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

A498519
FILED *Bjm*
In the office of the Secretary of State
of the State of California
OCT 08 1997
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 President and Secretary of Arcot Systems, Inc., a California corporation (the "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.

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 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. No shares of Preferred Stock are outstanding. The number of shares voting in favor of the amendment equaled or exceeded the vote required. At least a majority of the outstanding shares of Common Stock approved the amendment.

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 effective October 6, 1997.


Balas Natarajan Kausik, President


Mario M. Rosati, 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.

The name and address in the State of California of this corporation's initial agent for service of process is:

B. Natarajan Kausik, Ph.D.
18079 Reed Knoll Road
Los Gatos, CA 95030

IV.

This corporation is authorized to issue two classes of stock, designated "Common Stock" and "Preferred Stock." The total number of shares of Common Stock which this corporation shall have authority to issue is 15,000,000 shares, without par value. The total number of shares of Preferred Stock which this corporation shall have authority to issue is 1,500,000 shares, all of which are designated Series A Preferred Stock. Except as set forth in Article V hereof relating to the Series A 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.

V.

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") shall be entitled to receive in any fiscal year, out of any assets at the time legally available therefor, dividends in cash at the rate of \$0.08 per share of Series A Preferred per annum 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 Series A Preferred 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 Series A Preferred shall not be cumulative and no right shall accrue to holders of Series A Preferred 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 shall be entitled to receive 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 \$1.00 (as adjusted for any stock dividends, combination, splits, recapitalization and the like with respect to such shares) for each share of Series A Preferred then held by them, and, in addition, an amount equal to all declared but unpaid dividends on the Series A Preferred Stock, but no more. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A 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 in proportion to the full aforesaid preferential amounts to which each such holder is entitled.

2. After payment or setting apart of payment has been made to the holders of Series A 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 V.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) 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) 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 of other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in (b)(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 Series A Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which each such share of Series A Preferred 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 Series A Preferred 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 V. 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 Series A Preferred 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 Series A Preferred remains outstanding, the holders of the Series A Preferred Stock (voting as a single class) will elect one director, 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 Series A Preferred 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 Series A Preferred shall have conversion rights as follows (the "Conversion Rights"):

1. **Right to Convert.** Each share of Series A Preferred 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 shall be \$1.00. The Conversion Price for the Series A Preferred Stock shall initially be \$1.00, subject to adjustment as provided below. The number of shares of Common Stock into which a share of Series A Preferred is convertible is hereinafter referred to as the "Conversion Rate" of the Series A Preferred.

2. **Automatic Conversion.** Each share of Series A Preferred shall automatically be converted into shares of Common Stock at the then effective 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 a majority of the outstanding shares of the Series A Preferred.

3. **Mechanics of Conversion.** Before any holder of Series A Preferred 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 Series A Preferred, 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 Series A 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 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 Series A Preferred 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 Series A Preferred, 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 Series A Preferred 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 Series A Preferred would otherwise be entitled, the corporation shall pay cash equal to such fraction multiplied by the fair market value of one share of Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 date hereof 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 Conversion Price of the Series A Preferred shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of any shares of Series A 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 Conversion Price of the Series A Preferred shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of any shares of Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 the Conversion Price for the Series A Preferred Stock need be made if such adjustment would result in a change in the 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 Series A 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 Series A Preferred 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 Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon written request at any time of any holder of Series A Preferred, 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 Series A Preferred.

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 Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 Series A Preferred Stock shall be outstanding, the corporation shall not without first obtaining the approval of the holders of at least a majority of the outstanding Series A Preferred:

(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 Series A Preferred;

(b) Change Number. Increase or decrease the authorized number of shares of Preferred 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 Series A Preferred 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).

VI.

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 VI shall not adversely affect any right or protection of any agent of this corporation existing at the time of such amendment, repeal or modification.