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In the office of the Secretary of State  
of the State of California

AMENDED AND RESTATED ARTICLES OF INCORPORATION JUL 27 2006

OF

ALTRA INC. *Q3*

Lawrence S. Gross certifies that:

A. He is the President and Secretary of Altra Inc., a California corporation (the "Corporation").

B. The Articles of Incorporation of the Corporation are hereby amended and restated to read as follows:

ARTICLE I

The name of the Corporation is Altra Inc.

ARTICLE II

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

Section A. Authorized Stock. The Corporation is authorized to issue two classes of stock to be designated respectively Common Stock ("Common Stock") and Preferred Stock ("Preferred Stock"). The total number of shares of capital stock that the Corporation is authorized to issue is 333,014,778. The total number of shares of Common Stock the Corporation shall have authority to issue is 185,000,000. The total number of shares of Preferred Stock the Corporation shall have authority to issue is 148,014,778, of which 63,681,445 shares shall be designated as Series A Preferred Stock ("Series A Preferred Stock"), 8,333,333 shares shall be designated as Series B-1 Preferred Stock ("Series B-1 Preferred Stock") and 76,000,000 shares shall be designated as Series B-2 Preferred Stock ("Series B-2 Preferred Stock") and together with the Series B-1 Preferred Stock, the "Series B Preferred Stock". The Series A Preferred Stock and Series B Preferred Stock shall sometimes be referred to herein as the "Preferred Stock." Both the Preferred Stock and the Common Stock shall have no par value.

Section B. Preferred Stock. The powers, preferences, rights, restrictions, and other matters relating to the Series A Preferred Stock, the Series B-1 Preferred Stock and the Series B-2 Preferred Stock are as follows:

1. Dividends.

(a) From and after the date of issuance of any shares of Preferred

Stock and before any dividends payable in cash or other property shall be paid or declared and set aside for any other series or class of capital stock of the Corporation (other than Preferred Stock), the holders of any shares of Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, at the rate of 8% of the Applicable Original Issue Price (as defined in Section B.2(a)(i) of this Article III) for each outstanding share of Preferred Stock per annum (as adjusted for any stock dividends, recapitalizations, combinations or splits (collectively, "Recapitalizations")), compounding annually. Such dividends shall accrue from day to day, whether or not declared, and shall be cumulative; *provided, however*, that such dividends shall be payable only (i) when, as, and if declared by the Board of Directors of the Corporation (the "Board of Directors"), (ii) upon a liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, or (iii) in connection with a Liquidation Event (as defined in Section B.2(d) of this Article III) in which such Preferred Stock is not converted.

(b) So long as any shares of Preferred Stock shall be outstanding, no dividends shall be paid on any Common Stock of the Corporation during any fiscal year of the Corporation until all accrued and unpaid dividends (as set forth in Section B.1(a) of this Article III) on the Preferred Stock shall have been paid or declared and set apart, and no dividends on the Common Stock shall be paid unless the amount of such dividend on the Common Stock is also paid on the Preferred Stock on an as-converted to Common Stock basis.

## 2. Liquidation Preference.

(a) In the event of a Liquidation Event or any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, (x) in which the Equity Valuation (as defined in Section B.2(c) of this Article III) of the Corporation is an amount greater than \$250 million and (y) that occurs on or prior to the third anniversary of the date on which the first share of Series A Preferred Stock was issued (the "Series A Original Issue Date"):

(i) First, the holders of Preferred Stock shall be entitled to receive from the assets of the Corporation legally available for distribution to shareholders, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock or any other series or class of capital stock of the Corporation (other than Preferred Stock) by reason of their ownership thereof, an amount per share equal to the Applicable Original Issue Price per share for each outstanding share of Preferred Stock (as adjusted for any Recapitalizations with respect to such shares) *plus* an amount equal to all accrued but unpaid dividends on each such share; *provided, however*, that, if the assets and funds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount each such holder is otherwise entitled to receive under Section B.2(a)(i) of this Article III, then the entire assets and funds of the Corporation legally available for distribution to shareholders shall be distributed ratably among the holders of the Preferred Stock based on the proportion of (x) the full preferential amount each such holder is otherwise entitled to receive under Section B.2(a)(i) of this Article III in relation to (y) the aggregate preferential amount all such holders are entitled to receive under Section B.2(a)(i) of this Article III. For purposes of this Article III, "Applicable Original Issue Price" shall mean \$1.00 per share for each share of Series A Preferred Stock, \$1.65 per share for each share of Series B-1 Preferred Stock and \$3.32 per share for each share of Series B-2 Preferred

Stock.

