

FILED/EFFECTIVE

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**FIRST ARTICLES OF AMENDMENT TO
ARTICLES OF INCORPORATION
OF
RIDGERUN, INC.**

SECRETARY OF STATE

The undersigned, PAT SEWALL and PAUL M. BOYD, hereby certify that:

1. They are the duly elected and acting President and Corporate Secretary, respectively, of RIDGERUN, INC., an Idaho corporation (the "Corporation").
2. Pursuant to Section 30-1-602 of the Idaho Business Corporation Act (the "IBCA") and the authority given by the Corporation's Articles of Incorporation, the Board of Directors of the Corporation has duly adopted the following recitals and resolutions:

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

WHEREAS, the Board of Directors of the Corporation, pursuant to its authority as aforesaid, desires to fix the terms of the initial Series A of said Preferred Stock, the number of shares constituting such Series A and the rights, preferences, privileges and restrictions of such Series A.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors deems it advisable to adopt, and hereby adopts, the following First Articles of Amendment to the Articles of Incorporation, as follows:

FIRST: The name of the Corporation is RIDGERUN, INC.

SECOND: The following amendments to the Articles of Incorporation were adopted by the Board of Directors on September 15, 2000, and shareholder action was not required.

THIRD: Article IV of the Articles of Incorporation (the "Articles") is hereby amended in its entirety to read as follow:

ARTICLE IV

A. AUTHORIZED SHARES. The Corporation is authorized to issue two classes of capital stock, designated, respectively, "Common Stock" and "Preferred Stock". The total number of shares of capital stock that the Corporation is authorized to issue is Thirty-Five Million (35,000,000), each with a par value of \$0.001 per share. Twenty-Five Million (25,000,000) shares shall be Common Stock and Ten Million (10,000,000) shares shall be

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Preferred Stock, the first series of which shall consist of Two Million Two Hundred Twenty-two Thousand Two Hundred and Twenty-Three (2,222,223) shares, and shall be designated as Series A Convertible Preferred Stock (the "Series A Preferred").

B. DESIGNATION OF SERIES. The remaining undesignated Preferred Stock may be issued in one or more series. Except as provided in this Article IV, the Board of Directors is hereby authorized, within the limitations and restrictions stated in these Articles, to fix or alter the dividend rights, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of such shares then outstanding (and, in case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series); all as may be determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for issuance of such series of Preferred Stock (collectively, a "Preferred Stock Designation"), and as may be permitted by the IBCA.

C. COMMON STOCK. Except as may otherwise be provided in a Preferred Stock Designation, the holders of Common Stock will be entitled to one vote on each matter submitted to a vote at a meeting of stockholders for each share of Common Stock held of record by such holder as of the record date for such meeting.

D. RIGHTS PREFERENCES AND RESTRICTIONS OF SERIES A PREFERRED STOCK. The Series A Preferred shall have the rights, preferences, privileges and the qualifications, limitations and restrictions thereof, as follows:

1. Dividend Rights. The holders of Series A Preferred, in preference to the holders of any Common Stock of the Corporation, shall be entitled to receive cash dividends, when and as declared by the Board of Directors, at an annual rate of eight percent (8%), but only out of funds that are legally available therefor. Such dividends shall be payable only when, as and if declared by the Board of Directors, and the Board of Directors shall not, under any circumstances, be required to declare or pay dividends to the holders of Series A Preferred. So long as any shares of Series A Preferred shall be outstanding, no dividend, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on any Common Stock, at a rate greater than the rate at which dividends or distributions are made on the Series A Preferred. In the event dividends are paid on any share of Common Stock, an additional dividend shall be paid with respect to all outstanding shares of Series A Preferred in an amount equal per share (on and as-if-converted to Common Stock basis) to the amount paid or set aside for each share of Common Stock. The provisions of this *Section D.1* shall not, however, apply to a dividend payable in Common Stock. All of the rights provided with respect to the Series A

Preferred hereunder shall terminate when such Series A Preferred is converted into Common Stock.

