

FILED  
SECRETARY OF STATE  
SAM REED

JUNE 2, 2006

STATE OF WASHINGTON

06/02/2006 855542  
\$50.00 Check #6507  
Tracking ID:  
1114707  
Doc No: 655542-001

**CERTIFICATE  
OF  
THE THIRD AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
AVALARA, INC.**

\*\*\*\*\*

THESE THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION of Avalara, Inc., a Washington corporation (the "Corporation"), are executed and delivered for filing in accordance with the provisions of Section 23B.10.070 of the Washington Business Corporation Act:

1. The name of the corporation is AVALARA, INC.
2. The Board of Directors of the Corporation has amended and restated the Articles of Incorporation to increase the authorized shares of Series A Preferred Stock and effect a one-for-six reverse common stock split. The Third Amended and Restated Articles of Incorporation are attached hereto as Exhibit A.
3. The Third Amended and Restated Articles of Incorporation provide for a one-for-six reverse split of the outstanding common stock of the Corporation, with the resulting fractional shares remaining outstanding. The Third Amended and Restated Articles of Incorporation do not provide for an exchange, reclassification, or cancellation of issued shares.
4. The Third Amended and Restated Articles of Incorporation were adopted by the Board of Directors of the Corporation on March 16, 2006, and by the shareholders of the Corporation on June 1, 2006, all in accordance with RCW 23B.10.030 and 23B.10.040.

DATED: June 1, 2006

AVALARA, INC.

By: 

Daren Nitz, Assistant Secretary

**THIRD AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
AVALARA, INC.**

**ARTICLE 1  
NAME**

The name of the corporation is Avalara, Inc. (the "Company").

**ARTICLE 2  
AUTHORIZED CAPITAL**

- 2.1. Classes.** The Company shall be authorized to issue two classes of stock to be designated, respectively, as "Common Stock" and "Preferred Stock." The total number of shares which the Company shall have authority to issue is three hundred million (300,000,000); the authorized number of shares of Common Stock shall be two hundred million (200,000,000), without par value, and the authorized number of shares of Preferred Stock shall be one hundred million (100,000,000), without par value.
- 2.2. Preferred Stock.** Shares of Preferred Stock may be issued from time to time in one or more series. Shares of Preferred Stock which may be redeemed, purchased or acquired by the Company may be reissued except as otherwise provided by law. The Board of Directors of the Company is hereby authorized to fix the designations and powers, preferences and relative participating, optional or other rights, if any, and qualifications, limitations or other restrictions thereof, including, without limitation, the dividend rate (and whether or not dividends are cumulative), conversion rights, if any, voting and voting group rights, rights and terms of redemption (including sinking fund provisions, if any), redemption price and liquidation preferences of any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding.
- 2.3 Series A Preferred Stock.** The Company shall have a series of Preferred Stock designated "Series A Preferred Stock" consisting of forty-four million eight hundred twenty-six thousand (44,826,000) shares, with the following powers, preferences, privileges and relative rights:

**2.3.1 Voting.**

(a) Voting Rights. Except as otherwise expressly provided herein or as required by law, each holder of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder could or would then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any meeting of shareholders of the Company, and shall be entitled to vote, together with the holders of Common Stock, with respect to any question or matter on which holders of Common Stock have the right to vote.

(b) Special Voting Rights of Series A Preferred Stock. The Company shall not take any of the following actions, without first obtaining the approval (by written consent or affirmative vote, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, given in writing or voting (as the case may be) as a separate class:

(1) Amend, alter or repeal the rights, preferences or privileges of the Series A Preferred Stock so as to materially and adversely affect the shares of Series A Preferred Stock;

(2) Increase the total number of authorized shares of Series A Preferred Stock;

(3) Redeem, purchase or otherwise reacquire for value (or pay into or set funds aside for a sinking fund for such purpose) any shares of the Company's capital stock (other than redemption of Series A Preferred Stock as provided herein); provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for the Company or any subsidiary pursuant to agreements under which the Company has the option to repurchase such shares at cost or at the lower of cost or fair market value upon the occurrence of certain events (such as the termination of employment, or through the exercise of any right of first refusal);

(4) Authorize or issue, or obligate itself to issue, any other equity security, including any security convertible into or exercisable for any equity security, having a preference over the Series A Preferred Stock with respect to voting, dividends, conversion rights, redemption or upon liquidation; or

(5) Amend or alter the Company's articles of incorporation or bylaws so as to materially and adversely affect the holders of the shares of Series A Preferred Stock.