(ii) Second, after the distributions to holders of Preferred Stock described in Section B.2(a)(i) of this Article III have been fully paid, all of the remaining assets of the Corporation legally available for distribution to shareholders shall be distributed ratably among the holders of Common Stock.

(b) In the event of a Liquidation Event or any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, (x) in which the Equity Valuation of the Corporation is equal to or less than \$250 million, whenever occurring, or (y) that occurs after the third anniversary of the Series A Original Issue Date (in the case of this Section B.2(b) of this Article III, regardless of whether the Equity Valuation of the Corporation is equal to, greater than or less than \$250 million):

(i) First, the holders of the Preferred Stock shall be entitled to receive from the assets of the Corporation legally available for distribution to shareholders, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock or any other series or class of capital stock of the Corporation (other than Preferred Stock) by reason of their ownership thereof, an amount per share equal to the Applicable Original Issue Price per share for each outstanding share of Preferred Stock (as adjusted for any Recapitalizations with respect to such shares) plus an amount equal to all accrued but unpaid dividends on each such share; provided, however, that, if the assets and funds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount each such holder is otherwise entitled to receive under Section B.2(b)(i) of this Article III, then the entire assets and funds of the Corporation legally available for distribution to shareholders shall be distributed ratably among the holders of the Preferred Stock based on the proportion of (x) the full preferential amount each such holder is otherwise entitled to receive under Section B.2(b)(i) of this Article III in relation to (y) the aggregate preferential amount all such holders are entitled to receive under Section B.2(b)(i) of this Article III.

(ii) Second, after the distributions to holders of Preferred Stock described in Section B.2(b)(i) of this Article III have been fully paid, all of the remaining assets of the Corporation legally available for distribution to shareholders shall be distributed among the holders of the Preferred Stock and the Common Stock (on an as-converted to Common Stock basis) on a pro rata basis.

(c) "Equity Valuation" shall mean the aggregate value of the actual consideration received by holders of capital stock, or any securities convertible into, exchangeable for, or exercisable for shares of capital stock of the Corporation upon a Liquidation Event, excluding any adjustments for assumption of indebtedness. Equity Valuation shall not be deemed to be the enterprise value of the Corporation (which does include assumption of indebtedness).

(d) "Liquidation Event" shall mean any of the following events (unless the holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, shall determine otherwise): (i) a

sale of all or substantially all of the assets of the Corporation in a single transaction or series of related transactions or (ii) a merger, consolidation or other corporate reorganization (or series of related mergers, consolidations or corporate reorganization), whether effected by the Corporation or its shareholders, in which holders of the Corporation's voting power prior to such transaction will hold, after such transaction, less than fifty percent of the voting power of the surviving entity, without the power to elect a majority of the board of directors of the surviving entity.

(e) In any Liquidation Event, if the consideration received by this Corporation is other than cash, its value will be deemed its fair market value as determined in the sole discretion of the Board of Directors. Any securities shall be valued as follows:

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

(ii) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid and asked prices over the thirty (30) day period ending three (3) days prior to the closing; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as determined in the good faith sole discretion of the Board of Directors.

(f) The Corporation shall give each holder of record of Preferred Stock written notice of an impending Liquidation Event not later than thirty (30) days prior to the shareholders' meeting called to approve such transaction, or thirty (30) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The transaction shall in no event take place earlier than thirty (30) days after the Corporation has given the first notice provided for herein; *provided, however*, that such period may be shortened to a period of no less than ten days upon the written consent of the holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis.

(g) Nothing in Section B.2 of this Article III shall be deemed to prohibit any holder of Preferred Stock from converting its Preferred Stock, in accordance with Section B.4(a) of this Article III, and participating in a Liquidation Event as a holder of Common Stock in lieu of receiving the proceeds of such Liquidation Event pursuant to Section B.2(a) or Section B.2(b) of this Article III.

3. Redemption. The Preferred Stock is not redeemable.

4. Conversion. The holders of Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right To Convert. Subject to Section B.4(d) of this Article III, each share of Preferred Stock shall be convertible, 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

such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Applicable Original Issue Price per share of such share of Preferred Stock by the Applicable Conversion Price per share (as defined below) in effect at the time that the certificate is surrendered for conversion for the Preferred Stock. The initial "Applicable Conversion Price" per share for shares of Preferred Stock shall be the Applicable Original Issue Price of such share of Preferred Stock; *provided* that the Applicable Conversion Price per share of Preferred Stock shall be subject to adjustment as set forth in Section B.4(d) of this Article III.

