

07-30-2001

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Aspen Youth Services, Inc.

- Individual(s)
- General Partnership
- Corporation-State CA
- Other _____
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

Execution Date: 4/11/01

2. Name and address of receiving party(ies)

Name: Aspen Education Group, Inc.

Internal Address: 17100 Pioneer Bl

Street Address: _____

City: Cerritos State: CA Zip: 90701

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State CA
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)
76/064,811

B. Trademark Registration No.(s)



07-11-2001

U.S. Patent & TMO/TM Mail RptDt #77

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Tawnya R. Wojciechowski

Internal Address: Sheppard Mullin Richter & Hampton

Street Address: 650 Town Center Drive, 4th Floor

City: Costa Mesa State: CA Zip: 92626

6. Total number of applications and registrations involved: 6

7. Total fee (37 CFR 3.41).....\$ 165.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

500209

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Tawnya R. Wojciechowski

Name of Person Signing

Signature

7/10/01

Date

Total number of pages including cover sheet, attachments, and document: 6

07/27/2001 LINDLER 00000106 76064811

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

01 FC:481
02 FC:482

40.00 OP
125.00 OP

TRADEMARK
REEL: 2335 FRAME: 0894

Aspen Youth Services, Inc.

Change of Name to

Aspen Education Group, Inc.

Trademarks (in addition to 76/064811 listed in recordation sheet):

76/064815

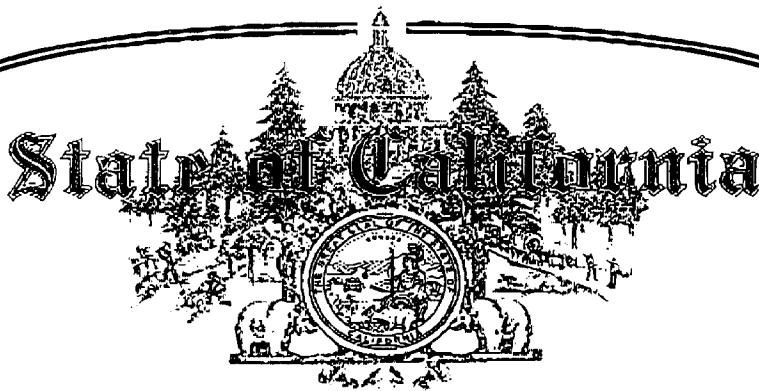
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SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 17 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

APR 27 2001



Bill Jones

Secretary of State

A0564034

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
ASPEN YOUTH SERVICES, INC.**

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

APR 19 2001

BILL JONES, Secretary of State

ELLIOT A. SAINER and TIM DUPELL certify that:

1. They are the President and Assistant Secretary, respectively, of ASPEN YOUTH SERVICES, INC., a California corporation (hereinafter referred to as the "Corporation").
2. The Amended and Restated Articles of Incorporation of the Corporation are further amended and restated to read as follows:

ONE. The name of the corporation is Aspen Education Group, Inc.

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

THREE. **Capital Stock**

(a) **Authorized Shares.** The total number of shares of capital stock which the Corporation shall have authority to issue is Two Hundred Million (200,000,000) shares, consisting of (i) One Hundred Eighty Million (180,000,000) shares of common stock, no par value per share ("Common Stock"), and (ii) Twenty Million (20,000,000) shares of preferred stock, no par value per share.

(b) **Series A Preferred Stock**

1. **DESIGNATION**

The shares of preferred stock shall be designated as the 12% Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock"). The powers, preferences, relative and special rights, qualifications, limitations and restrictions of the Series A Preferred Stock shall be as set forth below. All capitalized terms used, but not otherwise defined herein, shall have the meanings specified in Paragraph 9 below.

2. **DIVIDENDS AND DISTRIBUTIONS**

A. Holders of the Series A Preferred Stock will be entitled to receive when, as and if declared by the Board of Directors, out of funds legally available therefor, an annual preferential dividend, which dividend shall accrue on a daily basis at the rate of 12.0% per annum (the "Dividend Rate"), compounded annually, of the sum of the Liquidation Value (as hereinafter defined) from the date of issuance of such share of Series A Preferred Stock to and including the first to occur of (i) the date on which the Liquidation Value of such share (plus all accrued and unpaid dividends thereon) is paid to the holder thereof in connection with liquidation, dissolution

