

Document Number Only

850326

C T CORPORATION SYSTEM

Requestor's Name

660 East Jefferson Street

Address

Tallahassee, FL 32301 (850)222-1092

City

State

Zip

Phone

CORPORATION(S) NAME

300002988973-17

-09/16/99-01040-020

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Mersen

Cortet, Inc.

merging into:

ADAC Healthcare Information Systems, Inc.

☐ Profit

☐ NonProfit

☐ Limited Liability Company

☐ Foreign

☐ Amendment

☐ Dissolution/Withdrawal

☐ Mark

☐ Limited Partnership

☐ Reinstatement

☐ Limited Liability Partnership

☒ Certified Copy

☐ Annual Report

☐ Reservation

☐ Photo Copies

☐ Call When Ready

☐ Call if Problem

☐ Will Wait

☐ Other

☐ Change of R.A.

☐ Fictitious Name

☐ Cancellation

☐ After 4:30

☒ Pick Up

☐ Call When Ready

☒ Walk In

☐ Mail Out

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TALLAHASSEE, FLORIDA

ARTICLES OF MERGER
Merger Sheet

MERGING:

CORTET, INC., a Florida corporation P93000057360

,

INTO

ADAC HEALTHCARE INFORMATION SYSTEMS, INC., a Texas entity, 850326

File date: September 16, 1999

Corporate Specialist: Annette Ramsey

FILED
99 SEP 16 PM 4:30
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

**ARTICLES OF MERGER
FOR MERGER OF
CORTET, INC.
a Florida corporation,
INTO
ADAC HEALTHCARE INFORMATION SYSTEMS, INC.
a Texas corporation**

Pursuant to Florida Business Corporation Act Sections 607.1104 and 1105, the corporations described therein desiring to effect a merger set forth the following facts:

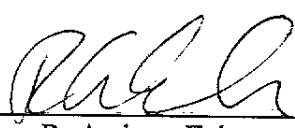
1. The name of the corporation surviving the merger is: ADAC Healthcare Information Systems, Inc. ("HCIS").
2. The surviving corporation is a corporation incorporated under the laws of Texas.
3. The name of the disappearing corporation is: CORTET, INC., a corporation incorporated under the laws of the State of Florida, and a wholly owned subsidiary of HCIS, the surviving corporation.

The date of incorporation of the disappearing corporation is: August 19, 1993.

4. The Agreement of Merger, containing information required by Florida Business Corporation Act, Section 607.1104, is set forth in Exhibit A attached hereto and made a part thereof.
5. The merger was adopted by the board of Cortet on September 10, 1999 and the sole shareholder of Cortet on September 10, 1999.
6. This Article of Merger will be effective upon filing.

Executed on September 10, 1999

ADAC Healthcare Information System, Inc.
a Texas corporation

By: 
Name: R. Andrew Eckert
Title: Chief Executive Officer

Cortet, Inc., a Florida Corporation

By: 

Name: R. Andrew Eckert

Title: Chief Executive Officer

EXHIBIT A
Agreement of Merger

AGREEMENT OF MERGER

THIS AGREEMENT OF MERGER is made and entered into as of September 10, 1999, between Cortet Inc., a Florida corporation ("Cortet" or the "Disappearing Corporation") and ADAC Healthcare Information Systems, Inc., a Texas corporation and parent of Cortet ("HCIS or the "Surviving Corporation"). Cortet and HCIS are sometimes referred to collectively as the "Constituent Corporations."

In consideration of the premises and mutual covenants and agreements contained herein, HCIS and Cortet agree as follows:

1. The names and states of domicile of the entities that are parties to the merger (the "Merger") are:

- (a) Cortet, Inc., a Florida corporation and wholly-owned subsidiary of HCIS (as defined below) ("Cortet"); and
- (b) ADAC Healthcare Information Systems, Inc., a Texas corporation ("HCIS") and parent of Cortet.

2. The name of the entity that shall survive the Merger is ADAC Healthcare Information Systems, Inc.

3. No new entity is to be created by the terms of this Merger Agreement.

4. The terms and conditions of the Merger are as follows:

- (a) The Merger shall be effective at 11:59 p.m. Central Standard Time on September 10, 1999 (the "Effective Time").
- (b) Effective as of the Effective Time, Cortet shall be merged with and into HCIS, the separate existence of Cortet shall cease and HCIS shall be the surviving corporation of the Merger (the "Surviving Corporation").

5. With respect to the manner and basis of converting the ownership interests in the entities that are parties to the Merger, the shares of Common Stock in Cortet outstanding immediately prior to the Effective Time, which are owned by the Surviving Corporation, HCIS, shall, without any action on the part of HCIS thereof, be automatically canceled.

6. The Articles of Incorporation of the Surviving Corporation from and after the Effective Time of the Merger shall be the Third Restated Articles of Incorporation of HCIS, as amended and restated in their entirety as set forth on Exhibit A hereto, unless and until amended as provided by law and such Third Restated Articles of Incorporation.

7. The Bylaws of the Surviving Corporation from and after the Effective Time of the Merger shall be the Bylaws of HCIS unless and until amended or repealed as provided by applicable law, the Second Restated Articles of Incorporation of the Surviving Corporation or such Bylaws.

8. The officers and directors of the Surviving Corporation from and after the Effective Time of the Merger shall be the officers and directors of HCIS with each officer and director to serve until his or her successor has been elected and qualified.