**2.3.2 Dividends.** The Company shall not declare or pay any dividend on shares of Common Stock (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Company) unless the Company shall first pay, or simultaneously therewith declare and set apart, (i) any accrued and unpaid dividends due on the Series A Preferred Stock, and (ii) dividends on the same terms, at the same or equivalent rate and in like kind, whether in cash or property, on each share of Series A Preferred Stock then outstanding, based on the number of shares of Common Stock into which all then outstanding shares of then Series A Preferred Stock are then convertible, so that all outstanding shares of Series A Preferred Stock shall participate in such dividend ratably with the shares of Common Stock.

### **2.3.3 Liquidation Preference.**

(a) Preferential Amounts. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the shares of Series A Preferred Stock then outstanding shall be entitled to receive, prior and in preference to any distribution of the assets of the Company to the holders of the Common Stock or any other series of Preferred Stock that is not expressly senior to or *pari passu* with the Series A Preferred Stock, by reason of their ownership thereof, an amount per share of Series A Preferred Stock (the "Series A Liquidation Value") equal to the sum of (i) \$0.148, as adjusted for any stock dividends, stock splits, combinations, reorganizations, recapitalizations, reclassifications and similar transactions affecting the number of outstanding shares of Series A Preferred Stock (the "Original Purchase Price"), and (ii) an amount equal to all declared and unpaid dividends on such share of Series A Preferred Stock. If upon any such liquidation, dissolution or winding up of the Company, the assets available for distribution to the holders of Preferred Stock shall be

insufficient to permit payment to such holders of the full preferential amounts described above, then the entire amount of assets and funds available for distribution shall be distributed ratably among the holders of Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) Remaining Assets. After the payment of the full liquidation preference of the Preferred Stock as set forth in Section 2.3.3(a), any remaining assets of the Company available for distribution shall be distributed to the holders of Common Stock.

(c) Certain Acquisitions.

(1) Deemed Liquidation. For purposes of this Section 2.3.3, a liquidation, dissolution or winding up of the Company shall be deemed to be occasioned by, or to include (each, a "Sale of the Company"), (i) the acquisition of securities of the Company representing a majority or more of the Company's combined ordinary voting power by any person or entity (including any "group" as defined in Regulation 13D under the Securities Exchange Act of 1934, as amended) by means of any transaction or series of related transactions, including, without limitation, any reorganization, merger or consolidation, but excluding any *bona fide* financing transaction or any such reorganization, merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such reorganization, merger or consolidation continue to represent, or are converted into or exchanged for, shares of capital stock which represent, immediately following such reorganization, merger or consolidation, at least a majority of the combined ordinary voting power of the outstanding capital stock of the surviving or resulting corporation, or, if the surviving or resulting corporation is a wholly-owned subsidiary of another corporation immediately following such reorganization, merger or consolidation, the parent corporation of such surviving or resulting corporation; and (ii) a sale, lease, transfer or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all of the assets of the Company and its subsidiaries taken as a whole, except where such sale, lease, transfer or other disposition is to a wholly-owned subsidiary of the Company.

(2) Valuation of Consideration. In the event of a deemed liquidation as described in Section 2.3.3(c)(1) above, if the consideration received by the Company is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

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

(i) If traded on a securities exchange or 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-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 or sale prices (whichever is applicable) over the thirty-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 good faith by the Board of Directors of the Company.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a shareholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value

determined to reflect the approximate fair market value thereof, as determined by the Board of Directors of the Company.

**2.3.4 Conversion Rights.** The holders of the Series A Preferred Stock shall have conversion rights as follows:

(a) General. Subject to and in compliance with the provisions of this Section 2.3.4, any share of the Series A Preferred Stock may, at the option of the holder, be converted at any time into fully-paid and non-assessable shares of Common Stock. Subject to Section 2.3.4(c), all outstanding shares of Series A Preferred Stock shall automatically be converted into fully-paid and non-assessable shares of Common Stock upon the earlier of (i) the effectiveness of a registration statement in connection with an underwritten public offering under the Securities Act of 1933, as amended (the "Securities Act"), covering the sale of Common Stock to the public that results in aggregate cash proceeds to the Company of not less than \$20,000,000 (net of underwriting discounts and commissions) or (ii) the date specified by written consent or agreement of the holders of at least sixty-seven percent (67%) of the then outstanding shares of Series A Preferred Stock. The number of shares of Common Stock to which a holder of Series A Preferred Stock shall be entitled upon conversion shall be the product obtained by multiplying the Applicable Conversion Rate (determined as provided in Section 2.3.4(b) below) by the number of shares of Series A Preferred Stock to be converted.

