

A0524432

2056981

CERTIFICATE OF AMENDMENT OF  
ARTICLES OF INCORPORATION  
OF  
ARCOT SYSTEMS, INC.

FILED *Nep*  
In the office of the Secretary of State  
of the State of California  
APR 29 1999  
*Bill Jones*  
BILL JONES, Secretary of State

In accordance with Sections 902 and 903 of the California Corporations Code, the undersigned hereby certify that:

A. They are the duly elected and acting President and Assistant Secretary, respectively, of Arcot Systems, Inc., a California corporation.


B. The Articles of Incorporation of this corporation are amended and restated in their entirety to read as set forth on Exhibit A attached hereto.

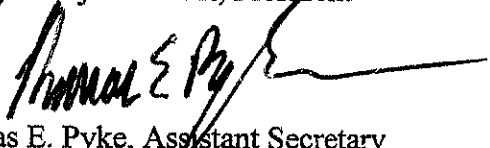
C. The attached Amendment and Restatement of the Articles of Incorporation has been duly approved by the Board of Directors of this corporation.

D. The attached Amendment and Restatement of the Articles of Incorporation has been duly approved by the required vote of the shareholders in accordance with Sections 902 and 903 of the California Corporations Code. The total number of outstanding shares entitled to vote with respect to the Amendment and Restatement was 1,500,000 shares of Common Stock and 1,500,000 shares of Series A Preferred Stock and 1,404,494 shares of Series B Preferred Stock. The number of shares voting in favor of the attached amendment equaled or exceeded the vote required, such required vote being a majority of the outstanding shares of Common Stock and two-thirds (2/3) of the outstanding shares of Preferred Stock, each voting as a separate class.

We further declare under penalty of perjury that the matters set forth in this certificate are true and correct of our own knowledge.

Executed at Palo Alto, California on April 27, 1999.

  
Balas Natarajan Kausik, President

  
Thomas E. Pyke, Assistant Secretary

**EXHIBIT A**  
**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**  
**ARCOT SYSTEMS, INC.**

**I.**

The name of this corporation is Arcot Systems, Inc.

**II.**

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

**III.**

This corporation is authorized to issue two classes of stock, designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which this corporation is authorized to issue is 38,713,482 shares, without par value, of which 30,000,000 shares are Common Stock and 8,713,482 shares are Preferred Stock, of which 4,500,000 shares are designated Series A Preferred Stock, and 4,213,482 are designated Series B Preferred Stock. Except as set forth in Article IV hereof relating to the Series A Preferred Stock and Series B Preferred Stock, the Board of Directors is authorized to designate additional series of Preferred Stock and to fix the number of shares of any series of Preferred Stock and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

Effective upon the filing of these Amended and Restated Articles there will be a three-for-one ("3 for 1") forward stock split for each issued and outstanding share of Common Stock, and a 3 for 1 forward stock split for each issued and outstanding share of Series A Preferred Stock and Series B Preferred Stock.

#### IV.

The rights, preferences, privileges and restrictions granted to or imposed upon the Common Stock and Preferred Stock are as follows:

A. Dividends. When and as declared by the corporation's Board of Directors, the holders of outstanding Series A Preferred Stock ("Series A Preferred") and Series B Preferred Stock ("Series B Preferred") shall be entitled to receive in any fiscal year on a pari passu basis, out of any assets at the time legally available therefor, dividends in cash at the rate of \$0.0266 and \$0.0712 per share per annum, respectively (each as adjusted for any stock dividends, combination, splits, recapitalizations and the like with respect to such shares), before any dividend is paid on Common Stock. Dividends may be declared and paid upon Common Stock in any fiscal year of the corporation only if dividends shall have been paid to or declared and set apart upon all shares of Preferred Stock at such annual rate for such fiscal year of the corporation. After payment of such dividends, any additional dividends declared shall be payable entirely to the holders of Common Stock.

The right to such dividends on Preferred Stock and Common Stock shall not be cumulative and no right shall accrue to holders of Preferred Stock or Common Stock by reason of the fact that dividends on said shares are not declared in any prior year, nor shall any undeclared or unpaid dividend bear or accrue interest.

B. Liquidation Preference.

1. In the event of any liquidation, dissolution, or winding up of the corporation, either voluntary or involuntary, the holders of the Series A Preferred and Series B Preferred shall be entitled to receive on a pari passu basis and prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of the Common Stock by reason of their ownership of such stock, an amount per share equal to the sum of \$0.333 and \$0.89, respectively, (as adjusted for any stock dividends, combination, splits, recapitalization and the like with respect to such shares) for each share of Series A Preferred and Series B Preferred, respectively, then held by them, and, in addition, an amount equal to all declared but unpaid dividends on the Series A Preferred Stock and Series B Preferred Stock, respectively, but no more. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred and Series B Preferred shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the corporation legally available for distribution shall be distributed among the holders of the Series A Preferred and Series B Preferred in proportion to the full aforesaid preferential amounts to which each such holder is entitled. In lieu of receiving the above liquidation preference, at the time of any such liquidation, dissolution or winding up of the corporation, the holders of Preferred Stock may convert their shares of Preferred Stock into shares of Common Stock, in accordance with Section D below, and receive the assets of the corporation on a pro rata basis with the holders of Common Stock.