9. Service of Process. The Surviving Corporation hereby agrees that it may be served with process in the State of Florida in any proceeding for the enforcement of any obligation of Cortet arising from the merger and hereby irrevocably appoints the Secretary of State of Florida as its agent to accept service of process in any such suit or other proceedings and agrees that service of any such process may be made by personally delivering to and leaving with such Secretary of State of the State of Florida duplicate copies of such process; and hereby authorizes the Secretary of State of the State of Florida to send forthwith by registered mail one of such duplicate copies of such process addressed to it at:

ADAC Laboratories
540 Alder Drive
Milpitas, CA 95035
Attn: Judy J. Rowe

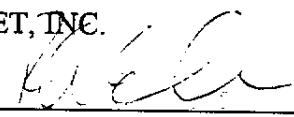
unless said Surviving Corporation shall hereafter designate in writing to such Secretary of State of the State of Florida a different address for such process, in which case the duplicate copy of such process shall be mailed to the last address so designated.

10. This Merger Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one agreement.

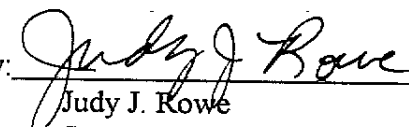
11. This Merger Agreement shall be governed in all respects, including validity, interpretation, and effect in Delaware by the laws of the State of Florida and in Texas by the laws of the State of Texas.

IN WITNESS WHEREOF, HIS, the parent corporation, and Cortet, the wholly-owned subsidiary corporation have duly executed and adopted this Merger Agreement as of the date first written above.

CORTET, INC.

By: 

R. Andrew Eckert
Chief Executive Officer

By: 

Judy J. Rowe
Secretary

ADAC HEALTHCARE INFORMATION
SYSTEMS, INC.

By: _____

R. Andrew Eckert
Chief Executive Officer

By: _____

Judy J. Rowe
Secretary

EXHIBIT A

Third Restated Articles of Incorporation

HCIS
Articles - Corp Docs



The State of Texas

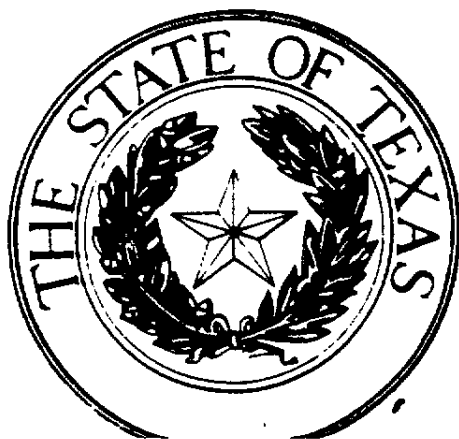
SECRETARY OF STATE

IT IS HEREBY CERTIFIED that the attached is/are true and correct copies of the following described document(s) on file in this office:

ADAC HEALTHCARE INFORMATION SYSTEMS, INC.
CHARTER NO. 254351

RESTATED ARTICLES OF INCORPORATION

AUGUST 29, 1997



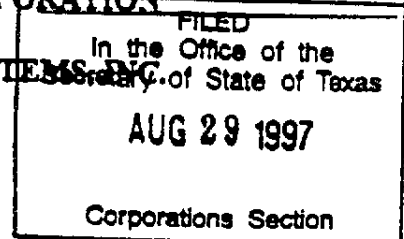
IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, on August 29, 1997.

1087.

Antonio O. Garza, Jr.
Secretary of State

BAM

**THIRD RESTATED ARTICLES OF INCORPORATION
OF
ADAC HEALTHCARE INFORMATION SYSTEMS, INC.
A Texas Corporation**



Pursuant to the provisions of Articles 4.04 and 4.07 of the Texas Business Corporation Act, the undersigned corporation adopts the following Third Restated Articles of Incorporation ("Restated Articles") which restate the entire text of the Articles of Incorporation of this corporation as amended or supplemented by all Articles of Amendment previously issued by the Secretary of State of the State of Texas and as further amended as specified in Article I below:

ARTICLE I

1. The name of the corporation is ADAC Healthcare Information Systems, Inc. (the "Corporation").
2. The following amendments to the Second Restated Articles of Incorporation of this Corporation were adopted by the shareholders of the Corporation on August 28, 1997;

ARTICLE FOUR of the Second Restated Articles of Incorporation of this Corporation is hereby amended by deleting Article FOUR in its entirety and substituting in its place a new Article FOUR that shall be as follows:

"ARTICLE FOUR

Authorized Shares

Section 1. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is Twenty-Five Million (25,000,000) shares. Fifteen Million (15,000,000) shares shall be Common Stock, each having a par value of \$0.0001 per share. Ten Million (10,000,000) shall be Preferred Stock, each having a par value of \$0.0001 per share.

Upon the filing of these Third Restated Articles of Incorporation on August 28, 1997, there shall be a one-for-three reverse stock split (the "Stock Split") pursuant to which each three (3) outstanding shares of Common Stock and Preferred Stock shall be split up and combined into one (1) share of

Common Stock and Preferred Stock, respectively. No fractional share of Common Stock or Preferred Stock shall be issued in connection with such combination, and in lieu of any fractional share to which a holder of Common Stock or Preferred Stock would otherwise be entitled, the Corporation shall pay to such holder cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock or Preferred Stock on the date of combination, as determined in good faith by the Board of Directors of the Corporation.

