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**THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPLICATION SECURITY, INC.**

John Hembrough hereby certifies that:

ONE: The date of filing of the original Certificate of Incorporation of Application Security, Inc. under the name of AS Acquisiton, Inc., with the Secretary of State of the State of Delaware was August 22, 2002, and such Certificate of Incorporation was amended on September 10, 2002 and November 12, 2002 and amended and restated on January 30, 2003 and May 6, 2004.

TWO: He is the duly elected and acting Chief Executive Officer of Application Security, Inc., a Delaware corporation.

THREE: The Certificate of Incorporation of this company is hereby amended and restated to read as follows:

I.

The name of this company is Application Security, Inc. (the "Company" or the "Corporation").

II.

The address of the registered office of this Company in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Zip Code 19801, and the name of the registered agent of this Corporation in the State of Delaware at such address is The Corporation Trust Company.

III.

The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law ("DGCL").

IV.

A. The Company is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Company is authorized to issue is Seventy Million (70,000,000) shares, Forty-One Million Seven Hundred Three Thousand Eighty-Two (41,703,082) shares of which shall be Common Stock (the "Common Stock") and Twenty-Eight Million Two Hundred Ninety-Six Thousand Nine Hundred Eighteen (28,296,918) shares of which shall be Preferred Stock (the "Preferred Stock"). The Preferred Stock shall have a par value of one tenth of one cent (\$0.001) per share and the Common Stock shall have a par value of one tenth of one cent (\$0.001) per share.

B. Subject to subsections (b)(ii) and (c)(ii) of Section D.2 below, notwithstanding anything in Section 242 of the DGCL to the contrary, the number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the Company (voting together on an as-if-converted basis).

C. Nine Million Five Hundred and Ninety-Six Thousand Seven Hundred Twenty-One (9,596,721) of the authorized shares of Preferred Stock are hereby designated "Series A Convertible Preferred Stock" (the "Series A Preferred"), Thirteen Million Thirty-Nine Thousand Seventeen (13,039,017) of the authorized shares of Preferred Stock are hereby designated "Series B Convertible Preferred Stock" (the "Series B Preferred") and Five Million Six Hundred Sixty-One Thousand One Hundred Eighty (5,661,180) of the authorized shares of Preferred Stock are hereby designated "Series C Convertible Preferred Stock" (the "Series C Preferred" and together with the Series A Preferred and the Series B Preferred, the "Series Preferred").

D. The rights, preferences, privileges, restrictions and other matters relating to the Series Preferred are as follows:

I. DIVIDEND RIGHTS.

(a) The "Original Issue Price" of the Series A Preferred shall be \$0.338657397 per share, ~~the "Original Issue Price" of the Series B Preferred shall be \$0.641128 per share and the "Original Issue Price" of the Series C Preferred shall be \$1.76641614 per share~~ (in each case subject to adjustment for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof).

(b) So long as any shares of Series Preferred are outstanding, the Company shall not pay or declare any dividend, whether in cash or property, or make any other distribution on the Common Stock, or purchase, redeem or otherwise acquire for value any shares of Common Stock until an equivalent dividend (determined on an as-converted basis) is paid on the Series Preferred, or until the Company purchases, redeems, or otherwise acquires for value a *pro rata* number of shares of the Series Preferred, as the case may be, except for:

(i) acquisitions of Common Stock by the Company pursuant to agreements approved by the Board of Directors of the Company (the "Board") (including at least two of the members of the Board elected by the Series Preferred) which permit the Company to repurchase such shares upon termination of services to the Company; or

(ii) acquisitions of Common Stock in exercise of the Company's right of first refusal to repurchase such shares pursuant to agreements approved by the Board (including at least two of the members of the Board elected by the Series Preferred).

(c) In the event dividends are paid on any share of Common Stock, the Company shall pay an additional dividend on all outstanding shares of Series Preferred in a per share amount equal (on an as-if-converted to Common Stock basis) to the amount paid or set aside for each share of Common Stock.