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the Applicable Conversion Price per share of such share of Preferred Stock then in effect upon the earlier of (i) the date specified by vote or written consent or agreement of holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis; provided, however, that, in connection with any Liquidation Event where the quotient of (A) the Equity Valuation in such Liquidation Event divided by (B) the total number of shares of Common Stock then outstanding (assuming full conversion or exercise of all securities convertible into or exercisable for Common Stock, but excluding reserved but unissued options or shares under the Corporation's stock option plan, restricted stock plan, or other stock plan, if any), is less than \$3.32 (as adjusted for any Recapitalizations with respect to shares of the Series B-2 Preferred Stock), then, in addition to the vote or written consent or agreement of holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, as set forth above, the vote or written consent or agreement of holders of a majority of the voting power of all then outstanding shares of Series B Preferred Stock, voting together as a single class on an as-converted basis, shall also be required prior to an automatic conversion of any shares of Series B Preferred Stock pursuant to this Section B.3(b)(i) of this Article III, or (ii) immediately upon the closing of the sale of Common Stock in a firm commitment, underwritten public offering registered under the Securities Act of 1933, as amended (the "Securities Act"), other than a registration relating solely to a transaction under Rule 145 under the Securities Act or to an employee benefit plan of the Corporation, at a public offering price (before underwriters' discounts and expenses) of not less than \$5.00 per share (adjusted for any Recapitalizations with respect to the Preferred Stock) with aggregate proceeds to the Corporation (before deduction for underwriters' discounts and expenses) which exceed \$40,000,000 (a "Qualified Public Offering").

(c) Mechanics of Conversion.

(i) Before any holder of Preferred Stock shall be entitled to voluntarily convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the principal corporate office of the Corporation or of any transfer agent for such stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the number of shares to be converted and the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. The Corporation, as soon as practicable thereafter, shall issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of the shares of Preferred Stock to be converted, and the

person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(ii) If the conversion is in connection with an underwritten offering of securities pursuant to the Securities Act, the conversion may, at the option of any holder tendering shares of Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities

(d) Conversion Price Adjustments of Preferred Stock

(i) The per share Applicable Conversion Price for each share of Preferred Stock shall be subject to adjustment from time to time as follows:

(A) If, after the Series B-2 Original Issue Date (as defined in Section B.4(d)(v) of this Article III) (I) for each share of Series A Preferred Stock, the Corporation issues any shares of Additional Stock (as defined in Section B.4(d)(ii) of this Article III) (other than shares of Series B-1 Preferred Stock or shares of Series B-2 Preferred Stock) without consideration or for a consideration per share less than the Applicable Conversion Price per share for such share of Series A Preferred Stock in effect immediately prior to the issuance of such Additional Stock, (II) for each share of Series B-1 Preferred Stock, the Corporation issues any shares of Additional Stock (other than shares of Series A Preferred Stock or shares of Series B-2 Preferred Stock) without consideration or for a consideration per share less than the Applicable Conversion Price per share for such share of Series B-1 Preferred Stock in effect immediately prior to the issuance of such Additional Stock, and (III) for each share of Series B-2 Preferred Stock, the Corporation issues any shares of Additional Stock (other than shares of Series A Preferred Stock or shares of Series B-1 Preferred Stock) without consideration or for a consideration per share less than the Applicable Conversion Price per share for such share of Series B-2 Preferred Stock in effect immediately prior to the issuance of such Additional Stock (in each case, a "Dilutive Issuance"), the Applicable Conversion Price per share for such share of Preferred Stock shall be reduced, concurrently with such issue, to a price determined in accordance with the following formula which is a weighted average formula:

$$CP2 = CP1 * (A+B) / (A+C)$$

For purposes of the foregoing formula, the following definitions shall apply:

"CP2" is the Applicable Conversion Price per share for each share of such Preferred Stock in effect immediately after the issuance of such Additional Stock.

"CP1" is the Applicable Conversion Price per share for each share of such Preferred Stock in effect immediately prior to the issuance of such Additional Stock.

"A" is the number of shares of Common Stock outstanding and deemed outstanding immediately prior to the issuance of such Additional Stock, treating for this purpose as outstanding all shares of Common Stock issuable upon exercise or conversion of then outstanding securities that are convertible or exercisable into Common Stock (including the Preferred Stock).