Section 2. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (the "Board") is hereby authorized, by filing a certificate pursuant to the Texas Business Corporation Act, to fix or alter from time to time the designation, powers, preferences, limitations and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including, without limitation, the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series and the designation thereof, or any of them (a "Preferred Stock Designation"); and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Section 3. One Million Five Hundred (1,500,000) of the authorized shares of Preferred Stock are hereby designated "Series A Preferred Stock" (the "Series A Preferred"). Eight Million Five Hundred Thousand (8,500,000) of the authorized shares of Preferred Stock are hereby designated "Series B Preferred Stock (the "Series B Preferred").

Section 4. The rights, preferences, privileges, restrictions and other matters relating to the Preferred Stock are as follows:

1. Dividend Rights.

1. Holders of Preferred Stock, in preference to the holders of any other stock of the Corporation ("Junior Stock"), shall be entitled to receive, when and as declared by the Board, but only out of funds that are legally available therefor, cash dividends at the rate of (i) eight percent (8%) of the "Original Issue Price" per annum on each outstanding share of Series A Preferred (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring subsequent to August 29, 1997 (the "Stock Split Date")) payable out of funds legally available therefor, and (ii) eight percent (8%) of the Original Issue Price per annum of each outstanding share of Series B Preferred (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring subsequent to the Stock Split Date) payable out of funds legally available therefor. The Original Issue Price of the Series A Preferred and the Series B Preferred shall be \$3.00 and \$6.51, respectively, subsequent to the Stock Split Date. Such dividends shall be payable only when, as and if declared by the Board and shall be non-cumulative from the original issue date of the Series A Preferred and Series B Preferred, respectively.

ii. So long as any shares of Preferred Stock shall be outstanding, no dividend, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on any Junior Stock, nor shall any shares of any Junior Stock of the Corporation be purchased, redeemed, or otherwise acquired for value by the Corporation (except for acquisitions of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares upon termination of services to the Corporation or in exercise of the Corporation's right of first refusal upon a proposed transfer) until all dividends (set forth in Section 4.a.i. above) on the Preferred Stock shall have been paid or declared and set apart. 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 Preferred Stock in an amount equal per share (on an 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 4.a.ii. shall not, however, apply to (1) a dividend payable in Common Stock, (2) the acquisition of shares of any Junior Stock in exchange for shares of any other Junior Stock, or (3) any repurchase of any outstanding securities of the Corporation that is unanimously approved by the Board.

b. Voting Rights.

i. Except as otherwise provided herein or as required by law, the Preferred Stock shall be voted equally with the shares of Common Stock of the Corporation, and not as a separate class, at any annual or special meeting of shareholders of the Corporation, and may act by written consent in the same manner as the Common Stock, in either case upon the following basis: each holder of shares of Preferred Stock shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Preferred Stock are convertible (pursuant to Section 4.d. hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

ii. For so long as at least 300,000 shares of Series A Preferred remain outstanding, or for so long as 1,000,000 shares of Series B Preferred 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 two-thirds of the outstanding shares of Preferred Stock shall be necessary for effecting or validating the following actions:

(1) Any amendment, alteration, or repeal of any provision of the Articles of Incorporation or the Bylaws of the Corporation (including any filing of a Preferred Stock Designation), that affects adversely the voting powers, preferences, or other special rights or privileges, qualifications, limitations, or restrictions of the Series A Preferred or the Series B Preferred;

(2) Any increase or decrease (other than by redemption or conversion) in the authorized number of shares of Common or Preferred Stock;

(3) Any authorization or any increase, whether by reclassification or otherwise, in the authorized amount of any class of shares or series of equity securities of the Corporation ranking on a parity with or senior to the Series A Preferred or the Series B Preferred in right of redemption, liquidation preference, voting or dividends;

(4) Any redemption, repurchase, payment of dividends or other distributions with respect to Junior Stock (except for acquisitions of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares upon termination of employment or in exercise of the Corporation's right of first refusal upon a proposed transfer);

(5) Any agreement to sell, lease or otherwise dispose of all or substantially all of the assets, property or business of the Corporation, or to merge or consolidate the Corporation with any person, or permit any other person to merge into it, or any other reorganization except for mergers, consolidations or reorganizations in which the Corporation is the surviving corporation and, after giving effect to the merger, consolidation, or reorganization, the holders of the Corporation's outstanding capital stock immediately preceding such merger own at least fifty percent (50%) of the outstanding capital stock of the surviving corporation;

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

(7) Any voluntary dissolution or liquidation of the Corporation (as defined in Section 4.c.iii. hereof).

c. Liquidation Rights.

i. Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of Preferred Stock shall be entitled to be paid out of the assets of the Company an amount per share of Preferred Stock equal to the sum of (i) the Original Issue Price of the Series A Preferred or Series B Preferred, respectively, and (ii) all declared and unpaid dividends on such shares to the date of such payment for each share of Preferred Stock held by them.

ii. After the payment of the full liquidation preference of the Preferred Stock as set forth in Section 4.c.i. above, the assets of the Corporation legally available for distribution, if any, shall be distributed ratably to the holders of the Common Stock and Preferred Stock on an as-if-converted to Common Stock basis.

iii. The following events shall be considered a liquidation under this Section 4.c.:

(1) 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 fifty percent (50%) immediately after such consolidation, merger or reorganization or any transaction or series of related transactions in which in excess of fifty percent (50%) of the Corporation's voting power is transferred; or

(2) a sale, lease or other disposition of all or substantially all of the assets of the Corporation.

