months from date of grant. During the six months ended June 30, 2011, 83,718 shares of restricted common stock were granted including 50,000 shares to executive officers of the Company and 23,718 shares to outside members of the board of directors. Those awards included an inducement restricted stock grant of 25,000 shares issued to our Vice President of Global Sales and Marketing commensurate with the start of his employment and a restricted stock grant for 25,000 shares issued to our Chief Financial Officer. As of June 30, 2011, 489,256 restricted shares issued to employees and members of the board of directors remain issued and non-vested.

A summary of the restricted shares outstanding and changes for the relevant periods follow:

	Six Months Ended June 30, 2011	Weighted Average Grant Date Fair-Value	Twelve Months Ended December 31, 2010	Weighted Average Grant Date Fair-Value
Outstanding at beginning of period	484,070	\$ 1.87	190,265	\$ 2.56
Granted	83,718	2.95	451,222	2.04
Cancelled	(4,334)	2.04	(18,501)	1.85
Vested	(74,198)	2.00	(138,916)	2.56
Outstanding at end of period	<u>489,256</u>	<u>\$ 2.22</u>	<u>484,070</u>	<u>\$ 1.87</u>

(9) Financing Arrangements and Liquidity

The Company's line-of-credit agreement, as amended, with its bank lender expired on April 1, 2011. The Company elected not to renew the line-of credit.

(10) Income Taxes

The Company does not expect to record taxable income during its 2011 fiscal year. Further, income tax benefits that may be generated during 2011 would be offset by a deferred income tax asset valuation allowance. Management established the valuation allowance at December 31, 2009 as a result of then recent cumulative pre-tax losses and its estimates of future taxable income. Management has continued to perform the required analysis regarding the realization of our deferred income tax assets concluding that a full valuation allowance is warranted. As of June 30, 2011, the deferred income tax asset valuation allowance balance was \$2,422,407.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements included in this report, including without limitation statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent the Company's current expectations regarding future events. The Company cautions that such statements are qualified by important factors that could cause actual results to differ materially from expected results which may be contained in the forward-looking statements. All forward-looking statements involve risks and uncertainties, including, but not limited to, the following: foreign currency fluctuations, regulations and other economic and political factors which affect the Company's ability to market its products internationally, changes in economic conditions that adversely affect demand for the Company's products, potential liquidity constraints, new product introductions by the Company's competitors, increased price competition, rapid technological changes, dependence upon significant customers, availability and cost of components for the Company's products, the impact of any product liability or other adverse litigation, marketplace acceptance for the Company's new products, FDA and other governmental regulatory and enforcement actions, changes in reimbursement levels from third-party payors, changes to federal research and development grant programs presently utilized by the Company and other factors described in greater detail in the Company's most recent annual report on Form 10-K.

Results of Operations

For the three months ended June 30, 2011, the Company reported a net loss applicable to common stockholders of \$1,414,000, or (\$0.11) per basic and diluted common share, compared to net income applicable to common stockholders of \$8,000, or \$0.00 per basic and diluted common share, for the three months ended June 30, 2010. The loss from continuing operations was \$1,548,000, or (\$0.12) per basic and diluted common share, compared to a loss from continuing operations of \$192,000, or (\$0.02) per basic and diluted common share, reported for the three months ended June 30, 2010. Income from discontinued operations was \$208,000 or \$0.01 per basic and diluted common share for the three months ended June 30, 2011 compared to income from discontinued operations of \$200,000, or \$0.02 per basic and diluted common share, for the same period of the prior year.

The Company generated revenues of \$5,717,000 for the three months ended June 30, 2011, a decrease of \$601,000, or 10%, compared to revenues of \$6,318,000 for the three months ended June 30, 2010. The following table provides information with respect to revenues by major category:

(\$000's)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)
Traditional Vital Signs Monitoring	\$ 3,926	\$ 4,722	\$ (796)
Tissue Oximetry Monitoring	1,774	1,367	407
	5,700	6,089	(389)
Discontinued Products – Apnea/Analogic	17	229	(212)
	<u>\$ 5,717</u>	<u>\$ 6,318</u>	<u>\$ (601)</u>
Domestic Sales	\$ 4,183	\$ 4,238	\$ (55)
International Sales	1,534	2,080	(546)
	<u>\$ 5,717</u>	<u>\$ 6,318</u>	<u>\$ (601)</u>

Traditional vital signs monitoring product revenues for the three months ended June 30, 2011 decreased \$796,000, or 17%, to \$3,926,000 from \$4,722,000 reported for the same period in the prior year. The decrease was associated with reductions in worldwide sales of the Company's vital signs monitors and its MAXNIBP® technology.

Tissue oximetry product revenues of \$1,774,000 for the three months ended June 30, 2011 were 30%, or \$407,000, above the \$1,367,000 reported for the same period in the prior year led by increases in domestic tissue oximetry sales. As of June 30, 2011, the Company's worldwide installed base of oximetry monitors was 480 units, an increase of 53% above the installed based as June 30, 2010. Details of tissue oximetry sales are as follows:

(\$000's)	<u>Three Months Ended June 30, 2011</u>	<u>Three Months Ended June 30, 2010</u>	<u>Increase/ (Decrease)</u>
Sensor Sales	\$ 1,184	\$ 1,061	\$ 123
Monitors and Accessories Sales	590	306	284
	<u>\$ 1,774</u>	<u>\$ 1,367</u>	<u>\$ 407</u>
Domestic Sales	\$ 1,077	\$ 694	\$ 383
International Sales	697	673	24
	<u>\$ 1,774</u>	<u>\$ 1,367</u>	<u>\$ 407</u>

Worldwide tissue oximetry sensor sales were \$1,184,000, an increase of \$123,000, or 12%, over worldwide sensor sales of \$1,061,000 recorded for the second quarter of 2010. Sensor sales were led by a 50% increase in domestic sensor sales. Worldwide sales of monitors and accessories increased \$284,000 to \$590,000 from \$306,000 reported for the second quarter of 2010. Sales during this period were led by international demand for Fore-Sight monitors. Domestic tissue oximetry product sales were \$1,077,000 which represented an increase of \$383,000, or 55%, over the \$694,000 recorded for the second quarter of 2010. International tissue oximetry product sales were \$697,000, up 4% over the second quarter of 2010.

Sales of all products to the U.S. market accounted for \$4,183,000 or 73% of the total revenues reported for the three months ended June 30, 2011, a decrease of \$55,000 or 1% from the \$4,238,000 of sales reported for the three months ended June 30, 2010. Sales were led by a 55% increase in U.S. tissue oximetry sales partially offset by reductions in OEM technology sales. International sales of all products accounted for \$1,534,000, or 27%, of the total revenues reported for the three months ended June 30, 2011, a decrease of \$546,000, or 26%, from the \$2,080,000 reported for the same period of the prior year. Decreases in international sales occurred in traditional monitoring products.

For the six months ended June 30, 2011, the Company reported a net loss applicable to common stockholders of \$2,620,000, or \$(0.20) per basic and diluted common share, compared to net income applicable to common stockholders of \$215,000, or \$0.02 per basic and diluted common share, for the six months ended June 30, 2010. The loss from continuing operations was \$2,794,000, or \$(0.22) per basic and diluted common share, compared to a loss from continuing operations of \$153,000, or \$(0.01) per basic and diluted common share, reported for the six months ended June 30, 2010. Income from discontinued operations was \$248,000, or \$0.02 per basic and diluted common share, for the six months ended June 30, 2011 compared to income from discontinued operations of \$368,000, or \$0.03 per basic and diluted common share, for the same period of the prior year.

The Company generated revenues of \$11,360,000 for the six months ended June 30, 2011, a decrease of

\$1,067,000 or 9%, compared to revenues of \$12,427,000 for the six months ended June 30, 2010. The following table provides information with respect to revenues by major category:

(\$000's)	<u>Six Months Ended June 30, 2011</u>	<u>Six Months Ended June 30, 2010</u>	<u>Increase/ (Decrease)</u>
Traditional Vital Signs Monitoring	\$ 7,978	\$ 9,303	\$ (1,325)
Tissue Oximetry Monitoring	<u>3,337</u>	<u>2,732</u>	<u>605</u>
	11,315	12,035	(720)
Discontinued Products – Apnea/Analogic	<u>45</u>	<u>392</u>	<u>(347)</u>
	<u>\$ 11,360</u>	<u>\$ 12,427</u>	<u>\$ (1,067)</u>
Domestic Sales	\$ 8,241	\$ 8,178	\$ 63
International Sales	<u>3,119</u>	<u>4,249</u>	<u>(1,130)</u>
	<u>\$ 11,360</u>	<u>\$ 12,427</u>	<u>\$ (1,067)</u>

Traditional vital signs monitoring product revenues for the six months ended June 30, 2011 decreased \$1,325,000 or 14% to \$7,978,000 from \$9,303,000 reported for the same period in the prior year. The decrease was primarily associated with reductions in sales of the Company's MAXNIBP technology.

Tissue oximetry product revenues of \$3,337,000 for the six months ended June 30, 2011 were 22% or \$605,000 above the \$2,732,000 reported for the same period in the prior year primarily due to increases in domestic tissue oximetry sales. Details of tissue oximetry sales are as follows:

(\$000's)	<u>Six Months Ended June 30, 2011</u>	<u>Six Months Ended June 30, 2010</u>	<u>Increase/ (Decrease)</u>
Sensor Sales	\$ 2,354	\$ 1,800	\$ 554
Monitors and Accessories Sales	<u>983</u>	<u>932</u>	<u>51</u>
	<u>\$ 3,337</u>	<u>\$ 2,732</u>	<u>\$ 605</u>
Domestic Sales	\$ 2,004	\$ 1,386	\$ 618
International Sales	<u>1,333</u>	<u>1,346</u>	<u>(13)</u>
	<u>\$ 3,337</u>	<u>\$ 2,732</u>	<u>\$ 605</u>

Worldwide tissue oximetry sensor sales were \$2,354,000, an increase of \$554,000, or 31%, over worldwide sensor sales of \$1,800,000 recorded for the first six months of 2010. Worldwide sales of monitors and accessories increased \$51,000 to \$983,000 from \$932,000 reported for the first six months of 2010. Domestic tissue oximetry product sales were \$2,004,000, increasing \$618,000, or 45%, over the \$1,386,000 recorded for the first six months of 2010. International tissue oximetry product sales were \$1,333,000.

Sales of all products to the U.S. market accounted for \$8,241,000, or 73%, of the total revenues reported for the six months ended June 30, 2011, an increase of \$63,000 from the \$8,178,000 of sales reported for the six months ended June 30, 2010. Sales were led by a 45% increase in U.S. tissue oximetry sales offset by reductions in sales of traditional monitoring products. International sales of all products accounted for \$3,119,000, or 27%, of the total revenues reported for the six months ended June 30, 2011, a decrease of \$1,130,000, or 27%, from the \$4,249,000 reported for the same period of the prior year.

Cost of sales was \$3,592,000 or 62.8% of revenues for the three months ended June 30, 2011 compared to \$3,585,000, or 56.7%, for the same period in the prior year. Cost of sales was \$7,100,000, or 62.5%, for the six months ended June 30, 2011 compared to \$7,039,000, or 56.6%, for the six months ended June 30, 2010.

Unfavorable product mix driven by lower OEM technology sales and warranty costs were primarily responsible for the increased cost of sales as a percentage of sales for both the three and six month-ended periods ended June 30, 2011.

Total operating expenses for the three months ended June 30, 2011 increased \$734,000, or 24%, to \$3,783,000 from \$3,049,000 for the three months ended June 30, 2010. Operating expenses for the first six months of 2011 increased \$1,554,000, or 28%, to \$7,186,000 from \$5,632,000 for the first six months of 2010. Operating expenses increased as expected over 2010 levels as a result of planned increases in R&D expenditures and incremental sales and marketing costs related to expansion of sales management and field sales personnel for the Company's tissue oximetry product line.

Research and development expenses increased \$340,000, or 73%, to \$805,000 for the three months ended June 30, 2011 compared to \$465,000 for the three months ended June 30, 2010. R&D expenses for the six months ended June 30, 2011 increased \$589,000, or 63%, to \$1,518,000 from \$929,000 for the six months ended June 30, 2010. The increase for both periods resulted from additional salaries and related fringe benefits due to personnel additions affected during the fourth quarter of 2010, increased project costs and clinical research efforts. The increases in R&D spending are consistent with the Company's plans. Further increases are expected during the remainder of fiscal 2011 to in order to support the Company's various R&D objectives.

For the six months ended June 30, 2011, R&D expenses were partially supported by reimbursements from the National Institutes of Health ("NIH") pertaining to the Company's Near-Infrared Spectroscopy ("NIRS") technology. NIH reimbursements totaled \$289,000 for the six months ended June 30, 2011 compared to \$247,000 for the six months ended June 30, 2010. As of June, 2011, a maximum of approximately \$400,000 remains available under the \$2.8 million multi-year NIH award received in 2007.

Selling, general and administrative ("S,G&A") expenses increased \$394,000, or 15%, to \$2,978,000 for the three months ended June 30, 2011 compared to \$2,584,000 for the three months ended June 30, 2010. S,G&A expenses increased \$965,000, or 21%, to \$5,669,000 for the six months ended June 30, 2011 from \$4,704,000 for the same six month period of the prior year. The increases in S,G&A for both the three and six month periods ended June 30, 2011 were primarily related to field sales expenses, recruitment and relocation expenses, stock compensation amortization and accrued incentive costs which were partially offset by reduced legal expenses.

Other (income)/expense improved to \$5,000 of income for the six months ended June 30, 2011 compared to \$48,000 of expense for the six months ended June 30, 2010. The prior year expenses were related to interest charges on the Company's bank debt.

The income tax benefit was \$128,000 for continuing operations for the first six months of 2011. Such benefit was offset by related income tax expense for discontinued operations. The Company does not expect to record taxable income during its 2011 fiscal year. Income tax benefits that may be generated during 2011 would be offset by a deferred income tax asset valuation allowance. Management established the valuation allowance as of December 31, 2009 as a result of then recent cumulative pre-tax losses and its estimates of future taxable income. Management has continued to perform the required analysis regarding the realization of our deferred income tax assets concluding that a full valuation allowance is warranted. As of June 30, 2011, the deferred income tax asset valuation allowance balance was \$2,422,000.

Financial Condition, Liquidity and Capital Resources

On June 8, 2011, the Company entered into an investment agreement (the "Agreement") with a private investor pursuant to which the Company issued on June 9, 2011 (i) 95,500 shares of a newly created series of preferred stock, designated "Series A Convertible Preferred Stock," par value \$0.001 per share (the "Series A Preferred Stock"), which are convertible into authorized but unissued shares of common stock, par value \$0.004 per share, of the Company and (ii) 54,500 shares of a newly created series of preferred stock, designated "Series A

Exchangeable Preferred Stock,” par value \$0.001 per share (the “Series A Exchangeable Preferred Stock”) which are convertible, following stockholder approval, into authorized but unissued shares of common stock, par value \$0.004 per share, of the Company. The Company received an aggregate cash purchase price of \$15.0 million representing a per-share purchase price of \$100 for the Series A Preferred Stock and \$100 for the Series A Exchangeable Preferred Stock. The Company utilized a placement agent to assist in the transaction which was paid a fee of \$900,000 plus certain expenses. The Company received net proceeds, after expenses, of \$13,877,000.

At June 30, 2011, the Company's cash and cash equivalents totaled \$15,388,000 compared to \$4,493,000 at December 31, 2010. Working capital increased \$11,776,000 to \$20,819,000 at June 30, 2011 from \$9,043,000 on December 31, 2010. The Company's current ratio increased to 8.48 to 1 from 3.83 to 1.

Cash used in continuing operations for the six months ended June 30, 2011 was \$3,129,000 compared to cash provided by operations of \$1,155,000 for the same period in the prior year. Losses from continuing operations before depreciation, amortization, stock compensation expenses and deferred income taxes, increases in accounts receivable and decreases in accounts payable and accrued expenses were primarily responsible for the cash used by continuing operations. Cash provided by operations of \$1,155,000 for the six months ended June 30, 2010 resulted primarily from income from continuing operations before depreciation, amortization and stock compensation expenses, reductions in inventory and increases in accounts payable and accrued expenses, partially offset by increases in accounts receivable.

Cash used in investing activities was \$400,000 for the six months ended June 30, 2011 compared to cash used in investing activities of \$241,000 for the same period in the prior year. Expenditures for property and equipment of \$294,000 for the six months ended June 30, 2011 were driven by Fore-Sight cerebral oximeter customer placements and demonstration equipment requirements. Purchases of intangible assets of \$106,000 for the first six months of 2011 primarily represent translation costs.

Cash provided by financing activities of continuing operations for the six months ended June 30, 2011 was \$14,049,000 compared to cash provided by financing activities of \$381,000 for the first six months of the prior year. The private placement of shares of our Series A Preferred Stock and Series A Exchangeable Preferred Stock accounted for \$13,877,000 of the cash provided by financing activities. During the second quarter of 2011, the Company also financed certain of its insurance requirements under a short-term note payable. During the six months ended June 30, 2010, the Company raised approximately \$1,937,000 of net proceeds from a non-brokered placement of its preferred stock, repaid \$1,195,000 against its bank line-of-credit and repaid \$422,000 toward its long-term debt and insurance note payable. Deferred financing costs of \$123,000 were associated with the Company's bank debt refinancing completed during March 2010.

Our 2011 business plans call for additional discretionary expenditures primarily to increase our efforts to develop and market our Fore-Sight tissue oximetry technology. Those business plans are to be funded from our current cash on hand which is expected to be sufficient to finance our operations for the next twelve months.

Cash flows may be influenced by a number of factors, including changing market conditions, market acceptance of the Fore-Sight system, and the loss of one or more key customers.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of financial condition and results of operations are based on the condensed consolidated financial statements. The preparation of these financial statements requires the Company to make estimates and judgments that affect the amounts reported in them. The Company's critical accounting policies and estimates include those related to revenue recognition, the valuations of inventories and deferred income tax assets, measuring stock compensation, and warranty costs, determining useful lives of intangible assets, and making asset impairment valuations. The Company bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. For additional information about the Company's critical accounting policies and estimates, see Item 7 and Note 2 to the financial statements included in the Company's

Form 10-K for the year ended December 31, 2010. There were no significant changes in critical accounting policies and estimates during the six months ended June 30, 2011.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company at times has certain exposures to market risk related to changes in interest rates. The Company's line-of-credit agreement with its bank lender expired on April 1, 2011. The Company elected not to renew the line-of credit. The Company holds no derivative securities for trading or other purposes and is not subject in any material respect to currency or other commodity risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2011. Based upon the foregoing evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Reference is made to the Certifications of the Chief Executive Officer and the Chief Financial Officer about these and other matters attached as Exhibits 31.1, 31.2 and 32.1 to this quarterly report on Form 10-Q.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The manufacture and sale of our products exposes us to product liability claims and product recalls, including those which may arise from misuse or malfunction of, or design flaws in, our products or use of our products with components or systems not manufactured or sold by us. Product liability claims or product recalls, regardless of their ultimate outcome, could require us to spend significant time and money in litigation or to pay significant damages. We are currently a defendant in a pending product liability action. We believe that our product liability insurance is sufficient to cover any damages and costs that are likely with respect to this matter. There can be no assurance however that this will be the case with respect to this or any future matters. Furthermore, we may not be able to obtain insurance in the future at satisfactory rates or in adequate amounts. In addition, publicity pertaining to the misuse or malfunction of, or design flaws in, our products could impair our ability to successfully market and sell our products and could lead to product recalls.

