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NAME: DALEEN TECHNOLOGIES, INC.

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**ARTICLES OF AMENDMENT TO THE THIRD AMENDED AND RESTATED
ARTICLES OF INCORPORATION OF
DALEEN TECHNOLOGIES, INC.**

Pursuant to Section 607.1006 of the Florida Business Corporation Act (the "FBCA"), Daleen Technologies, Inc. (the "Company") hereby adopts the following further amendments (the "Amendments") to its Articles of Incorporation, as amended ("Articles"):

1. The name of the Company is Daleen Technologies, Inc.
2. No shares of Company's Series B Preferred Convertible Stock, Series D Convertible Preferred Stock or Series D-1 Convertible Preferred Stock having been issued, the Amendments set forth below in Sections A, B and C were duly adopted on July 31, 1998 by the Board of Directors pursuant to a unanimous consent in writing in accordance with Section 607.0821 of the FBCA, without shareholder action pursuant to 607.0602 of the FBCA, and with the written consent of the holder of the Series A Convertible Preferred Stock (which consent was required pursuant to the Third Amended and Restated Articles of Incorporation of Company filed on September 10, 1997 ("Third Amendment")), which was sufficient for approval.
3. The Amendments in Section D and E were duly adopted by the Board of Directors on July 31, 1998 pursuant to a unanimous consent in writing in accordance with Sections 607.0821 and 607.1003 of the FBCA, and were consented to in writing by the holders of a majority of the outstanding Common Stock and by the written consent of the holder of the Series A Convertible Preferred Stock, in accordance with Sections 607.0704 and 607.1003 of the FBCA, which was sufficient for approval.

A. The Third Amendment is hereby amended as follows with respect to Company's Series B Convertible Preferred Stock:

1. The first paragraph of Article III (b), Section 2 is hereby deleted in its entirety and replaced with the following:

"In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, prior and in preference to any payment or distribution on the Common Stock or any other class or series of stock which ranks, on liquidation with respect

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to the right to receive payments upon liquidation, junior to the Preferred, (a) the holders of the Series A Preferred shall be entitled to receive out of the assets of the Corporation cash in the amount of \$2.50 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series A Preferred and (b) the holders of the Series B Preferred shall be entitled to receive out of the assets of the Corporation, prior and in preference to any payment or distribution on the Common Stock, cash in the amount of \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series B Preferred. If the assets distributable in any such event to the holders of the Series A Preferred or the Series B Preferred, as the case may be, are insufficient to permit the payment to such holders of the full preferential amounts to which they may be entitled, such assets shall be distributed ratably among the holders of the Series A Preferred and the Series B Preferred in proportion to the full preferential amount each such holder would otherwise be entitled to receive."

2. Article III (b), Section 3, subsection (a) is hereby deleted in its entirety and replaced with the following:

"Each share of Preferred shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Preferred, into the number of fully paid and nonassessable shares of Common Stock determined (i) in the case of Series A Preferred, by dividing \$2.50 by the Series A Preferred Conversion Price, in effect at the time of conversion and (ii) in the case of the Series B Preferred, by dividing \$3.056 by the Series B Conversion price, in effect at the time of conversion. The Series A Preferred Conversion Price shall initially be \$2.50 and the Series B Conversion Price shall initially be \$3.056, and in each case shall be adjusted and readjusted from time to time as provided in this Section 3. The Series A Preferred Conversion Price and the Series B Preferred Conversion Price are hereinafter referred to collectively as the "Conversion Price"; certain other capitalized terms used in this Section 3 have the meanings specified in paragraph (d) of this Section 3."

3. The first paragraph of Article III, Section 4 is hereby deleted in its entirety and replaced with the following:

"On September 1, 2001, the Corporation shall redeem for cash out of any funds legally available therefor one-third of the Preferred held by each holder of Preferred on that date. On September 1, 2002, the Corporation shall redeem for cash out of any funds legally available therefor one-third of the Preferred held by each holder of Preferred on that date. On September 1, 2003, the Corporation shall redeem for cash out of any funds legally available therefor the remainder of the Preferred held by each holder of Preferred. Redemptions pursuant to this Section 4 shall be made for a price of \$2.50 per share of Series A Preferred and \$3.056 per share of Series B Preferred (in each case as appropriately adjusted

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for any stock dividend, stock split, recapitalization or consolidation) plus, in each case, an amount equal to the amount of all unpaid dividends payable in accordance with Section 6 hereof on each share of Preferred to be redeemed. The Corporation need not establish any sinking fund for the redemption of Preferred."

- B. The Articles of Amendment re the Statement of Designation of the Company's Series D Convertible Preferred Stock filed on June 23, 1998 are hereby amended and restated to read in full as follows:

SERIES D CONVERTIBLE PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be designated "Series D Convertible Preferred Stock" (hereinafter referred to as the "Series D Preferred Stock"), shall have a par value of \$.01, and shall be 4,221,846 in number.

Section 2. Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, prior and in preference to any payment or distribution on the Common Stock or any other class or series of stock which ranks, on liquidation with respect to the right to receive payments upon liquidation, junior to the Preferred Series, (a) the holders of the "Series A Convertible Preferred Stock" (the "Series A Preferred") shall be entitled to receive out of the assets of the Corporation cash in the amount of \$2.50 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series A Preferred, (b) the holders of the "Series B Convertible Preferred Stock" (the "Series B Preferred") shall be entitled to receive out of the assets of the Corporation, prior and in preference to any payment or distribution on the Common Stock, cash in the amount of \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series B Preferred, (c) the holders of the "Series C Convertible Preferred Stock" (the "Series C Preferred") shall be entitled to receive out of the assets of the Corporation cash in the amount of \$4.50 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series C Preferred, (d) the holders of the Series D Preferred Stock shall be entitled to receive out of the assets of the Corporation cash in the amount equivalent to the greater of (i) the amount such holders would be entitled to receive upon such liquidation, dissolution or winding up of the affairs of the Corporation if immediately prior thereto such holders held the number of shares of Common Stock into which such shares of Series D Preferred Stock are then convertible into, or (ii) \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series D Preferred Stock, and (e) the holders of the Series D-1 Convertible Preferred Stock (the "Series D-1 Preferred Stock") shall be shall be entitled to receive out of the assets of the Corporation cash in the amount of \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series D-1 Preferred Stock (the Series D-1 Preferred Stock, together with the Series A Preferred, the Series B Preferred, the Series C Preferred, and the Series D Preferred Stock, the "Preferred Series"). If the assets distributable in any such event to the holders of the Preferred Series are insufficient to permit the