or winding up of the Corporation; (ii) the date upon which such share of Series A Preferred Stock is converted into Conversion Stock pursuant to Paragraph 4 below (in which event any accrued and unpaid dividends shall be paid solely in shares of Conversion Stock as part of the conversion of the Series A Preferred Stock and as is provided for in Paragraph 4); and (iii) the date on which such share of Series A Preferred Stock is acquired by the Corporation (each, a "Dividend Payment Date"). Anything to the contrary herein notwithstanding, the failure to declare and pay dividends by the Corporation with respect to the Series A Preferred Stock under this Paragraph 2.A shall not constitute a default hereunder, and for the purposes of Paragraph 3 hereof, dividends shall accrue from the date of the initial issuance of the shares of Series A Preferred Stock through the payment date provided for in Paragraph 3 hereof (to the extent not otherwise declared and paid as set forth above) at the Dividend Rate, and shall accumulate as provided in Paragraph 2.C hereof.

B. Dividends will be payable to holders of record of the Series A Preferred Stock as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the Dividend Payment Date, as shall be fixed by the Board of Directors (each a "Dividend Payment Record Date"). No Dividend Payment Record Date shall precede the date upon which the resolution fixing the Dividend Payment Record Date is adopted. At the time any dividend on the Series A Preferred Stock is declared, the Board of Directors shall specify whether such dividend is to be paid in cash, shares of Common Stock or other consideration and, to the extent such dividend is not paid in cash, the Board of Directors shall in good faith determine the value of the shares of Common Stock or other consideration to be so paid.

C. Unless full cumulative dividends on the Series A Preferred Stock shall have been paid (whether pursuant to this Paragraph 2 or Paragraph 3 hereof), dividends on the Common Stock (other than dividends payable solely in shares of Common Stock) or any other stock of the Corporation ranking junior to or on parity with the Series A Preferred Stock as to dividends (and rights to acquire the foregoing) shall not be paid or declared and set aside for payment, and other distributions shall not be made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the Series A Preferred Stock as to dividends, nor shall any Common Stock or any other Stock of the Corporation ranking junior to or on a parity with the Series A Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration by the Corporation, except for (i) repurchases from directors, employees or consultants of or to the Corporation, or any direct or indirect subsidiary of the Corporation, pursuant to the terms of current or future contractual obligations of the Corporation, or (ii) by conversion into or exchange for stock of the Corporation ranking junior to the Series A Preferred Stock as to dividends. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under this Paragraph 2.C, purchase or otherwise acquire such shares at such time and in such manner. Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of twelve 30-day months.

D. In addition to the dividends provided for under Paragraph 2.A and subject to the restrictions under Paragraph 2.C regarding dividends on the Common Stock (other than dividends payable solely in shares of Common Stock), the holders of the Series A Preferred Stock shall also be entitled to receive a dividend when, as and if any dividend on the Common

Stock (other than dividends payable solely in shares of Common Stock) is paid or declared and set aside for payment, which dividend shall be payable to the holders of the Series A Preferred Stock at the time of payment to the holders of the Common Stock in such amount as shall be determined as though each share of Series A Preferred Stock had been converted into that number of shares of Common Stock equal to the number of Participation Conversion Shares (as hereinafter defined) into which such share of Series A Preferred Stock could have been converted immediately prior to the record date of such dividend payable on the Common Stock.

3. RANK UPON LIQUIDATION, DISSOLUTION AND WINDING UP

A. The shares of the Series A Preferred Stock shall rank prior to the shares of the Common Stock, and of any other class of stock of the Corporation ranking junior to the Series A Preferred Stock upon liquidation (collectively, the "Junior Liquidation Stock"), so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its shareholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other Junior Liquidation Stock, an amount equal to \$2.85 per share (the "Liquidation Value") plus an amount equal to all dividends (whether or not declared) accrued or accumulated and unpaid on the shares of the Series A Preferred Stock, compounded annually, to the date of final distribution (collectively, the "Liquidation Preference"). If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of the Series A Preferred Stock shall be insufficient to pay in full the Liquidation Preference, then such assets, or the proceeds thereof, shall be distributable among the holders of the Series A Preferred Stock ratably in accordance with the respective amounts which would be payable on such shares if the amounts payable thereon were paid in full.

B. Following payment in full by the Corporation of the Liquidation Preference provided for in Paragraph 3.A., in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series A Preferred Stock shall also be entitled to receive out of the assets of the Corporation available for distribution to its shareholders, whether from capital, surplus or earnings, an amount per share of Series A Preferred Stock as shall be equal to the amount that would otherwise be payable to that number of shares of Common Stock equal to the number of Participation Conversion Shares (as hereinafter defined) into which each share of Series A Preferred Stock could have been converted as of the date of such dissolution or liquidation.