In addition, we may become, in the normal course of our business operations, a party to other legal proceedings in addition to those described in the paragraph above. None of these other proceedings would be expected to have a material adverse impact on our consolidated results of operations, financial conditions, or cash flows.

ITEM 6. EXHIBITS

- 3.1 Certificate of Incorporation, as amended through June 8, 2011.
- 10.1 Investment Agreement, dated June 8, 2011, among CAS Medical Systems, Inc. and the several Purchasers named therein (Incorporated by reference to the Company's Form 8-K filed on June 13, 2011)
- 10.2 Registration Rights Agreement, dated June 9, 2011, among CAS Medical Systems, Inc. and the several Purchasers named therein (Incorporated by reference to the Company's Form 8-K filed on June 13, 2011)
- 10.3 Form of Indemnification Agreement, dated June 9, 2011, between CAS Medical Systems, Inc. and the individual members of the Board of Directors of CAS Medical Systems, Inc. (Incorporated by reference to the Company's Form 8-K filed on June 13, 2011)
- 10.4 CAS Medical Systems, Inc. 2011 Equity Incentive Plan (Incorporated by reference to the Company's proxy statement filed on April 26, 2011)
- 31.1 Certification pursuant to Rule 13a-14(a) of Thomas M. Patton, President and Chief Executive Officer
- 31.2 Certification pursuant to Rule 13a-14(a) of Jeffery A. Baird, Chief Financial Officer
- 32.1 Certification pursuant to 18 U.S.C. 1350 of Periodic Financial Report of Thomas M. Patton, President and Chief Executive Officer and Jeffery A. Baird, Chief Financial Officer
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T

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.

CAS MEDICAL SYSTEMS, INC.

(Registrant)

/s/ Thomas M. Patton

By: Thomas M. Patton

President and Chief Executive Officer

Date: August 12, 2011

/s/ Jeffery A. Baird

By: Jeffery A. Baird

Chief Financial Officer

Date: August 12, 2011

RESTATED CERTIFICATE OF INCORPORATION
OF
CAS MEDICAL SYSTEMS, INC.
As amended through June 8, 2011

1. The name of the corporation is:

CAS MEDICAL SYSTEMS, INC.
 2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.
 3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
 4. (a) The total number of shares of all classes of stock which the Company shall have authority to issue shall be forty-one million (41,000,000), of which one million (1,000,000) shares with a par value of \$0.001 per share are to be of a class designated "Preferred Stock" and forty million (40,000,000) shares with a par value of \$0.004 per share are to be of a class designated "Common Stock."

(b) The Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution for the issuance of the shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.
 - 5.1 The board of directors is authorized to make, alter or repeal the by-laws of the corporation. Election of directors need not be by written ballot.
 - 5.2 (a) The Corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware, indemnify any and all persons whom it shall have power to indemnify under said law from and against any and all of the expenses, liabilities or other matters permitted to be indemnified from and against under said law and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) To the fullest extent permitted by the General Corporation Law of the State of Delaware, a director of this Corporation shall not be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director.

(c) No amendment or repeal of these provisions shall deprive a director of the benefits hereof with respect to any act or omission occurring prior to such amendment or repeal.
 6. The name and mailing address of the incorporator is:

L. M. Custis
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
-

CERTIFICATE OF DESIGNATION
OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
CAS MEDICAL SYSTEMS, INC.

Pursuant to Section 151 of the General
Corporation Law of the State of Delaware

CAS Medical Systems, Inc. (the "Company"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

FIRST: The Certificate of Incorporation (the "Certificate of Incorporation") of the Company authorizes the issuance of up to 1,000,000 shares of preferred stock, par value \$0.001 per share (the "Authorized Preferred Stock"), and further authorizes the Board of Directors of the Company by resolution or resolutions to provide for the issuance of Authorized Preferred Stock in series and to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and relative rights and qualifications, limitations or restrictions of each such series.

SECOND: On June 8, 2011, the Board of Directors of the Company adopted the following resolution authorizing the creation and issuance of a series of said Authorized Preferred Stock to be known as "Series A Convertible Preferred Stock":

RESOLVED: that, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Company, the Board of Directors hereby authorizes and establishes a series of 95,500 shares of Series A Convertible Preferred Stock, and hereby fixes the number, designation, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such shares as follows:

1. Designation and Amount; Ranking.

(a) There shall be created from the Authorized Preferred Stock a series of preferred stock, designated as the "Series A Convertible Preferred Stock", par value \$0.001 per share (the "Series A Preferred Stock"), and the authorized number of shares of such series shall be 95,500, which may be issued by the Company from time to time subject to compliance with

this Certificate, the Investment Agreement (as defined in Annex I, attached hereto) and any other conditions to issuance.

(b) The Series A Preferred Stock shall, with respect to both dividend rights and rights upon a Liquidation (as defined in Annex I, attached hereto) or Change of Control (as defined in Annex I, attached hereto), rank (i) senior to all Junior Stock (as defined in Annex I, attached hereto), (ii) on parity with all Parity Stock (as defined in Annex I, attached hereto) and (iii) junior to all Senior Stock (as defined in Annex I, attached hereto).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed this 8th day of June, 2011.

CAS MEDICAL SYSTEMS, INC.

By: /s/ Thomas M. Patton
Name: Thomas M. Patton
Title: President and Chief Executive Officer

ANNEX I

ADDITIONAL TERMS
OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
CAS MEDICAL SYSTEMS, INC.

2. Definitions. As used herein, the following terms shall have the following meanings:

(a) “Accretion Rate” has the meaning set forth in Section 3(a).

(b) “Accreted Value” has the meaning set forth in Section 3(a).

(c) “Accrued Dividends” means, with respect to any share of Series A Preferred Stock, as of any date, without duplication of any dividends included within Accreted Value, the accrued and unpaid dividends on such share through and including such date (whether or not declared).

(d) “Acquiring Person” shall mean any Person or group (within the meaning of Section 13(d)(3) of the Exchange Act) (other than any Person who is a member of the TMP Investor Group).

(e) “A/D Rate” means the Accretion Rate or the Dividend Rate, as applicable, at the time of the Special Triggering Event.

(f) “Affiliate” shall mean any Person, directly or indirectly, controlling, controlled by or under common control with such Person.

(g) “Applicable Issuance Date” means the date of the issuance of the applicable shares of Series A Preferred Stock (which may be issued from time to time on one or more days).

(h) “Applicable Terms” means any of the following defined terms herein: (a) Accretion Rate; (b) Accreted Value; (c) A/D Rate; (d) Conversion Price; (e) Dividend Rate; or (f) Stated Value.

(i) “Approved Markets” shall mean the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, NYSE Amex, or the NYSE.

(j) “Authorized Preferred Stock” has the meaning set forth in the recitals.

(k) “Board of Directors” means the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

(l) “Business Day” means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(m) “Capital Stock” of any Person means any and all securities (including equity-linked securities), interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preference Stock.

(n) “Certificate” means this Certificate of Designation with respect to the Series A Preferred Stock, as amended from time to time.

(o) “Certificate of Incorporation” has the meaning set forth in the recitals.

(p) “Change of Control” means the consummation of any transaction or series of related transactions (i) involving any purchase or acquisition (whether by way of merger, share exchange, consolidation, business combination or similar transaction or otherwise) by any Acquiring Person, of any of securities representing a majority of the outstanding voting power of the Company entitled to elect the Board of Directors, (ii) involving any sale, lease, exchange, transfer, exclusive license or disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken together as a whole, to an Acquiring Person, (iii) involving any merger, consolidation or business combination in which the holders of voting securities of the Company immediately prior to the transaction, as a group, do not hold securities representing a majority of the outstanding voting power entitled to elect the board of directors of the surviving entity in such merger, consolidation or business combination, or (iv) following which a majority of the members of the Board of Directors do not constitute Continuing Directors; provided that in each case such transaction or transactions are approved by the Board of Directors.

(q) “Closing Price” shall mean, with respect to the Common Stock (or other relevant Capital Stock) on any date of determination, the most recent consolidated closing bid price or, if no such closing bid price is reported, the last reported bid price of the shares of the Common Stock (or other relevant Capital Stock) on the relevant Approved Market on such date. If the Common Stock (or other relevant Capital Stock) is not traded on an Approved Market on any date of determination, the Closing Price of the Common Stock (or other relevant Capital Stock) on such date of determination means the closing bid price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or, if no closing bid price is reported, the last reported bid price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or if the Common Stock (or other relevant Capital Stock) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant Capital Stock) in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant Capital Stock) on that date as determined in good faith by the Board of Directors.

(r) “Common Stock” means the common stock, par value \$0.004 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination or merger, reclassification, consolidation or similar transaction in which the Company is a constituent corporation.

(s) “Company” has the meaning set forth in the recitals.

(t) “Continuing Director” means (a) any member of the Board of Directors who was a director of the Company on the Original Issue Date, and (b) any individual who becomes a member of the Board of Directors after the Original Issue Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office on the Original Issue Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of the Company and whose initial assumption of office resulted from such contest or the settlement thereof.

(u) “Conversion Conditions” means the shares of Common Stock are listed on an Approved Market and trade with a Closing Price of at least 250% of the Conversion Price then in effect for a period of 20 Trading Days out of 30 consecutive Trading Days on average trading volume of not less than 50,000 shares per day over the subject 30-day trading period (as adjusted ratably for stock splits, reclassifications and other like kind events affecting the Common Stock).

(v) “Conversion Date” has the meaning set forth in Section 7(a)(iv).

(w) “Conversion Price” means \$2.82, subject to adjustment as set forth herein.

(x) “Conversion Right” has the meaning set forth in Section 7(a)(i).

(y) “Conversion Right Notice” has the meaning set forth in Section 7(a)(ii).

(z) “Convertible Securities” means debt securities or shares of Capital Stock, in each case convertible into or exchangeable, directly or indirectly, for Common Stock.

(aa) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the twenty (20) consecutive Trading Days preceding the earlier of the day before the date in question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 8.

(bb) “DGCL” has the meaning set forth in the recitals.

(cc) “Dividend Deferral Election” has the meaning set forth in Section 3(a).

(dd) “Dividend Equivalent Amount” has the meaning set forth in Section 3(d).

(ee) “Dividend Payment Date” means March 31, June 30, September 30 and December 31 of each year.

(ff) “Dividend Rate” has the meaning set forth in Section 3(a).

(gg) “Dividend Record Date” means, with respect to any dividend payable on a Dividend Payment Date, the preceding March 15, June 15, September 15 and December 15 and, with respect to any dividend payable on any other date, such date as may be determined by the Board of Directors.

(hh) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(ii) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 8.

(jj) “GAAP” means United States generally accepted accounting principles.

(kk) “Holder” means a holder of record of outstanding shares of the Series A Preferred Stock.

(ll) “Indebtedness” means, without duplication, (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including, without limitation, “capital leases” in accordance with GAAP (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above. For the purposes of this definition, “Contingent Obligation” mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged,

or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(mm) “Investment Agreement” means that certain Investment Agreement, dated June 8, 2011, by and among the Company and the purchasers named therein, as the same may be amended from time to time.

(nn) “Junior Stock” means all classes of Common Stock and each other class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series A Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(oo) “Junior Stock Event” has the meaning set forth in Section 3(d).

(pp) “Liquidation” means the voluntary or involuntary liquidation, dissolution or winding-up of the Company other than a Change of Control.

(qq) “Liquidation Event” has the meaning set forth in Section 4(a).

(rr) “Liquidation Preference” has the meaning set forth in Section 4(a).

(ss) “Mandatory Conversion” has the meaning set forth in Section 7(b)(i).

(tt) “Mandatory Conversion Time” has the meaning set forth in Section 7(b)(i).

(uu) “NYSE” means the New York Stock Exchange, Inc.

(vv) “Option” means rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(ww) “Original Issue Date” means June 9, 2011.

(xx) “Parity Stock” means the Series A Exchangeable Preferred Stock and any class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on parity with the Series A Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(yy) “Person” means any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization, other entity or government or any agency or political subdivision thereof.

(zz) “Preference Stock” means, as applied to the Capital Stock of any Person, Capital Stock of any series, class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or

involuntary liquidation or dissolution of such Person or change of control (defined by analogy to the definition of Change of Control herein) of such Person, over shares of Capital Stock of any other series or class of such Person.

(aaa) “Record Date” means the applicable record date as determined in accordance with Section 213 of the DGCL.

(bbb) “Register” has the meaning set forth in Section 3(a).

(ccc) “Registration Rights Agreement” means that certain Registration Rights Agreement, dated June 9, 2011, between the Company and the signatories thereto, as the same may be amended from time to time.

(ddd) “Required Holders” means as of any date the Holders of more than 50% of the then-outstanding shares of Series A Preferred Stock, voting together as a single class.

(eee) “Senior Stock” means each class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Series A Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(fff) “Series A Exchangeable Preferred Stock” means the Series A Exchangeable Preferred Stock, par value \$0.001 per share, of the Company.

(ggg) “Series A Exchangeable Preferred Certificate of Designation” means the Certificate of Designation for the Series A Exchangeable Preferred Stock.

(hhh) “Series A Preferred Stock” has the meaning set forth in Section 1(a).

(iii) “Special Triggering Event” means any of the following events:

(i) the failure of the Company to pay when due any amounts owed on the shares of Series A Preferred Stock to the Holders;

(ii) a failure by the Company to deliver any cash and shares of Common Stock, when such cash and shares of Common Stock, if any, are required to be delivered upon conversion of the Series A Preferred Stock pursuant to the terms set forth herein, where the Company does not remedy such default within five (5) days after the date such cash and shares of Common Stock, if any, are required to be delivered;

(iii) a material violation by the Company of any covenant or agreement set forth in the Investment Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Investment Agreement who are actually adversely affected by such breach;

(iv) a material violation by the Company of any term of or condition set forth in this Certificate, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders who are actually adversely affected by such breach;

(v) a material and willful violation by the Company of any term of or condition set forth in the Registration Rights Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Registration Rights Agreement who are actually adversely affected by such breach; or

(vi) the failure of any of the TMP Purchaser Designees (as defined in the Investment Agreement) to be elected or appointed to the Board of Directors in accordance with the terms set forth in the Investment Agreement.

(jjj) "Stated Value" means \$100.00 per share of Series A Preferred Stock.

(kkk) "Stockholder Approval" means the affirmative vote of holders of a majority of the votes cast with respect to the matter, either at a meeting of stockholders of the Company validly called and at which a quorum is present or by written consent, approving the Stockholder Proposal (as defined in the Investment Agreement) in accordance with the relevant provisions of the DGCL.

(lll) "Stockholder Approval Threshold" means 19.99% of the shares of Common Stock outstanding immediately prior to the Original Issue Date (not including any shares of Common Stock that are owned by the Company and without assuming the conversion or exercise of any Options or other Convertible Securities).

(mmm) "Subsidiary" means a partnership, joint-stock company, corporation, limited liability company, trust, unincorporated organization or other entity of which a Person owns, directly or indirectly, more than 50% of the stock or other interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such entity.

(nnn) "Trading Day" means a day during which the trading of securities generally occurs on the Approved Market on which the Common Stock is then listed or, if the Common Stock is not listed on an Approved Market, the NYSE.

(ooo) "Transaction" has the meaning set forth in Section 9(d).

(ppp) "Transfer Agent" means the Company or any duly appointed transfer agent, registrar and conversion and dividend disbursing agent for the Series A Preferred Stock as may be appointed by the Company from time to time.

(qqq) "TMP Investor Group" means Thomas, McNerney & Partners II, L.P., TMP Nominee II LLC and TMP Associates II, L.P. and any of their respective Affiliates other than any of their Affiliates that is a "portfolio company" (as such term is customarily used among private equity investors).

3. Accretion; Dividends.

(a) From and after the Applicable Issuance Date, the Stated Value of each share of Series A Preferred Stock shall accrete at an annual rate of seven percent (7%) (the "Accretion Rate"), compounded quarterly, beginning on the three-month period ending June 30, 2011 (the Stated Value as it has accreted as of any date, the "Accreted Value"), subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination, consolidation, subdivision, reclassification or other corporate actions having the similar effect with respect to the Series A Preferred Stock); provided, however, if (i) from and after the Original Issue Date until and including the third anniversary of the Original Issue Date, the Company receives a written consent from the Required Holders (which consent must be irrevocable and delivered (x) prior to June 15, 2011 with respect to the quarters ending June 30, 2011 through June 30, 2012, (y) prior to June 15, 2012 with respect to the four quarters ending September 30, 2012 through June 30, 2013 and (z) prior to June 15, 2013 with respect to the four quarters ending September 30, 2013 through June 30, 2014) electing cash dividends for any specified period prior to the third anniversary of the Original Issue Date, or (ii) at any time from and after the third anniversary of the Original Issue Date, the Company delivers a written notice to the Holders electing cash dividends for any specified period (provided the Company has funds legally available to pay such cash dividend), the Holders shall be entitled to receive on each Dividend Payment Date, in lieu of the accretion described above for the three-month period ending on such Dividend Payment Date, cash dividends on each share of Series A Preferred Stock, at a rate per annum equal to seven percent (7%) of the Accreted Value as of the Dividend Payment Date (the "Dividend Rate"), and the Board of Directors shall declare such cash dividends out of funds legally available for that purpose; provided, however, with respect to clause (i), to the extent the Company does not have funds legally available to pay such cash dividend or with the prior approval of the Required Holders, the Company may elect not to pay a cash dividend due on any Dividend Payment Date (a "Dividend Deferral Election") and if such an election is made, the cash dividend that would have been payable on such Dividend Payment Date shall continue to accrue, and shall compound quarterly at the Dividend Rate until the accrued value of such dividend is paid, whether or not in any fiscal year there shall be net profits or surplus legally available for the payment of dividends in such fiscal year, so that if in any fiscal year or years, dividends in whole or in part are not paid upon the Series A Preferred Stock, unpaid dividends shall accumulate and accrue at the Dividend Rate, compounded quarterly. Unless there is a Dividend Deferral Election, any dividends due shall be payable quarterly in arrears on each Dividend Payment Date; provided, that if any such payment date is not a Business Day then such dividend shall be payable on the next Business Day. Each dividend shall be payable to the Holders as they appear on the securities register maintained in respect of the Series A Preferred Stock by the Company (the "Register") at the close of business on the corresponding Dividend Record Date; provided, however, if there is a Dividend Deferral Election, the dividend that would have otherwise been payable on the Dividend Record Date applicable to the Dividend Deferral Election shall be payable to the Holders as they appear on the Register at the time such dividend is paid. Subject to the foregoing and the availability of lawful funds, the Board of Directors may declare any dividends subject to a Dividend Deferral Election at any time and the payment date of such funds shall be as determined by the Board of Directors. All dividends paid with respect to shares of Series A Preferred Stock shall be paid pro rata to the Holders entitled thereto. The amount of dividends payable for any other period shorter or longer than a full dividend period, shall be computed on the basis of twelve 30-day

months and a 360-day year. Dividend payments shall be aggregated per Holder and shall be made to the nearest cent (with \$.005 being rounded upward).