"B" is the number of shares of Common Stock that would have been issued if such Additional Stock had been issued at a price per share equal to CPI (determined by dividing the aggregate consideration received by the Corporation in respect of such issue, as determined below, by CPI).

"C" is the number of shares of such Additional Stock issued in such transaction.

(B) No adjustment of the Applicable Conversion Price per share for any share of Preferred Stock shall be made in an amount less than one cent per share, *provided* that any adjustments that are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made prior to three (3) years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three (3) years from the date of the event giving rise to the adjustment being carried forward: Except to the limited extent provided for in Sections B.4(d)(i)(E)(3) and B.4(d)(i)(E)(4) of this Article III, no adjustment of such Applicable Conversion Price pursuant to Section B.4(d)(i) of this Article III shall have the effect of increasing the Applicable Conversion Price per share for any share of Preferred Stock above the Applicable Conversion Price per share for such share of Preferred Stock in effect immediately prior to such adjustment.

(C) In the case of the issuance of Additional Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of the Additional Stock for consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(E) In the case of the issuance (whether before, on or after the applicable date of purchase) of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Additional Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for all purposes of Sections B.4(d)(i) and B.4(d)(ii) of this Article III:

(1) The aggregate maximum number of shares

of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including, without limitation, the passage of time) of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in Sections B.4(d)(i)(C) and B.4(d)(i)(D) of this Article III), if any, received by this Corporation upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights for the Common Stock covered thereby.

(2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time) for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by this Corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by this Corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in Sections B.4(d)(i)(C) and B.4(d)(i)(D) of this Article III).

(3) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to this Corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Applicable Conversion Price per share for any share of such Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Applicable Conversion Price per share for any share of such Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

(5) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to Sections B.4(d)(i)(E)(1) and B.4(d)(i)(E)(2) of this Article III shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either Section B.4(d)(i)(E)(3) or B.4(d)(i)(E)(4) of this Article III.



(ii) **"Additional Stock"** shall mean any shares of capital stock of the Corporation issued (or deemed to have been issued pursuant to Section B.4(d)(i)(E) of this Article III) by this Corporation after the Series B-2 Original Issue Date other than:

(A) up to 10,000,000 shares of Common Stock (as adjusted for Recapitalizations) issued or issuable (or deemed issued) upon exercise of options issued pursuant to the Corporation's 2006 Equity Incentive Plan approved by the Board of Directors, as amended from time to time;

(B) shares of Common Stock issued or issuable (or deemed issued) upon exercise or conversion of warrants or other convertible securities outstanding on the Series B-2 Original Issue Date or issued in connection with the issuance of the Series B Preferred Stock (but solely to the extent disclosed in or pursuant to that certain Series A Preferred Stock Purchase Agreement, dated as of March 27, 2006, that certain Series B-1 Preferred Stock and Warrant Purchase Agreement, dated as of July 27, 2006, that certain Series B-2 Preferred Stock Purchase Agreement, dated as of July 27, 2006, or that certain Placement Agent Agreement, dated as of July 27, 2006);

(C) shares of Common Stock issued or issuable upon conversion of the Preferred Stock;

(D) shares of Common Stock issued or deemed issued as a dividend, stock split or other distribution on Common Stock or Preferred Stock; and

(E) shares of Common Stock issued or issuable by the Corporation in the future if the holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, agree in writing that such shares shall not constitute Additional Stock. (The securities referenced in subsections (A)-(E) are sometimes referred to herein as the **"Permitted Issuances"**).

(iii) In the event this Corporation should at any time or from time to time after the Series B-2 Original Issue Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as **"Common Stock Equivalents"**) without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Applicable Conversion Price per share for shares of Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents.

(iv) If the number of shares of Common Stock outstanding at

any time after the Series B-2 Original Issue Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Applicable Conversion Price per share for shares of Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

(v) "Applicable Original Issue Date" shall mean (A) for each share of Series A Preferred Stock, the Series A Original Issue Date, (B) for each share of Series B-1 Preferred Stock, the date on which the first share of Series B-1 Preferred Stock was issued, and (C) for each share of Series B-2 Preferred Stock, the date on which the first share of Series B-2 Preferred Stock was issued.

(e) Other Distributions. This Corporation shall not declare a distribution payable in securities of other persons, evidences of indebtedness issued by this Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in Section B.4(d)(iii) of this Article III without the written consent of the holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis.