(d) The provisions of subsections (b) and (c) of this Section 1 shall not apply to a dividend payable in Common Stock, or any repurchase of any outstanding securities of the Company that is approved by the Board (including at least two of the members of the Board elected by the Series Preferred).

2. VOTING RIGHTS.

(a) **General Rights.** Each holder of shares of the Series Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series Preferred could be converted (pursuant to Section 5 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Company (as amended from time to time, the "Bylaws"). Except as otherwise provided herein or as required by law, the Series Preferred shall vote together with the Common Stock at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner as the Common Stock.

(b) Separate Vote of Series C Preferred.

(i) For so long as at least One Million (1,000,000) shares of Series C Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series C Preferred after the filing date hereof) remain outstanding, in addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least a majority of the outstanding shares of Series C Preferred, voting together as a separate class, shall be necessary for effecting or validating the following action (directly or indirectly, by merger, consolidation or otherwise):

(A) Any Liquidation Event (as such term is defined in Section 3 below), Acquisition or Asset Transfer (as such terms are defined in Section 4 below), with an underlying aggregate enterprise value in connection therewith of less than \$80,000,000 which shall be determined in good faith by the Board of Directors of the Company; provided, however, that in the event of any Liquidation Event, Acquisition or Asset Transfer with an underlying aggregate enterprise value (which shall be exclusive of any consideration due in respect of such Liquidation Event, Acquisition or Asset Transfer based on performance to occur after the closing of such Liquidation Event, Acquisition or Asset Transfer, including, but not limited to, earn-outs) of the Company in connection therewith in excess of \$80,000,000 and in which the consideration payable to the shareholders of the Company is neither cash nor freely tradable securities of a publicly traded company (nor any combination thereof) (a "Triggering Event"), the Company shall, as promptly as practicable in advance of the consummation thereof, notify each holder of shares of Series C Preferred of such Triggering Event and the holders of at least a majority of the outstanding shares of Series C Preferred shall be entitled, within five (5) days of receipt of such notice from the Company, elect to have the enterprise valuation underlying such Triggering Event valued by an independent appraiser mutually acceptable to the Company and the holders of at least a majority of the outstanding shares of Series C Preferred, the cost of which shall be borne by the holders of shares of Series C Preferred requesting such

valuation (on a pro rata basis); provided further, however, that if such valuation is not completed within four (4) weeks of the election thereof by the holders of Series C Preferred, then such valuation shall instead be determined in good faith by the Board of Directors of the Company; provided further that if the enterprise value of the Company underlying such Triggering Event does not exceed \$80,000,000, then the cost of such valuation shall instead be borne by the Company.

(ii) For so long as any shares of Series C Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series C Preferred after the filing date hereof) remain outstanding, in addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least a majority of the outstanding shares of Series C Preferred, voting together as a separate class, shall be necessary for effecting or validating the following actions:

(A) Any amendment or waiver of any provision of the Company's Certificate of Incorporation or the Bylaws, including by way of merger, consolidation or otherwise, that adversely affects the rights, preferences or privileges of shares of Series C Preferred (other than in connection with any Liquidation Event, Acquisition or Asset Transfer with respect to which a vote or written consent is not required pursuant to subsection (b)(i) of this Section 2); and

(B) Any increase or decrease in the authorized number of shares of Series C Preferred.

(c) **Separate Vote of Series Preferred.** For so long as at least Five Million (5,000,000) shares of Series Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series Preferred after the filing date hereof) remain outstanding, in addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least sixty percent (60%) of the outstanding shares of Series Preferred, voting together as a single class on an as-converted basis, shall be necessary for effecting or validating the following actions (directly or indirectly, by merger consolidation or otherwise):

(i) Any amendment, alteration, or repeal of any provision of the Certificate of Incorporation or the Bylaws (including any filing of a Certificate of Designation);

(ii) Any increase or decrease in the authorized number of shares of Preferred Stock or Common Stock or designated number of any new class or series of capital stock of the Company;