(b) Applicable Conversion Rate. The conversion rate in effect at any time (the "Applicable Conversion Rate") for any share of Series A Preferred Stock shall be the quotient obtained by dividing the Original Purchase Price of such share by the Conversion Price applicable to such share, determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price (as of June 1, 2006) for each share of Series A Preferred Stock is \$0.888 per share. Such initial Conversion Price shall be subject to adjustment as set forth in Section 2.3.4(d).

(c) Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for such Series A Preferred Stock, and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A 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 as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act the conversion may, at the option of any holder tendering such Series A 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 Common Stock upon conversion of such Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of such sale of securities.

(d) Conversion Price Adjustments of Series A Preferred Stock for Certain Dilutive Issuances, Splits and Combinations. The Conversion Price of the Series A Preferred Stock shall be subject to adjustment from time to time after the initial issuance of shares of Series A Preferred Stock (the "Series A Issue Date"), as follows:

(1) Issuance of Additional Stock below Purchase Price.

(A) Issuances of Additional Stock. If the Company shall issue, any Additional Stock (as defined below) for consideration per share less than the Conversion Price of the Series A Preferred Stock in effect immediately prior to the issuance of such Additional Stock, such Conversion Price shall automatically be adjusted as set forth in this Section 2.3.4(d)(1), unless otherwise provided in this Section 2.3.4(d)(1).

(B) Adjustment Formula. Whenever the Conversion Price is adjusted pursuant to Section 2.3.4(d)(1)(A), the new Conversion Price shall be determined by multiplying the Conversion Price in effect immediately prior to the issuance of such Additional Stock by a fraction, (x) the numerator of which shall be the number of shares of Outstanding Common Stock (as defined below) immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by the Company for the total number of shares of Additional Stock so issued would purchase at the Conversion Price in effect immediately prior to such issuance, and (y) the denominator of which shall be the number of shares of Outstanding Common Stock immediately prior to such issuance plus the number of shares of such Additional Stock so issued. For purposes of the foregoing calculation, the term "Outstanding Common Stock" shall mean the number of shares of Common Stock actually issued and outstanding at the time of determination plus the number of shares of Common Stock deemed issued at such time pursuant to Section 2.3.4(d)(1)(F) below.

(C) Definition of "Additional Stock". For purposes of this Section 2.3.4(d)(1), "Additional Stock" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to Section 2.3.4(d)(1)(F)) by the Company after the Series A Issue Date, other than:

(i) Common Stock (or securities convertible into Common Stock) issued or issuable as a distribution or dividend on Series A Preferred Stock or pursuant to a transaction described in Section 2.3.4(d)(2);

(ii) Shares of Common Stock and/or options, warrants or other Common Stock purchase rights, and the Common Stock issued pursuant to such options, warrants or other rights (in each case as adjusted for any stock dividends, combinations, splits, recapitalizations and the like) issued or issuable to employees, officers, advisors, consultants or Directors of the Company or any subsidiary approved from time to time by the Board of Directors of the Company;

(iii) Common Stock issued or issuable in connection with bona fide acquisitions by the Company, whether by merger, consolidation, sale of assets, exchange of stock or otherwise, in each case, the terms of which are approved by the Board of Directors of the Company;

(iv) Common Stock issued or issuable upon conversion of options, warrants or other convertible securities issued to financial institutions or lessors in connection with commercial credit arrangements, equipment financings or similar transactions; in each case, the terms of which are approved by the Board of Directors of the Company;

(v) Shares of Common Stock issued or issuable upon conversion of the Series A Preferred Stock, and

(vi) Shares of Common Stock issued or issuable in a public offering prior to or in connection with which all outstanding shares of Series A Preferred Stock will be converted to Common Stock pursuant to 2.3.4(a) hereof.

(D) No Fractional Adjustments. No adjustment of the Conversion Price for the Series A Preferred Stock shall be made in an amount less than one cent per share, and any adjustments of less than one cent shall be carried forward and aggregated with any future adjustments until such aggregate adjustments are equal to at least one cent.

(E) Determination of Consideration. In the case of the issuance of Common 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 the Company for any underwriting or otherwise in connection with the issuance and sale thereof. In the case of the issuance of the Common 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.

(F) Deemed Issuances of Common Stock. In the case of the issuance (whether before, on or after the Series A Issue Date) of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for all purposes of this Section 2.3.4(d)(1):

(i) 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, but without taking into account potential antidilution adjustments) 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 Section 2.3.4(d)(1)(E)), if any, received by the Company upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights (without taking into account potential antidilution adjustments) for the Common Stock covered thereby.