(b) Upon a Special Triggering Event, the then applicable A/D Rate shall automatically be increased by an additional five percent (5%) per annum, compounded quarterly, from and including the date on which any such Special Triggering Event shall occur through but excluding the date on which the Special Triggering Event shall have been cured or waived in writing by the Required Holders.

(c) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Series A Preferred Stock or Parity Stock with respect to any dividend period unless all dividends due for all preceding dividend periods have been declared and paid, or declared and, if such dividends are to be paid in cash, a sum of cash sufficient for the payment thereof is set apart for the payment of such dividend, upon all outstanding shares of Series A Preferred Stock and Parity Stock. Notwithstanding the foregoing, if full cumulative dividends have not been paid on the Series A Preferred Stock and all Parity Stock, all dividends declared and paid on the Series A Preferred Stock and such Parity Stock shall be declared and paid pro rata so that the amounts of dividends declared and paid per share on the Series A Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Series A Preferred Stock and such Parity Stock bear to each other.

(d) No dividends or other distributions (other than cash paid in lieu of fractional shares or dividends on Common Stock payable in Common Stock) may be declared, made or paid, or set apart for payment upon, any Junior Stock, nor may any Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any Junior Stock) by or on behalf of the Company or any of its Subsidiaries, unless (i) all Accrued Dividends shall have been or contemporaneously are declared and paid in cash, or are declared and a sum of cash sufficient for the payment thereof is set apart for such payment or are added to Accreted Value at the request of the Holders, on the Series A Preferred Stock and all Parity Stock for all dividend periods terminating on or prior to the Record Date of such declaration, payment, redemption, purchase or acquisition, (ii) the Holders receive an equivalent dividend or distribution of the amount of such dividend or distribution that would be payable to such Holders if such shares of Series A Preferred Stock had been converted into Common Stock immediately prior to the Record Date for such dividend or distribution (such amount per share of Series A Preferred Stock, the “Dividend Equivalent Amount”) and (iii) the Company obtains the consent required pursuant to Section 5(b) herein (such declaration or distribution made in accordance with clauses (i) through (iii)), a “Junior Stock Event”). The restrictions set forth in this Section 3(d) shall not apply to the purchase or other acquisition of Junior Stock (A) pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options or (B) which purchase or acquisition has received the prior written consent of the Required Holders.

4. Liquidation; Change of Control.

(a) In the event of any Liquidation (a “Liquidation Event”), the Holders shall be entitled to be paid out of the assets and funds of the Company available for distribution to its stockholders an amount in cash per each share of Series A Preferred Stock equal to the greater of (A) 100% of the Accreted Value for each share of Series A Preferred Stock outstanding on the date of such Liquidation Event, plus an amount equal to all Accrued Dividends thereon to the date of the Liquidation Event or (B) the amount to which such Holders would be entitled to receive had such Holders, immediately prior to the Liquidation Event, converted such shares of Series A Preferred Stock into shares of Common Stock (determined in accordance with Section 7(a)(i)), in either case before any payment shall be made or any assets distributed to the holders of any of the Junior Stock (such greater cash amount being referred to as the “Liquidation Preference”). Without limiting any rights and remedies of the Holders, if upon any such Liquidation Event, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full the liquidation payments payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares of Parity Stock shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(b) Unless waived in writing by the Required Holders, in the event of a Change of Control, each Holder shall have the right, at such Holder’s election, to either (i) only to the extent then convertible in accordance with Section 7(a)(i), convert each share of Series A Preferred Stock and receive the amount to which such Holder is entitled to receive upon conversion of such shares of Series A Preferred Stock into Common Stock or (ii) within sixty (60) days of such Change of Control, or later if the Holders did not receive notice of such Change of Control, require the Company to redeem (subject to the availability of lawful funds), in whole or in part, each share of Series A Preferred Stock held by such Holder for an amount in cash equal to the Liquidation Preference. Unless waived in writing by the Required Holders, the Corporation shall not have the power to effect a Change of Control unless the agreement for such transaction provides that the consideration payable to the stockholders of the Corporation in such transaction shall be allocated among the holders of capital stock of the Corporation in accordance with this Section 4(b). In connection with a redemption permitted above, each Holder shall surrender his, her or its certificate or certificates representing such redeemed shares to the Company, in the manner and at the place designated in written notice mailed by the Company, postage prepaid, to each Holder, at his, her or its post office address last shown on the Register (which notice shall be given at least ten (10) days prior to such Change of Control or such shorter period as may be agreed in writing by the Required Holders), and thereupon the Liquidation Preference of such shares shall be payable to the order of the Person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. From and after the date of redemption, unless there shall have been a default in payment of the Liquidation Preference, all rights of the Holder whose shares have been redeemed (except the right to receive the Liquidation Preference) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(c) Without limiting any other rights and remedies of the Holders, if upon any such Change of Control, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full amounts payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(d) Unless waived in writing by the Required Holders, written notice of any Liquidation Event or Change of Control, stating a payment date and the place where the distributable amounts shall be payable, shall be given no less than ten (10) days prior to the payment date stated therein, to the Holders at their respective addresses as the same shall appear on the Register.

(e) The amount deemed paid or distributed to the holders of Common Stock upon any Liquidation or Change of Control shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Company or the acquiring Person. The value of such property, rights or securities shall be determined in good faith by the Board of Directors.

5. Voting Rights.

In addition to any voting rights provided by law, the Holders shall be entitled to the following voting rights:

(a) Each share of Series A Preferred Stock shall entitle the Holder thereof to vote together with the holders of Common Stock as a single class on all matters submitted for the approval of the holders of Common Stock. For purposes of this Section 5(a), each Holder shall be entitled to the number of votes equal to the number of shares of Common Stock that would be held by such Holders assuming the conversion of all outstanding shares of Series A Preferred Stock held by such Holder into shares of Common Stock at the Conversion Price on the Original Issue Date (subject to any adjustments pursuant only to Section 8(a)(i) and 8(a)(ii) below) on the Record Date for the determination of the stockholders entitled to vote on such matters.

(b) If at any time following the Original Issue Date at least fifty percent (50%) of the aggregate number of shares of Series A Preferred Stock issued on and after the Original Issue Date are outstanding, in addition to any other vote or consent of the stockholders required by law or by the Certificate of Incorporation, including any Certificate of Designation, bylaws of the Company or this Certificate, the Company shall not, and shall not permit its Subsidiaries to (in each case, whether by merger, consolidation, reorganization, operation of law or otherwise), without the prior written consent of the Required Holders:

(i) amend, alter, waive or repeal any provision of its Certificate of Incorporation, including any certificate of designation, or bylaws or this Certificate in any manner that would adversely affect the rights, powers, preferences or privileges (economic or otherwise) of the Series A Preferred Stock or Series A Exchangeable

Preferred Stock, increase the authorized number of shares of the Series A Preferred Stock or Series A Exchangeable Preferred Stock, or split, reverse split, subdivide, reclassify, combine or take other corporate actions having a similar effect with respect to the Series A Preferred Stock or Series A Exchangeable Preferred Stock;

(ii) except as required pursuant to the terms of the Investment Agreement or the Series A Exchangeable Preferred Certificate of Designation, issue any shares of Series A Preferred Stock or Series A Exchangeable Preferred Stock;

(iii) offer, sell or issue any equity or equity-linked securities constituting Senior Stock or Parity Stock;

(iv) increase or decrease the size of the Board of Directors;

(v) incur Indebtedness (other than Indebtedness that, when aggregated with all other Indebtedness incurred since the Original Issue Date and then outstanding, is less than \$4,000,000 when so aggregated);

(vi) redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any equity or equity-linked securities constituting Junior Stock or Parity Stock, other than the purchase or other acquisition of Junior Stock pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options;

(vii) distribute (by means of a dividend or otherwise) assets (including property or cash) to its stockholders (other than shares of Common Stock or cash as required to pay dividends on the Series A Preferred Stock pursuant to Section 3 or on the Series A Exchangeable Preferred Stock pursuant to the Series A Exchangeable Preferred Certificate of Designation (excluding dividends payable pursuant to Section 3(d)(ii) which shall require consent pursuant to this Section 5(b)(vii)));

(viii) enter into any transaction with any of its officers, directors or Affiliates (or any directors, managers, officers or employees of any such Affiliate), other than (x) employment arrangements entered into in the ordinary course of business consistent with past practices providing for annual base compensation and benefits not exceeding \$200,000 in the aggregate, unless unanimously approved by the Compensation Committee of the Board of Directors and (y) grants pursuant to equity incentive plans approved by the Company's stockholders;

(ix) adopt or amend any stockholder rights plan, poison pill or similar anti-takeover device;

(x) sell, lease, license or otherwise dispose of any assets outside the ordinary course of business consistent with past practices, except for assets with a purchase price, in the aggregate, of less than \$500,000;

(xi) enter into any contract, agreement or other arrangement that would preclude the Company from making payment in full in cash on each Dividend Payment Date of the dividends contemplated in Section 3 above; or

(xii) authorize, commit or agree (in writing or otherwise) to do anything contained in this clause (b).

(c) Any action to be taken at any annual or special meeting of stockholders by the Holders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the Holder or Holders having no less than the minimum number of votes that would be required to take such action at a meeting at which all of the shares of Series A Preferred Stock were present and voted. Prompt written notice of the taking of any action by the Holders by less than unanimous written consent shall be given as may be required under applicable law.

6. Redemption. The Company shall have no right to require the redemption of the shares of Series A Preferred Stock. Nothing herein contained shall prevent or restrict the purchase by the Company, from time to time either at public or private sale, of the whole or any part of the outstanding shares of Series A Preferred Stock at such price or prices as the Company and a Holder may determine, subject to the provisions of applicable law and obtaining any required consents, including the prior written consent of the Required Holders pursuant to Section 5(b) above.

7. Conversion.

(a) Conversion Right.

(i) Subject to the Stockholder Approval Threshold for the period prior to Stockholder Approval, each Holder shall have the right, at such Holder's option, exercisable at any time and from time to time to convert all or any portion of such Holder's shares of Series A Preferred Stock, subject to the terms and provisions of this Section 7 (the "Conversion Right"). Upon a Holder's election to exercise the Conversion Right, the shares of Series A Preferred Stock for which the Conversion Right is exercised shall be converted into such whole number of shares of Common Stock equal to the product of the number of shares of Series A Preferred Stock being so converted multiplied by the quotient of (A) the per share Accreted Value as of the Conversion Date (taking into account any differing Applicable Issuance Dates) divided by (B) the Conversion Price then in effect. In addition, upon a Holder's election to exercise the Conversion Right, the shares of Series A Preferred Stock for which the Conversion Right is exercised shall be entitled to receive (at the election of the Company) either (1) an amount in cash equal to all unpaid Accrued Dividends thereon through the Conversion Date or (2) a number of shares of Common Stock equal to the quotient obtained by dividing (x) an amount equal to all unpaid Accrued Dividends thereon through the Conversion Date by (y) the Closing Price of the Common Stock on the Conversion Date; provided, however, the Company shall elect clause (2) above to the extent that sufficient lawful funds are not available to pay the amounts required by clause (1) above. Notwithstanding the foregoing, the Stockholder Approval Threshold shall only limit the actual number of shares of Common Stock issuable upon a conversion of the Series A Preferred Stock and shall not apply, or be construed to apply, to rights

of the Holders set forth herein to the extent such rights require a determination of a number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock (including, without limitation, rights upon a Change of Control, Liquidation or Redemption and dividend rights set forth herein).

(ii) The Conversion Right of a Holder shall be exercised by the Holder by the surrender to the Company prior to 4:00 p.m. Eastern Time on the Conversion Date of the certificates representing shares of Series A Preferred Stock to be converted at the Company's principal place of business or the offices of the Transfer Agent, if applicable, accompanied by written notice to the Company that the Holder elects to convert all or a portion of the shares of Series A Preferred Stock represented by such certificate (a "Conversion Right Notice") and specifying the name or names (with address or addresses) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Company or the Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Company or the Transfer Agent duly executed by the Holder or its legal representative.

(iii) As promptly as practicable after the surrender of the certificate or certificates for Series A Preferred Stock as aforesaid and the receipt of the Conversion Right Notice and in no event later than three (3) Trading Days thereafter, the Company shall issue and shall deliver or cause to be issued and delivered to such Holder, or to such other Person on such Holder's written order (A) one or more certificates representing the number of validly issued, fully paid and non-assessable whole shares of Common Stock to which the Holder, or the Holder's transferee, shall be entitled, (B) if less than the full number of shares of Series A Preferred Stock evidenced by the surrendered certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares of Series A Preferred Stock evidenced by the surrendered certificate or certificates, less the number of shares being converted, (C) cash for any payment of Accrued Dividends through the Conversion Date if the Company elects to pay such dividends in cash pursuant to Section 7(a)(i) and (D) cash for any fractional interest in respect of a share of Common Stock arising upon such conversion settled as provided in Section 7(d)(i).

(iv) Subject to the Company's ability to limit the shares of Series A Preferred Stock subject to a Conversion Right in order to comply with the Stockholder Approval Threshold for the period prior to Stockholder Approval, each conversion pursuant to Section 7(a)(i) shall be deemed to have been made at 3:59 p.m. Eastern Time on the date of the later to occur of giving the Conversion Right Notice and of surrendering the certificate or certificates representing the Series A Preferred Stock to be converted (the "Conversion Date") so that the rights of the Holder thereof as to the Series A Preferred Stock being converted shall cease except for the right to receive the Common Stock (and cash dividends, if elected by the Company, and cash in lieu of fractional shares) payable under Section 7(a), and the Person entitled to receive shares of Common Stock shall be treated for all purposes as having become the record holder of those shares of Common Stock at that time.

(b) Mandatory Conversion.

(i) Upon either (x) the date and time, or the occurrence of an event, specified by vote or written consent of the Required Holders or (y) at any time following the third anniversary of the Original Issue Date when the Conversion Conditions are satisfied, the

written notice of the Company (a “Mandatory Conversion”) (the time of such occurrence or event, or the date and time specified in such notice, or the time of the event specified in such vote or written consent is referred to herein as the “Mandatory Conversion Time”) each outstanding share of Series A Preferred Stock shall automatically be converted into the number of shares of Common Stock (subject to the Stockholder Approval Threshold) equal to such whole number of shares of Common Stock equal to the product of the number of shares of Series A Preferred Stock being so converted multiplied by the quotient of (A) the per share Accreted Value as of the Conversion Date (taking into account any differing Applicable Issuance Dates) divided by (B) the Conversion Price then in effect. In addition, upon a Mandatory Conversion, the shares of Series A Preferred Stock shall be entitled to receive (at the election of the Company) either (1) an amount in cash equal to all unpaid Accrued Dividends thereon through the Mandatory Conversion Time or (2) a number of shares of Common Stock equal to the quotient obtained by dividing (x) an amount equal to all unpaid Accrued Dividends thereon through the Mandatory Conversion Time by (y) the Closing Price of the Common Stock on the date of the Mandatory Conversion Time; provided, however, the Company shall elect clause (2) above to the extent that sufficient lawful funds are not available to pay the amounts required by clause (1) above.

(ii) All Holders shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to this Section 7(b). Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Promptly following receipt of such notice, each Holder shall surrender his, her or its certificate or certificates for all such shares (or, if such Holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Company to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such certificate which agreement shall not require the posting of a bond) to the Company at the place designated in such notice. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the Holder or by his, her or its attorney duly authorized in writing. Subject to the Company’s ability to limit the shares of Series A Preferred Stock subject to a Mandatory Conversion in order to comply with the Stockholder Approval Threshold prior to the Stockholder Approval, all rights with respect to the Series A Preferred Stock converted pursuant to Section 7(b), including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the Holder or Holders to surrender the certificates at or prior to such time), except only the rights of the Holders, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 7(b)(ii). As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series A Preferred Stock, the Company shall issue and deliver to such Holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with (A) cash for any payment of Accrued Dividends through the Conversion Date if the Company elects to pay such dividends in cash pursuant to Section 7 (b)(i) and (B) cash for any fractional interest in respect of a share of Common Stock arising upon such conversion settled as provided in Section 7(d)(i).

(c) If upon any Mandatory Conversion, the shares of Common Stock issuable upon conversion of the Series A Preferred Stock are, or will be upon issuance, equal to or in excess of the Stockholder Approval Threshold prior to Stockholder Approval, the Company shall convert the number of shares of Series A Preferred Stock up to an amount that equals an amount that is one share of Common Stock less than the Stockholder Approval Threshold, with such Mandatory Conversion being effected ratably among the Holders in accordance with the number of shares of Common Stock which would otherwise be issuable upon such Mandatory Conversion if the Stockholder Approval Threshold was not applicable. In lieu of the foregoing, if upon any Mandatory Conversion, the shares of Common Stock issuable upon conversion of the Series A Preferred Stock are, or will be upon issuance, equal to or in excess of the Stockholder Approval Threshold prior to Stockholder Approval, upon the written instruction of the Required Holders and subject to the Company having lawfully available funds, the Company shall reduce the Accreted Value up to an amount sufficient such that the number of shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock shall equal one share less than the Stockholder Approval Threshold and the per share amount by which the Accretion Rate was reduced shall be payable in cash by the Company to the Holders in respect of each share owned.

(d) Miscellaneous.

(i) No fractional shares of Common Stock shall be issued upon the conversion of any shares of Series A Preferred Stock. If the conversion of any share or shares of Series A Preferred Stock results in a fractional share of Common Stock issuable, the Company shall pay a cash amount in lieu of issuing such fractional share in an amount equal to such fractional interest multiplied by the Closing Price on the Conversion Date or date of the Mandatory Conversion Time, as applicable.

(ii) Except as otherwise provided for herein, a Holder shall not be entitled to any rights of a holder of shares of Common Stock until such Holder has converted such Holder's Series A Preferred Stock, and only to the extent the shares of Series A Preferred Stock are deemed to have been converted into shares of Common Stock in accordance with the provisions of this Section 7.

(iii) Subject to the Stockholder Approval Threshold prior to Stockholder Approval, the Company shall reserve and keep available for issuance such number of its authorized but unissued shares of Common Stock equal to 100% of the number of shares of Common Stock issuable upon conversion of all outstanding shares of Series A Preferred Stock. The Company shall take all action permitted by law to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Series A Preferred Stock. The Company covenants that all Common Stock that may be issued upon conversion of Series A Preferred Stock shall upon issuance be duly authorized, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances. The Company further covenants that, if at any time the Common Stock shall be listed on an Approved Market, the Company will, if permitted by the rules of such Approved Market, cause to be listed or quoted on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Series A Preferred Stock.

(iv) If a Conversion Date or Mandatory Conversion Time is on or after a Dividend Record Date but on or prior to the related Dividend Payment Date, then Accrued Dividends will be payable to Holders in the manner set forth above in Sections 7(a)(i) and 7(b)(i) with respect to the exercise of a Conversion Right or Mandatory Conversion, as applicable, concurrent with delivery by the Company of the shares of Common Stock issuable upon such conversion.

(v) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Series A Preferred Stock pursuant to this Section 7 shall be made without charge to the converting Holder for such certificates or for any stamp or similar tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the Holders of the shares converted, subject to applicable law.