iv. If, upon any liquidation, distribution, or winding up, the assets of the Corporation shall be insufficient to make payment in full to all holders of Preferred Stock, then such assets shall be distributed among the holders of Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

d. Conversion Rights. The holders of the Preferred Stock shall have the following rights with respect to the conversion of the Preferred Stock into shares of Common Stock:

i. Optional Conversion. Subject to and in compliance with the provisions of this Section 4.d.iv., any shares of Preferred Stock 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 Preferred Stock shall be entitled upon conversion shall be the product obtained by (i) in the case of the Series A Preferred, multiplying the "Series A Conversion Rate" then in effect (determined as provided in Section 4.d.ii.) by the number of shares of Series A Preferred being converted or, (ii) in the case of the Series B Preferred, multiplying the "Series B Conversion Rate" then in effect (determined as provided in Section 4.d.ii.) by the number of shares of Series B Preferred being converted.

ii. Conversion Rate. The conversion rate in effect at any time, subsequent to the Stock Split Date, for conversion of (i) the Series A Preferred (the "Series A Conversion Rate") shall be the quotient obtained by dividing \$3.00 by the "Series A Conversion Price," calculated as provided in Section 4.d.iii., and (ii) the Series B Preferred (the "Series B Conversion Rate") shall be the quotient obtained by dividing \$6.51 by the "Series B Conversion Price," calculated as provided in Section 4.d.iii.

iii. Conversion Price. The conversion price for the Series A Preferred shall be \$3.00 (the "Series A Conversion Price") and the conversion price for the Series B Preferred shall be \$6.51 (the "Series B Conversion Price"), subsequent to the Stock Split Date. The Series A Conversion Price and Series B Conversion Price shall be adjusted from time to time in accordance with this Section 4.d. All references to the Series A Conversion Price and Series B Conversion Price herein shall mean the Series A Conversion Price and Series B Conversion Price as so adjusted.

iv. Mechanics of Conversion. Each holder of Preferred Stock who desires to convert the same into shares of Common Stock pursuant to this Section 4.d. 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 Preferred Stock 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, at the option of the Corporation, in Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), or, at the option

of the Corporation, a combination of both cash and Common Stock, any and all declared and unpaid dividends on the shares of Preferred Stock being converted, to and including the date of such conversion. 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 Preferred Stock 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.

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

vi. Adjustment for Common Stock Dividends and Distributions. If the Corporation at any time or from time to time, subsequent to the Stock Split Date, 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, in each such event the Series A Conversion Price and Series B Conversion Price that is 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 and Series B 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 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 and Series B Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A Conversion Price and Series B Conversion Price shall be adjusted pursuant to this Section 4.d.vi. to reflect the actual payment of such dividend or distribution.

vii. Adjustments for Other Dividends and Distributions. If the Corporation at any time or from time to time, subsequent to the Stock Split Date, 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 the Corporation other than shares of Common Stock, in each such event provision shall be made so that the holders of the Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of other securities of the Corporation which they would have received had their Preferred Stock 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 4.d. with respect to the rights of the holders of the Preferred Stock or with respect to such other securities by their terms.

viii. Adjustment for Reclassification, Exchange and Substitution. If at any time or from time to time, subsequent to the Stock Split Date, the Common Stock issuable upon the conversion of the Preferred Stock 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 a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4.d. or in Section 4.c.), in any such event each holder of Preferred Stock 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 Preferred Stock 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.

ix. Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time, subsequent to the Stock Split Date, there is a capital reorganization of the Common Stock (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4.d. or in Section 4.c.), as a part of such capital reorganization, provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of the Corporation 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 4.d. with respect to the rights of the holders of Preferred Stock after the capital reorganization to the end that the provisions of this Section 4.d. (including adjustment of the Series A Conversion Price and Series B Conversion Price then in effect) and the number of shares issuable upon conversion of the Preferred Stock shall be applicable after that event and be as nearly equivalent as practicable.

x. Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment, subsequent to the Stock Split Date, of the Series A Conversion Price or Series B Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the Preferred Stock, if the Preferred Stock is then convertible pursuant to this Section 4.d., 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 Preferred Stock 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.

xi. Notices of Record Date. Upon (1) 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 (2) any 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 transfer of all or substantially all the assets of the Corporation to any other person, or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each holder of Preferred Stock 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 reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (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 reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

xii. Automatic Conversion.

(1) Each share of Preferred Stock shall automatically be converted into shares of Common Stock, based on the then-effective Series A Conversion Rate or Series B Conversion Rate, at any time upon the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of the Preferred Stock, or 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 in which (A) the per share price is at least \$9.50 (as adjusted for stock splits, recapitalizations and the like, subsequent to the Stock Split Date), and (B) the gross cash proceeds to the Corporation (before underwriting discounts, commissions and fees) are at least \$15,000,000. Upon such automatic conversion, any accumulated and unpaid dividends pursuant to Section 4.a. above shall be paid in accordance with the provisions of Section 4.d.xii.2 below.

(2) Upon the occurrence of the event specified in paragraph (1) above, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; 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 Preferred Stock are either delivered to the Corporation or its transfer agent as provided below, 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. Upon the occurrence of such automatic conversion of the Preferred Stock, the holders of Preferred Stock 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 Preferred Stock surrendered were convertible on the date on which such automatic conversion occurred, and the Corporation shall promptly pay in cash or, at the option of the Corporation, in Common Stock (at the Common Stock's fair

market value determined by the Board as of the date of such conversion), or, at the option of the Corporation, a combination of both cash and Common Stock, any and all declared and unpaid dividends on the shares of Preferred Stock being converted, to and including the date of such conversion. Such conversion shall be deemed to have been made at the close of business on the date of the occurrence of the event specified in paragraph (1) above, 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.