(ii) 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, but without taking into account potential antidilution adjustments) 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 the Company 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 the Company (without taking into account potential antidilution adjustments) 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 Section 2.3.4(d)(1)(e)).

(iii) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to the Company 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 antidilution provisions thereof, the Conversion Price of the Series A 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.

(iv) 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 Conversion Price of the Series A 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 which 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.

(v) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to Sections 2.3.4(d)(1)(F)(i) and 2.3.4(d)(1)(F)(ii) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either Section 2.3.4(d)(1)(F)(iii) or 2.3.4(d)(1)(F)(iv).

(G) No Increased Conversion Price. Notwithstanding any other provisions of this Section 2.3.4(d)(1), except to the limited extent provided for in Sections 2.3.4(d)(1)(F)(iii) and 2.3.4(d)(1)(F)(iv), no adjustment of the Conversion Price pursuant to this Section 2.3.4(d)(1) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(2) Stock Splits and Dividends. In the event the Company should at any time or from time to time after the Series A 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 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 Conversion Price of each series of Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time in the manner provided for deemed issuances in Section 2.3.4(d)(1)(F).

(3) Reverse Stock Splits. If the number of shares of Common Stock outstanding at any time after the Series A Issue Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Series A Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(4) Other Distributions. In the event the Company shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 2.3.4(d)(2), and excluding dividends as provided in Section 2.3.2, then, in each such case for the purpose of this Section 2.3.4(d), the holders of Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Company into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.



(5) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 2.3.4 or Section 2.3.3), provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of such Series A Preferred Stock the number of shares of stock or other securities or property of the Company or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 2.3.4 with respect to the rights of the holders of such Series A Preferred Stock after the recapitalization to the end that the provisions of this Section 2.3.4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of such Series A Preferred Stock) shall be applicable after that event and be as nearly equivalent as practicable.

(6) No Impairment. The Company will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 2.3.4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Series A Preferred Stock against impairment.

(7) No Fractional Shares and Certificate as to Adjustments.

(A) No fractional shares shall be issued upon the conversion of any share or shares of the Series A Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. The number of shares issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(B) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Series A Preferred Stock pursuant to this Section 2.3.4, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such Series A 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 Company shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustment and readjustment, (ii) the Conversion Price for the Series A 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 a share of the Series A Preferred Stock.

(8) Notices of Record Date. In the event of any taking by the Company 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 any other right, the Company shall mail to each holder of Series A Preferred Stock, at least ten (10) 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.

(9) Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for

the purpose of effecting the conversion of the shares of Series A Preferred 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 Series A Preferred Stock; 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 Series A Preferred Stock, in addition to such other remedies as shall be available to the holder of such Series A Preferred Stock, the Company 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 purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these Articles of Incorporation.

(10) Notices. Any notice required by the provisions of this Section 2.3.4 to be given to the holders of shares of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Company.

(11) Status of Converted Stock. In the event any shares of Series A Preferred Stock shall be converted pursuant to Section 2.3.4 hereof, the shares of Series A Preferred Stock so converted shall be canceled and shall not be reissued, sold or transferred by the Company. The Articles of Incorporation of the Company shall be appropriately amended to effect the corresponding reduction in the number of authorized shares of Series A Preferred Stock.

### **2.3.5 Redemption.**

(a) The Company does not have the right to redeem shares of Series A Preferred Stock at its election.

(b) At any time during the 180-day period beginning July 1, 2010, the holders of a majority or more of the shares of Series A Preferred Stock then outstanding may, by delivery of written notice of such election to the Company (the "Series A Redemption Notice"), require the Company to redeem all of the outstanding shares of Series A Preferred Stock, at a redemption price equal to the Series A Liquidation Value, in three (3) equal annual installments beginning January 1, 2011, or such later date not more than sixty (60) days following delivery of the Series A Redemption Notice as may be determined by the Company (the date on which each such redemption installment shall become due is hereinafter referred to as a "Series A Redemption Date"). Following receipt of the Series A Redemption Notice, the Company shall, at least thirty (30) days but no more than sixty (60) days prior to the first Series A Redemption Date, deliver written notice to all holders of Series A Preferred Stock setting forth (i) the Series A Redemption Dates, (ii) the redemption price per share based on the Series A Liquidation Value on such date, and (iii) instructions for the surrender of shares of Series A Preferred Stock for redemption. The holders of shares of Series A Preferred Stock shall have until the day preceding each such Series A Redemption Date to convert shares of Series A Preferred Stock into Common Stock in accordance with Section 2.3.4.