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payment to such holders of the full preferential amounts to which they may be entitled, such assets shall be distributed ratably among the holders of the Preferred Series in proportion to the full preferential amount each such holder would otherwise be entitled to receive.

After the payment or the setting apart for payment to the holders of the Preferred Series of the preferential amounts so payable to them, the holders of the Common Stock shall be entitled to share in all remaining assets of the Corporation.

For purposes of this Section 2, the sale of all or substantially all of the Corporation's property and assets or the acquisition of this Corporation by another entity by means of merger or consolidation resulting in the exchange of all of the outstanding shares of this Corporation for securities issued or other consideration paid, by the acquiring corporation or any parent or subsidiary thereof (except for a merger or consolidation after the consummation of which the shareholders of this Corporation own in excess of 51% of the voting securities of the surviving corporation or its parent corporation) shall be deemed a voluntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 3. Conversion. The Series D Preferred Stock shall be convertible as follows:

(a) **Right to Convert.** Each share of Series D Preferred Stock shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Series D Preferred Stock, into the number of fully paid and nonassessable shares of Common Stock determined by dividing \$3.056 by the Series D Preferred Conversion Price in effect at the time of conversion (the "Series D Preferred Stock Conversion Price") which shall initially be \$3.056. The Series D Preferred Stock Conversion Price may be adjusted and readjusted from time to time as provided in this Section 3.

(b) **Automatic Conversion.** Each share of Series D Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Series D Preferred Stock Conversion Price upon the closing of a firm commitment 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 to the public at a public offering price per share of at least three (3) times the then effective Series D Preferred Stock Conversion Price and having an aggregate offering price resulting in net proceeds to the Corporation of not less than Twenty Million and No/100 Dollars (\$20,000,000.) (in the event of which offering, the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series D Preferred Stock shall not be deemed to have converted such Series D Preferred Stock until immediately prior to the closing of such offering). Each person who holds of record Series D Preferred Stock immediately prior to such automatic conversion shall be entitled to all dividends which have been declared but unpaid prior to the time of the automatic conversion. Such dividends shall be paid to all such holders within thirty (30) days of the automatic conversion.

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(c) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of the Series D Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Series D Preferred Stock Conversion Price. Before any holder of the Series D Preferred Stock shall be entitled to convert the same into Common Stock (or, in the case of automatic conversion of the Series D Preferred Stock pursuant to Section 3(b) hereof, before any holder of such Series D Preferred Stock so converted shall be entitled to receive a certificate or certificates evidencing the Common Stock issuable upon such conversion), he shall surrender to the Corporation at the office of the Corporation or of any transfer agent for the shares of Series D Preferred Stock, the certificate or certificates representing such Series D Preferred Stock, accompanied by written notice to the Corporation that he elects to convert all or a specified number of such shares (or, in the case of such automatic conversion, he is surrendering the same) and stating therein his name or the name or names of his nominees in which he wishes the certificate or certificates for Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series D Preferred Stock, or to his nominee or nominees, a certificate or certificates representing the number of shares of Common Stock to which he shall be entitled as aforesaid, together with cash in lieu of any fraction of a share and, if less than the full number of Series D Preferred Stock evidenced by such surrendered certificates or certificates are being converted, a new certificate or certificates, of like tenor, for the number of Series D Preferred Stock evidenced by such surrendered certificate less the number of such shares being converted. Any conversion made at the election of a holder of Series D Preferred Stock shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series D Preferred Stock to be converted, and the person or persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(d) Adjustments to Series D Preferred Stock Conversion Price for Diluting Issues:

(i) Special Definitions. For purposes of this Section 3(d), the following definitions shall apply:

(1) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Common Stock or Convertible Securities.

(2) "Original Issue Date" shall mean the date on which a share of Series D Preferred was first issued.

(3) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than shares of Common Stock) or other securities directly or indirectly convertible into or exchangeable for Additional Shares of Common Stock.

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(4) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section 3(d)(iii) hereof, deemed to be issued) by the Corporation after the Original Issue Date, other than Common Stock issued or issuable:

(A) upon conversion of any series of Preferred Stock; or

(B) up to 830,000 shares of Common Stock issued to officers or employees of, or consultants to, the Corporation pursuant to a stock purchase or option plan or other employee stock incentive program.

(ii) No Adjustment of Conversion Price. No adjustment in the number of shares of Common Stock into which the Series D Preferred Stock is convertible shall be made, by adjustment in the Conversion Price applicable to such Series D Preferred Stock, in respect of the issuance of Additional Shares of Common Stock or otherwise, unless the consideration per share (determined pursuant to Section 3(d)(v) hereof) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price applicable to such Series D Preferred Stock in effect on the date of, and immediately prior to, the issue of such Additional Shares of Common Stock.

(iii). Issue of Securities Deemed Issue of Additional Shares of Common Stock.