8. Adjustment of Conversion Price.

(a) Irrespective of whether any shares of Series A Preferred Stock are outstanding at the time in question, from and after the Original Issue Date, the Conversion Price shall be adjusted from time to time (without duplication) by the Company as follows:

(i) Stock Dividends and Distributions. If the Company pays dividends or other distributions on the Common Stock in shares of Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{OS_0}{OS^1}$$

Where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS^1 = the sum of the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared.

(ii) Subdivisions, Splits and Combination of the Common Stock. If the Company subdivides, splits or combines the shares of Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

$$\frac{OS_0}{OS^1}$$

Where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS^1 = the number of shares of Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced.

(iii) Issuance of Stock Purchase Rights. If the Company issues or distributes to all or substantially all holders of the shares of Common Stock Options (other than Options issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans approved by the Board of Directors) entitling them to subscribe for or purchase the shares of Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such Options, then the Conversion Price in effect immediately prior to the Ex-Date for such issuance or distribution will be multiplied by the following fraction:

$$\frac{OS_0 + Y}{OS_0 + X}$$

Where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such distribution.

X = the total number of shares of Common Stock issuable pursuant to such Options.

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such Options divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such Options.

For the purposes of this clause (iii), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. In the event that such Options described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue or distribute such Options, to the Conversion Price that would then be in effect if such issuance or distribution had not been declared. To the extent that such Options are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such Options upon the exercise of such Options, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance or distribution of such Options been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate offering price payable for such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined by the Board of Directors).

(iv) Debt or Asset Distributions. If the Company distributes to all or substantially all holders of shares of Common Stock evidences of indebtedness, Capital Stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any Options referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Company or any of its Subsidiaries, and any dividend of Capital Stock of or relating to a Subsidiary or other business unit in the case of certain spin-off transactions as described below), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0 - FMV}{SP_0}$$

Where,

SP_0 = the Current Market Price per share of Common Stock on such date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors, *provided* that, if “FMV” as set forth above is equal to or greater than “ SP_0 ” as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall receive on the date on which such distribution is made to holders of Common Stock, for each share of Series A Preferred Stock, the amount of such distribution such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Price on the Ex-Date for such distribution.

In a “spin-off”, where the Company makes a distribution to all holders of shares of Common Stock consisting of Capital Stock of any class or series, or similar equity interests of, or relating to, a Subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{MP_0}{MP_0 + MP_5}$$

Where,

MP_0 = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MP_5 = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

(v) Cash Dividends or Distributions. If the Company makes a dividend or distribution consisting exclusively of cash to all holders of the Common Stock, excluding (a) any cash that is paid as a dividend or distributed in a Transaction or as part of a “spin-off” referred to in clause (iv) above, (b) any dividend or distribution in connection with Liquidation, (c) any consideration payable in connection with a tender or exchange offer made by the Company or any of its Subsidiaries, and (d) a Junior Stock Event, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0 - DIV}{SP_0}$$

Where,

SP_0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash dividend or distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any dividend or distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “DIV” as set forth above is equal to or greater than “SP₀” as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive on the date on which the relevant cash dividend or distribution is distributed to holders of Common Stock, for each share of Series A Preferred Stock, the amount of cash such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Price on the Ex-Date for such dividend or distribution.

(vi) Self Tender Offers and Exchange Offers. If the Company or any of its Subsidiaries successfully completes a tender or exchange offer for the Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{OS_0 \times SP_0}{AC + (SP_0 \times OS_1)}$$

Where,

SP₀ = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS₀ = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS₁ = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Company, or one of its Subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Company, or such Subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made.

(vii) Rights Plans. To the extent that the Company has a rights plan in effect with respect to the Common Stock upon conversion of any shares of the Series A Preferred Stock, Holders will receive, in addition to the shares of Common Stock, the rights under the rights plan, unless, prior to the conversion date, the rights have separated from the shares of Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Company had made a distribution to all holders of the Common Stock as described in clause (iv) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

(viii) Issuances Below the Conversion Price. If, at any time on or before the date that is three years after the Original Issue Date, the Company issues, or agrees to issue or sell, any Common Stock or Convertible Securities for consideration per share less than the Conversion Price, then the Conversion Price in effect immediately prior to each such issuance will immediately be reduced to the price determined by multiplying the Conversion Price in effect immediately prior to such issuance by the following fraction:

$$\frac{OS_0 + (AC/SP)}{OS_1}$$

Where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to such issuance.

AC = the aggregate consideration paid or payable for such shares of Common Stock or Convertible Securities.

SP = the Conversion Price.

OS_1 = the sum of the number of shares of Common Stock outstanding immediately after such issuance.

This adjustment shall become effective immediately after such issuance.

(b) The Company may, in its sole discretion, make such decreases in the Conversion Price, in addition to any other decreases required by this Section 8, if the Board of Directors, with the consent of at least one TMP Purchaser Designee (as defined in the Investment Agreement) if at least one TMP Purchaser Designee is then serving on the Board of Directors, deems it advisable to avoid or diminish any income tax to holders of the Common Stock resulting from any dividend or distribution of shares of Common Stock (or issuance of rights or warrants to acquire shares of Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; *provided* that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; *provided further* that on any Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) The Conversion Price shall not be adjusted:

(1) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Common Stock under any such plan, provided such plan was approved by the Board of Directors;

(2) upon the issuance of any shares of Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit agreement, plan or program of, or assumed by, the Company or any of its Subsidiaries, provided such issuance was approved by the Board of Directors;

(3) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the Original Issue Date and not substantially amended thereafter;

(4) upon the issuance of securities pursuant to any merger, joint venture, partnership, share exchange, business combination or similar transaction or any other direct or indirect acquisition by the Company, whereby the Company's securities comprise, in whole or in part, the consideration paid by the Company in such transaction, provided such transaction was approved by the Board of Directors;

(5) for a change in the par value or no par value of Common Stock;

(6) for the payment of cash dividends pursuant to Section 3(a);

(7) upon the issuance of shares of Series A Preferred Stock or Series A Exchangeable Preferred Stock issued pursuant to the terms of the Investment Agreement or Common Stock issuable upon conversion thereof; or

(8) upon the issuance of any shares of Common Stock or warrants to acquire only shares of Common Stock issued to banks, equipment lessors or other lending institutions, or to real property lessors, in each case, in connection with a debt financing (limited to secured or unsecured debt for borrowed money that is not pursuant to the issuance of Convertible Securities), equipment leasing or real property leasing transaction, provided such transaction was approved by the Board of Directors.

(9) Whenever the Conversion Price is to be adjusted in accordance with Section 8(a) or Section 8(b), the Company shall: (i) compute the Conversion Price in accordance with Section 8(a) or Section 8(b), taking into account the \$0.01 threshold set forth in Section 8(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 8(a) or Section 8(b), taking into account the \$0.01 threshold set forth in Section 8(c) hereof, provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 8(a) or Section 8(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

(d) If one or more events occurs requiring an adjustment to be made to the Conversion Price during the same time period, adjustments to the Conversion Price shall be determined by the Board of Directors to reflect the combined impact of all Conversion Price adjustment events, as set out in this Section 8, during such period.

(e) Unless and until the Company receives the Stockholder Approval, no adjustment pursuant to Section 8(a)(iii), 8a(iv), 8(a)(v), 8(a)(vi), 8(a)(vii), 8(a)(viii), 8(b) or 8(g) shall cause the Conversion Price to be less than \$2.42 (as adjusted for stock splits, combinations, reclassifications or similar events). In the event that at any time as a result of any adjustment made pursuant to this Section 8 or otherwise, it will be necessary for the Company to obtain stockholder approval (other than the Stockholder Approval), then the Company shall use its reasonable best efforts to obtain such stockholder approval as promptly as practicable.

(f) In the event the Company shall propose to take any action of the type described in Section 8(a)(iii), 8a(iv), 8(a)(v), 8(a)(vi), 8(a)(vii), 8(a)(viii), 8(b) or 8(g), the Company shall give notice to each Holder, which notice shall specify the Record Date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect on the Conversion Price and the number of shares of Common Stock which shall be deliverable upon conversion of shares of the Series A Preferred Stock. Except as otherwise provided herein, (x) in the case of any such action that would require the fixing of a Record Date, such notice shall be given at least ten days prior to the date so fixed and (y) in the case of all other such actions, such notice shall be given at least ten days prior to the taking of such proposed action.

(g) If any event occurs as to which, in the opinion of the Board of Directors, the provisions of this Section 8 are not strictly applicable or if strictly applicable would not fairly protect the rights of the Holders in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such rights as

aforesaid, but in no event shall any adjustment pursuant to this Section 8 have the effect of increasing the Conversion Price as otherwise determined pursuant to any of the provisions of this Section 8 except in the case of a combination of shares of a type contemplated in Section 8(a)(ii) hereof and then in no event to an amount larger than the Conversion Price as adjusted pursuant to Section 8(a)(ii) hereof.

(h) Anything in this Section 8 notwithstanding, no adjustment to the Conversion Price shall reduce the Conversion Price below the then par value per share of Common Stock, and any such purported adjustment shall instead reduce the Conversion Price to such par value.

(i) Notwithstanding the foregoing, no adjustment shall be made to the Conversion Price pursuant to this Section 8 to the extent the Holder actually participates on an as-converted basis (without giving effect to the Stockholder Approval Threshold) with the Common Stock pursuant to Section 3(d)(ii), subject to notice of such participation to the Holder, in the transaction that would otherwise trigger the applicable adjustment pursuant to this Section 8.

(j) Notwithstanding the foregoing, no adjustment shall be made to the Conversion Price pursuant to this Section 8 solely on account of any adjustment of the conversion price of the Series A Exchangeable Preferred Stock in accordance with the Series A Exchangeable Preferred Certificate of Designation.

9. Recapitalization, Reclassification and Changes in Common Stock. Upon the occurrence of any:

(a) reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(b) merger or consolidation of the Company with or into another Person (other than a Subsidiary) other than a merger or consolidation in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock;

(c) any statutory share exchange of the Company with another Person; or

(d) sale or other disposition of all or substantially all of the property and assets of the Company (on a consolidated basis) to any other Person (any of the foregoing events in clauses (a) through (d), a "Transaction"); then, without limiting the rights of the Holders in Section 4 herein, the Series A Preferred Stock shall be convertible after the Transaction into the kind and amount of shares of stock or other securities or other property or assets (including cash) that the Holders would have been entitled to receive upon such Transaction had such Series A Preferred Stock been converted into Common Stock immediately prior to such Transaction after giving effect to any adjustment. The provisions of this Section 9 shall apply to successive Transactions. In the event that holders of the Common Stock shall have the opportunity to elect the form of consideration to be received in a Transaction, then the Company shall make adequate provision whereby each Holder shall have a reasonable opportunity to determine the form of

consideration into which all of such Holder's shares of Series A Preferred Stock, shall be convertible from and after the effective date of such Transaction. Such determination shall be (i) subject to any limitations to which all of the holders of Common Stock are subject, including, but not limited to, pro rata reductions applicable to any portion of the consideration payable in such Transaction and (ii) conducted in such a manner as to be completed by the date that is the earlier of (a) the deadline for elections to be made by holders of Common Stock and (b) five (5) Trading Days prior to the anticipated effective date of such Transaction. The Company will not effect (or enter into any agreement providing for) any Transaction unless prior to the consummation thereof the successor Person (if other than the Company) resulting from such Transaction shall assume by written instrument mailed or delivered to the Holders at the last address of each such Holder appearing on the Register, the obligation pursuant to this Section 9. At least twenty (20) days' prior written notice of the date on which the Transaction will be consummated shall be given to the Holders.

10. Other Provisions.

(a) Shares of Series A Preferred Stock issued and reacquired shall be prohibited from being reissued as such and will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Delaware law, will have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, except that any issuance or reissuance of shares of Series A Preferred Stock must be in compliance with this Certificate.

(b) The shares of Series A Preferred Stock shall be issuable only in whole shares.

(c) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the date of mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate) with postage prepaid, addressed: (i) if to the Company, to its office at 44 East Industrial Road, Branford, CT 06405, Attention: Chief Executive Officer and Chief Financial Officer, or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the Register, or (iii) to such other address as the Company or any such Holder, as the case may be, shall have designated by notice similarly given. Any notice that was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives the notice.

(d) If at any time the Company is required to make any payment to a Holder pursuant to this Certificate, the Company does not have sufficient funds legally available to make such payment, the Company shall make as much of such required payment as possible, ratably to each Holder in proportion to the number of shares of Series A Preferred Stock held by such Holder, and shall thereafter from time to time, as soon as it shall have funds available therefor, make payment of as much of the remaining amount of such required payment as it

legally may until it has made such payment in its entirety. For the avoidance of doubt, such partial payments shall not reduce or waive the rights of the Holders hereunder.

(e) The words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Certificate as a whole and not merely to the specific section, paragraph or clause in which such word appears. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The definitions given for terms in Section 2 and elsewhere in this Certificate shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(f) Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any certificate evidencing any Series A Preferred Stock owned by a Holder and (in the case of loss, theft or destruction) of an unsecured indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such certificate, if mutilated, the Company will make and deliver in lieu of such certificate a new certificate of like tenor and for the number of securities evidenced by such certificate which remains outstanding.

(g) Any of the rights of the Holders set forth herein (including, without limitation, any rights to notices, adjustments or otherwise) may be waived by (i) any Holder with respect to such Holder, provided that such waiver is in writing and executed by such Holder, and (ii) the written consent of the Required Holders with respect to all Holders, and such waiver shall be binding on all Holders; provided, however, prior to the effective date of an amendment to this Certificate approved by the Required Holders which amendment amends the Applicable Terms, the Company shall give each Holder five (5) Business Days’ notice to permit such Holder to convert such Holder’s shares of Series A Preferred Stock pursuant to Section 7(a) herein, subject to any limitations in this Certificate on the number of shares of Series A Preferred Stock that may be converted. Notwithstanding the foregoing, the Required Holders shall not amend the foregoing proviso without the consent of each Holder affected thereby.

CERTIFICATE OF DESIGNATION

OF

SERIES A EXCHANGEABLE PREFERRED STOCK

OF

CAS MEDICAL SYSTEMS, INC.

Pursuant to Section 151 of the General
Corporation Law of the State of Delaware

CAS Medical Systems, Inc. (the "Company"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

FIRST: The Certificate of Incorporation (the "Certificate of Incorporation") of the Company authorizes the issuance of up to 1,000,000 shares of preferred stock, par value \$0.001 per share (the "Authorized Preferred Stock"), and further authorizes the Board of Directors of the Company by resolution or resolutions to provide for the issuance of Authorized Preferred Stock in series and to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and relative rights and qualifications, limitations or restrictions of each such series.

SECOND: On June 8, 2011, the Board of Directors of the Company adopted the following resolution authorizing the creation and issuance of a series of said Authorized Preferred Stock to be known as "Series A Exchangeable Preferred Stock":

RESOLVED: that, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation of the Company, the Board of Directors hereby authorizes and establishes a series of 54,500 shares of Series A Exchangeable Preferred Stock, and hereby fixes the number, designation, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such shares as follows:

1. Designation and Amount; Ranking.

(a) There shall be created from the Authorized Preferred Stock a series of preferred stock, designated as the "Series A Exchangeable Preferred Stock", par value \$0.001 per share (the "Series A Exchangeable Preferred Stock"), and the authorized number of shares of such series shall be 54,500, which may be issued by the Company from time to time subject to

compliance with this Certificate, the Investment Agreement (as defined in Annex I, attached hereto) and any other conditions to issuance.

(b) The Series A Exchangeable Preferred Stock shall, with respect to both dividend rights and rights upon a Liquidation (as defined in Annex I or Annex II, as applicable, attached hereto) or Change of Control (as defined in Annex I or Annex II, as applicable, attached hereto), rank (i) senior to all Junior Stock (as defined in Annex I or Annex II, as applicable, attached hereto), (ii) on parity with all Parity Stock (as defined in Annex I or Annex II, as applicable, attached hereto) and (iii) junior to all Senior Stock (as defined in Annex I or Annex II, as applicable, attached hereto).

(c) Until the date the Stockholder Approval (as defined in Annex I, attached hereto) is obtained, the Series A Exchangeable Preferred Stock shall have the designations, preferences, limitations and relative rights set forth in this Section 1 and Annex I attached hereto. From and after the date the Stockholder Approval is obtained, the Series A Exchangeable Preferred Stock shall have the designations, preferences, limitations and relative rights set forth in this Section 1 and Annex II attached hereto. Notwithstanding the foregoing, if the Stockholder Approval has not been obtained on or prior to December 31, 2011, the Series A Exchangeable Preferred Stock shall have the designations, preferences, limitations and relative rights set forth in this Section 1 and Annex I attached hereto and shall never be deemed to have the designations, preferences, limitations and relative rights set forth on Annex II attached hereto. The Company shall promptly provide each Holder (as defined in Annex I) with written notice of the receipt of the Stockholder Approval and the Company shall publicly announce the receipt of the Stockholder Approval.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed this 8th day of June, 2011.

CAS MEDICAL SYSTEMS, INC.

By: /s/ Thomas M. Patton
Name: Thomas M. Patton
Title: President and Chief Executive Officer

ANNEX I

ADDITIONAL TERMS
OF
SERIES A EXCHANGEABLE PREFERRED STOCK
OF
CAS MEDICAL SYSTEMS, INC.

2. Definitions. As used herein, the following terms shall have the following meanings:

(a) “Accretion Rate” has the meaning set forth in Section 3(a).

(b) “Accreted Value” has the meaning set forth in Section 3(a).

(c) “Accrued Dividends” means, with respect to any share of Series A Exchangeable Preferred Stock, as of any date, without duplication of any dividends included within Accreted Value, the accrued and unpaid dividends on such share through and including such date (whether or not declared).

(d) “Acquiring Person” shall mean any Person or group (within the meaning of Section 13(d)(3) of the Exchange Act) (other than any Person who is a member of the TMP Investor Group).

(e) “A/D Rate” means the Accretion Rate or the Dividend Rate, as applicable, at the time of the Special Triggering Event.

(f) “Affiliate” shall mean any Person, directly or indirectly, controlling, controlled by or under common control with such Person.

(g) “Applicable Issuance Date” means the date of the issuance of the applicable shares of Series A Exchangeable Preferred Stock (which may be issued from time to time on one or more days).

(h) “Approved Markets” shall mean the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, NYSE Amex or the NYSE.

(i) “Authorized Preferred Stock” has the meaning set forth in the recitals.

(j) “Board of Directors” means the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

(k) “Business Day” means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(l) “Capital Stock” of any Person means any and all securities (including equity-linked securities), interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preference Stock.

(m) “Certificate” means this Certificate of Designation with respect to the Series A Exchangeable Preferred Stock, as amended from time to time.

(n) “Certificate of Incorporation” has the meaning set forth in the recitals.