(1) The number of shares of Series A Preferred Stock that the Company shall be required to redeem on the applicable Series A Redemption Date shall be determined by dividing (i) the aggregate number of shares of Series A Preferred Stock outstanding immediately prior to the Series A Redemption Date by (ii) the number of remaining Series A Redemption Dates (including the Series A Redemption Date to which such calculation applies). Any redemption effected shall be made on a pro rata basis among the holders of the Series A Preferred Stock in the proportion that the shares of Series A Preferred Stock held by each holder bears to the aggregate number of outstanding shares of Series A Preferred Stock.

(2) Prior to each Series A Redemption Date, the Company shall deposit the amount necessary to pay the redemption price for the shares to be redeemed on such date with a bank or trust company having aggregate capital and surplus in excess of one hundred million dollars (\$100,000,000), as a trust fund, with instructions authorizing the bank or trust company to pay, on and after such Series A Redemption Date, the redemption price of the shares surrendered for redemption. If the funds of the Company legally available for redemption of shares to be redeemed on a Series A Redemption Date are insufficient to redeem all of the shares of Series A Preferred Stock to be redeemed on such date, those funds which are legally available shall be used to redeem the maximum possible number of shares on such date, pro rata among the holders of Series A Preferred Stock (based on the portion of the aggregate redemption price payable to each holder). At any time thereafter when additional funds of the Company are legally available for the redemption of Series A Preferred Stock, such funds shall immediately be applied to redeem the remaining shares of Series A Preferred Stock to be redeemed on a prior Series A Redemption Date.

(3) Before any holder of shares of Series A Preferred Stock redeemed pursuant to this Section 2.3.5 shall be entitled to receive payment of the redemption price for such shares, such holder shall surrender the certificate(s) representing such shares to the Company in the manner and at the place designated by the Company, or notify the Company or its payment agent that such certificate(s) have been lost, stolen or destroyed and deliver an executed agreement satisfactory to the Company indemnifying the Company from any loss incurred by it in connection with such certificates. The Company shall, as soon as practicable after surrender of the certificate(s) for the shares or delivery of such indemnification agreement in the case of a lost, stolen or destroyed certificate, arrange prompt payment of the redemption price to the holder of the shares redeemed by the Company, or to the nominee or nominees designated by such holder, without interest. In the event less than all the shares represented by such certificates are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after such Series A Redemption Date, unless there shall have been a default in payment of the redemption price, all rights of the holders of such shares as holders of Series A Preferred Stock (except the right to receive payment of the redemption price on the terms specified herein) shall cease and terminate with respect to such shares. If there shall have been a default in payment of the redemption price, the shares of Series A Preferred Stock that were not redeemed as contemplated on a Series A Redemption Date shall remain outstanding, and the holder shall be entitled to all of the rights, powers, privileges and preferences of the Series A Preferred Stock provided herein, until such time as additional funds of the Company are legally available and deposited with the Company's payment agent for the redemption of such shares.

(c) Any shares of Series A Preferred Stock which are redeemed or otherwise acquired by the Company or any of its subsidiaries shall be automatically and immediately canceled and shall not be reissued, sold or transferred. Neither the Company nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series A Preferred Stock following redemption of such shares.

## **2.4 Common Stock.**

**2.4.1 Dividend Rights.** Subject to the prior rights of holders of all classes of stock at the time outstanding having prior or preferential rights as to dividends, the holders of the Common Stock shall be entitled to receive, out of any assets of the Company legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

**2.4.2 Liquidation Rights.** Subject to the prior rights of the holders of all classes of stock at the time outstanding having prior or preferential rights as to distributions upon liquidation,

dissolution or winding up of the Company, the assets of the Company shall be distributed to the holders of Common Stock as provided in Section 2.3.3 hereof.

**2.4.3 Redemption.** The Common Stock is not redeemable.

**2.4.4 Voting Rights.** The holder of each share of Common Stock shall have the right to one vote, and shall be entitled to notice of any meeting of shareholders in accordance with the bylaws of the Company, and shall be entitled to vote upon such matters and in such manner as may be provided by law. The holders of Common Stock shall not be entitled to vote as a separate voting group with respect to any amendment of these Articles of Incorporation.

### **ARTICLE 3 SHAREHOLDER RIGHTS**

- 3.1. No Preemptive Rights.** Except as set forth in a separate shareholders' agreement (if any) or Section 2.2 above, the shareholders of the Company do not have preemptive rights to acquire proportional amounts of the Company's unissued shares or additional issues of stock or securities convertible into stock of any class, whether issued for cash, property, services, by way of dividends or otherwise upon the decision of the Board of Directors to issue them.
- 3.2. No Cumulative Voting.** The shareholders of the Company do not have cumulative voting rights with respect to the election of directors of the Company.
- 3.3. Voting Groups.** Except as specifically set forth in Section 2.2 above, the shareholders of the Company shall not be entitled to the voting group rights granted by subsections 1(a), (e) or (f) of RCW 23B.10.040 or by 23B.11.035.