(1) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue, sell, grant or assume any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then, and in each such case, the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued for purposes of adjusting the Series D Preferred Stock Conversion Price unless the consideration per share (determined pursuant to Section 3(d)(v) hereof) of such Additional Shares of Common Stock would be less than the Conversion Price applicable to such Series D Preferred Stock in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) no further adjustment in the Series D Preferred Stock Conversion Price shall be made upon the subsequent issue of Convertible Securities of shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

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(B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Corporation, or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Series D Preferred Stock Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities which are outstanding at such time;

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been fully exercised, the Series D Preferred Stock Conversion Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(I) in the case of such Convertible Securities or Options for shares of Common Stock, the only Additional Shares of Common Stock issued or sold were the shares of Common Stock, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received for such Additional Shares of Common Stock was, in the case of Options, the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or, in the case of Convertible Securities, the consideration actually received by the Corporation for the issue, sale or assumption of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise thereof were issued at the time of issue, sale, grant or assumption of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 3(d)(v) hereof) upon the issue or sale of the Convertible Securities with respect to which such Options were actually exercised;

(D) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Series D Preferred Stock Conversion Price to an amount which exceeds the lower of (i) the Series D Preferred Stock Conversion Price on the original adjustment date, or (ii) the Series D Preferred Stock Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

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(E) in the case of any Options which expire by their terms not more than 30 days after the date of issue, sale, grant or assumption thereof, no adjustment of the Series D Preferred Stock Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (C) above; and

(F) if any such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Series D Preferred Stock Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Series D Preferred Stock Conversion Price shall be adjusted pursuant to this subparagraph 3(d)(iii) as of the actual date of their issuance.

(2) Stock Dividends, Stock Distributions and Subdivision. In the event the Corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend or make any other distribution on the Common Stock payable in Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock, into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock), then and in each such event, Additional Shares of Common Stock shall be deemed to have been issued:

(A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution, or

(B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and such dividend or distribution shall not have been paid on the date fixed therefor, the adjustment previously made in the Series D Preferred Stock Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Series D Preferred Stock Conversion Price shall be adjusted pursuant to this subparagraph 3(d)(iii) as of the time of actual payment of such dividend or distribution.

(iv) Adjustment of Series D Preferred Stock Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall issue or be deemed to issue Additional Shares of Common Stock (excluding Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(2) hereof; which event is dealt with in Section 3(d)(vi) hereof) without consideration or for a consideration per share less than the Series D Preferred Stock Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Series D Preferred Stock Conversion Price shall be reduced, concurrently with such issue or sale in order to increase the number of shares of Common Stock into which the Series D Preferred Stock is convertible to a price (calculated to the nearest cent) equal to the lowest consideration per

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share for which such Additional Shares of Common Stock are issued, provided that the Conversion Price shall not be so reduced to an amount less than \$.01.

(v) Determination of Consideration. For purposes of this Section 3(d), the consideration received (or deemed to be received) by the Corporation for the issue or sale of any Additional Shares of Common Stock (or any Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(1) hereof) shall be computed as follows:

(1) Cash and Property. The consideration per share received by the Corporation for the issue or sale of Additional Shares of Common Stock shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue or sale, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the portion of such consideration so received, computed as provided in clauses (A) and (B) above, allocable to such Additional Shares of Common Stock as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share deemed to be received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 3(d)(iii)(1) hereof, relating to Options and Convertible Securities, shall be determined by dividing:

(A) the total amount, if any, actually received by the Corporation as consideration for the issue, sale, grant or assumption of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating to such Options or Convertible Securities without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(B) the maximum number of Additional Shares of Common Stock (as set forth in the instruments relating to such Options or Convertible Securities, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

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(vi) Adjustment for Stock Dividends, Distributions, Subdivisions, Combinations or Consolidation of Common Stock.

(1) Stock Dividends, Distributions and Subdivisions. In the event the Corporation shall issue Additional Shares of Common Stock pursuant to Section 3(d)(iii)(2) hereof, relating to stock dividends, distributions and subdivisions, the Series D Preferred Stock Conversion Price in effect immediately prior to such stock dividend, distribution or subdivision shall, concurrently with the effectiveness of such stock dividend, distribution or subdivision, be proportionately decreased.

(2) Combinations or Consolidation of Common Stock. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Series D Preferred Stock Conversion Price in effect immediately prior to such combinations or consolidation shall, concurrently with the effectiveness of such combinations or consolidation, be proportionately increased.

(vii) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, Etc. In the event the Corporation, after the Original Issue Date, (1) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (2) shall permit any other corporation or entity to consolidate with or merge into the Corporation and the Corporation shall be the continuing or surviving corporation but, in connection with such consolidation or merger, the Common Stock shall be changed into or exchanged for stock or other securities of any other person or cash or any property, or (3) shall transfer all or substantially all of its properties or assets to any other corporation or entity, or (4) shall effect a capital reorganization or reclassification of the Common Stock (other than a capital reorganization or reclassification resulting in the issue of Additional Shares of Common Stock for which adjustment in the Series D Preferred Stock Conversion Price is provided in Section 3(d)(iv) hereof), then, and in each such event, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Section 3(d)(vii), the holder of a share of Series D Preferred Stock, upon the conversion thereof at any time after the consummation of such consolidation, merger, transfer, reorganization or reclassification, shall be entitled to receive, in lieu of the Common Stock issuable upon such conversion prior to such consummation, the stock and other securities, cash and property to which such holder would have been entitled upon such consummation if such holder had converted such shares of Series D Preferred Stock immediately prior thereto, subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for in this Section 3. Notwithstanding anything contained herein to the contrary, the Corporation will not effect any of the transactions described in clauses (1) through (4) above unless, prior to the consummation thereof, each corporation (other than the Corporation) which may be required to deliver any stock, securities, cash or property upon the conversion of a share of Series D Preferred Stock shall assume, by written instrument delivered to each holder of a share of Series D Preferred Stock, the obligation to deliver to such holder such

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shares of stock, securities, cash or property as such holder may be entitled to receive upon such conversion, and such corporation shall have furnished to each holder of a share of Series D Preferred Stock an opinion of counsel for such corporation, which counsel shall be reasonably satisfactory to such holder, stating that the holder of such share of Series D Preferred Stock shall thereafter be entitled to receive, upon the conversion of such share, the stock, securities, cash or property which such corporation may be required to deliver pursuant to the terms hereof.