(o) “Change of Control” means the consummation of any transaction or series of related transactions (i) involving any purchase or acquisition (whether by way of merger, share exchange, consolidation, business combination or similar transaction or otherwise) by any Acquiring Person, of any of securities representing a majority of the outstanding voting power of the Company entitled to elect the Board of Directors, (ii) involving any sale, lease, exchange, transfer, exclusive license or disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken together as a whole, to an Acquiring Person, (iii) involving any merger, consolidation or business combination in which the holders of voting securities of the Company immediately prior to the transaction, as a group, do not hold securities representing a majority of the outstanding voting power entitled to elect the board of directors of the surviving entity in such merger, consolidation or business combination, or (iv) following which a majority of the members of the Board of Directors do not constitute Continuing Directors; provided that in each case such transaction or transactions are approved by the Board of Directors.

(p) “Closing Price” shall mean, with respect to the Common Stock (or other relevant Capital Stock) on any date of determination, the most recent consolidated closing bid price or, if no such closing bid price is reported, the last reported bid price of the shares of the Common Stock (or other relevant Capital Stock) on the relevant Approved Market on such date. If the Common Stock (or other relevant Capital Stock) is not traded on an Approved Market on any date of determination, the Closing Price of the Common Stock (or other relevant Capital Stock) on such date of determination means the closing bid price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or, if no closing bid price is reported, the last reported bid price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or if the Common Stock (or other relevant Capital Stock) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant Capital Stock) in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant Capital Stock) on that date as determined in good faith by the Board of Directors.

(q) “Common Stock” means the common stock, par value \$0.004 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination or merger, reclassification, consolidation or similar transaction in which the Company is a constituent corporation.

(r) “Company” has the meaning set forth in the recitals.

(s) “Continuing Director” means (a) any member of the Board of Directors who was a director of the Company on the Original Issue Date, and (b) any individual who becomes a member of the Board of Directors after the Original Issue Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office on the Original Issue Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of the Company and whose initial assumption of office resulted from such contest or the settlement thereof.

(t) “Convertible Securities” means debt securities or shares of Capital Stock, in each case convertible into or exchangeable, directly or indirectly, for Common Stock.

(u) “DGCL” has the meaning set forth in the recitals.

(v) “Dividend Deferral Election” has the meaning set forth in Section 3(a).

(w) “Dividend Equivalent Amount” has the meaning set forth in Section 3(d).

(x) “Dividend Payment Date” means March 31, June 30, September 30 and December 31 of each year.

(y) “Dividend Rate” has the meaning set forth in Section 3(a).

(z) “Dividend Record Date” means, with respect to any dividend payable on a Dividend Payment Date, the preceding March 15, June 15, September 15 and December 15 and, with respect to any dividend payable on any other date, such date as may be determined by the Board of Directors.

(aa) “Electing Holders” has the meaning set forth in Section 6(a).

(bb) “Electing Holders Redemption Notice” has the meaning set forth in Section 6(d).

(cc) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(dd) “GAAP” means United States generally accepted accounting principles.

(ee) “Holder” means a holder of record of outstanding shares of the Series A Exchangeable Preferred Stock.

(ff) “Indebtedness” means, without duplication, (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including, without limitation, “capital leases” in accordance with GAAP (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other

similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above. For the purposes of this definition, “Contingent Obligation” mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(gg) “Investment Agreement” means that certain Investment Agreement, dated June 8, 2011, by and among the Company and the purchasers named therein, as the same may be amended from time to time.

(hh) “Junior Stock” means all classes of Common Stock and each other class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(ii) “Junior Stock Event” has the meaning set forth in Section 3(d).

(jj) “Liquidation” means the voluntary or involuntary liquidation, dissolution or winding-up of the Company other than a Change of Control.

(kk) “Liquidation Event” has the meaning set forth in Section 4(a).

(ll) “Liquidation Preference” has the meaning set forth in Section 4(a).

(mm) “NYSE” means the New York Stock Exchange, Inc.

(nn) “Option” means rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(oo) “Original Issue Date” means June 9, 2011.

(pp) “Parity Stock” means the Series A Preferred Stock and any class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on parity with the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(qq) “Person” means any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization, other entity or government or any agency or political subdivision thereof.

(rr) “Preference Stock” means, as applied to the Capital Stock of any Person, Capital Stock of any series, class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person or change of control (defined by analogy to the definition of Change of Control herein) of such Person, over shares of Capital Stock of any other series or class of such Person.

(ss) “Record Date” means the applicable record date as determined in accordance with Section 213 of the DGCL.

(tt) “Redemption” has the meaning set forth in Section 6(a).

(uu) “Redemption Date” has the meaning set forth in Section 6(d).

(vv) “Redemption Notice” has the meaning set forth in Section 6(d).

(ww) “Redemption Price” has the meaning set forth in Section 6(a).

(xx) “Register” has the meaning set forth in Section 3(a).

(yy) “Registration Rights Agreement” means that certain Registration Rights Agreement, dated June 9, 2011, between the Company and the signatories thereto, as the same may be amended from time to time.

(zz) “Required Holders” means as of any date the Holders of more than 50% of the then-outstanding shares of Series A Exchangeable Preferred Stock, voting together as a single class.

(aaa) “Senior Stock” means each class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(bbb) “Series A Exchangeable Preferred Stock” has the meaning set forth in Section 1(a).

(ccc) “Series A Preferred Stock” means the Series A Preferred Stock, par value \$0.001 per share, of the Company.

(ddd) “Series A Preferred Certificate of Designation” means the Certificate of Designation for the Series A Preferred Stock.

(eee) “Special Triggering Event” means any of the following events:

(i) the failure of the Company to pay when due any amounts owed on the shares of Series A Exchangeable Preferred Stock to the Holders;

(ii) a material violation by the Company of any covenant or agreement set forth in the Investment Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Investment Agreement who are actually adversely affected by such breach;

(iii) a material violation by the Company of any term of or condition set forth in this Certificate, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders who are actually adversely affected by such breach;

(iv) a material and willful violation by the Company of any term of or condition set forth in the Registration Rights Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Registration Rights Agreement who are actually adversely affected by such breach; or

(v) the failure of any of the TMP Purchaser Designees (as defined in the Investment Agreement) to be elected or appointed to the Board of Directors in accordance with the terms set forth in the Investment Agreement.

(fff) “Stated Value” means \$100.00 per share of Series A Exchangeable Preferred Stock.

(ggg) “Stockholder Approval” means the affirmative vote of holders of a majority of the votes cast with respect to the matter, either at a meeting of stockholders of the Company validly called and at which a quorum is present or by written consent, approving the Stockholder Proposal (as defined in the Investment Agreement) in accordance with the relevant provisions of the DGCL.

(hhh) “Subsidiary” means a partnership, joint-stock company, corporation, limited liability company, trust, unincorporated organization or other entity of which a Person owns, directly or indirectly, more than 50% of the stock or other interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such entity.

(iii) "Trading Day" means a day during which the trading of securities generally occurs on the Approved Market on which the Common Stock is then listed or, if the Common Stock is not listed on an Approved Market, the NYSE.

(jjj) "Transaction" has the meaning set forth in Section 9(d).

(kkk) "Transfer Agent" means, the Company or any duly appointed transfer agent, registrar and dividend disbursing agent for the Series A Exchangeable Preferred Stock as may be appointed by the Company from time to time.

(lll) "TMP Investor Group" means Thomas, McNerney & Partners II, L.P., TMP Nominee II LLC and TMP Associates II, L.P. and any of their respective Affiliates other than any of their Affiliates that is a "portfolio company" (as such term is customarily used among private equity investors).

3. Accretion; Dividends.

(a) From and after the Applicable Issuance Date, the Stated Value of each share of Series A Exchangeable Preferred Stock shall accrete at an annual rate of ten percent (10%) (the "Accretion Rate"), compounded quarterly, beginning on the three-month period ending June 30, 2011, and for the three-month period ending December 31, 2011 and each subsequent three-month period thereafter shall automatically increase by two percent (2.0%) up to a maximum Accretion Rate of twenty percent (20%), compounded quarterly (the Stated Value as it has accreted as of any date, the "Accreted Value", subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination, consolidation, subdivision, reclassification or other corporate actions having the similar effect with respect to the Series A Exchangeable Preferred Stock); provided, however, if (i) at any time from and after the Original Issue Date until and including the third anniversary of the Original Issue Date, the Company receives a written consent from the Required Holders (which consent must be irrevocable and delivered (x) prior to June 15, 2011 with respect to the quarters ending June 30, 2011 through June 30, 2012, (y) prior to June 15, 2012 with respect to the four quarters ending September 30, 2012 through June 30, 2013 and (z) prior to June 15, 2013 with respect to the four quarters ending September 30, 2013 through June 30, 2014) electing cash dividends for any specified period prior to the third anniversary of the Original Issue Date, or (ii) at any time from and after the third anniversary of the Original Issue Date, the Company delivers a written notice to the Holders electing cash dividends for any specified period (provided the Company has funds legally available to pay such cash dividend), the Holders shall be entitled to receive on each Dividend Payment Date, in lieu of the accretion described above for the three-month period ending on such Dividend Payment Date, cash dividends on each share of Series A Exchangeable Preferred Stock, at a rate per annum equal to the then current Accretion Rate of the Accreted Value as of the Dividend Payment Date (the "Dividend Rate") and the Board of Directors shall declare such cash dividends out of funds legally available for that purpose; provided, however, with respect to clause (i), to the extent the Company does not have funds legally available to pay such cash dividend or with the prior approval of the Required Holders, the Company may elect not to pay a cash dividend due on any Dividend Payment Date (a "Dividend Deferral Election") and if such an election is made, the cash dividend that would have been payable on such Dividend Payment Date shall continue to accrue, and shall compound quarterly at the Dividend

Rate until the accrued value of such dividend is paid, whether or not in any fiscal year there shall be net profits or surplus legally available for the payment of dividends in such fiscal year, so that if in any fiscal year or years, dividends in whole or in part are not paid upon the Series A Exchangeable Preferred Stock, unpaid dividends shall accumulate and accrue at the Dividend Rate, compounded quarterly. Unless there is a Dividend Deferral Election, any dividends due shall be payable quarterly in arrears on each Dividend Payment Date; provided, that if any such payment date is not a Business Day then such dividend shall be payable on the next Business Day. Each dividend shall be payable to the Holders as they appear on the securities register maintained in respect of the Series A Exchangeable Preferred Stock by the Company (the "Register") at the close of business on the corresponding Dividend Record Date; provided, however, if there is a Dividend Deferral Election, the dividend that would have otherwise been payable on the Dividend Record Date applicable to the Dividend Deferral Election shall be payable to the Holders as they appear on the Register at the time such dividend is paid. Subject to the foregoing and the availability of lawful funds, the Board of Directors may declare any dividends subject to a Dividend Deferral Election at any time and the payment date of such funds shall be as determined by the Board of Directors. All dividends paid with respect to shares of Series A Exchangeable Preferred Stock shall be paid pro rata to the Holders entitled thereto. The amount of dividends payable for any other period shorter or longer than a full dividend period, shall be computed on the basis of twelve 30-day months and a 360-day year. Dividend payments shall be aggregated per Holder and shall be made to the nearest cent (with \$.005 being rounded upward).

(b) Upon a Special Triggering Event, the then applicable A/D Rate shall automatically be increased by an additional five percent (5%) per annum, compounded quarterly, from and including the date on which any such Special Triggering Event shall occur through but excluding the date on which the Special Triggering Event shall have been cured or waived in writing by the Required Holders.

(c) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Series A Exchangeable Preferred Stock or Parity Stock with respect to any dividend period unless all dividends due for all preceding dividend periods have been declared and paid, or declared and, if such dividends are to be paid in cash, a sum of cash sufficient for the payment thereof is set apart for the payment of such dividend, upon all outstanding shares of Series A Exchangeable Preferred Stock and Parity Stock. Notwithstanding the foregoing, if full cumulative dividends have not been paid on the Series A Exchangeable Preferred Stock and all Parity Stock, all dividends declared and paid on the Series A Exchangeable Preferred Stock and such Parity Stock shall be declared and paid pro rata so that the amounts of dividends declared and paid per share on the Series A Exchangeable Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Series A Exchangeable Preferred Stock and such Parity Stock bear to each other.

(d) No dividends or other distributions (other than cash paid in lieu of fractional shares or dividends on Common Stock payable in Common Stock) may be declared, made or paid, or set apart for payment upon, any Junior Stock, nor may any Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any Junior Stock) by or on behalf of the

Company or any of its Subsidiaries, unless (i) all Accrued Dividends shall have been or contemporaneously are declared and paid in cash, or are declared and a sum of cash sufficient for the payment thereof is set apart for such payment or are added to Accreted Value at the request of the Holders, on the Series A Exchangeable Preferred Stock and all Parity Stock for all dividend periods terminating on or prior to the Record Date of such declaration, payment, redemption, purchase or acquisition, (ii) the Holders receive an equivalent dividend or distribution of the amount of such dividend or distribution that would be payable to such Holders if such shares of Series A Exchangeable Preferred Stock had been converted into Common Stock (in accordance with Annex II hereof, assuming Annex II had been in effect as of the Original Issue Date) immediately prior to the Record Date for such dividend or distribution (such amount per share of Series A Exchangeable Preferred Stock, the “Dividend Equivalent Amount”) and (iii) the Company obtains the consent required pursuant to Section 5(b) herein (such declaration or distribution made in accordance with clauses (i) through (iii)), a “Junior Stock Event”). The restrictions set forth in this Section 3(d) shall not apply to the purchase or other acquisition of Junior Stock (A) pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options or (B) which purchase or acquisition has received the prior written consent of the Required Holders.

4. Liquidation; Change of Control.

(a) In the event of any Liquidation (a “Liquidation Event”), the Holders shall be entitled to be paid out of the assets and funds of the Company available for distribution to its stockholders an amount in cash per each share of Series A Exchangeable Preferred Stock equal to the greater of (A) 100% of the Accreted Value for each share of Series A Exchangeable Preferred Stock outstanding on the date of such Liquidation Event, plus an amount equal to all Accrued Dividends thereon to the date of the Liquidation Event or (B) the amount to which such Holders would be entitled to receive had such Holders, immediately prior to the Liquidation Event, converted such shares of Series A Exchangeable Preferred Stock (in accordance with Annex II hereof, assuming Annex II had been in effect as of the Original Issue Date) into shares of Common Stock (determined in accordance with Section 7(a)(i) of Annex II), in either case before any payment shall be made or any assets distributed to the holders of any of the Junior Stock (such greater cash amount being referred to as the “Liquidation Preference”). Without limiting any rights and remedies of the Holders, if upon any such Liquidation Event, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full the liquidation payments payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares of Parity Stock shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(b) Unless waived in writing by the Required Holders, in the event of a Change of Control, each Holder shall have the right, at such Holder’s election, to either (i) receive the amount to which such Holder would be entitled to receive upon conversion of such shares of Series A Exchangeable Preferred Stock into Common Stock (in accordance with Annex

If hereof, assuming Annex II had been in effect as of the Original Issue Date) or (ii) within sixty (60) days of such Change of Control, or later if the Holders did not receive notice of such Change of Control, require the Company to redeem (subject to the availability of lawful funds), in whole or in part, each share of Series A Exchangeable Preferred Stock held by such Holder for an amount in cash equal to the Liquidation Preference. Unless waived in writing by the Required Holders, the Corporation shall not have the power to effect a Change of Control unless the agreement for such transaction provides that the consideration payable to the stockholders of the Corporation in such transaction shall be allocated among the holders of capital stock of the Corporation in accordance with this Section 4(b). In connection with a redemption permitted above, each Holder shall surrender his, her or its certificate or certificates representing such redeemed shares to the Company, in the manner and at the place designated in written notice mailed by the Company, postage prepaid, to each Holder, at his, her or its post office address last shown on the Register (which notice shall be given at least ten (10) days prior to such Change of Control or such shorter period as may be agreed in writing by the Required Holders), and thereupon the Liquidation Preference of such shares shall be payable to the order of the Person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. From and after the date of redemption, unless there shall have been a default in payment of the Liquidation Preference, all rights of the Holder whose shares have been redeemed (except the right to receive the Liquidation Preference) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(c) Without limiting any other rights and remedies of the Holders, if upon any such Change of Control, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full amounts payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(d) Unless waived in writing by the Required Holders, written notice of any Liquidation Event or Change of Control, stating a payment date and the place where the distributable amounts shall be payable, shall be given no less than ten (10) days prior to the payment date stated therein, to the Holders at their respective addresses as the same shall appear on the Register.

(e) The amount deemed paid or distributed to the holders of Common Stock upon any Liquidation or Change of Control shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Company or the acquiring Person. The value of such property, rights or securities shall be determined in good faith by the Board of Directors.

5. Voting Rights.

Other than any voting rights provided by law, the Holders shall not be entitled to any voting rights, provided that:

(a) To the extent the Holders are entitled to vote under applicable law, each share of Series A Exchangeable Preferred Stock shall entitle the Holder thereof to vote together with the other Holders as a single class on all matters submitted for the approval of the holders of Series A Exchange Preferred Stock.

(b) If at any time following the Original Issue Date at least fifty percent (50%) of the aggregate number of shares of Series A Exchangeable Preferred Stock issued on and after the Original Issue Date are outstanding, in addition to any other vote or consent of the stockholders required by law or by the Certificate of Incorporation, including any Certificate of Designation, bylaws of the Company or this Certificate, the Company shall not, and shall not permit its Subsidiaries to (in each case, whether by merger, consolidation, reorganization, operation of law or otherwise), without the prior written consent of the Required Holders:

(i) amend, alter, waive or repeal any provision of its Certificate of Incorporation, including any certificate of designation, or bylaws or this Certificate in any manner that would adversely affect the rights, powers, preferences or privileges (economic or otherwise) of the Series A Exchangeable Preferred Stock or Series A Preferred Stock, increase the authorized number of shares of the Series A Exchangeable Preferred Stock or Series A Preferred Stock, or split, reverse split, subdivide, reclassify, combine or take other corporate actions having a similar effect with respect to the Series A Exchangeable Preferred Stock or Series A Preferred Stock;

(ii) except as required pursuant to the terms of the Investment Agreement or the Series A Certificate of Designation, issue any shares of Series A Exchangeable Preferred Stock or Series A Preferred Stock;

(iii) offer, sell or issue any equity or equity-linked securities constituting Senior Stock or Parity Stock;

(iv) increase or decrease the size of the Board of Directors;

(v) incur Indebtedness (other than Indebtedness that, when aggregated with all other Indebtedness incurred since the Original Issue Date and then outstanding, is less than \$4,000,000 when so aggregated);

(vi) redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any equity or equity-linked securities constituting Junior Stock or Parity Stock other than the purchase or other acquisition of Junior Stock pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options;

(vii) distribute (by means of a dividend or otherwise) assets (including property or cash) to its stockholders (other than shares of Common Stock or cash as required to pay dividends on the Series A Exchangeable Preferred Stock pursuant to Section 3 or on the Series A Preferred Stock pursuant to the Series A Preferred Stock Certificate of Designation (excluding dividends payable pursuant to Section 3(d)(ii) which shall require consent pursuant to this Section 5(b)(vii)));

(viii) enter into any transaction with any of its officers, directors or Affiliates (or any directors, managers, officers or employees of any such Affiliate), other than (x) employment arrangements entered into in the ordinary course of business consistent with past practices providing for annual base compensation and benefits not exceeding \$200,000 in the aggregate, unless unanimously approved by the Compensation Committee of the Board of Directors and (y) grants pursuant to equity incentive plans approved by the Company's stockholders;

(ix) adopt or amend any stockholder rights plan, poison pill or similar anti-takeover device;

(x) sell, lease, license or otherwise dispose of any assets outside the ordinary course of business consistent with past practices, except for assets with a purchase price, in the aggregate, of less than \$500,000;

(xi) enter into any contract, agreement or other arrangement that would preclude the Company from making payment in full in cash on each Dividend Payment Date of the dividends contemplated in Section 3 above; or

(xii) authorize, commit or agree (in writing or otherwise) to do anything contained in this clause (b).