C. So long as any shares of the Series A Preferred Stock remain outstanding, no stock of any class or series of the Corporation shall rank prior to shares of the Series A Preferred Stock, as to the Liquidation Preference, dividends or to distributions.

4. CONVERSION

A. Conversion Procedure.

1. Upon a Conversion Event, each share of Series A Preferred Stock shall automatically be converted into the right to receive that number of shares of Conversion Stock equal to:

(a) the product of one (1) *multiplied* by the Participation Conversion Rate then in effect (the "Participation Conversion Shares"); plus

(b) the quotient of (i) the numeric value of accrued or accumulated and unpaid dividends, divided by (ii) the numeric value of the Liquidation Value *multiplied* by the Participation Conversion Rate.

Except as provided in this Section 4.A.1, no holder of Series A Preferred Stock shall have any right to effect a voluntary conversion of any or all of such holder's shares of Series A Preferred Stock. With respect to each Conversion Event, the Board of Directors shall deliver or cause to be delivered to each holder of Series A Preferred Stock a written notice (the "Conversion Notice") specifying the date such conversion shall be effected (the "Conversion Date") and setting forth the number of shares of Conversion Stock into which each share of Series A Preferred Stock shall be converted.

2. Except as otherwise provided herein, the conversion of Series A Preferred Stock shall be deemed to have been effected as of the close of business on the Conversion Date specified in the Conversion Notice. Each holder of Series A Preferred Stock shall surrender all certificates representing the Series A Preferred Stock owned by such holder for conversion at the principal office of the Corporation as specified in the Conversion Notice. At the time the conversion has been effected, the rights of the holder of the shares of Series A Preferred Stock converted as a holder of Series A Preferred Stock shall cease with respect to such shares converted and the Person(s) in whose name(s) any certificate or certificates for shares of Conversion Stock are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the shares of Conversion Stock represented thereby.

3. Notwithstanding any other provision hereof, if a conversion of Series A Preferred Stock is to be made in connection with a Public Offering, a Fundamental Change or other transaction affecting the Corporation, the conversion of any and/or all shares of Series A Preferred Stock may, at the election of the holders of the majority of the shares of Series A Preferred Stock, be conditioned upon the consummation of such transaction, in which case such conversion shall not be deemed to be effective until such transaction has been consummated.

4. As soon as possible after a conversion has been effected (but in any event within five (5) business days thereafter), the Corporation shall deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Conversion Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the converting holder has specified; and

(b) a certificate or certificates representing any shares of Series A Preferred Stock, if any, which were represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which were not converted.

5. The issuance of certificates for shares of Conversion Stock upon conversion of Series A Preferred Stock shall be made without charge to the holders of such Series A Preferred Stock for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Conversion Stock. Upon conversion of each share of Series A Preferred Stock, the Corporation shall take all such actions as are necessary in order to insure that the Conversion Stock issuable with respect to such conversion shall be, upon issuance, duly authorized, validly issued, fully paid and nonassessable, free and clear of all taxes, liens, charges and encumbrances with respect to the issuance thereof and issued in accordance with all applicable securities laws.

6. The Corporation shall not close its books against the transfer of Series A Preferred Stock or of Conversion Stock issued or issuable upon conversion of Series A Preferred Stock in any manner which interferes with the timely conversion of Series A Preferred Stock. The Corporation shall assist and cooperate with any holder of shares of Series A Preferred Stock required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of shares hereunder (including, without limitation, making any filings required to be made by the Corporation).

7. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Conversion Stock, solely for the purpose of issuance upon the conversion of the Series A Preferred Stock, such number of shares of Conversion Stock issuable upon the conversion of all outstanding Series A Preferred Stock. All shares of Conversion Stock which are so issuable shall, when issued, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Conversion Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Conversion Stock may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation to any such exchange upon each such issuance). The Corporation shall not take any action which would cause the number of authorized but unissued shares of Conversion Stock to be less than the number of such shares required to be reserved hereunder for issuance upon conversion of the Series A Preferred Stock.

8. If any fractional interest in a share of Conversion Stock would, except for the provisions of this subparagraph, be delivered upon any conversion of the Series A Preferred Stock, the Corporation, in lieu of delivering the fractional share therefor, shall deliver one whole share of the Conversion Stock.