(e) No Impairment. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series D Preferred Stock against impairment. Without limiting the generality of the foregoing, the Corporation (i) will not permit the par value of any shares of stock at the time receivable upon the conversion of a share of Series D Preferred Stock to exceed \$0.01, (ii) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid nonassessable shares of stock on the conversion of the Series D Preferred Stock, and (iii) will not take any action which results in any adjustment of the Series D Preferred Stock if the total number of shares of Common Stock issuable after the action upon the conversion of all of the Series D Preferred Stock will exceed the total number of shares of Common Stock then authorized by the Corporation's Articles of Incorporation and available for the purpose of issue upon such conversion.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series D Preferred Stock pursuant to this Section 3, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series D Preferred Stock, a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or to be received by the Corporation for any Additional Shares of Common Stock issued or sold or deemed to have been issued, (ii) the number of shares of Common Stock outstanding or deemed to be outstanding, and (iii) the Series D Preferred Stock Conversion Price in effect immediately prior to such issue or sale and as adjusted and readjusted on account thereof. The Corporation shall, upon the written request at any time of any holder of Series D Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) the applicable Series D Preferred Stock Conversion Price at the time in effect, and showing how it was calculated, and (ii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Series D Preferred Stock.

(g) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are

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entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Series D Preferred Stock, at least ten (10) days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(h) Common Stock Reserved. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series D Preferred Stock.

Section 4. Redemption. If there is no firm commitment underwritten public offering pursuant to Section 3(b) above, the holders of a majority of Series D Preferred Stock shall have the right to require the Corporation to redeem all shares of the Series D Preferred Stock as follows: On June 18, 2002, the Series D Preferred Stock shall have the right to require the Corporation to redeem for cash out of any funds legally available therefor one-third of Series D Preferred Stock held by each holder of Series D Preferred Stock on that date. If holders of a majority of the Series D Preferred Stock request redemption on June 18, 2002, then redemption of one-third of the Series D-1 Preferred Stock held by each holder of Series D-1 Preferred Stock also shall be redeemed on June 18, 2002 and written notice of such redemption shall be given by the Corporation to each holder of Series D-1 Preferred at least twenty days prior to such redemption date. On June 18, 2003, the Series D Preferred Stock shall have the right to require the Corporation to redeem for cash out of any funds legally available therefor one-half of remaining Series D Preferred Stock held by each holder of Series D Preferred Stock on that date. On June 18, 2004, the Series D Preferred Stock shall have the right to require the Corporation to redeem for cash out of any funds legally available therefor the remainder of Series D Preferred Stock held by each holder of Series D Preferred Stock on that date. Redemptions pursuant to this Section 4 shall be made for a price of \$3.056 per share of Series D Preferred Stock and Series D-1 Preferred Stock (as appropriately adjusted for any stock dividend, stock split, recapitalization or consolidation) plus, in each case, an amount equal to the amount of all unpaid dividends payable in accordance with Section 6 hereof on each share of Series D Preferred Stock and Series D-1 Preferred Stock to be redeemed. The Corporation need not establish any sinking fund for the redemption of Series D Preferred Stock or the Series D-1 Preferred Stock.

The Series D Preferred Stock shall give written notice to the Corporation at least forty-five (45) days prior to the redemption dates as provided above, and any rescheduled redemption dates as provided below, of its intention to require the Corporation to redeem for cash the Series D Preferred Stock held by each holder of Series D Preferred Stock on that date as provided herein. On or after the date of redemption unless postponed or waived as provided below, each holder of the Series D Preferred Stock and the Series D-1 Preferred Stock shall surrender a certificate or certificates representing the number of shares of the Series D Preferred Stock and the Series D-1 Preferred Stock to be redeemed as stated in the notice provided by the Corporation.

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For the purpose of determining whether funds are legally available for redemption of Series D Preferred Stock and the Series D-1 Preferred Stock as provided herein, the Corporation shall value its assets at the highest amount permissible under applicable law. If, on any redemption date, funds of the Corporation legally available therefor shall be insufficient to redeem all the Series D Preferred Stock and the Series D-1 Preferred Stock required to be redeemed as provided herein, funds to the extent legally available shall be used for such purpose and the Corporation shall effect such redemption pro rata according to the redemption prices of the Series D Preferred Stock and the Series D-1 Preferred Stock. The redemption requirements provided hereby shall be continuous, so that if on any redemption date such requirements shall not be fully discharged, without further action by any holder of Series D Preferred Stock or the Series D-1 Preferred Stock funds legally available shall be applied therefor until such requirements are fully discharged.

Section 5. Voting Rights. The holders of Series D Preferred Stock and the Series D-1 Preferred Stock shall be entitled, on all matters submitted for a vote of the holders of Common Stock, whether pursuant to law or otherwise, to one vote for each whole share of Common Stock into which each share of Series D Preferred Stock and the Series D-1 Preferred Stock held could be converted as of the date of such vote, and on all such matters shall vote together as one class with the holders of Common Stock and the holders of all other shares of stock entitled to vote with the holders of Common Stock on such matters. In addition, the holders of Series D Preferred Stock and the Series D-1 Preferred Stock shall have the voting powers provided for by law and the holders of Series D Preferred Stock and the Series D-1 Preferred Stock shall have the further voting powers provided for below:

The consent of the holders of not less than fifty percent of the outstanding shares of Series D Preferred Stock and the Series D-1 Preferred Stock, voting together as a single class, in person or by proxy, either in writing without a meeting or at a special or annual meeting of shareholders called for the purpose, shall be necessary to:

(i) amend or repeal any provision of, or add any provision to, the Corporation's Articles of Incorporation or By-Laws;