(iii) Any authorization or any designation, whether by reclassification or otherwise, of any new class or series of capital stock or any other securities convertible into equity securities of the Company ranking on a parity with or senior to the Series Preferred in right of redemption, liquidation preference, voting or dividends;

(iv) Any redemption, repurchase, payment of dividends or other distributions with respect to Common Stock or any other series of capital stock or other securities convertible into equity securities of the Company ranking junior to the Series Preferred in right or preference (except for acquisitions of Common Stock by the Company permitted by Section 1 hereof);

(v) Any agreement by the Company or its stockholders regarding an Asset Transfer or Acquisition (as such terms are defined in Section 4 below);

(vi) Any action that results in the payment or declaration of a dividend on any shares of Common Stock or Preferred Stock;

(vii) Any voluntary dissolution, liquidation, recapitalization, reorganization or bankruptcy filing of the Company;

(viii) Any increase or decrease in the authorized number of members of the Company's Board; or

(ix) Any increase in the number of shares of Common Stock issuable pursuant to any of the Company's equity incentive plans.

(d) Election of Board of Directors.

(i) For so long as at least Three Million (3,000,000) shares of Series A Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series A Preferred after the filing date hereof) remain outstanding, the holders of Series A Preferred, voting as a separate class, shall be entitled to elect two (2) members of the Board and to remove from office either or both of such directors and to fill any vacancy caused by the resignation, death or removal of either or both of such directors.

(ii) For so long as at least Three Million (3,000,000) shares of Series B Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series B Preferred after the filing date hereof) remain outstanding, the holders of Series B Preferred, voting as a separate class, shall be entitled to elect one (1) member of the Board and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director.

(iii) For so long as at least One Million (1,000,000) shares of Series C Preferred (subject to adjustment for any stock split, reverse stock split or other similar event affecting the Series C Preferred after the filing date hereof) remain outstanding, the holders of Series C Preferred, voting as a separate class, shall be entitled to elect one (1) member of the Board (the "Series C Director") and to remove from office such Series C Director and to fill any vacancy caused by the resignation, death or removal of such Series C Director.

(iv) The holders of Common Stock, voting as a separate class, shall be entitled to elect two (2) members of the Board and to remove from office either or both

of such directors and to fill any vacancy caused by the resignation, death or removal of either or both of such director.

(v) The holders of Common Stock and Series Preferred, voting together as a single class on an as-if-converted basis, shall be entitled to elect any or all of remaining members of the Board and to remove from office any or all of such directors and to fill any vacancy caused by the resignation, death or removal of any or all of such directors.

3. LIQUIDATION RIGHTS.

(a) Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary (a "Liquidation Event"), before any distribution or payment shall be made to the holders of any shares of Series A Preferred, Series B Preferred and Common Stock, the holders of Series C Preferred shall be entitled to be paid out of the assets of the Company legally available for distribution, or the consideration received in such Liquidation Event, an amount per share of Series C Preferred equal to the Original Issue Price of the Series C Preferred plus all declared and unpaid dividends on such share of Series C Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) for each share of Series C Preferred held by them (such aggregate amount, the "Series C Preferred Liquidation Preference"). If, upon any such Liquidation Event, the assets of the Company (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of Series C Preferred of the Series C Preferred Liquidation Preference, then such assets (or consideration) shall be distributed among the holders of Series C Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(b) After the payment in full of the Series C Preferred Liquidation Preference and before any distribution or payment shall be made to the holders of any shares of Common Stock, the holders of Series A Preferred and Series B Preferred (together, the "Junior Preferred") shall be entitled to be paid out of the assets of the Company legally available for distribution, or the consideration received in such Liquidation Event, on a pari passu basis, an amount per share of Junior Preferred equal to the applicable Original Issue Price of such share of Junior Preferred plus all declared and unpaid dividends on such share of Junior Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) for each share of Junior Preferred held by them (such aggregate amount, the "Junior Preferred Liquidation Preference"). If, upon any such Liquidation Event, the assets of the Company (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of Junior Preferred of the Junior Preferred Liquidation Preference, then such assets (or consideration) shall be distributed among the holders of Junior Preferred at the time outstanding, ratably on a pari passu basis in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) Upon the completion of the distribution required by subsections (a) and (b) of this Section 3, the assets of the Company legally available for distribution (or the consideration received in such transaction), if any, shall be distributed ratably to the holders of the Common Stock and Series Preferred on an as-if-converted to Common Stock basis until, with