(f) Adjustments for Reclassification and Reorganization. If the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for in Section B.4 of this Article III or a merger or other reorganization referred to in Section B.2(d) of this Article III), the Applicable Conversion Price per share for a share of Preferred Stock then in effect, concurrently with the effectiveness of such reorganization or reclassification, shall be proportionately adjusted so that the Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Preferred Stock immediately before that change.

(g) Certificates as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Applicable Conversion Price per share for shares of Preferred Stock pursuant to Section B.4 of this Article III, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation, upon the written request at any time of any holder of Preferred Stock, shall furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Applicable Conversion Price per share for such share of Preferred Stock at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such shares of Preferred Stock.

(h) Notices of Record Date. In the event of any taking by this Corporation of a record of the holders of any class of securities for the purpose of determining

the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, this Corporation shall mail to each holder of Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(i) Issue Taxes. The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Preferred Stock pursuant hereto; *provided, however*, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(j) 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 the Preferred Stock and the warrants issued in connection therewith (including any warrants issued to placement agents in connection with the issuance 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 Preferred Stock and exercise of such warrants; and 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 Preferred Stock and exercise of such warrants, 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, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these Amended and Restated Articles of Incorporation.

(k) Fractional Shares. No fractional share shall be issued upon the conversion of any share or shares 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 a fraction of a share of Common Stock, the Corporation, in lieu of issuing any fractional share, shall pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors).

(l) Notices. Any notice required by Section B.4 of this Article III to be given to the holders of shares of Preferred Stock shall be deemed given if sent by certified United States mail, postage prepaid, and addressed to each holder of record at his address on the books of the Corporation.

## 5. Voting Rights.

(a) Except as may be required by applicable law and as may be limited

by Section B.5(b) and Section B.6 of this Article III, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class, and each holder of a share of Preferred Stock shall have the right to one vote for each share of Common Stock into which such share of Preferred Stock could be converted on the record date for the vote or written consent of shareholders. In all cases any fractional share, determined on an aggregate conversion basis, shall be rounded to the nearest whole share (with one-half being rounded upward). With respect to such vote, such holder of Preferred Stock shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock (except as otherwise provided herein or as required by law, voting together with the Common Stock as a single class on an as-converted basis), and, notwithstanding any provision hereof, shall be entitled to notice of any shareholders' meeting in accordance with the bylaws of the Corporation.

(b) Election of Directors. The Board of Directors shall consist of five (5) members. As long as at least five million (5,000,000) shares of Series A Preferred Stock (as adjusted for Recapitalizations) remain outstanding, the holders of the Series A Preferred Stock shall be entitled to elect four (4) directors of the Corporation at each annual election of directors, or special meeting of shareholders or by action by written consent, or in the case of any vacancy caused by resignation or removal of a director elected by the holders of the Series A Preferred Stock. The holders of the Common Stock and the Preferred Stock, voting together as a single class on an as-converted basis, shall be entitled to elect one (1) director of the Corporation at each annual election of directors, or special meeting of shareholders or by action by written consent, or in the case of any vacancy caused by resignation or removal of a director elected by the holders of the Common Stock and the Preferred Stock, voting together as a single class on an as-converted basis.

(c) Series B Preferred Stock. For all purposes hereunder, the Series B-1 Preferred Stock and the Series B-2 Preferred Stock shall be considered part of, and shall vote together as, a single series.

6. Restrictions and Limitations. So long as more than five million (5,000,000) shares of Preferred Stock remain outstanding (as adjusted for Recapitalizations), and in addition to any other vote required by law or these Amended and Restated Articles of Incorporation, without the written consent or affirmative vote of the holders of a majority of the voting power of all then outstanding shares of Preferred Stock, voting together as a single class on an as-converted basis, the Corporation, either directly or by amendment, merger, consolidation or otherwise, shall not:

(a) create, authorize or issue (or create or authorize any obligation to create, authorize or issue) any debt or equity security, other than the Permitted Issuances, or enter into any agreement to do the same, including without limitation the authorization or issuance of additional shares of Common Stock (or securities convertible into, or exercisable for, Common Stock) to employees of the Corporation;

(b) make any change in the rights, preferences or privileges of the Preferred Stock or any class or series of capital stock;

(c) effect any Liquidation Event or any liquidation or dissolution of

the Corporation;