(c) Any action to be taken at any annual or special meeting of stockholders by the Holders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the Holder or Holders having no less than the minimum number of votes that would be required to take such action at a meeting at which all of the shares of Series A Exchangeable Preferred Stock were present and voted. Prompt written notice of the taking of any action by the Holders by less than unanimous written consent shall be given as may be required under applicable law.

6. Redemption Rights.

(a) In the event the Series A Exchangeable Preferred Stock remains outstanding on the date which is the five year anniversary of the Original Issue Date, the Required Holders (being referred to herein as the "Electing Holders") shall have the right, but not the obligation, to require the Company to redeem (a "Redemption"), from time to time, all or any part of the outstanding shares of Series A Exchangeable Preferred Stock for a per share amount in cash equal to the sum of (i) the greater of (x) the Accreted Value for each share of Series A Exchangeable Preferred Stock outstanding on the date of such Redemption and (y) the fair market value of each such share, as determined by the disinterested members of the Board of Directors acting in good faith plus (ii) an amount equal to any unpaid Accrued Dividends thereon (the "Redemption Price").

(b) If the Company is unable to redeem any shares of Series A Exchangeable Preferred Stock then to be redeemed because such Redemption would violate the applicable laws of the State of Delaware, then the Company shall redeem those shares of Series A Exchangeable Preferred Stock that it is entitled to redeem pursuant to the laws of the State of Delaware and

shall redeem such other shares then subject to Redemption as soon thereafter as redemption would not violate such laws.

(c) In the event of any Redemption of only a part of the then outstanding Series A Exchangeable Preferred Stock then entitled to be redeemed, the Company shall effect such redemption pro rata among the Holders in proportion to the respective amounts which would otherwise be payable in respect to the shares of Series A Exchangeable Preferred Stock held by them upon the date of such Redemption, if all amounts payable on or with respect to said shares were paid in full.

(d) In the case of an election by the Electing Holders to be redeemed pursuant to Section 6(a) above, the Electing Holders shall give the Company written notice of such election at least ninety (90) days prior to the Redemption Date on which the Electing Holders desire to have shares of Series A Exchangeable Preferred Stock so Redeemed (the "Electing Holders Redemption Notice"). Not more than ten (10) days after the receipt of the Electing Holders Redemption Notice, written notice shall be mailed, postage prepaid, to each Holder who has not given an Electing Holders Redemption Notice, at his, her or its post office address last shown on the Register, notifying such Holder of the number of shares to be so redeemed, specifying the Redemption Date and calling upon such Holder to surrender to the Company, in the manner and at the place designated, his, her or its certificate or certificates representing the Series A Exchangeable Preferred Stock to be redeemed (such notice hereinafter referred to as the "Redemption Notice"). On or prior to each Redemption Date, each Holder shall surrender his, her or its certificate or certificates representing such redeemed shares to the Company, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the Person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the Holders designated for Redemption in the Redemption Notice (except the right to receive the Redemption Price upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(e) Except in connection with a Redemption effected pursuant to this Section 6, the Company shall have no right to require the redemption of the shares of Series A Exchangeable Preferred Stock. Nothing herein contained shall prevent or restrict the purchase by the Company, from time to time either at public or private sale, of the whole or any part of the outstanding shares of Series A Exchangeable Preferred Stock at such price or prices as the Company and a Holder may determine, subject to the provisions of applicable law and obtaining any required consents, including the prior written consent of the Required Holders pursuant to Section 5(b) above.

7. [Intentionally Omitted]

8. [Intentionally Omitted]

9. Recapitalization, Reclassification and Changes in Common Stock. Upon the occurrence of any:

(a) reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(b) merger or consolidation of the Company with or into another Person (other than a Subsidiary) other than a merger or consolidation in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock;

(c) any statutory share exchange of the Company with another Person; or

(d) sale or other disposition of all or substantially all of the property and assets of the Company (on a consolidated basis) to any other Person (any of the foregoing events in clauses (a) through (d), a "Transaction"); then, without limiting the rights of the Holders in Section 4 herein, the Series A Exchangeable Preferred Stock shall be convertible after the Transaction into the kind and amount of shares of stock or other securities or other property or assets (including cash) that the Holders would have been entitled to receive upon such Transaction had such Series A Exchangeable Preferred Stock been converted into Common Stock immediately prior to such Transaction (in accordance with Annex II, assuming Annex II had been in effect since the Original Issue Date) after giving effect to any adjustment. The provisions of this Section 9 shall apply to successive Transactions. In the event that holders of the Common Stock shall have the opportunity to elect the form of consideration to be received in a Transaction, then the Company shall make adequate provision whereby each Holder shall have a reasonable opportunity to determine the form of consideration into which all of such Holder's shares of Series A Exchangeable Preferred Stock, shall be convertible from and after the effective date of such Transaction. Such determination shall be (i) subject to any limitations to which all of the holders of Common Stock are subject, including, but not limited to, pro rata reductions applicable to any portion of the consideration payable in such Transaction and (ii) conducted in such a manner as to be completed by the date that is the earlier of (a) the deadline for elections to be made by holders of Common Stock and (b) five (5) Trading Days prior to the anticipated effective date of such Transaction. The Company will not effect (or enter into any agreement providing for) any Transaction unless prior to the consummation thereof the successor Person (if other than the Company) resulting from such Transaction shall assume by written instrument mailed or delivered to the Holders at the last address of each such Holder appearing on the Register, the obligation pursuant to this Section 9. At least twenty (20) days' prior written notice of the date on which the Transaction will be consummated shall be given to the Holders.

10. Other Provisions.

(a) Shares of Series A Exchangeable Preferred Stock issued and reacquired shall be prohibited from being reissued as such and will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Delaware law, will have the status of authorized but unissued shares of

preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, except that any issuance or reissuance of shares of Series A Exchangeable Preferred Stock must be in compliance with this Certificate.

(b) The shares of Series A Exchangeable Preferred Stock shall be issuable only in whole shares.

(c) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the date of mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate) with postage prepaid, addressed: (i) if to the Company, to its office at 44 East Industrial Road, Branford, CT 06405, Attention: Chief Executive Officer and Chief Financial Officer, or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the Register, or (iii) to such other address as the Company or any such Holder, as the case may be, shall have designated by notice similarly given. Any notice that was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives the notice.

(d) If at any time the Company is required to make any payment to a Holder pursuant to this Certificate, the Company does not have sufficient funds legally available to make such payment, the Company shall make as much of such required payment as possible, ratably to each Holder in proportion to the number of shares of Series A Exchangeable Preferred Stock held by such Holder, and shall thereafter from time to time, as soon as it shall have funds available therefor, make payment of as much of the remaining amount of such required payment as it legally may until it has made such payment in its entirety. For the avoidance of doubt, such partial payments shall not reduce or waive the rights of the Holders hereunder.

(e) The words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Certificate as a whole and not merely to the specific section, paragraph or clause in which such word appears. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The definitions given for terms in Section 2 and elsewhere in this Certificate shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(f) Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any certificate evidencing any Series A Exchangeable Preferred Stock owned by a Holder and (in the case of loss, theft or destruction) of an unsecured indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such certificate, if mutilated, the Company will make and deliver in lieu of such certificate a new certificate of like tenor and for the number of securities evidenced by such certificate which remains outstanding.

(g) Any of the rights of the Holders set forth herein (including, without limitation, any rights to notices, adjustments or otherwise) may be waived by (i) any Holder with

respect to such Holder, provided that such waiver is in writing and executed by such Holder, and (ii) the written consent of the Required Holders with respect to all Holders, and such waiver shall be binding on all Holders. Notwithstanding the foregoing, the Required Holders shall not amend the foregoing proviso without the consent of each Holder affected thereby.

ANNEX II
ADDITIONAL TERMS
OF
SERIES A EXCHANGEABLE PREFERRED STOCK
OF
CAS MEDICAL SYSTEMS, INC.

2. **Definitions.** As used herein, the following terms shall have the following meanings:

(a) “**Accretion Rate**” has the meaning set forth in Section 3(a).

(b) “**Accreted Value**” has the meaning set forth in Section 3(a).

(c) “**Accrued Dividends**” means, with respect to any share of Series A Exchangeable Preferred Stock, as of any date, without duplication of any dividends included within Accreted Value, the accrued and unpaid dividends on such share through and including such date (whether or not declared).

(d) “**Acquiring Person**” shall mean any Person or group (within the meaning of Section 13(d)(3) of the Exchange Act) (other than any Person who is a member of the TMP Investor Group).

(e) “**A/D Rate**” means the Accretion Rate or the Dividend Rate, as applicable, at the time of the Special Triggering Event.

(f) “**Affiliate**” shall mean any Person, directly or indirectly, controlling, controlled by or under common control with such Person.

(g) “**Applicable Issuance Date**” means the date of the issuance of the applicable shares of Series A Exchangeable Preferred Stock (which may be issued from time to time on one or more days).

(h) “**Applicable Terms**” means any of the following defined terms herein: (a) Accretion Rate; (b) Accreted Value; (c) A/D Rate; (d) Conversion Price; (e) Dividend Rate; or (f) Stated Value.

(i) “**Approved Markets**” shall mean the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, NYSE Amex, or the NYSE.

(j) “**Authorized Preferred Stock**” has the meaning set forth in the recitals.

(k) “**Board of Directors**” means the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

(l) “Business Day” means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(m) “Capital Stock” of any Person means any and all securities (including equity-linked securities), interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preference Stock.

(n) “Certificate” means this Certificate of Designation with respect to the Series A Exchangeable Preferred Stock, as amended from time to time.

(o) “Certificate of Incorporation” has the meaning set forth in the recitals.

(p) “Change of Control” means the consummation of any transaction or series of related transactions (i) involving any purchase or acquisition (whether by way of merger, share exchange, consolidation, business combination or similar transaction or otherwise) by any Acquiring Person, of any of securities representing a majority of the outstanding voting power of the Company entitled to elect the Board of Directors, (ii) involving any sale, lease, exchange, transfer, exclusive license or disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken together as a whole, to an Acquiring Person, (iii) involving any merger, consolidation or business combination in which the holders of voting securities of the Company immediately prior to the transaction, as a group, do not hold securities representing a majority of the outstanding voting power entitled to elect the board of directors of the surviving entity in such merger, consolidation or business combination, or (iv) following which a majority of the members of the Board of Directors do not constitute Continuing Directors; provided that in each case such transaction or transactions are approved by the Board of Directors.

(q) “Closing Price” shall mean, with respect to the Common Stock (or other relevant Capital Stock) on any date of determination, the most recent consolidated closing bid price or, if no such closing bid price is reported, the last reported bid price of the shares of the Common Stock (or other relevant Capital Stock) on the relevant Approved Market on such date. If the Common Stock (or other relevant Capital Stock) is not traded on an Approved Market on any date of determination, the Closing Price of the Common Stock (or other relevant Capital Stock) on such date of determination means the closing bid price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or, if no closing bid price is reported, the last reported bid price on the principal U.S. national or regional securities exchange on which the Common Stock (or other relevant Capital Stock) is so listed or quoted, or if the Common Stock (or other relevant Capital Stock) is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock (or other relevant Capital Stock) in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the market price of the Common Stock (or other relevant Capital Stock) on that date as determined in good faith by the Board of Directors.

(r) “Common Stock” means the common stock, par value \$0.004 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination or merger, reclassification, consolidation or similar transaction in which the Company is a constituent corporation.

(s) “Company” has the meaning set forth in the recitals.

(t) “Continuing Director” means (a) any member of the Board of Directors who was a director of the Company on the Original Issue Date, and (b) any individual who becomes a member of the Board of Directors after the Original Issue Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office on the Original Issue Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of the Company and whose initial assumption of office resulted from such contest or the settlement thereof.

(u) “Conversion Conditions” means the shares of Common Stock are listed on an Approved Market and trade with a Closing Price of at least 250% of the Conversion Price then in effect for a period of 20 Trading Days out of 30 consecutive Trading Days on average trading volume of not less than 50,000 shares per day over the subject 30-day trading period (as adjusted ratably for stock splits, reclassifications and other like kind events affecting the Common Stock).

(v) “Conversion Date” has the meaning set forth in Section 7(a)(iv).

(w) “Conversion Price” means the Conversion Price of the Series A Preferred as of the date of the Stockholder Approval (as defined in Annex I), subject to adjustment as set forth herein.

(x) “Conversion Right” has the meaning set forth in Section 7(a)(i).

(y) “Conversion Right Notice” has the meaning set forth in Section 7(a)(ii).

(z) “Convertible Securities” means debt securities or shares of Capital Stock, in each case convertible into or exchangeable, directly or indirectly, for Common Stock.

(aa) “Current Market Price” means, on any date, the average of the daily Closing Price per share of the Common Stock or other securities on each of the twenty (20) consecutive Trading Days preceding the earlier of the day before the date in question and the day before the Ex-Date with respect to the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 8.

(bb) “DGCL” has the meaning set forth in the recitals.

(cc) “Dividend Deferral Election” has the meaning set forth in Section 3(a).

(dd) “Dividend Equivalent Amount” has the meaning set forth in Section 3(d).

(ee) “Dividend Payment Date” means March 31, June 30, September 30 and December 31 of each year.

(ff) “Dividend Rate” has the meaning set forth in Section 3(a).

(gg) “Dividend Record Date” means, with respect to any dividend payable on a Dividend Payment Date, the preceding March 15, June 15, September 15 and December 15 and, with respect to any dividend payable on any other date, such date as may be determined by the Board of Directors.

(hh) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(ii) “Ex-Date”, when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution giving rise to an adjustment to the Conversion Price pursuant to Section 8.

(jj) “GAAP” means United States generally accepted accounting principles.

(kk) “Holder” means a holder of record of outstanding shares of the Series A Exchangeable Preferred Stock.

(ll) “Indebtedness” means, without duplication, (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including, without limitation, “capital leases” in accordance with GAAP (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above. For the purposes of this definition, “Contingent Obligation” mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged,

or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(mm) “Investment Agreement” means that certain Investment Agreement, dated June 8, 2011, by and among the Company and the purchasers named therein, as the same may be amended from time to time.

(nn) “Junior Stock” means all classes of Common Stock and each other class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(oo) “Junior Stock Event” has the meaning set forth in Section 3(d).

(pp) “Liquidation” means the voluntary or involuntary liquidation, dissolution or winding-up of the Company other than a Change of Control.

(qq) “Liquidation Event” has the meaning set forth in Section 4(a).

(rr) “Liquidation Preference” has the meaning set forth in Section 4(a).

(ss) “Mandatory Conversion” has the meaning set forth in Section 7(b)(i).

(tt) “Mandatory Conversion Time” has the meaning set forth in Section 7(b)(i).

(uu) “NYSE” means the New York Stock Exchange, Inc.

(vv) “Option” means rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(ww) “Original Issue Date” means June 9, 2011.

(xx) “Parity Stock” means the Series A Preferred Stock and any class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on parity with the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(yy) “Person” means any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization, other entity or government or any agency or political subdivision thereof.

(zz) “Preference Stock” means, as applied to the Capital Stock of any Person, Capital Stock of any series, class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person or change of control (defined by analogy to the definition of Change of Control herein) of such Person, over shares of Capital Stock of any other series or class of such Person.

(aaa) “Record Date” means the applicable record date as determined in accordance with Section 213 of the DGCL.

(bbb) “Register” has the meaning set forth in Section 3(a).

(ccc) “Registration Rights Agreement” means that certain Registration Rights Agreement, dated June 9, 2011, between the Company and the signatories thereto, as the same may be amended from time to time.

(ddd) “Required Holders” means as of any date the Holders of more than 50% of the then-outstanding shares of Series A Exchangeable Preferred Stock, voting together as a single class.

(eee) “Senior Stock” means each class of Capital Stock or series of preferred stock established after the Original Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Series A Exchangeable Preferred Stock as to dividend rights and/or rights upon a Liquidation or Change of Control.

(fff) “Series A Preferred Stock” means the Series A Preferred Stock, par value \$0.001 per share, of the Company.

(ggg) “Series A Preferred Certificate of Designation” means the Certificate of Designation for the Series A Preferred Stock.

(hhh) “Series A Exchangeable Preferred Stock” has the meaning set forth in Section 1(a).

(iii) “Special Triggering Event” means any of the following events:

(i) the failure of the Company to pay when due any amounts owed on the shares of Series A Exchangeable Preferred Stock to the Holders;

(ii) a failure by the Company to deliver any cash and shares of Common Stock, when such cash and shares of Common Stock, if any, are required to be delivered upon conversion of the Series A Exchangeable Preferred Stock pursuant to the terms set forth herein, where the Company does not remedy such default within five (5) days after the date such cash and shares of Common Stock, if any, are required to be delivered;

(iii) a material violation by the Company of any covenant or agreement set forth in the Investment Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Investment Agreement who are actually adversely affected by such breach;

(iv) a material violation by the Company of any term of or condition set forth in this Certificate, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders who are actually adversely affected by such breach;

(v) a material and willful violation by the Company of any term of or condition set forth in the Registration Rights Agreement, where the Company does not cure such violation within thirty (30) days after the receipt of written notice of such breach from one or more of the Holders party to the Registration Rights Agreement who are actually adversely affected by such breach; or

(vi) the failure of any of the TMP Purchaser Designees (as defined in the Investment Agreement) to be elected or appointed to the Board of Directors in accordance with the terms set forth in the Investment Agreement.

(jjj) “Stated Value” means \$100.00 per share of Series A Exchangeable Preferred Stock.

(kkk) “Subsidiary” means a partnership, joint-stock company, corporation, limited liability company, trust, unincorporated organization or other entity of which a Person owns, directly or indirectly, more than 50% of the stock or other interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such entity.

(lll) “Trading Day” means a day during which the trading of securities generally occurs on the Approved Market on which the Common Stock is then listed or, if the Common Stock is not listed on an Approved Market, the NYSE.

(mmm) “Transaction” has the meaning set forth in Section 9(d).

(nnn) “Transfer Agent” means the Company or any duly appointed transfer agent, registrar and conversion and dividend disbursing agent for the Series A Exchangeable Preferred Stock as may be appointed by the Company from time to time.

(ooo) “TMP Investor Group” means Thomas, McNerney & Partners II, L.P., TMP Nominee II LLC and TMP Associates II, L.P. and any of their respective Affiliates other than any of their Affiliates that is a “portfolio company” (as such term is customarily used among private equity investors).