respect to the holders of the Series C Preferred, such holders shall have received an amount per share of Series C Preferred pursuant to this Section 3(c) equal to the Per Share Series C Participation Cap (as defined below); thereafter, if assets of the Company legally available for ~~distribution~~ ~~(or the consideration received in such transaction)~~ remain, the holders of the Common Stock and the Junior Preferred of the Company shall receive all of the remaining assets pro rata based on the number of shares of Common Stock held by each on an as-if-converted to Common Stock basis. For purposes hereof, "Per Share Series C Participation Cap" shall mean \$4.41604036 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations, or the like with respect to such shares of Series C Preferred after the filing date hereof). For avoidance of doubt, the amount distributable in respect of each share of Series C Preferred under subsections (a), (b) and (c) of this Section 3 (but subject to the terms thereof) (together with any preference payments and participation payments) is intended to represent an amount equal to 3.5 times the Original Issue Price of the Series C Preferred.

(d) Notwithstanding anything in this Section 3 to the contrary, if, upon a Liquidation Event, the holders of outstanding shares of Series C Preferred would receive more than the aggregate amount to be received under subsections (a) and (c) of this Section 3 in the event all of their shares of Series C Preferred were converted into shares of Common Stock pursuant to the provisions of Section 5 hereof immediately prior to such Liquidation Event and such shares of Common Stock received a liquidating distribution or distributions from the Corporation, then each holder of outstanding shares of Series C Preferred in connection with such Liquidation Event shall be entitled to be paid in cash, in lieu of the payments described in subsections (a) and (c) of this Section 3, an amount per share of Series C Preferred equal to such amount as would have been payable in respect of each share of Common Stock (including any fraction thereof) issuable upon conversion of such share of Series C Preferred had such share of Series C Preferred Stock been converted to Common Stock immediately prior to such Liquidation Event pursuant to the provisions of Section 5 hereof.

4. ASSET TRANSFER OR ACQUISITION RIGHTS.

(a) In the event that the Company is a party to an Acquisition or Asset Transfer, then upon the closing of such Acquisition or Asset Transfer each holder of Series Preferred shall be entitled to receive, for each share of Series Preferred then held, out of the proceeds of such Acquisition or Asset Transfer, the amount of cash, securities or other property to which such holder would be entitled to receive in a liquidation pursuant to Section 3 hereof, unless (i) the holders of at least a majority of the outstanding shares of Series C Preferred elect in writing not to treat such Acquisition or Asset Transfer as a Liquidation Event, and (ii) the holders of at least sixty percent (60%) of the outstanding shares of the Series Preferred, all voting together as a single class on an as-converted basis, elect in writing not to treat such Acquisition or Asset Transfer as a Liquidation Event.

(b) For the purposes of this Section 4: (i) "Acquisition" shall mean: (A) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, merger or

reorganization; or (B) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred; provided that an Acquisition shall not include (x) any consolidation or merger effected exclusively to change the domicile of the Company, or (y) any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or indebtedness of the Company is cancelled or converted or a combination thereof; and (ii) "Asset Transfer" shall mean a sale, lease or other disposition of all or substantially all of the assets of the Company.

(c) In any Acquisition or Asset Transfer, if the consideration to be received is securities of a corporation or other property other than cash, its value will be deemed its fair market value as determined in good faith by the Board on the date such determination is made.