2. After payment or setting apart of payment has been made to the holders of Series A Preferred and Series B Preferred of the full amounts to which they shall be entitled as

aforesaid, the holders of Common Stock shall be entitled to receive pro rata the remaining assets of the corporation.

3. A consolidation or merger of the corporation with or into any other corporation or corporations or any other corporate reorganization, in which the shareholders of the corporation immediately prior to such consolidation, merger or reorganization, own less than 50% of the corporation's voting power immediately after such consolidation, merger or reorganization, or a sale of all or substantially all of the assets of the corporation, or a transaction or series of related transactions in which more than 50% of the voting power of the corporation is disposed of, shall be deemed to be a liquidation, dissolution, or winding up within the meaning of this Section IV.B.

4. Any securities to be delivered to the holders of the Preferred Stock and/or Common Stock pursuant to this Section B shall be valued as follows:

(a) Securities not subject to investment letter or other similar restrictions on free marketability:

(i) If traded on a securities exchange or the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the 30-day period ending three (3) business days prior to the closing;

(ii) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) business days prior to the closing; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors of this corporation.

(b) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in (a)(i)(ii) or (iii) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors of this corporation.

#### C. Voting Rights.

1. General. The holder of each share of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which each such share of Preferred Stock is convertible on the record date for the vote or consent of shareholders and shall have voting rights and powers equal to the voting rights and powers of the holders of the Common Stock. The holder of each share of Preferred Stock shall be entitled to notice of any shareholders' meeting in accordance with the Bylaws of the corporation and shall vote with the holders of the Common Stock upon any matter submitted to a vote of shareholders, except those matters required by law to be submitted to a class vote or as otherwise provided in Section F of this Article IV. Fractional votes shall not, however, be permitted, and any fractional voting rights resulting from

application of the above voting formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

2. Election of Directors. At each election of the corporation's directors, so long as 25% or more of the Preferred Stock remains outstanding, the holders of the Series A Preferred (voting as a single class) will elect one director, the holders of the Series B Preferred Stock (voting as a single class) will elect one director, and the holders of Common Stock (voting as a single class) will elect one director, and any remaining directors will be elected by all of the holders of Common and Preferred Stock, voting together as a single class. If at any time less than 25% of the Preferred Stock remains outstanding, all of the directors will be elected by all of the holders of Common and Preferred Stock, voting together as a single class. Notwithstanding any Bylaw provisions to the contrary, the shareholders entitled to elect a particular director shall be entitled to remove such director or to fill a vacancy in the seat formerly held by such director, all in accordance with the applicable provisions under California law.

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

1. Right to Convert. Each share of each series of Preferred Stock shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Issuance Price (as defined below) by the Conversion Price (as defined below) in effect at the time of conversion. The Issuance Price for the Series A Preferred Stock and Series B Preferred Stock shall be \$0.333 and \$0.89, respectively. The Conversion Price for the Series A Preferred Stock and Series B Preferred Stock shall initially be \$0.333 and \$0.89, respectively, subject to adjustment as provided below. The number of shares of Common Stock into which a share of a series of Preferred Stock is convertible is hereinafter referred to as the "Conversion Rate" of such series of Preferred Stock.

2. Automatic Conversion. Each share of each series of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective applicable Conversion Rate (i) immediately prior to the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Act") covering the offer and sale of Common Stock for the account of the corporation to the public, which results in the Company's Common Stock being listed for trading on a national securities exchange or the Nasdaq National Market, or (ii) upon the corporation's receipt of the written consent of the holders of two-thirds of the outstanding shares of the Preferred Stock.

3. Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for the Preferred Stock, and shall give written notice to the corporation at such office that such holder elects to convert the same; provided, however, that in the event of an automatic conversion pursuant to Section D.2 above, the outstanding shares of Preferred Stock shall

be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the corporation or its transfer agent, and provided further that the corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless the certificates evidencing such shares of Preferred Stock are either delivered to the corporation or its transfer agent as provided above, or the holder notifies the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in the case of a lost certificate, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, or in the case of automatic conversion, on the date of closing of the offering, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

4. Fractional Shares. In lieu of any fractional shares to which the holder of Preferred Stock would otherwise be entitled, the corporation shall pay cash equal to such fraction multiplied by the fair market value of one share of Preferred Stock as determined by the Board of Directors of the corporation. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock of each holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

5. Adjustment of Conversion Price. The Conversion Price of each series Preferred Stock shall be subject to adjustment from time to time as follows:

(a) If the number of shares of Common Stock outstanding at any time after the filing of these Restated Articles of Incorporation is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then, on the date such payment is made or such change is effective, the applicable Conversion Price of each series of Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of any shares of Preferred Stock shall be increased in proportion to such increase of outstanding shares.