### **ARTICLE 4 DIRECTOR LIABILITY**

A director of the Company will incur no personal liability to the Company or to its shareholders for monetary damages for conduct as a director, except to the extent the director is held accountable for (i) acts or omissions which involve intentional misconduct or a knowing violation of law, (ii) conduct violating RCW 23B.08.310, as amended, or (iii) any transaction from which the director personally obtained a benefit in money, property, or services to which the director is not legally entitled. If the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director to the Company will be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of this Article by the shareholders of the Company will not adversely affect any right or protection of a director of the Company existing at the time of the repeal or modification.

### **ARTICLE 5 INDEMNIFICATION OF DIRECTORS AND OFFICERS**

**5.1. Definitions.** As used in this Article:

- (a) "Agent" means an individual who is or was an agent of the Company or an individual who, while an agent of the Company, is or was serving at the Company's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise.

"Agent" includes, unless the context requires otherwise, the spouse, heirs, estate and personal representative of an agent.

- (b) "Director" means an individual who is or was a director of the Company or an individual who, while a director of the Company, is or was serving at the Company's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. "Director" includes, unless the context requires otherwise, the spouse, heirs, estate and personal representative of a director.
- (c) "Employee" means an individual who is or was an employee of the Company or an individual, while an employee of the Company, is or was serving at the Company's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. "Employee" includes, unless the context requires otherwise, the spouse, heirs, estate and personal representative of an employee.
- (d) "Indemnitee" means an individual made a party to a proceeding because the individual is or was a Director, Officer, Employee, or Agent of the Company, and who possesses indemnification rights pursuant to these Articles or other corporate action. "Indemnitee" includes, unless the context requires otherwise, the spouse, heirs, estate, and personal representative of such individuals.
- (e) "Liability" means the obligation to pay a judgment, settlement penalty, fine, including an excise tax with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.
- (f) "Officer" means an individual who is or was an officer of the Company (regardless of whether or not such individual was also a Director) or an individual who, while an officer of the Company, is or was serving at the Company's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. "Officer" includes, unless the context requires otherwise, the spouse, heirs, estate and personal representative of an officer.
- (g) "Party" includes an individual who was, is, or is threatened to be named a defendant, respondent or witness in a Proceeding.
- (h) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, derivative, criminal, administrative, or investigative, and whether formal or informal.

**5.2. Indemnification Rights of Directors and Officers.** The Company shall indemnify its Directors and Officers to the full extent not prohibited by applicable law now or hereafter in force against liability arising out of a Proceeding to which such individual was made a Party because the individual is or was a Director or an Officer. However, such indemnity shall not apply on account of: (a) acts or omissions of a Director or Officer finally adjudged to be intentional misconduct or a knowing violation of law; (b) conduct of a Director or Officer finally adjudged to be in violation of Section 23B.08.310 of the Act relating to distributions by the Company; or (c) any transaction with respect to which it was finally adjudged that a Director or Officer personally received a benefit in money, property, or services to which the Director or Officer was not legally

entitled. Subject to the foregoing, it is specifically intended that Proceedings covered by indemnification shall include Proceedings brought by the Company (including derivative actions), Proceedings by government entities and governmental officials or other third party actions.

**5.3. Indemnification of Employees and Agents of the Company.** The Company may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a Proceeding to Employees and Agents of the Company who are not also Directors, in each case to the same extent as to a Director with respect to the indemnification and advancement of expenses pursuant to rights granted under, or provided by, the Act or otherwise.

**5.4. Partial Indemnification.** If an Indemnitee is entitled to indemnification by the Company for some or a portion of expenses, liabilities, or losses actually and reasonably incurred by Indemnitee in an investigation, defense, appeal or settlement but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, liabilities or losses to which Indemnitee is entitled.