5. CONVERSION RIGHTS.

The holders of the Series Preferred shall have the following rights with respect to the conversion of the Series Preferred into shares of Common Stock (the "Conversion Rights"):

(a) **Optional Conversion.** Subject to and in compliance with the provisions of this Section 5, any shares of Series Preferred may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series Preferred shall be entitled upon conversion shall be the product obtained by multiplying the applicable "Series Preferred Conversion Rate" then in effect (determined as provided in Section 5(b) below) by the number of shares of Series Preferred being converted.

(b) **Series Preferred Conversion Rate.** The conversion rate in effect at any time for conversion of the Series Preferred (the "Series Preferred Conversion Rate") shall be the quotient obtained by dividing the applicable Original Issue Price of the Series Preferred by the applicable "Series Preferred Conversion Price," calculated as provided in subsection (c) of this Section 5 below.

(c) **Series Preferred Conversion Price.** The conversion price for the Series Preferred shall initially be the applicable Original Issue Price of the Series Preferred (the "Series Preferred Conversion Price"). Such initial Series Preferred Conversion Price shall be adjusted from time to time in accordance with this Section 5. All references to the Series Preferred Conversion Price herein shall mean the Series Preferred Conversion Price as so adjusted.

(d) **Mechanics of Conversion.** Each holder of Series Preferred who desires to convert the same into shares of Common Stock pursuant to this Section 5 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Series Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. Such notice shall state the series and number of shares of Series Preferred being converted. Thereupon, the Company shall promptly issue and

deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay (i) in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), any declared and unpaid dividends on the shares of Series Preferred being converted and (ii) in cash (at the Common Stock's fair market value determined by the Board as of the date of conversion) the value of any fractional share of Common Stock otherwise issuable to any holder of Series Preferred. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series Preferred to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

(e) **Adjustment for Stock Splits and Combinations.** If at any time or from time to time after the date on which the first share of Series C Preferred is issued (the "Original Issue Date"), the Company effects a subdivision of the outstanding Common Stock without a corresponding subdivision of the Preferred Stock, the Series Preferred Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if at any time or from time to time after the Original Issue Date the Company combines the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination of the Preferred Stock, the Series Preferred Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 5(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) **Adjustment for Common Stock Dividends and Distributions.** If at any time or from time to time after the Original Issue Date the Company pays a dividend or other distribution in additional shares of Common Stock on shares of Common Stock and no such dividend or distribution is made on shares of Series Preferred, the applicable Series Preferred Conversion Price that is then in effect shall be decreased as of the time of such issuance, as provided below:

(i) The applicable Series Preferred Conversion Price shall be adjusted by multiplying the Series Preferred Conversion Price then in effect by a fraction equal to:

(A) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

(B) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

(ii) If the Company fixes a record date to determine which holders of Common Stock are entitled to receive such dividend or other distribution, the Series

Preferred Conversion Price shall be fixed as of the close of business on such record date and the number of shares of Common Stock shall be calculated immediately prior to the close of business on such record date; and

(iii) If such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Series Preferred Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the applicable Series Preferred Conversion Price shall be adjusted pursuant to this Section 5(f) to reflect the actual payment of such dividend or distribution.

(g) **Adjustment for Reclassification, Exchange and Substitution.** If at any time or from time to time after the Original Issue Date, the Common Stock issuable upon the conversion of the Series Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than an Acquisition or Asset Transfer as defined in Section 4 above or a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 5), in any such event each holder of Series Preferred shall then have the right to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Common Stock into which such shares of Series Preferred could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(h) **Reorganizations, Mergers or Consolidations.** If at any time or from time to time after the applicable Original Issue Date, there is a capital reorganization of the Common Stock or the merger or consolidation of the Company with or into another corporation or another entity or person (other than an Acquisition or Asset Transfer as defined in Section 4 above or a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 5), as a part of such capital reorganization, provision shall be made so that the holders of the Series Preferred shall thereafter be entitled to receive upon conversion of the Series Preferred the number of shares of stock or other securities or property of the Company to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of Series Preferred after the capital reorganization to the end that the provisions of this Section 5 (including adjustment of the applicable Series Preferred Conversion Price then in effect and the number of shares issuable upon conversion of the Series Preferred) shall be applicable after that event and be as nearly equivalent as practicable.