B. Participation Conversion Price. The initial conversion price for the Series A Preferred Stock shall be \$0.06684 subject to adjustment from time to time pursuant to Paragraphs 4.C and 4.E hereof (as adjusted, the "Participation Conversion Price"); *provided* that notwithstanding any other provision of this Paragraph 4 there shall be no adjustment to the Participation Conversion Price under Paragraphs 4.C or 4.E with respect to (a) the issuance of

Common Stock and the granting of Options by the Board of Directors to directors, employees or consultants of or to the Corporation, or any direct or indirect subsidiary of the Corporation, or the exercise of such Options (*provided* that the total number of such shares of Common Stock issuable by the Corporation directly or upon the exercise of such Options has been approved by a majority of the directors), or (b) the issuance of Common Stock pursuant to any of the Existing Rights.

C. Adjustments to the Participation Conversion Price. If and whenever on or after the original date of issuance of the Series A Preferred Stock the Corporation issues or sells, or in accordance with Paragraph 4.D is deemed to have issued or sold, any share of Common Stock for a consideration per share less than the Participation Conversion Price in effect immediately prior to such time, then immediately upon such issuance or sale or deemed issuance or sale the Participation Conversion Price shall be reduced to the lowest net price per share at which any such share of Common Stock has been issued or sold or is deemed to have been issued or sold.

D. Effect on Participation Conversion Price of Certain Events. For purposes of determining the adjusted Participation Conversion Price under Paragraph 4.C, the following shall be applicable:

1. Issuance of Rights or Options. If the Corporation in any manner grants or sells any Option and the lowest price per share for which any one share of Common Stock is issuable upon the exercise of any such Option, or upon conversion or exchange of any Convertible Security issuable upon exercise of any such Option, is less than the Participation Conversion Price in effect immediately prior to the time of the granting or sale of such Option, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the granting or sale of such Option for such price per share. For purposes of this paragraph, the "lowest price per share for which any one share of Common Stock is issuable" shall be equal to the lowest aggregate consideration (if any) received or receivable by the Corporation with respect to any one share of Common Stock upon the granting or sale of the Option, upon exercise of the Option and upon conversion or exchange of any Convertible Security issuable upon exercise of such Option. No further adjustment of the Participation Conversion Price shall be made upon the actual issue of such Common Stock or such Convertible Security upon the exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Security.

2. Issuance of Convertible Securities. If the Corporation in any manner issues or sells any Convertible Security and the lowest price per share for which any one share of Common Stock is issuable upon conversion or exchange thereof is less than the Participation Conversion Price in effect immediately prior to the time of such issuance or sale, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this paragraph, the "lowest price per share for which any one share of Common Stock is issuable" shall be equal to the lowest aggregate consideration (if any) received or receivable by the Corporation with respect to any one share of Common Stock upon the issuance or sale of the Convertible Security and upon the conversion or exchange of such Convertible Security. No further adjustment of the Participation Conversion Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of any Convertible

Security, and if any such issue or sale of such Convertible Security is made upon exercise of any Options for which adjustments to the Participation Conversion Price had been made or are to be made pursuant to other provisions of this Paragraph 4, no further adjustment of the Participation Conversion Price shall be made by reason of such issue or sale.

E. Other Effects on Participation Conversion Price. For purposes of determining the adjusted Participation Conversion Price under Paragraph 4.C, the following also shall be applicable:

1. Change in Option Price or Participation Conversion Rate. If the purchase price provided for in any Option, the additional consideration (if any) payable upon the issue, conversion or exchange of any Convertible Security or the rate at which any Convertible Security is convertible into or exchangeable for Common Stock changes at any time, the Participation Conversion Price in effect at the time of such change shall be adjusted immediately to the Participation Conversion Price, as the case may be, which would have been in effect at such time had such Option or Convertible Security originally provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of Paragraph 4.C, if the terms of any Option or Convertible Security which was outstanding as of the date of issuance of the Series A Preferred Stock are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change; *provided* that no such change shall at any time cause the Participation Conversion Price hereunder to be increased.

2. Treatment of Expired Options and Unexercised Convertible Securities. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Security without the exercise of any such Option or right, the Participation Conversion Price then in effect hereunder shall be adjusted immediately to the Participation Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued. For purposes of Paragraph 4.C, the expiration or termination of any Option or Convertible Security which was outstanding as of the date of issuance of the Series A Preferred Stock shall not cause the Participation Conversion Price hereunder to be adjusted unless, and only to the extent that, a change in the terms of such Option or Convertible Security caused it to be deemed to have been issued after the date of issuance of the Series A Preferred Stock.