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

xiv. Reservation of 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 Preferred Stock, 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 Preferred Stock. 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 Preferred Stock, 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.

xv. Notices. Any notice required by the provisions of this Section 4.d. shall be in writing and shall be deemed effectively given: (1) upon personal delivery to the party to be notified, (2) when sent by confirmed telex or facsimile if sent during normal business hours of recipient; if not, then on the next business day, (3) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (4) 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.

xvi. 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 Preferred Stock, 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 in which the shares of Preferred Stock so converted were registered.

xvii. 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 the Preferred Stock against dilution or other impairment."

3. The number of shares of the Corporation outstanding at the time of such adoption was 4,000,000 shares of Series A Preferred Stock and 13,819,616 shares of Series B Preferred Stock. All 4,000,000 shares of Series A Preferred Stock and 13,819,616 shares of Series B Preferred Stock were entitled to vote on said amendments.

The designation and number of outstanding shares of each class or series entitled to vote thereon as a class were as follows:

<u>Series</u>	<u>Number of Shares</u>
Series A Preferred Stock	4,000,000
Series B Preferred Stock	13,819,616

4. The holders of all shares outstanding and entitled to vote on said amendment have signed a consent in writing adopting said amendment.

5. That said amendment was duly adopted in accordance with the provisions of the Texas Business Corporation Act.

6. (a) The amendment made by the Third Restated Articles of Incorporation effects a change in the amount of stated capital and the manner in which the same is effected is as follows: the amendment reduces the stated capital of the Corporation from \$1,782 to \$594 by reducing the number of shares of Series A Preferred outstanding from 4,000,000 to 1,333,333 shares and by reducing the number of shares of Series B Preferred outstanding from 13,819,616 to 4,606,539 shares.

(b) The amount of stated capital as changed by the amendment is \$594.

ARTICLE II

1. These Restated Articles accurately copy the Articles of Incorporation, and all Amendments thereto, that are in effect to date, and as further amended as provided in Article I above, and these Restated Articles contain no other change in any provisions thereof.

ARTICLE III

1. The Restated Articles, as amended and supplemented by all Articles of Amendment previously issued by the Secretary of State of Texas, and as further amended by these Third Restated Articles, are amended and restated in their entirety to read as follows:

**THIRD RESTATED ARTICLES OF INCORPORATION
OF
ADAC HEALTHCARE INFORMATION SYSTEMS, INC.,
A Texas Corporation**

ARTICLE ONE

Name

The name of the Corporation is ADAC Healthcare Information Systems, Inc.

ARTICLE TWO

Duration

The period of the duration of the Corporation is perpetual.

ARTICLE THREE

Purpose

The purposes for which the Corporation is organized are to transact any and all lawful business for which Corporations may be incorporated under, and exercise the powers granted by, the Texas Business Corporation Act, as amended from time to time, within or without the State of Texas, and to do such things as may be incident to, and necessary or appropriate to effect, any and all of the purposes for which the Corporation is organized.

ARTICLE FOUR

Authorized Shares

Section 1. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is Twenty-Five Million (25,000,000) shares. Fifteen Million (15,000,000) shares shall be Common Stock, each having a par value of \$0.0001 per share. Ten Million (10,000,000) shall be Preferred Stock, each having a par value of \$0.0001 per share.

Upon the filing of these Third Restated Articles of Incorporation on August 29 1997, there shall be a one-for-three reverse stock split (the "Stock Split") pursuant to which each three (3) outstanding shares of Common Stock and Preferred Stock shall be split up and combined into one (1) share of Common Stock and Preferred Stock, respectively. No fractional share of Common Stock or Preferred Stock shall be issued in connection with such combination, and in lieu of any fractional share to which

a holder of Common Stock or Preferred Stock would otherwise be entitled, the Corporation shall pay to such holder cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock or Preferred Stock on the date of combination, as determined in good faith by the Board of Directors of the Corporation.

Section 2. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors (the "Board") is hereby authorized, by filing a certificate pursuant to the Texas Business Corporation Act, to fix or alter from time to time the designation, powers, preferences, limitations and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including, without limitation, the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series and the designation thereof, or any of them (a "Preferred Stock Designation"); and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Section 3. One Million Five Hundred Thousand (1,500,000) of the authorized shares of Preferred Stock are hereby designated "Series A Preferred Stock" (the "Series A Preferred"). Eight Million Five Hundred Thousand (8,500,000) of the authorized shares of Preferred Stock are hereby designated "Series B Preferred Stock (the "Series B Preferred").

Section 4. The rights, preferences, privileges, restrictions and other matters relating to the Preferred Stock are as follows:

a. Dividend Rights.

i. Holders of Preferred Stock, in preference to the holders of any other stock of the Corporation ("Junior Stock"), shall be entitled to receive, when and as declared by the Board, but only out of funds that are legally available therefor, cash dividends at the rate of (i) eight percent (8%) of the "Original Issue Price" per annum on each outstanding share of Series A Preferred (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring subsequent to August 29, 1997 (the "Stock Split Date")) payable out of funds legally available therefor, and (ii) eight percent (8%) of the Original Issue Price per annum of each outstanding share of Series B Preferred (as adjusted for any stock dividends, combinations or splits with respect to such shares occurring subsequent to the Stock Split Date) payable out of funds legally available therefor. The Original Issue Price of the Series A Preferred and the Series B Preferred shall be \$3.00 and \$6.51, respectively, subsequent to the Stock Split Date. Such dividends shall be payable only when, as and if declared by the Board and shall be non-cumulative from the original issue date of the Series A Preferred and Series B Preferred, respectively.