2. Voting Rights.

(a) **General Rights.** Except as otherwise required by law or as otherwise set forth herein, all shares of Preferred Stock, regardless of series, shall constitute and vote together, with the shares of the Corporation's Common Stock, as a single class, whenever the law or these Articles require the approval of any matter (excepting the election of the Board of Directors, as below provided for) by the shares or shareholders of the Corporation. For purposes of all votes at any annual or special meeting of shareholders of the Corporation, or any action taken by written consent, except as otherwise required by law or as set forth herein, each holder of shares of Preferred Stock shall be entitled to such number of votes for the Preferred Stock held by the holder on the record date for the meeting at which such matter is to be considered and/or approved, or on the effective date of a written consent under which the matter is approved, as shall be equal to the whole number of shares of the Corporation's Common Stock into which his, her or its shares of Preferred Stock are convertible immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

(b) **Protective Provisions.** So long as any shares of Series A Preferred remain outstanding, the Corporation shall not, without the vote or written consent by the holders of at least a majority of the then outstanding shares of Series A Preferred:

(i) pay or declare any dividend on the Common Stock or repurchase of any shares of Common Stock other than pursuant to repurchase agreements entered into at the time of the issuance of such shares to employees or consultants; or

(ii) take any action (including any merger or consolidation of the Company with or into any other corporation or corporations) that would adversely alter or change or otherwise adversely affect the preferences, rights, privileges or powers of, or the restrictions provided for the benefit of, the Series A Preferred, or increase or decrease the number of authorized shares of Series A Preferred;

(iii) authorize, issue or create an obligation to issue shares of any equity security having parity with or any preference or priority superior to any preference or priority of the Series A Preferred, including securities exercisable into equity securities, or reclassification of existing stock; or

(iv) engage in any material way in a line of business other than Linux DSP software development.

3. Liquidation Preference. So long as any shares of Series A Preferred remain outstanding, the rights of holders of Series A Preferred and the Common Stock of the Corporation in the event of a liquidation, dissolution or winding up of the Corporation shall be as follows:

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether 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 thereof, the amount of \$2.2687 per share (as adjusted for any stock dividends, combinations or splits with respect to such shares), plus all declared but unpaid dividends on such share (the "Series A Liquidation Preference"), for each share of Series A Preferred then held by them. 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 Series A Liquidation Preference, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred in proportion to the Series A Liquidation Preference each such holder is otherwise entitled to receive.

(b) After payment to the holders of the Series A Preferred of the Series A Liquidation Preference set forth in *Section D.3(a)* above, the entire remaining assets and funds of the Corporation legally available for distribution, if any, shall be distributed equally among all of the Common Stock and Series A Preferred Stock on and as-converted basis.

(c) The following events shall be considered a liquidation under this *Section D.3*:

(i) any consolidation or merger of the Corporation with or into any other corporation or other entity or person, 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 any transaction or series of related transactions to which the Corporation is a party in which in excess of fifty percent (50%) of the Corporation's voting power is transferred, excluding any consolidation or merger effected exclusively to change the domicile of the Corporation (an "Acquisition");

(ii) a sale, lease or other disposition of all or substantially all of the assets of the Corporation (an "Asset Transfer") to an entity in which the shareholders of the Corporation immediately prior to the sale own less than 50% of the entity immediately after the sale, excluding any sale or transfer of assets to change the domicile of the corporation.

(d) Whenever the distribution provided for in this *Section D.3* shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation; *provided, however*, that any securities to be delivered to the holders of Series A Preferred shall be valued as follows:

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

(A) If traded on a securities exchange or the Nasdaq National Market or SmallCap Market shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty (30) day period ending three (3) days prior to the date of distribution;

(B) 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 date of distribution; and

(C) 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 the Corporation.

(ii) 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 paragraphs (i)(A), (B) or (C) above to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors of the Corporation.

4. Conversion Rights.

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

(a) ***Optional Conversion.*** Subject to and in compliance with the provisions of this *Section D.4*, any shares of Series A 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 A Preferred shall be entitled upon conversion shall be the product obtained by multiplying the Series A Conversion Ratio then in effect (determined as provided in *Section D.4(b)* below) by the number of shares of Series A Preferred being converted.