(i) **Sale of Shares Below Series Preferred Conversion Price.**

(i) If at any time or from time to time after the Original Issue Date, the Company issues or sells, or is deemed by the express provisions of this Section 5(i) to have issued or sold, Additional Shares of Common Stock (as defined below), other than as

provided in subsections (f), (g) and (h) of this Section 5 above, for an Effective Price (as defined below) ~~less than the then effective Series Preferred Conversion Price of any class of Series Preferred, then and in each such case, the then existing Series Preferred Conversion Price with respect to shares of such class of Series Preferred shall be reduced, as of the opening of business on the date of such issue or sale, to such lower Effective Price.~~

(ii) No adjustment shall be made to the Series Preferred Conversion Price in an amount less than one cent per share. Any adjustment otherwise required by this Section 5(i) that is not required to be made due to the preceding sentence shall be included in any subsequent adjustment to the Series Preferred Conversion Price.

(iii) For the purpose of making any adjustment required under this Section 5(i), the aggregate consideration received by the Company for any issue or sale of securities (the "Aggregate Consideration") shall be defined as: (A) to the extent it consists of cash, be computed at the net amount of cash received by the Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, and (C) if Additional Shares of Common Stock, Convertible Securities (as defined below) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iv) For the purpose of the adjustment required under this Section 5(i), if the Company issues or sells (x) Preferred Stock or other stock, options, warrants, purchase rights or other securities convertible into, Additional Shares of Common Stock (such convertible stock or securities being herein referred to as "Convertible Securities") or (y) rights or options for the purchase of Additional Shares of Common Stock or Convertible Securities and if the Effective Price of such Additional Shares of Common Stock is less than the Series Preferred Conversion Price, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities plus:

(A) in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options;

(B) in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company upon the conversion thereof (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities);

provided that if the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses;

(C) if the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; *provided further*, that if the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities; and

(D) no further adjustment of the Series Preferred Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock or the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Series Preferred Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Series Preferred Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, *provided* that such readjustment shall not apply to prior conversions of Series Preferred.

(v) For the purpose of making any adjustment to the Conversion Price of the Series Preferred required under this Section 5(i), "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 5(i) (including shares of Common Stock subsequently reacquired or retired by the Company), other than:

(A) shares of Common Stock issued upon conversion of any Series Preferred;

(B) Common Stock or Convertible Securities issued after the Original Issue Date to employees, officers or directors of, or consultants or advisors to

the Company or any subsidiary pursuant to stock purchase or equity incentive plans or other arrangements that are approved by a majority of the Board;

(C) shares of Common Stock and Convertible Securities and the Common Stock issued upon the conversion or exercise of such Convertible Securities for consideration other than cash pursuant to a merger, consolidation, alliance or similar business combination with a strategic partner, vendor or consultant that is approved by a majority of the Board;

(D) shares of Common Stock issued upon the conversion or exercise of Convertible Securities outstanding as of the Original Issue Date; and

(E) shares of Common Stock or Convertible Securities issued pursuant to any equipment loan or leasing arrangement, real property leasing arrangement or non-convertible debt financing from a bank or similar financial institution that are approved by a majority of the Board.

References to Common Stock in the subsections of this clause (v) above shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 5(i). The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this Section 5(i), into the Aggregate Consideration received, or deemed to have been received by the Company for such issue under this Section 5(i), for such Additional Shares of Common Stock.

(j) **Certificate of Adjustment.** In each case of an adjustment or readjustment of the Series Preferred Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the Series Preferred, if the Series Preferred is then convertible pursuant to this Section 5, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall deliver such certificate in accordance with Section 5(o) below. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (ii) the Series Preferred Conversion Price at the time in effect, (iii) the number of Additional Shares of Common Stock and (iv) the type and amount, if any, of other property which at the time would be received upon conversion of the Series Preferred.