ii. So long as any shares of Preferred Stock shall be outstanding, no dividend, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on any Junior Stock, nor shall any shares of any Junior Stock of the Corporation be purchased, redeemed, or otherwise acquired for value by the Corporation (except for acquisitions of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares upon termination of services to the Corporation or in exercise of the Corporation's right of first refusal upon a proposed transfer) until all dividends (set forth in Section 4.a.i. above) on the Preferred Stock shall have been paid or declared and set apart. 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 Preferred Stock in an amount equal per share (on an 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 4.a.ii. shall not, however, apply to (1) a dividend payable in Common Stock, (2) the acquisition of shares of any Junior Stock in exchange for shares of any other Junior Stock, or (3) any repurchase of any outstanding securities of the Corporation that is unanimously approved by the Board.

b. Voting Rights.

i. Except as otherwise provided herein or as required by law, the Preferred Stock shall be voted equally with the shares of Common Stock of the Corporation, and not as a separate class, at any annual or special meeting of shareholders of the Corporation, and may act by written consent in the same manner as the Common Stock, in either case upon the following basis: each holder of shares of Preferred Stock shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Preferred Stock are convertible (pursuant to Section 4.d. hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

ii. For so long as at least 300,000 shares of Series A Preferred remain outstanding, or for so long as 1,000,000 shares of Series B Preferred 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 two-thirds of the outstanding shares of Preferred Stock shall be necessary for effecting or validating the following actions:

(1) Any amendment, alteration, or repeal of any provision of the Articles of Incorporation or the Bylaws of the Corporation (including any filing of a Preferred Stock Designation), that affects adversely the voting powers, preferences, or other special rights or privileges, qualifications, limitations, or restrictions of the Series A Preferred or the Series B Preferred;

(2) Any increase or decrease (other than by redemption or conversion) in the authorized number of shares of Common or Preferred Stock;

(3) Any authorization or any increase, whether by reclassification or otherwise, in the authorized amount of any class of shares or series of equity securities of the Corporation ranking on a parity with or senior to the Series A Preferred or the Series B Preferred in right of redemption, liquidation preference, voting or dividends;

(4) Any redemption, repurchase, payment of dividends or other distributions with respect to Junior Stock (except for acquisitions of Common Stock by the Corporation pursuant to agreements which permit the Corporation to repurchase such shares upon termination of employment or in exercise of the Corporation's right of first refusal upon a proposed transfer);

(5) Any agreement to sell, lease or otherwise dispose of all or substantially all of the assets, property or business of the Corporation, or to merge or consolidate the Corporation with any person, or permit any other person to merge into it, or any other reorganization except for mergers, consolidations or reorganizations in which the Corporation is the surviving corporation and, after giving effect to the merger, consolidation, or reorganization, the holders of the Corporation's outstanding capital stock immediately preceding such merger own at least fifty percent (50%) of the outstanding capital stock of the surviving corporation;

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

(7) Any voluntary dissolution or liquidation of the Corporation (as defined in Section 4.c.iii. hereof).

c. Liquidation Rights.

i. Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of Preferred Stock shall be entitled to be paid out of the assets of the Company an amount per share of Preferred Stock equal to the sum of (i) the Original Issue Price of the Series A Preferred or Series B Preferred, respectively, and (ii) all declared and unpaid dividends on such shares to the date of such payment for each share of Preferred Stock held by them.

ii. After the payment of the full liquidation preference of the Preferred Stock as set forth in Section 4.c.i. above, the assets of the Corporation legally available for distribution, if any, shall be distributed ratably to the holders of the Common Stock and Preferred Stock on an as-if-converted to Common Stock basis.

iii. The following events shall be considered a liquidation under this Section 4.c.:

(1) 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 fifty percent (50%) immediately after such consolidation, merger or reorganization or any transaction or series of related transactions in which in excess of fifty percent (50%) of the Corporation's voting power is transferred; or

(2) a sale, lease or other disposition of all or substantially all of the assets of the Corporation.

iv. If, upon any liquidation, distribution, or winding up, the assets of the Corporation shall be insufficient to make payment in full to all holders of Preferred Stock, then such assets shall be distributed among the holders of Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

d. Conversion Rights. The holders of the Preferred Stock shall have the following rights with respect to the conversion of the Preferred Stock into shares of Common Stock:

i. Optional Conversion. Subject to and in compliance with the provisions of this Section 4.d.iv., any shares of Preferred Stock 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 Preferred Stock shall be entitled upon conversion shall be the product obtained by (i) in the case of the Series A Preferred, multiplying the "Series A Conversion Rate" then in effect (determined as provided in Section 4.d.ii.) by the number of shares of Series A Preferred being converted or, (ii) in the case of the Series B Preferred, multiplying the "Series B Conversion Rate" then in effect (determined as provided in Section 4.d.ii.) by the number of shares of Series B Preferred being converted.

ii. Conversion Rate. The conversion rate in effect at any time, subsequent to the Stock Split Date, for conversion of (i) the Series A Preferred (the "Series A Conversion Rate") shall be the quotient obtained by dividing \$3.00 by the "Series A Conversion Price," calculated as provided in Section 4.d.iii., and (ii) the Series B Preferred (the "Series B Conversion Rate") shall be the quotient obtained by dividing \$6.51 by the "Series B Conversion Price," calculated as provided in Section 4.d.iii.