**5.5. Procedure for Seeking Indemnification and/or Advancement of Expenses.** The following procedures shall apply in the absence of (or at the option of the Indemnitee, in lieu thereof) specific procedures otherwise applicable to an Indemnitee pursuant to a contract, trust agreement, or general or specific action of the Board of Directors:

**5.5.1 Notification and Defense of Claim.** Indemnitee shall promptly notify the Company in writing of any proceeding for which indemnification could be sought under this Article. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power. With respect to any such proceeding as to which Indemnitee has notified the Company: (a) the Company will be entitled to participate therein at its own expense; and (b) except as otherwise provided below, to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, will be entitled to assume the defense thereof, with counsel satisfactory to Indemnitee. Indemnitee's consent to such counsel may not be unreasonably withheld. After notice from the Company to Indemnitee of its election to assume the defense, the Company will not be liable to Indemnitee under this Article for any legal or other expenses subsequently incurred by Indemnitee in connection with such defense. However, Indemnitee shall continue to have the right to employ its counsel in such proceeding, at Indemnitee's expense; and if: (i) the employment of counsel by Indemnitee has been authorized by the Company; (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of such defense; or (iii) the Company shall not in fact have employed counsel to assume the defense of such proceeding, the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Company or as to which Indemnitee shall reasonably have made the conclusion that a conflict of interest may exist between the Company and the Indemnitee in the conduct of the defense.

**5.5.2 Information to be Submitted and Method of Determination and Authorization of Indemnification.** For the purpose of pursuing rights to indemnification under this Article, the Indemnitee shall submit to the Board a sworn statement requesting indemnification and reasonable evidence of all amounts for which such indemnification is requested (together, the sworn statement and the evidence constitute an "Indemnification Statement"). Submission of an Indemnification Statement to the Board shall create a

presumption that the Indemnitee is entitled to indemnification hereunder, and the Company shall, within sixty (60) calendar days thereafter, make the payments requested in the Indemnification Statement to or for the benefit of the Indemnitee, unless, within such sixty (60) calendar day period the Company shall notify the Indemnitee in writing that the Company has determined, based upon clear and convincing evidence, that the Indemnitee is not entitled to indemnification under this Article. Any determination that the Indemnitee is not entitled to indemnification, and any failure to make the payments requested in the Indemnification Statement, shall be subject to judicial review by any court of competent jurisdiction.

5.5.3 Special Procedure Regarding Advance for Expenses. An Indemnitee seeking payment of expenses in advance of a final disposition of the proceeding must furnish the Company, as part of the Indemnification Statement: (a) a written affirmation of the Indemnitee's good faith belief that the Indemnitee has met the standard of conduct required to be eligible for indemnification; and (b) a written undertaking, constituting an unlimited general obligation of the Indemnitee, to repay the advance if it is ultimately determined that the Indemnitee did not meet the required standard of conduct. Upon satisfaction of the foregoing the Indemnitee shall have a contractual right to the payment of such expenses.

5.5.4 Settlement. The Company is not liable to indemnify Indemnitee for any amounts paid in settlement of any proceeding without the Company's written consent. The Company shall not settle any proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Company nor Indemnitee may unreasonably withhold its consent to a proposed settlement.

## 5.6. **Contract and Related Rights.**

5.6.1 Contract Rights. The right of an Indemnitee to indemnification and advancement of expenses is a contract right upon which the Indemnitee shall be presumed to have relied in determining to serve or to continue to serve in his or her capacity with the Company. Such right shall continue as long as the Indemnitee shall be subject to any possible proceeding. Any amendment to or repeal of this Article shall not adversely affect any right or protection of an Indemnitee with respect to any acts or omissions of such Indemnitee occurring prior to such amendment or repeal.

5.6.2 Optional Insurance, Contracts, and Funding. The Company may: (a) maintain insurance, at its expense, to protect itself and any Indemnitee against any liability, whether or not the Company would have power to indemnify the individual against the same liability under Section 23B.08.5 10 or .520 of the Act; (b) enter into contracts with any Indemnitee in furtherance of this Article and consistent with the Act; and (c) create a trust fund, grant a security interest, or use other means (including without limitation a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

5.6.3 Severability. If any provision or application of this Article shall be invalid or unenforceable, the remainder of this Article and its remaining applications shall not be affected thereby, and shall continue in full force and effect.

5.6.4 Right of Indemnitee to Bring Suit. If either (i) a claim under this Article for indemnification is not paid in full by the Company within sixty (60) days after a written

claim has been received by the Company; or (ii) a claim under this Article for advancement of expenses is not paid in full by the Company within twenty (20) days after a written claim has been received by the Company, then the Indemnatee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. To the extent successful in whole or in part, the Indemnatee shall be entitled to also be paid the expense (to be proportionately prorated if the Indemnatee is only partially successful) of prosecuting such claim. Neither (i) the failure of the Company to have made a determination prior to the commencement of such proceeding that indemnification or reimbursement or advancement of expenses to the Indemnatee is proper in the circumstances, nor (ii) an actual determination by the Company that the Indemnatee is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the proceeding or create a presumption that the Indemnatee is not so entitled.