(b) **Conversion Ratio and Price.** The "Series A Conversion Ratio" shall be the quotient obtained by dividing the Series A Original Issue Price by the Series A Conversion Price, calculated as hereinafter provided. The conversion price for the Series A Preferred (the "Series A Conversion Price") shall initially be the amount of \$2.2687 per share (the "Series A Original Issue Price"). Such initial Series A Conversion Price shall be adjusted from time to time in accordance with this *Section D.4*. All references to the Series A Conversion Price herein shall mean the Series A Conversion Price as so adjusted.

(c) **Mechanics of Conversion.** Each holder of Series A Preferred who desires to convert the same into shares of Common Stock pursuant to this *Section D.4* shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or 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. Such notice shall state the number of shares of Series A Preferred being converted. Thereupon, the Corporation 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 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 of Directors as of the date of such conversion), any declared and unpaid dividends on the shares of Series A Preferred being converted. 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 A 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. If the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering capital stock for conversion as permitted herein, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the shares issuable upon such conversion shall not be deemed to have converted such shares until immediately prior to the closing of such sale of securities.

(d) **Adjustment for Stock Splits and Combinations.** If the Corporation shall, at any time or from time to time effect a subdivision of the outstanding Common Stock, the Series A Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Corporation shall at any time or from time to time combine the outstanding shares of Common Stock into a smaller number of shares, the Series A Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this *Section D.4(d)* shall become effective at the close of business on the date the subdivision or combination becomes effective.

(e) **Adjustment for Common Stock Dividends and Distributions.** If the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock or any other securities or rights convertible into, or entitling

the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents"), in each such event the Series A Conversion Price then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Series A Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, plus the number of shares of Common Stock and/or Common Stock Equivalents (assuming the conversion, exchange or exercise into or for Common Stock) issuable in payment of such dividend or distribution; *provided, however*, that 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 Series A Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A Conversion Price shall be adjusted pursuant to this *Section D.4(e)* to reflect the actual payment of such dividend or distribution.

(f) ***Adjustments for Other Dividends and Distributions.*** Except in the event the Series A Preferred receives dividends pursuant to *Section D.4(e)* above, if the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in securities of other entities, evidences of indebtedness issued by the Corporation or other entities, assets (including such dividends) or securities of the Corporation other than shares of Common Stock or Common Stock Equivalents, in each such event provision shall be made so that the holders of Series A Preferred shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities, indebtedness or assets which they would have received had their Series A Preferred been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this *Section D.4* with respect to the rights of the holders of the Series A Preferred or with respect to such other distributed securities, indebtedness or assets by their terms.

(g) ***Adjustment for Reclassification, Exchange and Substitution.*** Except for an Acquisition or Asset Transfer as defined in *Section D.3(b)* or a subdivision or combination of shares or stock dividend as provided elsewhere in this *Section D.4*, if at any time or from time to time the Common Stock issuable upon the conversion of the Series A 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, in any such event each holder of Series A Preferred shall have the right thereafter 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 A Preferred could have been converted immediately prior to such recapitalization, reclassification

or other change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(h) Sale of Shares Below Series A Conversion Price.

(i) In addition to the adjustment of the Series A Conversion Price provided for in *Sections D.4(d)-(g)* above, if at any time or from time to time after the date that the first share of Series A Preferred is issued (the "Series A Original Issue Date"), the Corporation issues or sells, or is deemed by the express provisions of this *Section D.4(h)* to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), other than as a dividend or other distribution on any class of stock as provided in *Section D.4(e)* above, and other than a subdivision or combination of shares of Common Stock as provided in *Section D.4(d)* above, for an Effective Price (as hereinafter defined) less than the then effective Series A Conversion Price, then and in each such case the then existing Series A Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the Series A Conversion Price by a fraction (i) the numerator of which shall be (A) the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale, plus (B) the number of shares of Common Stock which the aggregate consideration received (as defined in *Section D.4(h)(ii)* below) by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Series A Conversion Price, and (ii) the denominator of which shall be the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale plus the total number of Additional Shares of Common Stock so issued. For the purposes of the preceding sentence, the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (A) the number of shares of Common Stock actually outstanding, (B) the number of shares of Common Stock into which the then outstanding shares of Series A Preferred could be converted if fully converted on the day immediately preceding the given date, and (C) the number of shares of Common Stock which could be obtained through the exercise or conversion of all other rights, options and convertible securities (which bear an exercise or conversion price which is lower than the Effective Price) on the day immediately preceding the given date.