iii. Conversion Price. The conversion price for the Series A Preferred shall be \$3.00 (the "Series A Conversion Price") and the conversion price for the Series B Preferred shall be \$6.51 (the "Series B Conversion Price"), subsequent to the Stock Split Date. The Series A Conversion Price and Series B Conversion Price shall be adjusted from time to time in accordance with this Section 4.d. All references to the Series A Conversion Price and Series B Conversion Price herein shall mean the Series A Conversion Price and Series B Conversion Price as so adjusted.

iv. Mechanics of Conversion. Each holder of Preferred Stock who desires to convert the same into shares of Common Stock pursuant to this Section 4.d. 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 Preferred Stock 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, at the option of the Corporation, in Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), or, at the option

of the Corporation, a combination of both cash and Common Stock, any and all declared and unpaid dividends on the shares of Preferred Stock being converted, to and including the date of such conversion. 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 Preferred Stock 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.

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

vi. Adjustment for Common Stock Dividends and Distributions. If the Corporation at any time or from time to time, subsequent to the Stock Split Date, 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, in each such event the Series A Conversion Price and Series B Conversion Price that is 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 and Series B 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 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 and Series B Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A Conversion Price and Series B Conversion Price shall be adjusted pursuant to this Section 4.d.vi. to reflect the actual payment of such dividend or distribution.

vii. Adjustments for Other Dividends and Distributions. If the Corporation at any time or from time to time, subsequent to the Stock Split Date, 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 the Corporation other than shares of Common Stock, in each such event provision shall be made so that the holders of the Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of other securities of the Corporation which they would have received had their Preferred Stock 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 4.d. with respect to the rights of the holders of the Preferred Stock or with respect to such other securities by their terms.

viii. Adjustment for Reclassification, Exchange and Substitution. If at any time or from time to time, subsequent to the Stock Split Date, the Common Stock issuable upon the conversion of the Preferred Stock 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 a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4.d. or in Section 4.c.), in any such event each holder of Preferred Stock 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 Preferred Stock 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.

ix. Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time, subsequent to the Stock Split Date, there is a capital reorganization of the Common Stock (other than a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4.d. or in Section 4.c.), as a part of such capital reorganization, provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of the Corporation 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 4.d. with respect to the rights of the holders of Preferred Stock after the capital reorganization to the end that the provisions of this Section 4.d. (including adjustment of the Series A Conversion Price and Series B Conversion Price then in effect) and the number of shares issuable upon conversion of the Preferred Stock shall be applicable after that event and be as nearly equivalent as practicable.

x. Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment, subsequent to the Stock Split Date, of the Series A Conversion Price or Series B Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the Preferred Stock, if the Preferred Stock is then convertible pursuant to this Section 4.d., 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 Preferred Stock 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.

xi. Notices of Record Date. Upon (1) 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 (2) any 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 transfer of all or substantially all the assets of the Corporation to any other person, or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each holder of Preferred Stock 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 reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (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 reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

xii. Automatic Conversion.

(1) Each share of Preferred Stock shall automatically be converted into shares of Common Stock, based on the then-effective Series A Conversion Rate or Series B Conversion Rate, at any time upon the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of the Preferred Stock, or 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 in which (A) the per share price is at least \$9.50 (as adjusted for stock splits, recapitalizations and the like, subsequent to the Stock Split Date), and (B) the gross cash proceeds to the Corporation (before underwriting discounts, commissions and fees) are at least \$15,000,000. Upon such automatic conversion, any accumulated and unpaid dividends pursuant to Section 4.a. above shall be paid in accordance with the provisions of Section 4.d.xii.2 below.

(2) Upon the occurrence of the event specified in paragraph (1) above, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; 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 Preferred Stock are either delivered to the Corporation or its transfer agent as provided below, 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. Upon the occurrence of such automatic conversion of the Preferred Stock, the holders of Preferred Stock 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 Preferred Stock surrendered were convertible on the date on which such automatic conversion occurred, and the Corporation shall promptly pay in cash or, at the option of the Corporation, in Common Stock (at the Common Stock's fair

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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 the Preferred Stock against dilution or other impairment.

ARTICLE FIVE

Consideration for Issuance of Shares

The Corporation has received for the issuance of its shares consideration of the value of \$1,000, consisting of money, labor done or property actually received, prior to commencing business as required under the Texas Business Corporation Act.

ARTICLE SIX

Denial of Preemptive Rights

No shareholder shall be entitled, by reason of such shareholder holding shares of any class, to have any preemptive or preferential right, to subscribe for or purchase additional, unissued, or treasury shares of the Corporation now or hereafter authorized or any notes, bonds, debentures or other securities convertible into shares or carrying any right, option or warrant to acquire shares of any class now or hereafter authorized, whether or not the issuance of any such securities would adversely affect the dividends or voting rights of such shareholder. Any such securities may be issued or disposed of by the Board of Directors to such persons and on such terms as in its discretion it shall deem advisable without offering such securities, either in whole or in part, to the existing shareholders of any class.

ARTICLE SEVEN

Registered Office and Agent

Section 1. Registered Office. The post office address of the initial registered office of the Corporation is 5 Greenway Plaza, Suite 1900, Houston, Texas 77046.

Section 2. Registered Agent. The name of the registered agent of the Corporation at such address is Greg Smith.