(d) pay dividends or make any other distribution on any class of the Corporation's equity securities other than the Preferred Stock, or repurchase or redeem shares of the Corporation's capital stock (or securities convertible into, or exercisable for, capital stock) except for securities repurchased (i) from former employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares at no greater than the original cost for such shares; (ii) pursuant to stock purchase agreements or stock restriction agreements or the like between the Corporation and any holder of its capital stock; or (iii) upon the exercise of any right of first refusal as approved by the Board of Directors;

(e) change the authorized number of directors of the Corporation from five (5);

(f) amend, restate, alter or repeal the Corporation's Amended and Restated Articles of Incorporation or bylaws, or any provision thereof;

(g) increase the number of shares of capital stock reserved for issuance under any stock plan, stock option plan or the like (except by Recapitalizations);

(h) issue or incur any indebtedness for borrowed money, or acquire or dispose of any equity securities (or securities convertible into or exercisable for equity securities), valued, individually or cumulatively, greater than \$2,500,000; or

(i) make any material change in the Corporation's current business of developing, manufacturing, producing, distributing, and selling ethanol and biodiesel fuels.

7. Status of Converted Stock. In the event any shares of Preferred Stock shall be converted pursuant to Section B.4 of this Article III, or repurchased by the Corporation, the shares so converted or repurchased shall be canceled and shall not be issuable by the Corporation, and these Amended and Restated Articles of Incorporation shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

Section C. Common Stock. The rights, preferences, privileges and restrictions granted to and imposed on the common stock are as set forth below in this Section C of this Article III.

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of this Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Upon the liquidation, dissolution or winding of this Corporation, the assets of this Corporation shall be distributed as provided in Section B.2 of this Article III.

3. Redemption. The Common Stock is not redeemable.

4. Voting Rights. Except as may be required by applicable law and as may be limited by (i) the rights of the holders of the Series A Preferred Stock to elect four (4) directors pursuant to Section B.5(b) of this Article III, (ii) the rights of the holders of the Preferred Stock to vote as a separate class, on an as-converted basis, on the matters described in Section B.6 of this Article III and (iii) separate class or series votes required by applicable law, the holder of each share of Common Stock shall have the right to one vote for each such share, and shall be entitled to notice of any shareholders' meeting in accordance with the bylaws of this Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

#### ARTICLE IV

The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law. The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the General Corporation Law of California, (the "Code")) to the fullest extent permissible under California law. If, after the effective date of this Article IV, California law is amended in a manner which permits a corporation to limit the monetary or other liability of its directors or to authorize indemnification of its directors or other persons in any such case to a greater extent than is permitted on such effective date, the references in this Article IV to "California law" shall to that extent be deemed to refer to California law as so amended.

Each holder of Preferred Stock shall be deemed to have consented, for purposes of Sections 502 and 503 of the Code, to distributions made by the Corporation in connection with the repurchase of shares of Common Stock from employees, officers, directors or consultants of the Corporation in connection with the termination of their employment or services pursuant to agreements or arrangements approved by the Board of Directors.

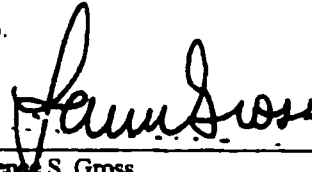
\* \* \*

The foregoing Amended and Restated Articles of Incorporation have been duly approved by the Board of Directors.

The foregoing Amended and Restated Articles of Incorporation have been duly approved by the required vote of shareholders of this Corporation in accordance with Sections 902 and 903 of the Code. The Corporation has two classes of shares entitled to vote on the approval of the foregoing Amended and Restated Articles of Incorporation, the Series A Preferred Stock and Common Stock, and the number of outstanding shares of Series A Preferred Stock is 63,681,445 and the number of outstanding shares of Common Stock is 8,332,942. The number of shares of each class voting in favor of the approval of the foregoing Amended and Restated Articles of Incorporation equaled or exceeded the vote required by each class. The approval of a majority of the outstanding shares of Series A Preferred Stock and a majority of the outstanding shares of Series A Preferred Stock and Common Stock, voting together as a single class on an as-converted basis, was required for the approval of the foregoing Amended and Restated Articles of Incorporation.

The undersigned, Lawrence S. Gross, declares this 27 day of July, 2006, at Los Angeles, California, under penalty of perjury under the laws of the State of California that he has read the foregoing certificate and knows the contents thereof and that the same is true of his knowledge.

Executed at Los Angeles, California, July 27, 2006.



Lawrence S. Gross  
President and Secretary