3. Calculation of Consideration Received. If any Common Stock, Option or Convertible Security is issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor (net of discounts, commissions and related expenses). If any Common Stock, Option or Convertible Security is issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Corporation shall be the Market Price thereof as of the date of receipt. If any Common Stock, Option or Convertible Security is issued to the owners of the

non-surviving entity in connection with any merger in which the Corporation is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Option or Convertible Security, as the case may be. The fair value of any consideration other than cash and securities shall be determined by the Corporation and approved by the holders of the majority of the shares of Series A Preferred Stock. If such parties are unable to reach agreement within twenty (20) days of the receipt of such consideration, the fair value of such consideration shall be determined by an independent appraiser experienced in valuing such type of consideration selected by the Corporation and approved by the holders of the majority of the shares of Series A Preferred Stock. In the event that the Corporation and the holders of the Series A Preferred Stock are unable to agree upon an independent appraiser within ten (10) business days of the date on which the Corporation first submits a proposed candidate for independent appraiser, then at the written request of either the Corporation or the holders of the Series A Preferred Stock, the President of the American Arbitration Association shall designate the independent appraiser. The determination of such appraiser shall be final and binding upon the parties, and the fees and expenses of such appraiser shall be borne by the Corporation.

4. Integrated Transactions. In case any Option is issued in connection with the issue or sale of other securities of the Corporation, together comprising one integrated transaction in which no specific consideration is allocated to such Option by the parties thereto, the Option shall be deemed to have been issued for a consideration of \$.01.

5. Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation or any Subsidiary, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock.

F. Record Date. If the Corporation takes a record of the holders of Common Stock for the purpose of entitling them (a) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (b) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issuance or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

G. Subdivision or Combination of Common Stock. If the Corporation at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Participation Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and if the Corporation at any time combines (by reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Participation Conversion Price in effect immediately prior to such combination shall be proportionately increased.

H. Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially

all of the Corporation's assets or other transaction, in each case which is effected in such a manner that the holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, is referred to herein as an "Organic Change." Prior to the consummation of any Organic Change, the Corporation shall make appropriate provisions (in form and substance satisfactory to the holders of the majority of the shares of the Series A Preferred Stock) to ensure that each of the holders of Series A Preferred Stock shall thereafter have the right to acquire and receive, in lieu of or in addition to (as the case may be) the shares of Conversion Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Series A Preferred Stock, such shares of stock, securities or assets as such holder would have received in connection with such Organic Change if such holder had converted its Series A Preferred Stock immediately prior to such Organic Change. In each such case, the Corporation shall also make appropriate provisions (in form and substance satisfactory to the holders of the majority of the Series A Preferred Stock) to ensure that the provisions of this Paragraph 4 and Paragraph 8 hereof shall thereafter be applicable to the Series A Preferred Stock (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Corporation, an immediate adjustment of the Participation Conversion Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of Conversion Stock acquirable and receivable upon conversion of Series A Preferred Stock, if the value so reflected is less than the Participation Conversion Price in effect immediately prior to such consolidation, merger or sale). The Corporation shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor entity (if other than the Corporation) resulting from consolidation or merger or the entity purchasing such assets assumes by written instrument (in form and substance satisfactory to the holders of the majority of the Series A Preferred Stock), the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

I. Certain Events. If any event occurs of the type contemplated by the provisions of this Paragraph 4 but not expressly provided for by such provision (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Corporation's Board of Directors shall make an appropriate adjustment in the Participation Conversion Price so as to protect the rights of the holders of Series A Preferred Stock; *provided* that no such adjustment shall increase the Participation Conversion Price as otherwise determined pursuant to this Paragraph 4 or decrease the number of shares of Conversion Stock issuable upon conversion of each share of Series A Preferred Stock.

J. Notices.

1. Immediately upon any adjustment of the Participation Conversion Price, the Corporation shall give written notice thereof to all holders of Series A Preferred Stock, setting forth in reasonable detail and certifying the calculation of such adjustment.

2. The Corporation shall give written notice to all holders of Series A Preferred Stock at least five (5) business days prior to the date on which the Corporation closes its books or takes a record (a) with respect to any dividend or distribution upon Common Stock,

(b) with respect to any pro rata subscription offer to holders of Common Stock or (c) for determining rights to vote with respect to any Organic change, dissolution or liquidation.

3. The Corporation shall also give written notice to the holders of Series A Preferred Stock at least five (5) business days prior to the date on which any Organic Change or Fundamental Change shall take place.

5. REDEMPTION

The Series A Preferred Stock is not redeemable by the Corporation and no holder of Series A Preferred Stock may require the Corporation to redeem any shares of the Series A Preferred Stock.