(k) **Notices of Record Date.** Upon (i) any taking by the Company 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 or other distribution, or (ii) any Acquisition (as defined in Section 4 above) or other capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any Asset Transfer (as defined in Section 4 above), or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company

shall mail to each holder of Series Preferred at least ten (10) days prior to the record date specified therein (or such shorter period approved by the holders of at least sixty percent (60%) of the outstanding Series Preferred, voting together as a single class on an as-converted basis) a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up.

(l) Automatic Conversion.

(i) Each share of Series Preferred shall automatically be converted into shares of Common Stock, based on the then-effective Series Preferred Conversion Price, immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company in which (i) the per share price is equal to or exceeds \$4.41604036 per share (as adjusted for stock splits, dividends, recapitalizations and the like after the filing date hereof), and (ii) the gross cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least Thirty Million Dollars (\$30,000,000.00) (a "Qualified Public Offering"). Upon such automatic conversion, any declared and unpaid dividends shall be paid in accordance with the provisions of subsection (d) of this Section 5 above.

(ii) Each share of Junior Preferred shall automatically be converted into shares of Common Stock, based on the then-effective applicable Series Preferred Conversion Price, at any time upon the affirmative election of the holders of at least seventy percent (70%) of the outstanding shares of the Junior Preferred, voting together as a single class on an as-converted basis. Each share of Series C Preferred shall automatically be converted into shares of Common Stock, based on the then-effective applicable Series Preferred Conversion Price, at any time upon the affirmative election of the holders of at least seventy percent (70%) of the outstanding shares of the Series C Preferred, voting together as a separate class. Upon any such automatic conversion, any declared and unpaid dividends on such shares of Junior Preferred or Series C Preferred, as applicable, shall be paid in accordance with the provisions of subsection (d) of this Section 5 above.

(iii) Upon the occurrence of any of the events specified in subsections (l)(i) and (l)(ii) of Section 5 above, the outstanding shares of the applicable Series Preferred 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 Company or its transfer agent; *provided, however*, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Series Preferred are either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that

such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the applicable Series Preferred, the holders of such Series Preferred shall surrender the certificates representing such shares at the office of the Company or any transfer agent for the Series Preferred. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series Preferred surrendered were convertible on the date on which such automatic conversion occurred, and any declared and unpaid dividends shall be paid in accordance with the provisions of subsection (d) of this Section 5 above.

(m) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of Series Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined by the Board) on the date of conversion.

(n) Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series Preferred. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series Preferred, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(o) Notices. Any notice required by the provisions of this Section 5 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Company.

(p) Payment of Taxes. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series Preferred, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred so converted were registered.

6. REDEMPTION.

(a) The Company shall be obligated to redeem the Series Preferred as follows:

(i) The holders of at least sixty percent (60%) of the then outstanding shares of Series Preferred, voting together as a single class on an as-converted basis, may require the Company to the extent it may lawfully do so, to redeem the Series Preferred in three (3) annual installments beginning not prior to the fourth (4th) anniversary of the Original Issue Date and ending on the date two (2) years from such first redemption date (each a "Redemption Date"). The Company shall effect such redemptions on the applicable Redemption Date by paying in cash in exchange for the shares of Series Preferred to be redeemed a sum equal to the greater of (i) the Original Issue Price per share of the Series Preferred being redeemed (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like after the filing date hereof) plus all declared and unpaid dividends with respect to such shares or (ii) the fair market value thereof. The total amount to be paid for the Series Preferred being redeemed is hereinafter referred to as the "Redemption Price." The number of shares of each series of Series Preferred that the Company shall be required to redeem on any one Redemption Date shall be equal to the amount determined by dividing (A) the aggregate number of shares of such series of Series Preferred outstanding immediately prior to the Redemption Date by (B) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies). Shares subject to redemption pursuant to this Section 6(a) shall be redeemed from each holder of Series Preferred on a *pro rata* basis, based on the number of shares of such series then held.