3. Accretion: Dividends.

(a) From and after the Applicable Issuance Date, the Stated Value of each share of Series A Exchangeable Preferred Stock shall accrete at an annual rate of seven percent (7%) (the “Accretion Rate”), compounded quarterly, beginning on the three-month period ending June 30, 2011 (the Stated Value as it has accreted as of any date, the “Accreted Value”, subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination, consolidation, subdivision, reclassification or other corporate actions having the similar effect with respect to the Series A Exchangeable Preferred Stock); provided, however, if

(i) from and after the Original Issue Date until and including the third anniversary of the Original Issue Date, the Company receives a written consent from the Required Holders (which consent must be irrevocable and delivered (x) prior to June 15, 2011 with respect to the quarters ending June 30, 2011 through June 30, 2012, (y) prior to June 15, 2012 with respect to the four quarters ending September 30, 2012 through June 30, 2013 and (z) prior to June 15, 2013 with respect to the four quarters ending September 30, 2013 through June 30, 2014) electing cash dividends for any specified period prior to the third anniversary of the Original Issue Date, or (ii) at any time from and after the third anniversary of the Original Issue Date, the Company delivers a written notice to the Holders electing cash dividends for any specified period (provided the Company has funds legally available to pay such cash dividend), the Holders shall be entitled to receive on each Dividend Payment Date, in lieu of the accretion described above for the three-month period ending on such Dividend Payment Date, cash dividends on each share of Series A Exchangeable Preferred Stock, at a rate per annum equal to seven percent (7%) of the Accreted Value as of the Dividend Payment Date (the "Dividend Rate"), and the Board of Directors shall declare such cash dividends out of funds legally available for that purpose; provided, however, with respect to clause (i), to the extent the Company does not have funds legally available to pay such cash dividend or with the prior approval of the Required Holders, the Company may elect not to pay a cash dividend due on any Dividend Payment Date (a "Dividend Deferral Election") and if such an election is made, the cash dividend that would have been payable on such Dividend Payment Date shall continue to accrue, and shall compound quarterly at the Dividend Rate until the accrued value of such dividend is paid, whether or not in any fiscal year there shall be net profits or surplus legally available for the payment of dividends in such fiscal year, so that if in any fiscal year or years, dividends in whole or in part are not paid upon the Series A Exchangeable Preferred Stock, unpaid dividends shall accumulate and accrue at the Dividend Rate, compounded quarterly. Unless there is a Dividend Deferral Election, any dividends due shall be payable quarterly in arrears on each Dividend Payment Date; provided, that if any such payment date is not a Business Day then such dividend shall be payable on the next Business Day. Each dividend shall be payable to the Holders as they appear on the securities register maintained in respect of the Series A Exchangeable Preferred Stock by the Company (the "Register") at the close of business on the corresponding Dividend Record Date; provided, however, if there is a Dividend Deferral Election, the dividend that would have otherwise been payable on the Dividend Record Date applicable to the Dividend Deferral Election shall be payable to the Holders as they appear on the Register at the time such dividend is paid. Subject to the foregoing and the availability of lawful funds, the Board of Directors may declare any dividends subject to a Dividend Deferral Election at any time and the payment date of such funds shall be as determined by the Board of Directors. All dividends paid with respect to shares of Series A Exchangeable Preferred Stock shall be paid pro rata to the Holders entitled thereto. The amount of dividends payable for any other period shorter or longer than a full dividend period, shall be computed on the basis of twelve 30-day months and a 360-day year. Dividend payments shall be aggregated per Holder and shall be made to the nearest cent (with \$.005 being rounded upward).

(b) Upon a Special Triggering Event, the then applicable A/D Rate shall automatically be increased by an additional five percent (5%) per annum, compounded quarterly, from and including the date on which any such Special Triggering Event shall occur through but excluding the date on which the Special Triggering Event shall have been cured or waived in writing by the Required Holders.

(c) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Series A Exchangeable Preferred Stock or Parity Stock with respect to any dividend period unless all dividends due for all preceding dividend periods have been declared and paid, or declared and, if such dividends are to be paid in cash, a sum of cash sufficient for the payment thereof is set apart for the payment of such dividend, upon all outstanding shares of Series A Exchangeable Preferred Stock and Parity Stock. Notwithstanding the foregoing, if full cumulative dividends have not been paid on the Series A Exchangeable Preferred Stock and all Parity Stock, all dividends declared and paid on the Series A Exchangeable Preferred Stock and such Parity Stock shall be declared and paid pro rata so that the amounts of dividends declared and paid per share on the Series A Exchangeable Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Series A Exchangeable Preferred Stock and such Parity Stock bear to each other.

(d) No dividends or other distributions (other than cash paid in lieu of fractional shares or dividends on Common Stock payable in Common Stock) may be declared, made or paid, or set apart for payment upon, any Junior Stock, nor may any Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any Junior Stock) by or on behalf of the Company or any of its Subsidiaries, unless (i) all Accrued Dividends shall have been or contemporaneously are declared and paid in cash, or are declared and a sum of cash sufficient for the payment thereof is set apart for such payment or are added to Accreted Value at the request of the Holders, on the Series A Exchangeable Preferred Stock and all Parity Stock for all dividend periods terminating on or prior to the Record Date of such declaration, payment, redemption, purchase or acquisition, (ii) the Holders receive an equivalent dividend or distribution of the amount of such dividend or distribution that would be payable to such Holders if such shares of Series A Exchangeable Preferred Stock had been converted into Common Stock immediately prior to the Record Date for such dividend or distribution (such amount per share of Series A Exchangeable Preferred Stock, the “Dividend Equivalent Amount”) and (iii) the Company obtains the consent required pursuant to Section 5(b) herein (such declaration or distribution made in accordance with clauses (i) through (iii)), a “Junior Stock Event”). The restrictions set forth in this Section 3(d) shall not apply to the purchase or other acquisition of Junior Stock (A) pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options or (B) which purchase or acquisition has received the prior written consent of the Required Holders.

4. Liquidation; Change of Control.

(a) In the event of any Liquidation (a “Liquidation Event”), the Holders shall be entitled to be paid out of the assets and funds of the Company available for distribution to its stockholders an amount in cash per each share of Series A Exchangeable Preferred Stock equal to the greater of (A) 100% of the Accreted Value for each share of Series A Exchangeable Preferred Stock outstanding on the date of such Liquidation Event, plus an amount equal to all Accrued Dividends thereon to the date of the Liquidation Event or (B) the amount to which such Holders would be entitled to receive had such Holders, immediately prior to the Liquidation Event, converted such shares of Series A Exchangeable Preferred Stock into shares of Common

Stock (determined in accordance with Section 7(a)(i)), in either case before any payment shall be made or any assets distributed to the holders of any of the Junior Stock (such greater cash amount being referred to as the "Liquidation Preference"). Without limiting any rights and remedies of the Holders, if upon any such Liquidation Event, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full the liquidation payments payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares of Parity Stock shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(b) Unless waived in writing by the Required Holders, in the event of a Change of Control, each Holder shall have the right, at such Holder's election, to either (i) only to the extent then convertible in accordance with Section 7(a)(i), convert each share of Series A Exchangeable Preferred Stock and receive the amount to which such Holder is entitled to receive upon conversion of such shares of Series A Exchangeable Preferred Stock into Common Stock or (ii) within sixty (60) days of such Change of Control, or later if the Holders did not receive notice of such Change of Control, require the Company to redeem (subject to the availability of lawful funds), in whole or in part, each share of Series A Exchangeable Preferred Stock held by such Holder for an amount in cash equal to the Liquidation Preference. Unless waived in writing by the Required Holders, the Corporation shall not have the power to effect a Change of Control unless the agreement for such transaction provides that the consideration payable to the stockholders of the Corporation in such transaction shall be allocated among the holders of capital stock of the Corporation in accordance with this Section 4(b). In connection with a redemption permitted above, each Holder shall surrender his, her or its certificate or certificates representing such redeemed shares to the Company, in the manner and at the place designated in written notice mailed by the Company, postage prepaid, to each Holder, at his, her or its post office address last shown on the Register (which notice shall be given at least ten (10) days prior to such Change of Control or such shorter period as may be agreed in writing by the Required Holders), and thereupon the Liquidation Preference of such shares shall be payable to the order of the Person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. From and after the date of redemption, unless there shall have been a default in payment of the Liquidation Preference, all rights of the Holder whose shares have been redeemed (except the right to receive the Liquidation Preference) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

(c) Without limiting any other rights and remedies of the Holders, if upon any such Change of Control, the remaining assets and funds of the Company available for distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Stock are not sufficient to pay in full amounts payable to the Holders and holders of outstanding shares of any Parity Stock, then the holders of all such shares shall share ratably in such distribution of the remaining assets and funds of the Company in accordance with the amount which would otherwise be payable on such distribution if the amounts to which the Holders and the holders of outstanding shares of such Parity Stock are entitled were paid in full.

(d) Unless waived in writing by the Required Holders, written notice of any Liquidation Event or Change of Control, stating a payment date and the place where the distributable amounts shall be payable, shall be given no less than ten (10) days prior to the payment date stated therein, to the Holders at their respective addresses as the same shall appear on the Register.

(e) The amount deemed paid or distributed to the holders of Common Stock upon any Liquidation or Change of Control shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Company or the acquiring Person. The value of such property, rights or securities shall be determined in good faith by the Board of Directors.

5. Voting Rights.

In addition to any voting rights provided by law, the Holders shall be entitled to the following voting rights:

(a) Each share of Series A Exchangeable Preferred Stock shall entitle the Holder thereof to vote together with the holders of Common Stock as a single class on all matters submitted for the approval of the holders of Common Stock. For purposes of this Section 5(a), each Holder shall be entitled to the number of votes equal to the number of shares of Common Stock that would be held by such Holders assuming the conversion of all outstanding shares of Series A Exchangeable Preferred Stock held by such Holder into shares of Common Stock at the Conversion Price on the Original Issue Date (subject to any adjustments pursuant only to Section 8(a)(i) and 8(a)(ii) below) on the Record Date for the determination of the stockholders entitled to vote on such matters.

(b) If at any time following the Original Issue Date at least fifty percent (50%) of the aggregate number of shares of Series A Exchangeable Preferred Stock issued on and after the Original Issue Date are outstanding, in addition to any other vote or consent of the stockholders required by law or by the Certificate of Incorporation, including any Certificate of Designation, bylaws of the Company or this Certificate, the Company shall not, and shall not permit its Subsidiaries to (in each case, whether by merger, consolidation, reorganization, operation of law or otherwise), without the prior written consent of the Required Holders:

(i) amend, alter, waive or repeal any provision of its Certificate of Incorporation, including any certificate of designation, or bylaws or this Certificate in any manner that would adversely affect the rights, powers, preferences or privileges (economic or otherwise) of the Series A Exchangeable Preferred Stock or Series A Preferred Stock, increase the authorized number of shares of the Series A Exchangeable Preferred Stock or Series A Preferred Stock, or split, reverse split, subdivide, reclassify, combine or take other corporate actions having a similar effect with respect to the Series A Exchangeable Preferred Stock or Series A Preferred Stock;

(ii) except as required pursuant to the terms of the Investment Agreement or the Series A Preferred Certificate of Designation, issue any shares of Series A Exchangeable Preferred Stock or Series A Preferred Stock;

(iii) offer, sell or issue any equity or equity-linked securities constituting Senior Stock or Parity Stock;

(iv) increase or decrease the size of the Board of Directors;

(v) incur Indebtedness (other than Indebtedness that, when aggregated with all other Indebtedness incurred since the Original Issue Date and then outstanding, is less than \$4,000,000 when so aggregated);

(vi) redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any equity or equity-linked securities constituting Junior Stock or Parity Stock, other than the purchase or other acquisition of Junior Stock pursuant to any bona fide employee or director incentive or benefit plan or arrangement of the Company or any Subsidiary heretofore or hereafter adopted by the Board of Directors or the cashless exercise of Options;

(vii) distribute (by means of a dividend or otherwise) assets (including property or cash) to its stockholders (other than shares of Common Stock or cash as required to pay dividends on the Series A Exchangeable Preferred Stock pursuant to Section 3 or on the Series A Preferred Stock pursuant to the Series A Preferred Certificate of Designation (excluding dividends payable pursuant to Section 3(d)(ii) which shall require consent pursuant to this Section 5(b)(vii));

(viii) enter into any transaction with any of its officers, directors or Affiliates (or any directors, managers, officers or employees of any such Affiliate), other than (x) employment arrangements entered into in the ordinary course of business consistent with past practices providing for annual base compensation and benefits not exceeding \$200,000 in the aggregate, unless unanimously approved by the Compensation Committee of the Board of Directors and (y) grants pursuant to equity incentive plans approved by the Company's stockholders;

(ix) adopt or amend any stockholder rights plan, poison pill or similar anti-takeover device;

(x) sell, lease, license or otherwise dispose of any assets outside the ordinary course of business consistent with past practices, except for assets with a purchase price, in the aggregate, of less than \$500,000;

(xi) enter into any contract, agreement or other arrangement that would preclude the Company from making payment in full in cash on each Dividend Payment Date of the dividends contemplated in Section 3 above; or

(xii) authorize, commit or agree (in writing or otherwise) to do anything contained in this clause (b).

(c) Any action to be taken at any annual or special meeting of stockholders by the Holders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the Holder or Holders

having no less than the minimum number of votes that would be required to take such action at a meeting at which all of the shares of Series A Exchangeable Preferred Stock were present and voted. Prompt written notice of the taking of any action by the Holders by less than unanimous written consent shall be given as may be required under applicable law.

6. Redemption. The Company shall have no right to require the redemption of the shares of Series A Exchangeable Preferred Stock. Nothing herein contained shall prevent or restrict the purchase by the Company, from time to time either at public or private sale, of the whole or any part of the outstanding shares of Series A Exchangeable Preferred Stock at such price or prices as the Company and a Holder may determine, subject to the provisions of applicable law and obtaining any required consents, including the prior written consent of the Required Holders pursuant to Section 5(b) above.

7. Conversion.

(a) Conversion Right.

(i) Each Holder shall have the right, at such Holder's option, exercisable at any time and from time to time to convert all or any portion of such Holder's shares of Series A Exchangeable Preferred Stock, subject to the terms and provisions of this Section 7 (the "Conversion Right"). Upon a Holder's election to exercise the Conversion Right, the shares of Series A Exchangeable Preferred Stock for which the Conversion Right is exercised shall be converted into such whole number of shares of Common Stock equal to the product of the number of shares of Series A Exchangeable Preferred Stock being so converted multiplied by the quotient of (A) the per share Accreted Value as of the Conversion Date (taking into account any differing Applicable Issuance Dates) divided by (B) the Conversion Price then in effect. In addition, upon a Holder's election to exercise the Conversion Right, the shares of Series A Exchangeable Preferred Stock for which the Conversion Right is exercised shall be entitled to receive (at the election of the Company) either (1) an amount in cash equal to all unpaid Accrued Dividends thereon through the Conversion Date or (2) a number of shares of Common Stock equal to the quotient obtained by dividing (x) an amount equal to all unpaid Accrued Dividends thereon through the Conversion Date by (y) the Closing Price of the Common Stock on the Conversion Date; provided, however, the Company shall elect clause (2) above to the extent that sufficient lawful funds are not available to pay the amounts required by clause (1) above.

(ii) The Conversion Right of a Holder shall be exercised by the Holder by the surrender to the Company prior to 4:00 p.m. Eastern Time on the Conversion Date of the certificates representing shares of Series A Exchangeable Preferred Stock to be converted at the Company's principal place of business or the offices of the Transfer Agent, if applicable, accompanied by written notice to the Company that the Holder elects to convert all or a portion of the shares of Series A Exchangeable Preferred Stock represented by such certificate (a "Conversion Right Notice") and specifying the name or names (with address or addresses) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Company or the Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Company or the Transfer Agent duly executed by the Holder or its legal representative.

(iii) As promptly as practicable after the surrender of the certificate or certificates for Series A Exchangeable Preferred Stock as aforesaid and the receipt of the Conversion Right Notice and in no event later than three (3) Trading Days thereafter, the Company shall issue and shall deliver or cause to be issued and delivered to such Holder, or to such other Person on such Holder's written order (A) one or more certificates representing the number of validly issued, fully paid and non-assessable whole shares of Common Stock to which the Holder, or the Holder's transferee, shall be entitled, (B) if less than the full number of shares of Series A Exchangeable Preferred Stock evidenced by the surrendered certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares of Series A Exchangeable Preferred Stock evidenced by the surrendered certificate or certificates, less the number of shares being converted, (C) cash for any payment of Accrued Dividends through the Conversion Date if the Company elects to pay such dividends in cash pursuant to Section 7(a)(i) and (D) cash for any fractional interest in respect of a share of Common Stock arising upon such conversion settled as provided in Section 7(d)(i).

(iv) Each conversion pursuant to Section 7(a)(i) shall be deemed to have been made at 3:59 p.m. Eastern Time on the date of the later to occur of giving the Conversion Right Notice and of surrendering the certificate or certificates representing the Series A Exchangeable Preferred Stock to be converted (the "Conversion Date") so that the rights of the Holder thereof as to the Series A Exchangeable Preferred Stock being converted shall cease except for the right to receive the Common Stock (and cash dividends, if elected by the Company, and cash in lieu of fractional shares) payable under Section 7(a), and the Person entitled to receive shares of Common Stock shall be treated for all purposes as having become the record holder of those shares of Common Stock at that time.

(b) Mandatory Conversion.

(i) Upon either (x) the date and time, or the occurrence of an event, specified by vote or written consent of the Required Holders or (y) at any time following the third anniversary of the Original Issue Date when the Conversion Conditions are satisfied, the written notice of the Company (a "Mandatory Conversion") (the time of such occurrence or event, or the date and time specified in such notice, or the time of the event specified in such vote or written consent is referred to herein as the "Mandatory Conversion Time") each outstanding share of Series A Exchangeable Preferred Stock shall automatically be converted into the number of shares of Common Stock equal to such whole number of shares of Common Stock equal to the product of the number of shares of Series A Exchangeable Preferred Stock being so converted multiplied by the quotient of (A) the per share Accreted Value as of the Conversion Date (taking into account any differing Applicable Issuance Dates) divided by (B) the Conversion Price then in effect. In addition, upon a Mandatory Conversion, the shares of Series A Exchangeable Preferred Stock shall be entitled to receive (at the election of the Company) either (1) an amount in cash equal to all unpaid Accrued Dividends thereon through the Mandatory Conversion Time or (2) a number of shares of Common Stock equal to the quotient obtained by dividing (x) an amount equal to all unpaid Accrued Dividends thereon through the Mandatory Conversion Time by (y) the Closing Price of the Common Stock on the date of the Mandatory Conversion Time; provided, however, the Company shall elect clause (2) above to the extent that sufficient lawful funds are not available to pay the amounts required by clause (1) above.

(ii) All Holders shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series A Exchangeable Preferred Stock pursuant to this Section 7(b). Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Promptly following receipt of such notice, each Holder shall surrender his, her or its certificate or certificates for all such shares (or, if such Holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Company to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such certificate which agreement shall not require the posting of a bond) to the Company at the place designated in such notice. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the Holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series A Exchangeable Preferred Stock converted pursuant to Section 7(b), including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the Holder or Holders to surrender the certificates at or prior to such time), except only the rights of the Holders, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 7(b)(ii). As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series A Exchangeable Preferred Stock, the Company shall issue and deliver to such Holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with (A) cash for any payment of Accrued Dividends through the Conversion Date if the Company elects to pay such dividends in cash pursuant to Section 7(b)(i) and (B) cash for any fractional interest in respect of a share of Common Stock arising upon such conversion settled as provided in Section 7(d)(i).