6. STATUS

Upon any conversion of shares of the Series A Preferred Stock, the shares of the Series A Preferred Stock so converted shall have the status of authorized and unissued shares of preferred stock, and the number of shares of preferred stock which the Corporation shall have authority to issue shall not be decreased by the conversion of shares of the Series A Preferred Stock.

7. VOTING RIGHTS

The holders of the Series A Preferred Stock shall be entitled to notice of all shareholders meetings in accordance with the Corporation's bylaws, and except as otherwise required by applicable law, the holders of the Series A Preferred Stock shall be entitled to vote on all matters submitted to the shareholders for a vote together with the holders of the Common Stock voting together as a single class with each share of Common Stock and Series A Preferred Stock entitled to one vote per share. Notwithstanding the foregoing, the Corporation shall not merge or consolidate with another entity or entities, sell all or substantially all of its assets, or voluntarily dissolve or liquidate without the prior approval of holders of at least a majority of the Series A Preferred Stock, each such holder entitled to one vote per share of Series A Preferred Stock.

8. PURCHASE RIGHTS

Except for the Existing Rights and Options to purchase shares of Common Stock granted by the Board of Directors to directors, employees or consultants of or to the Corporation, or any direct or indirect subsidiary of the Corporation, if the Corporation at any time grants, issues or sells any Options, Convertible Securities, or other securities or property pro rata to the record holders of any series of Common Stock (the "Purchase Rights"), then each holder of Series A Preferred Stock shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights per share of Series A Preferred Stock which such holder could have acquired if such holder had held the number of shares of Common Stock equal to the number of Participation Conversion Shares into which each share of Series A Preferred Stock could have been converted immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights. Notwithstanding any provision herein to the contrary, the rights of all holders

of the Series A Preferred Stock under this Paragraph 8 may be waived by the holders of a majority of the shares of the Series A Preferred Stock.

9. CERTAIN DEFINITIONS

“business day” means any day in which banks are not required or authorized to close in Los Angeles, California.

“Common Stock” means, collectively, Common Stock of the Corporation and any capital stock of any class of the Corporation hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

“Conversion Date” has the meaning set forth in Paragraph 4.A.1 hereof.

“Conversion Event” shall mean the earliest to occur of the following: (a) a Fundamental Change; (b) a Public Offering; or (c) the vote of the holders of the majority of the shares of the Series A Preferred Stock to effect a conversion.

“Conversion Notice” has the meaning set forth in Paragraph 4.A.1 hereof.

“Conversion Stock” means shares of the Corporation’s Common Stock, no par value; *provided* that if there is a change such that the securities issuable upon conversion of the Series A Preferred Stock are issued by an entity other than the Corporation or there is a change in the type or series of securities so issuable, then the term “Conversion Stock” shall mean one share of the security issuable upon conversion of the Series A Preferred Stock if such security is issuable in shares, or shall mean the smallest unit in which such security is issuable if such security is not issuable in shares.

“Convertible Securities” means any stock or securities directly or indirectly convertible into or exchangeable for Common Stock.

“Dividend Payment Date” has the meaning set forth in Paragraph 2.A hereof.

“Dividend Payment Record Date” has the meaning set forth in Paragraph 2.B hereof.

“Dividend Rate” has the meaning set forth in Paragraph 2.A hereof.

“Existing Rights” means the obligation of the Corporation to issue shares of Common Stock pursuant to either (a) that certain Third Amended and Restated Warrant issued by the Corporation to Imperial Bank, (b) that certain Warrant issued by the Corporation to Banc of America Finance Corporation or (c) that certain 7% Convertible Promissory Note issued by the Corporation in favor of the Leeway School for Educational Therapy, as each may be amended from time to time with the approval of the Board of Directors.

“Fundamental Change” means (a) any sale or transfer of more than 50% of the assets of the Corporation and its subsidiaries on a consolidated basis (measured either by book value in

accordance with generally accepted accounting principles consistently applied or by fair market value determined in the reasonable good faith judgment of the Corporation's Board of Directors) in any transaction or series of transactions (other than sales in the ordinary course of business) and (b) any merger or consolidation to which the Corporation is a party, except for a merger in which (i) the Corporation is the surviving corporation, (ii) the terms of the Series A Preferred Stock are not changed, (iii) the Series A Preferred Stock is not exchanged for cash, securities (except with respect to conversion rights) or other property, and (iv) after giving effect to such merger, no Person or group of Persons (as the term "group" is used under the Securities Exchange Act of 1934, as amended) other than the holders of Common Stock and Series A Preferred immediately following the closing of the 1998 Common and Preferred Stock Purchase Agreement among the Corporation and the parties identified therein, and their respective Qualified Transferees as defined in, and pursuant to, the Amended Shareholders Agreement between the Corporation and its shareholders owns (x) capital stock of the Corporation possessing a majority of the voting power (under ordinary circumstances) to elect a majority of the Corporation's Board of Directors or (y) more than 50% of the Corporation's issued and outstanding Common Stock.