ARTICLE EIGHT

Number of Directors

The number of Directors of the Corporation shall be fixed in accordance with the Bylaws of the Corporation. The number of directors presently constituting the Board of Directors is four (4), and the names and addresses of the persons serving as Directors are: David L. Lowe, Robert L. Miller and Mark L. Lamp at ADAC Laboratories, 540 Alder Drive, Milpitas, CA 95035 and Graham O. King at U.S. Servis, Inc., 414 Eagle Rock Avenue, West Orange, NJ 07052.

ARTICLE NINE

Denial of Cumulative Voting

At each election for Directors, every shareholder entitled to vote at such election shall have the right to vote in person or by proxy the number of shares owned by him for as many persons as there are Directors to be elected and for whose election such shareholder has a right to vote. No shareholder shall have the right to cumulate such shareholder's votes in any election of Directors.

ARTICLE TEN

Indemnification

Section 1. The Corporation shall indemnify its Directors and its former Directors, officers and its former officers, employees and former employees against any losses, damages, claims or liabilities to which they may become subject or which they may incur as a result of being or having been an officer, Director or employee, and shall advance to them or reimburse them for expenses incurred in connection therewith, to the maximum extent permitted by law. The Corporation may indemnify agents or other persons against any losses, damages, claims or liabilities to which they may become subject or which they may incur as a result of having been an employee or agent or having acted for the Corporation and may advance to them or reimburse them for expenses incurred in connection therewith to the maximum extent permitted by law.

Section 2. A person may be indemnified under this Article Ten against judgements, penalties (including excise and similar taxes), fines, settlements and reasonable expenses actually incurred by the person in connection with a proceeding; provided, however, that if the person is found liable to the Corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding and (2) shall not be made in respect of any proceeding in which the person shall

- (e) an act related to an unlawful stock repurchase or payment of a dividend.

ARTICLE TWELVE

Special Meetings of Shareholders

Special meetings of the shareholders of the Corporation may be called (a) by the President of the Corporation, the Board of Directors, or such other person or persons as may be authorized in the Bylaws, or (b) by the holders of at least fifty percent (50%) percent of all the shares entitled to vote at the proposed special meeting.

ARTICLE THIRTEEN

Required Voting Percentage

Whenever any action is to be taken by the Corporation that requires the vote or concurrence of its shareholders, the vote or concurrence of the holders of a majority of the issued and outstanding shares of the Corporation shall be sufficient to approve or consent to such proposed action.

ARTICLE FOURTEEN

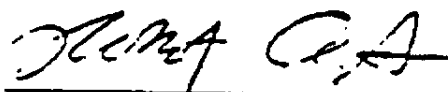
Amendment of Bylaws

The Board of Directors is expressly authorized to make, alter or amend the Bylaws of the Corporation or to adopt new Bylaws.

DATED as of the 28 day of August, 1997.



David L. Lowe
Chief Executive Officer



Robert A. Starr
Assistant Secretary

**ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE BOARD OF DIRECTORS
OF
CORTET, INC.
(a Florida Corporation)**

September 10, 1999

In accordance with Section 607.0821 of the Florida Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Cortet, Inc., a Florida corporation (the "Corporation" or "Cortet"), hereby take the following actions and adopt the following resolutions by unanimous written consent without a meeting, effective for all purposes as of September 10, 1999:

Approval of Merger of Cortet With and Into ADAC Healthcare Information Systems, Inc.

WHEREAS, this Corporation is a wholly-owned subsidiary of ADAC Healthcare Information Systems, Inc. ("HCIS"), which, in turn, is an indirect subsidiary of ADAC Laboratories, a California corporation ("Parent");

WHEREAS, Parent acquired this Corporation in May 1997;

WHEREAS, to simplify its corporate structure, Parent desires, among other things, to merge Cortet into HCIS;

WHEREAS, the Board of Directors of this Corporation believes it is in the best interests of this Corporation to merge this Corporation into HCIS, with HCIS being the surviving corporation.

NOW, THEREFORE BE IT

RESOLVED: That the Board of Directors believes it is in the best interests of this Corporation that this Corporation enter into and execute an Agreement of Merger (the "Merger Agreement") and Articles of Merger ("Merger Articles"), providing for the merger of this Corporation with and into HCIS (the "Merger"), whereupon HCIS shall be the surviving corporation, and the sole and separate corporate existence of this Corporation shall cease.

RESOLVED FURTHER: That the Merger Agreement and Merger Articles, substantially in the forms attached hereto as Exhibits A and B, respectively, the Merger and the other transactions contemplated by the Merger Agreement and Merger Articles are approved.

RESOLVED FURTHER: That the Board of Directors and officers of this Corporation are authorized on behalf of this Corporation to take such actions and execute and file such documents as may be necessary or advisable to carry out and perform the obligations under the Merger Agreement and Merger Articles, and to consummate the Merger and the other transactions contemplated by the Merger Agreement and Merger Articles, and to amend the Merger Agreement and Merger Articles if they deem such amendments to be necessary or desirable.

RESOLVED FURTHER: That the officers of this Corporation are authorized and directed to submit the Merger Agreement and the Merger Articles to the sole stockholder of this corporation for approval.

RESOLVED FURTHER: That the officers of this Corporation are hereby authorized and directed to take such action and do such things, including, without limitation, execute and deliver any and all other documents as such officers shall deem necessary or appropriate to accomplish the intent of the foregoing resolutions.

This Consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Consent effective as of the date first written above.



R. Andrew Eckert



Bruce M. Blanco



Judy J. Rowe

Exhibit A

Agreement of Merger

Exhibit B
Articles of Merger