(ii) At least thirty (30) days but no more than sixty (60) days prior to the Redemption Date, the Company shall send a notice (a "Redemption Notice") to all holders of Series Preferred to be redeemed setting forth (A) the Redemption Price for the shares to be redeemed; and (B) the place at which such holders may obtain payment of the Redemption Price upon surrender of their share certificates. If the Company does not have sufficient funds legally available to redeem all shares to be redeemed on the Redemption Date, then it shall so notify such holders and shall redeem such shares *pro rata* (based on the portion of the aggregate Redemption Price otherwise payable to them) to the extent possible and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available.

(b) On or prior to each Redemption Date, the Company shall deposit the Redemption Price of all shares to be redeemed with a bank or trust company having aggregate capital and surplus in excess of One Hundred Million Dollars (\$100,000,000.00), as a trust fund, with irrevocable instructions (subject to the next sentence) and authority to the bank or trust company to pay, on and after such Redemption Date, the Redemption Price of the shares to their respective holders upon the surrender of their share certificates. Any moneys deposited by the Company pursuant to this Section 6(b) for the redemption of shares thereafter converted into shares of Common Stock pursuant to Section 5 hereof no later than the applicable Redemption Date shall be returned to the Company forthwith upon such conversion. The balance of any funds deposited by the Company pursuant to this Section 6(b) remaining unclaimed at the expiration of one (1) year following such Redemption Date shall be returned to the Company promptly upon its written request.

(c) On or after each such Redemption Date, each holder of shares of Series Preferred to be redeemed shall surrender such holder's certificates representing such 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 such certificates are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after such Redemption Date, unless there shall have been a default in payment of the Redemption Price or the Company is unable to pay the Redemption Price due to not having sufficient legally available funds, all rights of the holder of such shares as holder of Series Preferred (except the right to receive the Redemption Price without interest upon surrender of their certificates), shall cease and terminate with respect to such shares; *provided* that in the event that shares of Series Preferred are not redeemed due to a default in payment by the Company or because the Company does not have sufficient legally available funds, such shares of Series Preferred shall remain outstanding and shall be entitled to all of the rights and preferences provided herein until redeemed.

(d) In the event of a call for redemption of any shares of Series Preferred, the Conversion Rights (as defined in Section 5 above) for such Series Preferred shall terminate as to the shares designated for redemption at the close of business on the applicable Redemption Date, unless default is made in payment of the Redemption Price.

7. NO REISSUANCE OF SERIES PREFERRED.

No shares or shares of Series Preferred acquired by the Company by reason of redemption, purchase, conversion or otherwise shall be reissued.

V.

A. The liability of the directors of the Company for monetary damages shall be eliminated to the fullest extent under applicable law.

B. Any repeal or modification of this Article V shall only be prospective and shall not affect the rights under this Article V in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability.

VI.

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further *provided* that:

A. The management of the business and the conduct of the affairs of the Company shall be vested in its Board. The number of directors which shall constitute the whole Board shall be fixed by the Board in the manner provided in the Bylaws, subject to any restrictions which may be set forth in this Third Amended and Restated Certificate of Incorporation.

B. The Board is expressly empowered to adopt, amend or repeal the Bylaws of the Company. The stockholders shall also have the power to adopt, amend or repeal the Bylaws of the Company; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by this Third Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least sixty percent (60%) of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Company.

C. The directors of the Company need not be elected by written ballot unless the Bylaws so provide.

* * * *

FOUR: This Third Amended and Restated Certificate of Incorporation has been duly approved by the Board of the Company.

FIVE: This Third Amended and Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the General Corporation Law. This Third Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the stockholders of the Company.

IN WITNESS WHEREOF, Application Security, Inc. has caused this Third Amended and Restated Certificate of Incorporation to be signed by its Chief Executive Officer this 14th day of March, 2006.

APPLICATION SECURITY, INC.

Signature: /s/ John Hembrough
John Hembrough
Chief Executive Officer