"Junior Liquidation Stock" has the meaning set forth in Paragraph 3.A hereof.

"Liquidation Preference" has the meaning set forth in Paragraph 3.A hereof.

"Liquidation Value" has the meaning set forth in Paragraph 3.A hereof.

"Market Price" of any security means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked price on all such exchanges at the end of the such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of twenty-one (21) trading days consisting of the day as of which "Market Price" is being determined and the twenty (20) consecutive trading days prior to such day. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" shall be the fair value thereof determined by the Corporation and the holders of the majority of the shares of the Series A Preferred Stock. If such parties are unable to reach agreement within twenty (20) days of the date on which a determination of the Market Price is to be made, such fair value shall be determined by an independent appraiser experienced in valuing securities selected by the Corporation and the holders of the majority of the shares of the Series A Preferred Stock. In the event that the Corporation and the holders of the Preferred Stock are unable to agree upon an independent appraiser within ten (10) business days of the date on which the Corporation first submits a proposed candidate for independent appraiser, then at the written request of either the Corporation or the holders of the Series A Preferred Stock, the President of the American Arbitration Association shall designate the independent appraiser. The determination of such appraiser shall be final and binding upon the parties, and the Corporation shall pay the fees and expenses of such appraiser.

“Option” means any right, warrant or option to subscribe for or purchase Common Stock or Convertible Securities, other than the Existing Rights.

“Organic Change” has the meaning set forth in Paragraph 4.G hereof.

“Participation Conversion Price” has the meaning set forth in Paragraph 4.B hereof.

“Participation Conversion Rate” means, as of any determination date, (a) \$0.06684 *divided* by (b) the Participation Conversion Price then in effect.

“Participation Conversion Shares” has the meaning set forth in Paragraph 4.A.1.(a) hereof.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“Public Offering” means any offering by the Corporation of its capital stock or equity securities to the public pursuant to an effective registration statement under the Securities Act of 1933, as then in effect, or any comparable statement under any similar federal statute then in force.

“Purchase Rights” has the meaning set forth in Paragraph 8 hereof.

10. MISCELLANEOUS

A. Except as otherwise expressly provided, whenever in this Article Three notices or other communications are required to be made, delivered or otherwise given to holders of shares of the Series A Preferred Stock, the notice or other communication shall be made in writing and shall be by registered or certified first class mail, return receipt requested, telecopies, courier service or personal delivery, addressed to the Persons shown on the books of the Corporation as such holders at the addresses as they appear in the books of the Corporation, as of a record date or dates determined in accordance with the Amended and Restated Articles of Incorporation and Bylaws of the Corporation, and applicable law, in each case as in effect from time to time. All such notices and communications shall be deemed to have been duly given; when delivered by hand, if personally delivered; when delivered by courier; if delivered by commercial overnight courier service, five (5) business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

B. Except as may otherwise be required by law, no share of the Series A Preferred Stock shall have any designations, preferences, limitations, or relative rights, other than those specifically set forth in this Article Three (as such may be amended from time to time) and in any other provision of these Amended and Restated Articles of Incorporation.

C. The headings of the various subdivisions hereof are for convenience of reference only and shall not effect the interpretation of any of the provisions hereof.

D. If any right, preference or limitation of the Series A Preferred Stock set forth herein (as amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other rights, preferences and limitations set forth in this Article Three (as so amended) which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation herein set forth shall, nevertheless remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

FOUR. Preemptive Rights

1. ISSUANCE AND SALE TO EXISTING SHAREHOLDERS

If at any time the Corporation intends to issue and sell to any existing shareholder any unissued or treasury shares of the Corporation in exchange for cash or a cash equivalent ("Additional Shares"), then, before such issuance and sale may be consummated, each remaining shareholder shall have the preemptive right and option to purchase from the Corporation up to that number of the Additional Shares determined by multiplying (a) the total number of Additional Shares, by (b) such remaining shareholder's Percentage Interest (the "Preemptive Right").