5.6.5 **Nonexclusivity of Rights.** The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition granted in this Article shall not be exclusive of any other right which any Indemnatee may have or hereafter acquire under any statute, provision of this Article or the bylaws, agreement, vote of shareholders or disinterested directors, or otherwise. The Company shall have the express right to grant additional indemnity without seeking further approval or satisfaction by the shareholders. All applicable indemnity provisions and any applicable law shall be interpreted and applied so as to provide an Indemnatee with the broadest but nonduplicative indemnity to which he or she is entitled.

5.7. **Contribution.** If the indemnification provided in Section 5.2 of this Article is not available to be paid to Indemnatee for any reason other than those set forth in subparagraphs 5.2(a), 5.2(b), and 5.2(c) of Section 5.2 of this Article (for example, because indemnification is held to be against public policy even though otherwise permitted under Section 5.2) then in respect of any proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such proceeding), the Company shall contribute to the amount of loss paid or payable by Indemnatee in such proportion as is appropriate to reflect: the relative benefits received by the Company on the one hand and the Indemnatee on the other hand from the transaction from which such proceeding arose, and the relative fault of the Company on the one hand and the Indemnatee on the other hand in connection with the events which resulted in such loss, as well as any other relevant equitable consideration. The relative benefits received by and fault of the Company on the one hand and the Indemnatee on the other shall be determined by a court of appropriate jurisdiction (which may be the same court in which the proceeding took place) with reference to, among other things, the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such loss. The Company agrees that it would not be just and equitable if a contribution pursuant to this Article was determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

5.8. **Exceptions.** Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of these Articles to indemnify or advance expenses to Indemnatee with respect to any proceeding: (i) initiated voluntarily by Indemnatee and not by way of defense, unless brought to establish or enforce a right to indemnification under these Articles or any other statute or law or as otherwise required under the statute; (ii) instituted by Indemnatee to enforce or interpret this Article, if a court of competent jurisdiction determines that each of the material assertions made by Indemnatee in such proceeding was not made in good faith or was frivolous; (iii) for which any of the expenses or liabilities for indemnification is being sought



have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company; or (iv) if the Company is prohibited by applicable law as then in effect from paying such indemnification and/or advancement of expenses.

#### **ARTICLE 6 SHAREHOLDERS' ACTIONS WITHOUT A MEETING OR VOTE**

Fewer than all of the shareholders entitled to vote may take any action permitted by law without a meeting or a vote in accordance with RCW 23B.07.040 so long as (i) the taking of action by the shareholders is evidenced by one or more written consents describing the action, (ii) the written consents are dated and are signed by the shareholders entitled to vote in the aggregate not less than the minimum number or votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted, (iii) written notice of the taking of the action is given no less than two days before the effective date of the action to all shareholders who have not consented; provided, however, if the action would constitute a significant business transaction under RCW 23B.19.020(15), the written notice is given not less than 20 days before the effective date of such action, (iv) if not previously provided, the written notice provided to nonconsenting shareholders contains or is accompanied by the same material that, under the Washington Business Corporation Act, would have been required to be sent to nonconsenting or nonvoting shareholders in a notice of meeting at which the proposed action would have been submitted for shareholder action, and (v) the Company is not a public corporation for purposes of RCW 23B.07.040 (1)(ii).

#### **ARTICLE 7 BOARD OF DIRECTORS**

The number of directors of the Company shall be fixed and may be changed from time to time in the manner provided in the Bylaws. Initially, the Company will have five (5) directors.

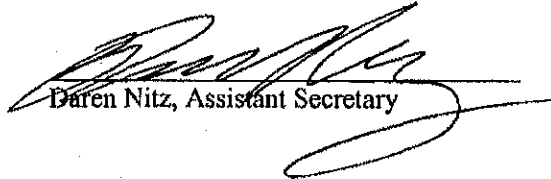
#### **ARTICLE 8 MERGERS, SHARE EXCHANGES, AND OTHER TRANSACTIONS**

Except as set forth in Section 2.2 above, a merger, share exchange, sale of substantially all of the Company's assets, or dissolution may be approved by the affirmative vote of a majority of the Company's outstanding shares entitled to vote.

#### **ARTICLE 9 AMENDMENT TO THE ARTICLES**

The Company reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on shareholders and directors are subject to this reserved power. These Articles of Incorporation may be amended by majority consent of the shareholders entitled to vote.

DATED this 1<sup>st</sup> day of June 2006

  
Daren Nitz, Assistant Secretary