(ii) alter or change the rights, preference or privileges of the Series D Preferred and the Series D-1 Preferred Stock, provided that any changes made to the Series D Preferred Stock and the Series D-1 Preferred Stock are the same for each class and provided that the Series D-1 Preferred Stock may not be redeemable prior to June 18, 2003, except pursuant to Section 4 hereof;

(iii) create or issue any other class or classes of stock or series of Preferred Stock (or reclassify any shares of Common Stock into shares) having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series D Preferred and the Series D-1 Preferred Stock;

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(iv) increase or decrease the authorized number of shares of any series of Preferred Stock;

(v) sell, lease, assign or otherwise convey all or substantially all of the Corporation's assets or effect a merger or consolidation with another corporation (other than a wholly-owned subsidiary) or effect any transaction or series of transactions in which more than fifty percent of the voting power of the Corporation is disposed of;

(vi) merge into or consolidate with any other corporation, if at least a majority of the voting power of the Corporation, or the surviving corporation as the case may be, would not be owned by persons who held capital stock of the Corporation before the merger or consolidation;

(vii) pay any dividend on or the purchase, redemption or other acquisition of any security junior to the Series D Preferred Stock; or

(viii) modify the Corporation's Articles of Incorporation.

Section 6. Dividends. Dividends shall be paid on the Series D Preferred Stock as, when and if declared by the Board of Directors. In addition, when and if the Board of Directors shall declare a dividend payable with respect to the then outstanding shares of Common Stock, the holders of the Series D Preferred Stock shall be entitled to the amount of dividends per share into which each share of the Series D Preferred Stock could then be converted into.

Section 7. Residual Rights. All rights accruing to the outstanding shares of the Corporation not expressly provided to the contrary herein shall be vested in the Common Stock.

C. The Articles of Amendment re the Statement of Designation of the Company's Series D-1 Convertible Preferred Stock filed on June 23, 1998 are hereby amended and restated to read in full as follows:

SERIES D-1 CONVERTIBLE PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be designated "Series D-1 Convertible Preferred Stock" (hereinafter referred to as the "Series D-1 Preferred Stock"), shall have a par value of \$.01, and shall be 686,553 in number.

Section 2. Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, prior and in preference to any payment or distribution on the Common Stock or any other class or series of stock which ranks, on liquidation with respect to the right to receive payments upon liquidation, junior to the Preferred Series, (a) the

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holders of the "Series A Convertible Preferred Stock" (the "Series A Preferred") shall be entitled to receive out of the assets of the Corporation cash in the amount of \$2.50 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series A Preferred, (b) the holders of the "Series B Convertible Preferred Stock" (the "Series B Preferred") shall be entitled to receive out of the assets of the Corporation, prior and in preference to any payment or distribution on the Common Stock, cash in the amount of \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series B Preferred, (c) the holders of the "Series C Convertible Preferred Stock" (the "Series C Preferred") shall be entitled to receive out of the assets of the Corporation cash in the amount of \$4.50 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series C Preferred, (d) the holders of the Series D Convertible Preferred Stock (the "Series D Preferred Stock") shall be entitled to receive out of the assets of the Corporation cash in the amount equivalent to the greater of (i) the amount such holders would be entitled to receive upon such liquidation, dissolution or winding up of the affairs of the Corporation if immediately prior thereto such holders held the number of shares of Common Stock into which such shares of Series D-1 Preferred Stock is then convertible into, or (ii) \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series D Preferred Stock, and (e) the holders of the Series D-1 Preferred Stock shall be entitled to receive out of the assets of the Corporation cash in the amount of \$3.056 per share, plus a sum equal to all declared but unpaid dividends, if any, on such Series D-1 Preferred Stock (the Series D-1 Preferred Stock, together with the Series A Preferred, the Series B Preferred, the Series C Preferred and the Series D Preferred, the "Preferred Series"). If the assets distributable in any such event to the holders of the Preferred Series are insufficient to permit the payment to such holders of the full preferential amounts to which they may be entitled, such assets shall be distributed ratably among the holders of the Preferred Series in proportion to the full preferential amount each such holder would otherwise be entitled to receive.

After the payment or the setting apart for payment to the holders of the Preferred Series of the preferential amounts so payable to them, the holders of the Common Stock shall be entitled to share in all remaining assets of the Corporation.

For purposes of this Section 2, the sale of all or substantially all of the Corporation's property and assets or the acquisition of this Corporation by another entity by means of merger or consolidation resulting in the exchange of all of the outstanding shares of this Corporation for securities issued or other consideration paid, by the acquiring corporation or any parent or subsidiary thereof (except for a merger or consolidation after the consummation of which the shareholders of this Corporation own in excess of 51% of the voting securities of the surviving corporation or its parent corporation) shall be deemed a voluntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 3. Conversion. The Series D-1 Preferred Stock shall be convertible as follows:

(a) Right to Convert. Each share of Series D-1 Preferred Stock shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the

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holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Series D-1 Preferred Stock, into the number of fully paid and nonassessable shares of Common Stock determined by dividing \$3.056 by the Series D-1 Preferred Conversion Price in effect at the time of conversion (the "Series D-1 Preferred Stock Conversion Price") which shall initially be \$3.056. The Series D-1 Preferred Stock Conversion Price may be adjusted and readjusted from time to time as provided in this Section 3.

(b) Automatic Conversion. Each share of Series D-1 Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Series D-1 Preferred Stock Conversion Price upon the closing of a firm commitment 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 to the public at a public offering price per share of at least three (3) times the then effective Series D Preferred Stock Conversion Price and having an aggregate offering price resulting in net proceeds to the Corporation of not less than Twenty Million and No/100 Dollars (\$20,000,000.) (in the event of which offering, the person(s) entitled to receive the Common Stock issuable upon such conversion of the Series D-1 Preferred Stock shall not be deemed to have converted such Series D-1 Preferred Stock until immediately prior to the closing of such offering). Each person who holds of record Series D-1 Preferred Stock immediately prior to such automatic conversion shall be entitled to all dividends which have been declared but unpaid prior to the time of the automatic conversion. Such dividends shall be paid to all such holders within thirty (30) days of the automatic conversion.