(ii) For the purpose of making any adjustment required under this *Section D.4(h)*, the consideration received by the Corporation for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the Corporation after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Corporation in connection with such issue or sale but without deduction of any expenses payable by the Corporation, (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 of Directors, and (C) if Additional Shares of Common Stock, Convertible Securities (as hereinafter defined) 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 Corporation 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 of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iii) For the purpose of the adjustment required under this *Section D.4(h)*, if the Corporation issues or sells any rights, warrants or options for the purchase of (or to subscribe for or otherwise acquire), or stock or other securities or debt convertible into, Additional Shares of Common Stock (such convertible stock or securities being herein referred to as "Convertible Securities") and if the Effective Price of such Additional Shares of Common Stock is less than the Series A Conversion Price, in each case the Corporation 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 Corporation for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion thereof; *provided*, that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Corporation shall be deemed to have received the minimum amounts of consideration without reference to such clauses; *provided, further*, that if the minimum amount of consideration payable to the Corporation upon the exercise or conversion of rights or 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 Corporation upon the exercise or conversion of such rights or options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Corporation upon the exercise or conversion of such rights or options or Convertible Securities. No further adjustment of the Series A Conversion Price, as adjusted upon the issuance of such rights or options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock on 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 A Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Series A 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 Corporation upon such exercise, plus the consideration, if

any, actually received by the Corporation 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 Corporation (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 A Preferred. No readjustment pursuant to this Section D.4(h)(iii) of the Series A Conversion Price shall have the effect of increasing such Series A Conversion Price to an amount which exceeds the lower of (1) such Series A Conversion Price on the original adjustment date, or (2) such Series A Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

(iv) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation or deemed to be issued pursuant to this Section D.4(h), whether or not subsequently reacquired or retired by the Corporation **other than** (1) shares of Common Stock issued upon conversion of the Series A Preferred or upon the conversion, exercise or exchange of any convertible securities, obligations or rights; (2) (A) shares of Common Stock and/or options, warrants or other Common Stock purchase rights, and the Common Stock issued pursuant to such options, warrants or other rights (as adjusted for any stock dividends, combinations, splits, recapitalization and the like) granted after the Series A Original Issue Date to employees, officers or directors of, or consultants or advisors to the Corporation or any subsidiary, pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board of Directors (plus any reissuances upon expiration or termination of options or repurchases of shares) and (B) shares of Common Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the Series A Original Issue Date; *provided*, that the aggregate number of shares of Common Stock to be issued in reliance pursuant to clauses (2)(A) and (2)(B) shall not exceed 20% of the total number of issued and outstanding shares of Common Stock and any shares of Common Stock issuable upon the exercise of any options, warrants or other Common Stock purchase rights or upon the conversion of any securities convertible into shares of Common Stock; (3) shares of Common Stock or options, warrants or convertible securities issued pursuant to any equipment leasing arrangement, or debt financing from a bank or similar financial institution approved by the Board of Directors; (4) the issuance of securities pursuant to a joint venture or research, development or product distribution agreement, or other business arrangement (including any arrangement with a vendor or customer) with another corporation or other entity or person, pursuant to a plan, agreement or arrangement approved by the Board of Directors; *provided*, that the principal purpose thereof is not for financing or funding of the Corporation; or (5) shares of Common Stock or options, warrants or convertible securities issued pursuant to a merger, consolidation or acquisition of a business or assets of a business; *provided*, that such transaction is approved by the Board of Directors of the Corporation. 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 Corporation under this Section D.4(h), into the aggregate consideration received, or deemed to

have been received by the Corporation for such issue under this *Section D.4(h)*, for such Additional Shares of Common Stock.