(b) If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, then, on the effective date of such combination, the applicable Conversion Price of each series of Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of any shares of Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

(c) In case the corporation shall declare a cash dividend upon its Common Stock payable otherwise than out of retained earnings or shall distribute to holders of its Common Stock shares of its capital stock (other than Common Stock), stock or other securities of other persons, evidences of indebtedness issued by the corporation or other persons, assets (excluding cash dividends) or options or rights (excluding options to purchase and rights to subscribe for Common Stock or other securities of the corporation convertible into or exchangeable for Common Stock), then, in each such case, the holders of the Preferred Stock shall, concurrent with the distribution to holders of Common, receive a like distribution based upon the number of shares of Common Stock into which such Preferred Stock is then convertible.

(d) In case, at any time after the date hereof, of any capital reorganization, or any reclassification of the stock of the corporation (other than as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the corporation with or into another person (other than a consolidation or merger in which the corporation is the continuing entity and which does not result in any change in the Common Stock), the shares of Preferred Stock shall, after such reorganization, reclassification, consolidation, merger, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property of the corporation or otherwise to which such holder would have been entitled if immediately prior to such reorganization, reclassification, consolidation, merger, sale or other disposition such holder had converted its shares of Preferred Stock into Common Stock. The provisions of this clause (d) shall similarly apply to successive reorganizations, reclassification, consolidations, mergers, sales or other dispositions.

(e) All calculations under this Section D shall be made to the nearest cent or to the nearest one hundredth (1/100) of a share, as the case may be.

6. Minimal Adjustments. No adjustment in any Conversion Price for the Preferred Stock need be made if such adjustment would result in a change in any Conversion Price of less than \$0.01. Any adjustment of less than \$0.01 which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of \$0.01 or more in the Conversion Price.

7. No Impairment. The corporation will not through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section D and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Preferred Stock against impairment. This provision shall not restrict the corporation's right to amend its Articles of Incorporation with the requisite shareholder consent.

8. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate for the Preferred Stock pursuant to this Section D, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such



adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) all such adjustments and readjustments, (ii) the Conversion Rate at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such holder's shares of Preferred Stock.

9. Notices of Record Date. In the event of any taking by the corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property or to receive any other right, the corporation shall mail to each holder of Preferred Stock at least twenty (20) days prior to such record date, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution or right, and the amount and character of such dividend, distribution or right.

10. Notices. Any notice required by the provisions of this Section D to be given to any holder of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appearing on the corporation's books.

E. Repurchase of Common Shares. Each holder of an outstanding share of Preferred Stock shall be deemed to have consented, for purposes of Sections 502, 503, and 506 of the California General Corporation Law to distributions made by the corporation in connection with the repurchase, at cost, of shares of Common Stock issued to or held by employees, directors or consultants upon termination of their employment, directorship or consultancy pursuant to agreements providing for the right of such repurchase between the corporation and such persons.

F. Protective Provisions. So long as any shares of Preferred Stock shall be outstanding, the corporation shall not without first obtaining the approval of the holders of at least two-thirds of the outstanding Preferred Stock:

(a) Change Rights. Amend, alter, or repeal any provision of the Articles of Incorporation or the Bylaws of the Company (including any filing of a Certificate of Determination) that affects adversely the voting powers, preferences, or other special rights or privileges, qualifications, limitations, or restrictions of the Preferred Stock;

(b) Change Number. Increase or decrease the authorized number of shares of Preferred Stock or Common Stock;

(c) Create New Shares. Authorize or designate, whether by reclassification or otherwise, any new class or series of stock or any other securities convertible into equity securities of the Company ranking on a parity with or senior to the Preferred Stock in

rights of redemption, liquidation preferences, voting or dividends or any increase in the authorized or designated number of any such new class or series;

(d) Reorganization. Consummate a merger, corporate reorganization, or any transaction in which all or substantially all of the assets of the corporation are sold, or in which transaction the corporation's shareholders immediately prior to such transaction own immediately after such transaction less than 50% of the equity securities of the surviving corporation or its parent;

(e) Board of Directors. Increase or decrease the authorized number of directors;

(f) Employee Equity Plan. Increase the number of shares reserved for issuance to employees and consultants pursuant to any employee equity plan, or adopt any new employee equity plan; or

(g) Redemption. Redeem, repurchase, pay dividends or make any distribution with respect to Common Stock (except for acquisitions of Common Stock by the Company pursuant to agreements which permit the Company to repurchase such shares upon termination of services to the Company or in exercise of the Company's right of first refusal upon a proposed transfer).

G. Residual Rights. All rights accruing to the outstanding shares of the corporation not expressly provided for to the contrary herein shall be vested with the Common Stock.

## V.

A. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

B. The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through Bylaw provisions, agreements with agents, vote of shareholders or disinterested directors, or otherwise, to the fullest extent permissible under California law.

C. Any amendment, repeal or modification of any provision of this Article V shall not adversely affect any right or protection of any agent of this corporation existing at the time of such amendment, repeal or modification.