(c) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of the Series D-1 Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Series D Preferred Stock Conversion Price. Before any holder of the Series D-1 Preferred Stock shall be entitled to convert the same into Common Stock (or, in the case of automatic conversion of the Series D-1 Preferred Stock pursuant to Section 3(b) hereof, before any holder of such Series D-1 Preferred Stock so converted shall be entitled to receive a certificate or certificates evidencing the Common Stock issuable upon such conversion), he shall surrender to the Corporation at the office of the Corporation or of any transfer agent for the shares of Series D-1 Preferred Stock, the certificate or certificates representing such Series D-1 Preferred Stock, accompanied by written notice to the Corporation that he elects to convert all or a specified number of such shares (or, in the case of such automatic conversion, he is surrendering the same) and stating therein his name or the name or names of his nominees in which he wishes the certificate or certificates for Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series D-1 Preferred Stock, or to his nominee or nominees, a certificate or certificates representing the number of shares of Common Stock to which he shall be entitled as aforesaid, together with cash in lieu of any fraction of a share and, if less than the full number of Series D-1 Preferred Stock evidenced by such surrendered certificates or certificates are being converted, a new certificate or certificates, of like tenor, for the number of Series D-1 Preferred Stock evidenced by such surrendered certificate less the number of such shares

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being converted. Any conversion made at the election of a holder of Series D-1 Preferred Stock shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series D-1 Preferred Stock to be converted, and the person or persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(d) Adjustments to Series D-1 Preferred Stock Conversion Price for Diluting Issues:

(i) Special Definitions. For purposes of this Section 3(d), the following definitions shall apply:

(1) "Options" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Additional Shares of Common Stock or Convertible Securities.

(2) "Original Issue Date" shall mean the date on which a share of Series D-1 Preferred was first issued.

(3) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than shares of Common Stock) or other securities directly or indirectly convertible into or exchangeable for Additional Shares of Common Stock.

(4) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section 3(d)(iii) hereof, deemed to be issued) by the Corporation after the Original Issue Date, other than Common Stock issued or issuable:

(A) upon conversion of any series of Preferred Stock; or

(B) up to 830,000 shares of Common Stock issued to officers or employees of, or consultants to, the Corporation pursuant to a stock purchase or option plan or other employee stock incentive program.

(ii) No Adjustment of Conversion Price. No adjustment in the number of shares of Common Stock into which the Series D-1 Preferred Stock is convertible shall be made, by adjustment in the Conversion Price applicable to such Series D Preferred Stock, in respect of the issuance of Additional Shares of Common Stock or otherwise, unless the consideration per share (determined pursuant to Section 3(d)(v) hereof) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price applicable to such Series D-1 Preferred Stock in effect on the date of, and immediately prior to, the issue of such Additional Shares of Common Stock.

(iii) Issue of Securities Deemed Issue of Additional Shares of Common Stock.

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(1) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue, sell, grant or assume any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then, and in each such case, the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued for purposes of adjusting the Series D-1 Preferred Stock Conversion Price unless the consideration per share (determined pursuant to Section 3(d)(v) hereof) of such Additional Shares of Common Stock would be less than the Series D-1 Preferred Stock Conversion Price applicable to such Series D-1 Preferred Stock in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) no further adjustment in the Series D-1 Preferred Stock Conversion Price shall be made upon the subsequent issue of Convertible Securities of shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(B) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Corporation, or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Series D-1 Preferred Stock Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities which are outstanding at such time;

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been fully exercised, the Series D-1 Preferred Stock Conversion Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(I) in the case of such Convertible Securities or Options for shares of Common Stock, the only Additional Shares of Common Stock issued or sold were the shares of Common Stock, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received for such Additional Shares of Common Stock was, in the case of Options, the consideration actually received by the

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Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or, in the case of Convertible Securities, the consideration actually received by the Corporation for the issue, sale or assumption of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(II) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise thereof were issued at the time of issue, sale, grant or assumption of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 3(d)(v) hereof) upon the issue or sale of the Convertible Securities with respect to which such Options were actually exercised;

(D) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Series D-1 Preferred Stock Conversion Price to an amount which exceeds the lower of (i) the Series D Preferred Stock Conversion Price on the original adjustment date, or (ii) the Series D Preferred Stock Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

(E) in the case of any Options which expire by their terms not more than 30 days after the date of issue, sale, grant or assumption thereof, no adjustment of the Series D-1 Preferred Stock Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (C) above; and

(F) if any such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Series D-1 Preferred Stock Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Series D-1 Preferred Stock Conversion Price shall be adjusted pursuant to this subparagraph 3(d)(iii) as of the actual date of their issuance.

(2) Stock Dividends, Stock Distributions and Subdivision. In the event the Corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend or make any other distribution on the Common Stock payable in Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock, into a greater number of shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock), then and in each such event, Additional Shares of Common Stock shall be deemed to have been issued:

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(A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution, or

(B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and such dividend or distribution shall not have been paid on the date fixed therefor, the adjustment previously made in the Series D-1 Preferred Stock Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Series D-1 Preferred Stock Conversion Price shall be adjusted pursuant to this subparagraph 3(d)(iii) as of the time of actual payment of such dividend or distribution.

(iv) Adjustment of Series D-1 Preferred Stock Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall issue or be deemed to issue Additional Shares of Common Stock (excluding Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(2) hereof, which event is dealt with in Section 3(d)(vi) hereof) without consideration or for a consideration per share less than the Series D Preferred Stock Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Series D-1 Preferred Stock Conversion Price shall be reduced, concurrently with such issue or sale in order to increase the number of shares of Common Stock into which the Series D-1 Preferred Stock is convertible to a price (calculated to the nearest cent) equal to the lowest consideration per share for which such Additional Shares of Common Stock are issued, provided that the Conversion Price shall not be so reduced to an amount less than \$.01.