2. NOTICE OF ADDITIONAL SHARES

Prior to issuing or selling any Additional Shares, the Corporation shall deliver to each remaining shareholder a written notice (the "Notice of Additional Shares") specifying the total number of Additional Shares to be issued and sold by the Corporation, the per share cash or cash equivalent purchase price of the Additional Shares (which price shall be determined by the Board of Directors), the proposed date for the consummation of the issuance and sale, the maximum number of Additional Shares which each remaining shareholder is entitled to purchase pursuant to such remaining shareholder's Preemptive Right, and any other necessary disclosure statement, offering memorandum or similar information related to the issuance and sale of such Additional Shares. A Notice of Additional Shares shall be deemed delivered and effective on the date received by the remaining shareholder last served with such notice.

3. EXERCISE OF PREEMPTIVE RIGHTS

Within thirty (30) calendar days after delivery of the Notice of Additional Shares, each remaining shareholder desiring to exercise his Preemptive Right, which option may be exercised either in whole or in part, shall provide the Corporation with written notice of his intention to exercise his Preemptive Right and the number of Additional Shares he desires to purchase thereunder. In the event that any remaining shareholder does not exercise, or does not exercise in full, such remaining shareholder's Preemptive Right, then the Corporation shall promptly notify all other remaining shareholders of any remaining available Additional Shares and such remaining shareholders shall be entitled to purchase, on a pro rata basis in accordance with their respective Percentage Interests, such remaining available Additional Shares.

4. CONSIDERATION FOR ADDITIONAL SHARES

Additional Shares subject to the Preemptive Right shall be sold by the Corporation, and purchased by the remaining shareholders, only for cash. The issuance and sale of all Additional Shares shall, unless otherwise agreed to by the Corporation, be consummated simultaneously and no later than sixty (60) days following the date of the Notice of Additional Shares.

5. EXCLUSIONS

Notwithstanding the foregoing provisions of this Article Four, the remaining shareholders shall not have Preemptive Rights with respect to the Corporation's issuance or sale of shares pursuant to the following types of transactions:

- A. shares of the Corporation's capital stock issued pursuant to any employee compensation plan of the Corporation or employment agreement approved by the Board of Directors;
- B. shares of the Corporation's capital stock issued pursuant to a Public Offering; or
- C. shares of the Corporation's capital stock issued prior to the date hereof, including without limitation, existing warrants, options or convertible securities.

6. WAIVER OF PREEMPTIVE RIGHT

A remaining shareholder who does not timely exercise his Preemptive Right pursuant to Section 3 of this Article Four shall be deemed to have waived the entire Preemptive Right with respect to the applicable Notice of Additional Shares.

7. CERTAIN DEFINITIONS

"Additional Shares" has the meaning set forth in Paragraph 1 hereof.

"Fully-Diluted Common Stock" at any time, the then issued and outstanding shares of common stock of the Corporation, plus (without duplication) all shares of common stock issuable, (a) upon the conversion or exchange of all then outstanding securities of the Corporation which can be converted or exchanged into common stock or (b) upon the exercise of all other outstanding options, warrants or other rights to purchase or acquire shares of common stock, solely to the extent such options, warrants and/or other rights are exercisable as at the applicable determination date.

"Notice of Additional Shares" has the meaning set forth in Paragraph 2 hereof.

"Percentage Interest" the percentage of Fully-Diluted Common Stock derived from the fraction (a) the numerator of which is the number of shares of Fully-Diluted Common Stock held by a shareholder, and (b) the denominator of which is the number of shares of Fully-Diluted Common Stock held by all shareholders.

"Preemptive Right" has the meaning set forth in Paragraph 1 hereof.

“Public Offering” means an offering of the Corporation of its capital stock or equity securities to the public pursuant to an effective registration statement under the Securities Act of 1933, as then in effect, or any comparable statement under any similar federal statute then in force.

FIVE. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.


SIX. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders.

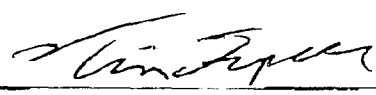
3. The foregoing amendment and restatement of Amended and Restated Articles of Incorporation has been duly approved by the board of directors.
4. The foregoing amendment and restatement of Amended and Restated Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the corporation is 11,810,285 shares of Common Stock and 11,600,000 Shares of Preferred Stock. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50% of the outstanding shares and more than 50% of each class.

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We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: 4/11, 2001

By: 
Elliot A. Sainer
President

By: 
Tim Dupell
Assistant Secretary