(c) [Intentionally omitted]

(d) Miscellaneous.

(i) No fractional shares of Common Stock shall be issued upon the conversion of any shares of Series A Exchangeable Preferred Stock. If the conversion of any share or shares of Series A Exchangeable Preferred Stock results in a fractional share of Common Stock issuable, the Company shall pay a cash amount in lieu of issuing such fractional share in an amount equal to such fractional interest multiplied by the Closing Price on the Conversion Date or date of the Mandatory Conversion Time, as applicable.

(ii) Except as otherwise provided for herein, a Holder shall not be entitled to any rights of a holder of shares of Common Stock until such Holder has converted such Holder's Series A Exchangeable Preferred Stock, and only to the extent the shares of Series A Exchangeable Preferred Stock are deemed to have been converted into shares of Common Stock in accordance with the provisions of this Section 7.

(iii) The Company shall reserve and keep available for issuance such number of its authorized but unissued shares of Common Stock equal to 100% of the number of

shares of Common Stock issuable upon conversion of all outstanding shares of Series A Exchangeable Preferred Stock. The Company shall take all action permitted by law to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Series A Exchangeable Preferred Stock. The Company covenants that all Common Stock that may be issued upon conversion of Series A Exchangeable Preferred Stock shall upon issuance be duly authorized, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances. The Company further covenants that, if at any time the Common Stock shall be listed on an Approved Market, the Company will, if permitted by the rules of such Approved Market, cause to be listed or quoted on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Series A Exchangeable Preferred Stock.

(iv) If a Conversion Date or Mandatory Conversion Time is on or after a Dividend Record Date but on or prior to the related Dividend Payment Date, then Accrued Dividends will be payable to Holders in the manner set forth above in Sections 7(a)(i) and 7(b)(i) with respect to the exercise of a Conversion Right or Mandatory Conversion, as applicable, concurrent with delivery by the Company of the shares of Common Stock issuable upon such conversion.

(v) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Series A Exchangeable Preferred Stock pursuant to this Section 7 shall be made without charge to the converting Holder for such certificates or for any stamp or similar tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the Holders of the shares converted, subject to applicable law.

8. Adjustment of Conversion Price.

(a) Irrespective of whether any shares of Series A Exchangeable Preferred Stock are outstanding at the time in question, from and after the Original Issue Date, the Conversion Price shall be adjusted from time to time (without duplication) by the Company as follows:

(i) Stock Dividends and Distributions. If the Company pays dividends or other distributions on the Common Stock in shares of Common Stock, then the Conversion Price in effect immediately prior to the Ex-Date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{OS_0}{OS^1}$$

Where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to Ex-Date for such dividend or distribution.

OS¹ = the sum of the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Common Stock constituting such dividend or distribution.

For the purposes of this clause (i), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. If any dividend or distribution described in this clause (i) is declared but not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Conversion Price that would be in effect if such dividend or distribution had not been declared.

(ii) Subdivisions, Splits and Combination of the Common Stock. If the Company subdivides, splits or combines the shares of Common Stock, then the Conversion Price in effect immediately prior to the effective date of such share subdivision, split or combination will be multiplied by the following fraction:

$$\frac{OS_0}{OS^1}$$

Where,

OS₀ = the number of shares of Common Stock outstanding immediately prior to the effective date of such share subdivision, split or combination.

OS¹ = the number of shares of Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

For the purposes of this clause (ii), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. If any subdivision, split or combination described in this clause (ii) is announced but the outstanding shares of Common Stock are not subdivided, split or combined, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to subdivide, split or combine the outstanding shares of Common Stock, to such Conversion Price that would be in effect if such subdivision, split or combination had not been announced.

(iii) Issuance of Stock Purchase Rights. If the Company issues or distributes to all or substantially all holders of the shares of Common Stock Options (other than Options issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans approved by the Board of Directors) entitling them to subscribe for or purchase the shares of Common Stock at less than the Current Market Price on the date fixed for the determination of stockholders entitled to receive such Options, then the Conversion Price in effect immediately prior to the Ex-Date for such issuance or distribution will be multiplied by the following fraction:

$$\frac{OS_0 + Y}{OS_0 + X}$$

Where,

- OS_0 = the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such distribution.
- X = the total number of shares of Common Stock issuable pursuant to such Options.
- Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such Options divided by the Current Market Price on the date fixed for the determination of stockholders entitled to receive such Options.

For the purposes of this clause (iii), the number of shares of Common Stock at the time outstanding shall not include shares acquired by the Company. In the event that such Options described in this clause (iii) are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue or distribute such Options, to the Conversion Price that would then be in effect if such issuance or distribution had not been declared. To the extent that such Options are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such Options upon the exercise of such Options, the Conversion Price shall be readjusted to such Conversion Price that would then be in effect had the adjustment made upon the issuance or distribution of such Options been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate offering price payable for such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined by the Board of Directors).

(iv) Debt or Asset Distributions. If the Company distributes to all or substantially all holders of shares of Common Stock evidences of indebtedness, Capital Stock, securities, cash or other assets (excluding any dividend or distribution referred to in clause (i) above, any Options referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Company or any of its Subsidiaries, and any dividend of Capital Stock of or relating to a Subsidiary or other business unit in the case of certain spin-off transactions as described below), then the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0 - FMV}{SP_0}$$

Where,

SP_0 = the Current Market Price per share of Common Stock on such date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors, *provided* that, if “ FMV ” as set forth above is equal to or greater than “ SP_0 ” as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall receive on the date on which such distribution is made to holders of Common Stock, for each share of Series A Exchangeable Preferred Stock, the amount of such distribution such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Price on the Ex-Date for such distribution.

In a “spin-off”, where the Company makes a distribution to all holders of shares of Common Stock consisting of Capital Stock of any class or series, or similar equity interests of, or relating to, a Subsidiary or other business unit, the Conversion Price will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Price in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{MP_0}{MP_{0+} MP_5}$$

Where,

MP_0 = the average of the Closing Prices of the Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MP_5 = the average of the Closing Prices of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board of Directors.

In the event that such distribution described in this clause (iv) is not so paid or made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

(v) Cash Dividends or Distributions. If the Company makes a dividend or distribution consisting exclusively of cash to all holders of the Common Stock, excluding (a) any cash that is paid as a dividend or distributed in a Transaction or as part of a “spin-off” referred to in clause (iv) above, (b) any dividend or distribution in

connection with Liquidation, (c) any consideration payable in connection with a tender or exchange offer made by the Company or any of its Subsidiaries, and (d) a Junior Stock Event, then in each event, the Conversion Price in effect immediately prior to the Ex-Date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0 - DIV}{SP_0}$$

Where,

SP_0 = the Closing Price per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the amount per share of Common Stock of the cash dividend or distribution, as determined pursuant to the introduction to this paragraph (v).

In the event that any dividend or distribution described in this clause (v) is not so made, the Conversion Price shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “DIV” as set forth above is equal to or greater than “ SP_0 ” as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive on the date on which the relevant cash dividend or distribution is distributed to holders of Common Stock, for each share of Series A Exchangeable Preferred Stock, the amount of cash such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Price on the Ex-Date for such dividend or distribution.

(vi) Self Tender Offers and Exchange Offers. If the Company or any of its Subsidiaries successfully completes a tender or exchange offer for the Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Price in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{OS_0 \times SP_0}{AC + (SP_0 \times OS_1)}$$

Where,

SP_0 = the Closing Price per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

OS_0 = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn.

OS₁ = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board of Directors.

In the event that the Company, or one of its Subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Company, or such Subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be such Conversion Price that would then be in effect if such tender offer or exchange offer had not been made.

(vii) Rights Plans. To the extent that the Company has a rights plan in effect with respect to the Common Stock upon conversion of any shares of the Series A Exchangeable Preferred Stock, Holders will receive, in addition to the shares of Common Stock, the rights under the rights plan, unless, prior to the conversion date, the rights have separated from the shares of Common Stock, in which case the Conversion Price will be adjusted at the time of separation as if the Company had made a distribution to all holders of the Common Stock as described in clause (iv) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

(viii) Issuances Below the Conversion Price. If, at any time on or before the date that is three years after the Original Issue Date, the Company issues, or agrees to issue or sell, any Common Stock or Convertible Securities for consideration per share less than the Conversion Price, then the Conversion Price in effect immediately prior to each such issuance will immediately be reduced to the price determined by multiplying the Conversion Price in effect immediately prior to such issuance by the following fraction:

$$\frac{OS_0 + (AC/SP)}{OS_1}$$

Where,

OS₀ = the number of shares of Common Stock outstanding immediately prior to such issuance.

AC = the aggregate consideration paid or payable for such shares of Common Stock or Convertible Securities.

SP = the Conversion Price.

OS₁ = the sum of the number of shares of Common Stock outstanding immediately after such issuance.

This adjustment shall become effective immediately after such issuance.

(b) The Company may, in its sole discretion, make such decreases in the Conversion Price, in addition to any other decreases required by this Section 8, if the Board of Directors, with the consent of at least one TMP Purchaser Designee (as defined in the Investment Agreement) if at least one TMP Purchaser Designee is then serving on the Board of Directors, deems it advisable to avoid or diminish any income tax to holders of the Common Stock resulting from any dividend or distribution of shares of Common Stock (or issuance of rights or warrants to acquire shares of Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c) (i) All adjustments to the Conversion Price shall be calculated to the nearest 1/10 of a cent. No adjustment in the Conversion Price shall be required if such adjustment would be less than \$0.01; *provided* that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; *provided further* that on any Conversion Date adjustments to the Conversion Price will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) The Conversion Price shall not be adjusted:

(1) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Common Stock under any such plan, provided such plan was approved by the Board of Directors;

(2) upon the issuance of any shares of Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit agreement, plan or program of, or assumed by, the Company or any of its Subsidiaries, provided such issuance was approved by the Board of Directors;

(3) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the Original Issue Date and not substantially amended thereafter;

(4) upon the issuance of securities pursuant to any merger, joint venture, partnership, share exchange, business combination or similar transaction or any other direct or indirect acquisition by the Company, whereby the Company's securities comprise, in whole or in part, the consideration paid by the Company in such transaction, provided such transaction was approved by the Board of Directors;

(5) for a change in the par value or no par value of Common Stock;

(6) for the payment of cash dividends pursuant to Section 3(a);

(7) upon the issuance of shares of Series A Exchangeable Preferred Stock or Series A Preferred Stock issued pursuant to the terms of the Investment Agreement or Common Stock issuable upon conversion thereof; or

(8) upon the issuance of any shares of Common Stock or warrants to acquire only shares of Common Stock issued to banks, equipment lessors or other lending institutions, or to real property lessors, in each case, in connection with a debt financing (limited to secured or unsecured debt for borrowed money that is not pursuant to the issuance of Convertible Securities), equipment leasing or real property leasing transaction, provided such transaction was approved by the Board of Directors.

(9) Whenever the Conversion Price is to be adjusted in accordance with Section 8(a) or Section 8(b), the Company shall: (i) compute the Conversion Price in accordance with Section 8(a) or Section 8(b), taking into account the \$0.01 threshold set forth in Section 8(c) hereof; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Price pursuant to Section 8(a) or Section 8(b), taking into account the \$0.01 threshold set forth in Section 8(c) hereof, provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Price in accordance with Section 8(a) or Section 8(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Price was determined and setting forth the revised Conversion Price.

(d) If one or more events occurs requiring an adjustment to be made to the Conversion Price during the same time period, adjustments to the Conversion Price shall be determined by the Board of Directors to reflect the combined impact of all Conversion Price adjustment events, as set out in this Section 8, during such period.

(e) In the event that at any time as a result of any adjustment made pursuant to this Section 8 or otherwise, it will be necessary for the Company to obtain stockholder approval, then the Company shall use its reasonable best efforts to obtain such stockholder approval as promptly as practicable.

(f) In the event the Company shall propose to take any action of the type described in Section 8(a)(iii), 8a(iv), 8(a)(v), 8(a)(vi), 8(a)(vii), 8(a)(viii), 8(b) or 8(g), the Company shall give notice to each Holder, which notice shall specify the Record Date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect on the Conversion Price and the number of shares of Common Stock which shall be deliverable upon conversion of shares of the Series A Exchangeable Preferred Stock. Except as otherwise provided herein, (x) in the case of any such action that would require the fixing of a Record Date, such notice shall be given at least ten days prior to the date so fixed and

(y) in the case of all other such actions, such notice shall be given at least ten days prior to the taking of such proposed action.

(g) If any event occurs as to which, in the opinion of the Board of Directors, the provisions of this Section 8 are not strictly applicable or if strictly applicable would not fairly protect the rights of the Holders in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such rights as aforesaid, but in no event shall any adjustment pursuant to this Section 8 have the effect of increasing the Conversion Price as otherwise determined pursuant to any of the provisions of this Section 8 except in the case of a combination of shares of a type contemplated in Section 8(a)(ii) hereof and then in no event to an amount larger than the Conversion Price as adjusted pursuant to Section 8(a)(ii) hereof.

(h) Anything in this Section 8 notwithstanding, no adjustment to the Conversion Price shall reduce the Conversion Price below the then par value per share of Common Stock, and any such purported adjustment shall instead reduce the Conversion Price to such par value.

(i) Notwithstanding the foregoing, no adjustment shall be made to the Conversion Price pursuant to this Section 8 to the extent the Holder actually participates on an as-converted basis with the Common Stock pursuant to Section 3(d)(ii), subject to notice of such participation to the Holder, in the transaction that would otherwise trigger the applicable adjustment pursuant to this Section 8.

(j) Notwithstanding the foregoing, no adjustment shall be made to the Conversion Price pursuant to this Section 8 solely on account of any adjustment of the conversion price of the Series A Preferred Stock in accordance with the Series A Preferred Certificate of Designation.

9. Recapitalization, Reclassification and Changes in Common Stock. Upon the occurrence of any:

(a) reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(b) merger or consolidation of the Company with or into another Person (other than a Subsidiary) other than a merger or consolidation in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock;

(c) any statutory share exchange of the Company with another Person; or

(d) sale or other disposition of all or substantially all of the property and assets of the Company (on a consolidated basis) to any other Person (any of the foregoing events in clauses (a) through (d), a "Transaction"); then, without limiting the rights of the Holders in Section 4 herein, the Series A Exchangeable Preferred Stock shall be convertible after the

Transaction into the kind and amount of shares of stock or other securities or other property or assets (including cash) that the Holders would have been entitled to receive upon such Transaction had such Series A Exchangeable Preferred Stock been converted into Common Stock immediately prior to such Transaction after giving effect to any adjustment. The provisions of this Section 9 shall apply to successive Transactions. In the event that holders of the Common Stock shall have the opportunity to elect the form of consideration to be received in a Transaction, then the Company shall make adequate provision whereby each Holder shall have a reasonable opportunity to determine the form of consideration into which all of such Holder's shares of Series A Exchangeable Preferred Stock, shall be convertible from and after the effective date of such Transaction. Such determination shall be (i) subject to any limitations to which all of the holders of Common Stock are subject, including, but not limited to, pro rata reductions applicable to any portion of the consideration payable in such Transaction and (ii) conducted in such a manner as to be completed by the date that is the earlier of (a) the deadline for elections to be made by holders of Common Stock and (b) five (5) Trading Days prior to the anticipated effective date of such Transaction. The Company will not effect (or enter into any agreement providing for) any Transaction unless prior to the consummation thereof the successor Person (if other than the Company) resulting from such Transaction shall assume by written instrument mailed or delivered to the Holders at the last address of each such Holder appearing on the Register, the obligation pursuant to this Section 9. At least twenty (20) days' prior written notice of the date on which the Transaction will be consummated shall be given to the Holders.

10. Other Provisions.

(a) Shares of Series A Exchangeable Preferred Stock issued and reacquired shall be prohibited from being reissued as such and will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Delaware law, will have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, except that any issuance or reissuance of shares of Series A Exchangeable Preferred Stock must be in compliance with this Certificate.

(b) The shares of Series A Exchangeable Preferred Stock shall be issuable only in whole shares.

(c) All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the date of mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Certificate) with postage prepaid, addressed: (i) if to the Company, to its office at 44 East Industrial Road, Branford, CT 06405, Attention: Chief Executive Officer and Chief Financial Officer, or (ii) if to any Holder, to such Holder at the address of such Holder as listed in the Register, or (iii) to such other address as the Company or any such Holder, as the case may be, shall have designated by notice similarly given. Any notice that was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the Holder receives the notice.

(d) If at any time the Company is required to make any payment to a Holder pursuant to this Certificate, the Company does not have sufficient funds legally available to make such payment, the Company shall make as much of such required payment as possible, ratably to each Holder in proportion to the number of shares of Series A Exchangeable Preferred Stock held by such Holder, and shall thereafter from time to time, as soon as it shall have funds available therefor, make payment of as much of the remaining amount of such required payment as it legally may until it has made such payment in its entirety. For the avoidance of doubt, such partial payments shall not reduce or waive the rights of the Holders hereunder.

(e) The words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Certificate as a whole and not merely to the specific section, paragraph or clause in which such word appears. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The definitions given for terms in Section 2 and elsewhere in this Certificate shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(f) Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any certificate evidencing any Series A Exchangeable Preferred Stock owned by a Holder and (in the case of loss, theft or destruction) of an unsecured indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such certificate, if mutilated, the Company will make and deliver in lieu of such certificate a new certificate of like tenor and for the number of securities evidenced by such certificate which remains outstanding.

(g) Any of the rights of the Holders set forth herein (including, without limitation, any rights to notices, adjustments or otherwise) may be waived by (i) any Holder with respect to such Holder, provided that such waiver is in writing and executed by such Holder, and (ii) the written consent of the Required Holders with respect to all Holders, and such waiver shall be binding on all Holders; provided, however, prior to the effective date of an amendment to this Certificate approved by the Required Holders which amendment amends the Applicable Terms, the Company shall give each Holder five (5) Business Days’ notice to permit such Holder to convert such Holder’s shares of Series A Exchangeable Preferred Stock pursuant to Section 7(a) herein, subject to any limitations in this Certificate on the number of shares of Series A Exchangeable Preferred Stock that may be converted. Notwithstanding the foregoing, the Required Holders shall not amend the foregoing proviso without the consent of each Holder affected thereby.

CERTIFICATION

I, Thomas M. Patton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CAS Medical Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas M. Patton
Thomas M. Patton
President and Chief Executive Officer

Date: August 12, 2011

CERTIFICATION

I, Jeffery A. Baird, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CAS Medical Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jeffery A. Baird
Jeffery A. Baird
Chief Financial Officer

Date: August 12, 2011

Certification of Periodic Financial Report

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Thomas M. Patton, the President and Chief Executive Officer, and Jeffery A. Baird, the Chief Financial Officer of CAS Medical Systems, Inc. (the "issuer"), do hereby certify that the quarterly report on Form 10-Q accompanying this certification (the "report") fully complies with the requirements of section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

/s/ Thomas M. Patton
Thomas M. Patton
President and Chief Executive Officer
CAS Medical Systems, Inc.

August 12, 2011

/s/ Jeffery A. Baird
Jeffery A. Baird
Chief Financial Officer
CAS Medical Systems, Inc.

August 12, 2011