(v) Determination of Consideration. For purposes of this Section 3(d), the consideration received (or deemed to be received) by the Corporation for the issue or sale of any Additional Shares of Common Stock (or any Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(1)) shall be computed as follows:

(1) Cash and Property. The consideration per share received by the Corporation for the issue or sale of Additional Shares of Common Stock shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue or sale, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be

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the portion of such consideration so received, computed as provided in clauses (A) and (B) above, allocable to such Additional Shares of Common Stock as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share deemed to be received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 3(d)(iii)(1), relating to Options and Convertible Securities, shall be determined by dividing:

(A) the total amount, if any, actually received by the Corporation as consideration for the issue, sale, grant or assumption of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating to such Options or Convertible Securities without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(B) the maximum number of Additional Shares of Common Stock (as set forth in the instruments relating to such Options or Convertible Securities, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) Adjustment for Stock Dividends, Distributions, Subdivisions, Combinations or Consolidation of Common Stock.

(1) Stock Dividends, Distributions and Subdivisions. In the event the Corporation shall issue Additional Shares of Common Stock pursuant to Section 3(d)(iii)(2) hereof, relating to stock dividends, distributions and subdivisions, the Series D-1 Preferred Stock Conversion Price in effect immediately prior to such stock dividend, distribution or subdivision shall, concurrently with the effectiveness of such stock dividend, distribution or subdivision, be proportionately decreased.

(2) Combinations or Consolidation of Common Stock. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Series D-1 Preferred Stock Conversion Price in effect immediately prior to such combinations or consolidation shall, concurrently with the effectiveness of such combinations or consolidation, be proportionately increased.

(vii) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, Etc. In the event the Corporation, after the Original Issue Date, (1) shall consolidate with or merge into

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any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (2) shall permit any other corporation or entity to consolidate with or merge into the Corporation and the Corporation shall be the continuing or surviving corporation but, in connection with such consolidation or merger, the Common Stock shall be changed into or exchanged for stock or other securities of any other person or cash or any property, or (3) shall transfer all or substantially all of its properties or assets to any other corporation or entity, or (4) shall effect a capital reorganization or reclassification of the Common Stock (other than a capital reorganization or reclassification resulting in the issue of Additional Shares of Common Stock for which adjustment in the Series D-1 Preferred Stock Conversion Price is provided in Section 3(d)(iv) hereof), then, and in each such event, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Section 3(d)(vii), the holder of a share of Series D-1 Preferred Stock, upon the conversion thereof at any time after the consummation of such consolidation, merger, transfer, reorganization or reclassification, shall be entitled to receive, in lieu of the Common Stock issuable upon such conversion prior to such consummation, the stock and other securities, cash and property to which such holder would have been entitled upon such consummation if such holder had converted such shares of Series D-1 Preferred Stock immediately prior thereto, subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for in this Section 3. Notwithstanding anything contained herein to the contrary, the Corporation will not effect any of the transactions described in clauses (1) through (4) above unless, prior to the consummation thereof, each corporation (other than the Corporation) which may be required to deliver any stock, securities, cash or property upon the conversion of a share of Series D-1 Preferred Stock shall assume, by written instrument delivered to each holder of a share of Series D-1 Preferred Stock, the obligation to deliver to such holder such shares of stock, securities, cash or property as such holder may be entitled to receive upon such conversion, and such corporation shall have furnished to each holder of a share of Series D-1 Preferred Stock an opinion of counsel for such corporation, which counsel shall be reasonably satisfactory to such holder, stating that the holder of such share of Series D-1 Preferred Stock shall thereafter be entitled to receive, upon the conversion of such share, the stock, securities, cash or property which such corporation may be required to deliver pursuant to the terms hercof.

(e) No Impairment. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series D-1 Preferred Stock against impairment. Without limiting the generality of the foregoing, the Corporation (i) will not permit the par value of any shares of stock at the time receivable upon the conversion of a share of Series D-1 Preferred Stock to exceed \$0.01, (ii) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid nonassessable shares of stock on the conversion of the Series D-1 Preferred Stock, and (iii) will not take any action which results in any adjustment of the Series D-1 Preferred

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Stock if the total number of shares of Common Stock issuable after the action upon the conversion of all of the Series D-1 Preferred Stock will exceed the total number of shares of Common Stock then authorized by the Corporation's Articles of Incorporation and available for the purpose of issue upon such conversion.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series D-1 Preferred Stock pursuant to this Section 3, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series D-1 Preferred Stock, a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or to be received by the Corporation for any Additional Shares of Common Stock issued or sold or deemed to have been issued, (ii) the number of shares of Common Stock outstanding or deemed to be outstanding, and (iii) the Series D-1 Preferred Stock Conversion Price in effect immediately prior to such issue or sale and as adjusted and readjusted on account thereof. The Corporation shall, upon the written request at any time of any holder of Series D-1 Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) the applicable Series D-1 Preferred Stock Conversion Price at the time in effect, and showing how it was calculated, and (ii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Series D-1 Preferred Stock.

(g) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Series D-1 Preferred Stock, at least ten (10) days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(h) Common Stock Reserved. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series D-1 Preferred Stock.