(i) ***Certificate of Adjustment.*** In each case of an adjustment or readjustment of the Series A Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the Series A Preferred, if the Series A Preferred is then convertible pursuant to this *Section D.4*, the Corporation, 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 mail such certificate, by first class mail, postage prepaid, to each registered holder of Series A Preferred at the holder's address as shown in the Corporation's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred, furnish or caused to be furnished to such holder a like certificate setting forth (1) such adjustments and readjustments, (2) the consideration received or deemed to be received by the Corporation for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (3) the Series A Conversion Price at the time in effect, (4) the number of Additional Shares of Common Stock and (5) the type and amount, if any, of other property which at the time would be received upon conversion of the Series A Preferred.

(j) ***Notice of Record Date.*** Upon (i) 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 or other distribution, or (ii) any Acquisition (as defined in *Section D.3(b)*) or other capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation with or into any other corporation, or any Asset Transfer (as defined in *Section D.3(b)*), or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each holder of Series A Preferred at least twenty (20) days prior to the record date specified therein a notice specifying (1) 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, (2) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, (3) 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, and (4) the date, if any, on which a stockholders' meeting is called to approve any transaction referred to in this *Section D.4(j)*.

(k) ***Automatic Conversion.***

(i) Each share of Series A Preferred shall automatically be converted into shares of Common Stock, based on the then-effective Series A Conversion Price, (A)

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 Corporation, with a per share price to the public of not less than two (2) times the Series A Original Issue Price, and with aggregate gross proceeds of at least \$15,000,000, prior to underwriting commissions and expenses (the "Initial Offering"); and (B) at any time upon the affirmative election of the holders of at least a majority of the outstanding shares of Series A Preferred.

(ii) Upon the occurrence of the event specified in *Section D.4(k)(i)* 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; *provided, however*, that the Corporation 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 A Preferred are either delivered to the Corporation or its transfer agent as provided herein, 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 Company to indemnify the Corporation from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Series A Preferred, the holders of Series A Preferred shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the Preferred Stock. 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 A 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 *Section D.4(c)*.

(l) ***Fractional Shares.*** No fractional shares of Common Stock shall be issued upon conversion of shares of Series A Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series A 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 Corporation 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 of Directors) on the date of conversion.

(m) ***Reservation of Common Stock Issuable Upon Conversion.*** The Corporation 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 Series A 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 Series A 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 Series A Preferred, the Corporation 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.

(n) Notices. Any notice required by the provisions of this *Section D.4* 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 telex 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 written 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 Corporation.

(o) Payment of Taxes. The Corporation 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 A 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 A Preferred so converted were registered.

(p) No Dilution or Impairment. The Corporation shall not amend its Articles of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of the holders of Series A Preferred against dilution or other impairment.

5. No Redemption. The Corporation shall be under no obligation to redeem all or any portion of the Series A Preferred at any time.

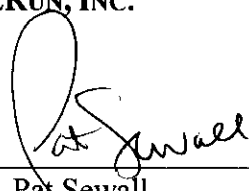
6. No Reissuance of Series A Preferred. No share or shares of Series A Preferred acquired by the Corporation by reason of purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue. The Corporation may, from time to time, take such appropriate corporate action as may be necessary to reduce the authorized number of shares of Series A Preferred.

FOURTH: The foregoing amendments do not provide for an exchange, reclassification or cancellation of issued shares and do not effect a change in the amount of stated capital.

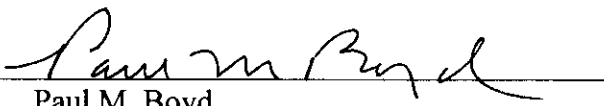
IN WITNESS WHEREOF, this Corporation has caused these First Articles of Amendment to be signed in duplicate by its duly authorized officers this 19th day of September, 2000.

RIDGERUN, INC.

By: _____


Pat Sewall
President

By: _____


Paul M. Boyd
Corporate Secretary