Section 4. Redemption. If there is no firm commitment underwritten public offering pursuant to Section 3(b) above, the holders of a majority of Series D-1 Preferred Stock shall have the right to require the Corporation to redeem all shares of the Series D-1 Preferred Stock as follows: On June 18, 2003, the Series D-1 Preferred Stock shall have the right to require the Corporation to redeem for cash out of any funds legally available therefor two-thirds of the Series D-1 Preferred Stock held by each holder of Series D-1 Preferred Stock on that date, or if one-third of the Series D-1 Preferred Stock was redeemed in connection with the redemption of one-third of the Series D

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Preferred Stock on June 18, 2002, then one-half of the Series D-1 Preferred Stock held by each holder of Series D-1 Preferred Stock on that date. On June 18, 2004, the Series D-1 Preferred Stock shall have the right to require the Corporation to redeem for cash out of any funds legally available therefor the remainder of Series D-1 Preferred Stock held by each holder of Series D-1 Preferred Stock on that date. Redemptions pursuant to this Section 4 shall be made for a price of \$3.056 per share of Series D-1 Preferred Stock (as appropriately adjusted for any stock dividend, stock split, recapitalization or consolidation) plus, in each case, an amount equal to the amount of all unpaid dividends payable in accordance with Section 7 hereof on each share of Series D-1 Preferred Stock to be redeemed. The Corporation need not establish any sinking fund for the redemption of Series D-1 Preferred Stock.

The Series D-1 Preferred Stock shall give written notice to the Corporation at least forty-five (45) days prior to the redemption dates as provided above, and any rescheduled redemption dates as provided below, of its intention require the Corporation to redeem for cash the Series D-1 Preferred Stock held by each holder of Series D-1 Preferred Stock on that date as provided herein. On or after the date of redemption unless postponed or waived as provided below, each holder of the Series D-1 Preferred Stock shall surrender a certificate or certificates representing the number of shares of the Series D-1 Preferred Stock to be redeemed as stated in the notice provided by the Corporation.

For the purpose of determining whether funds are legally available for redemption of Series D-1 Preferred Stock as provided herein, the Corporation shall value its assets at the highest amount permissible under applicable law. If on any redemption date funds of the Corporation legally available therefor shall be insufficient to redeem all the Series D-1 Preferred Stock required to be redeemed as provided herein, funds to the extent legally available shall be used for such purpose and the Corporation shall effect such redemption pro rata according to the redemption prices of the Series D-1 Preferred Stock. The redemption requirements provided hereby shall be continuous, so that if on any redemption date such requirements shall not be fully discharged, without further action by any holder of Series D-1 Preferred Stock funds legally available shall be applied therefor until such requirements are fully discharged.

Section 5. Voting Rights. The holders of Series D-1 Preferred Stock shall be entitled, on all matters submitted for a vote of the holders of Common Stock, whether pursuant to law or otherwise, to one vote for each whole share of Common Stock into which each share of Series D-1 Preferred Stock held could be converted as of the date of such vote, and on all such matters shall vote together as one class with the holders of Common Stock and the holders of all other shares of stock entitled to vote with the holders of Common Stock on such matters. In addition, the holders of Series D-1 Preferred Stock shall have the voting powers provided for by law and the holders of Series D-1 Preferred Stock shall have the further voting powers provided for below:

The consent of the holders of not less than fifty percent of the outstanding shares of Series D Preferred Stock and Series D-1 Preferred Stock, voting together as a single class, in person or by

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proxy, either in writing without a meeting or at a special or annual meeting of shareholders called for the purpose, shall be necessary to:

- (i) amend or repeal any provision of, or add any provision to, the Corporation's Articles of Incorporation or By-Laws;
- (ii) alter or change the rights, preference or privileges of the Series D-1 Preferred provided that any changes made to the Series D Preferred Stock and the Series D-1 Preferred Stock are the same for each class and provided that the Series D-1 Preferred Stock may not be redeemable prior to June 18, 2003, except pursuant to Section 4 hereof;
- (iii) create or issue any other class or classes of stock or series of Preferred Stock (or reclassify any shares of Common Stock into shares) having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series D-1 Preferred;
- (iv) increase or decrease the authorized number of shares of any series of Preferred Stock;
- (v) sell, lease, assign or otherwise convey all or substantially all of the Corporation's assets or effect a merger or consolidation with another corporation (other than a wholly-owned subsidiary) or effect any transaction or series of transactions in which more than fifty percent of the voting power of the Corporation is disposed of;
- (vi) merge into or consolidate with any other corporation, if at least a majority of the voting power of the Corporation, or the surviving corporation as the case may be, would not be owned by persons who held capital stock of the Corporation before the merger or consolidation;
- (vii) pay any dividend on or the purchase, redemption or other acquisition of any security junior to the Series D-1 Preferred Stock; or
- (viii) modify the Corporation's Articles of Incorporation.

Section 6. Dividends. Dividends shall be paid on the Series D-1 Preferred Stock as, when and if declared by the Board of Directors. In addition, when and if the Board of Directors shall declare a dividend payable with respect to the then outstanding shares of Common Stock, the holders of the Series D-1 Preferred Stock shall be entitled to the amount of dividends per share into which each share of the Series D-1 Preferred Stock could then be converted into.

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Section 7. Residual Rights. All rights accruing to the outstanding shares of the Corporation not expressly provided to the contrary herein shall be vested in the Common Stock.

D. The Articles of Amendment re the Statement of Designation, Preferences, Rights and Limitations Establishing Terms of Series C Convertible Preferred Stock of Daleen Technologies, Inc. filed on June 26, 1998 ("Statement") are hereby amended as follows, in order to conform the Statement to the amendment made in Section A above concerning the Series B Convertible Preferred Stock:

1. The figure "\$3.06" in the first paragraph of Section 2, item (b) and in Section 3(a)(iii) is deleted and replaced with the figure "\$3.056".
2. The figure "\$4.00" in Section 4 is deleted and replaced with the figure "\$3.056".

E. Article VII "Number of Directors; Vacancies and Removal" of the Articles is hereby deleted in its entirety.

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IN WITNESS WHEREOF, the undersigned for the purpose of amending the Company's Articles of Incorporation pursuant to the laws of the State of Florida has executed this Amendment as of 31st day of July, 1998.

DALEEN TECHNOLOGIES, INC.

By: James Daleen
James Daleen, as
Chief Executive Officer and Director

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