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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission file number 0-22418

I TRON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State of Incorporation)

91-1011792
(I.R.S. Employer Identification Number)

2818 North Sullivan Road
Spokane, Washington 99216-1897
(509) 924-9900

(Address and telephone number of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of October 31, 1998, there were outstanding 14,698,021 shares of the registrant's common stock, no par value, which is the only class of common or voting stock of the registrant.

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I TRON, INC.

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Item 1: Financial Statements

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
Revenues				
AMR systems	\$35,511	\$38,751	\$130,102	\$ 96,655
Handheld systems	12,016	12,689	33,226	35,714
Outsourcing	7,312	6,987	15,988	19,373
	-----	-----	-----	-----
Total revenues	54,839	58,427	179,316	151,742
Cost of revenues				
AMR systems	27,094	21,522	92,518	56,375
Handheld systems	6,479	9,322	17,595	25,392
Outsourcing	6,235	5,483	13,409	14,965
	-----	-----	-----	-----
Total costs of revenues	39,808	36,327	123,522	96,732
	-----	-----	-----	-----
Gross profit	15,031	22,100	55,794	55,010
Operating expenses				
Sales and marketing	6,641	6,800	20,211	21,385
Product development	8,434	8,079	26,354	23,481
General and administrative	3,119	2,867	9,423	8,568
Amortization of intangibles	597	534	1,776	1,611
Restructuring charges	3,247	-	3,247	-
	-----	-----	-----	-----
Total operating expenses	22,038	18,280	61,011	55,045
	-----	-----	-----	-----
Operating income (loss)	(7,007)	3,820	(5,217)	(35)
Other income (expense)				
Equity in affiliates	(874)	(200)	(1,224)	(355)
Interest, net	(1,678)	(972)	(4,611)	(3,206)
	-----	-----	-----	-----
Total other income (expense)	(2,552)	(1,172)	(5,835)	(3,561)
	-----	-----	-----	-----
Income (loss) before income taxes	(9,559)	2,648	(11,052)	(3,596)
Benefit (provision) for income taxes	3,630	(1,005)	4,200	1,305
	-----	-----	-----	-----
Net income (loss)	\$ (5,929)	\$ 1,643	\$ (6,852)	\$ (2,291)
	=====	=====	=====	=====
Basic earnings per share	\$ (0.40)	\$ 0.11	\$ (0.47)	\$ (0.16)
Diluted earnings per share	\$ (0.40)	\$ 0.11	\$ (0.47)	\$ (0.16)

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	September 30, 1998	December 31, 1997
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 4,385	\$ 3,023
Accounts receivable, net	51,796	61,442
Current portion of outsourcing contracts receivable	12,523	8,445
Inventories	23,405	31,985
Deferred income taxes, net	9,872	5,668
Other	3,397	1,888
	-----	-----
Total current assets	105,378	112,451
	-----	-----
Property, plant and equipment, net	44,488	49,067
Equipment used in outsourcing, net	50,012	42,848
Intangible assets, net	18,810	21,472
Long-term portion of outsourcing contracts receivable	18,541	11,119
Other	3,323	3,254
	-----	-----
Total assets	\$ 240,552	\$ 240,211
	=====	=====
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	\$ 11,590	\$ 1,560
Accounts payable and accrued expenses	28,786	35,825
Deferred revenue	4,936	6,759
	-----	-----
Total current liabilities	45,312	44,144
	-----	-----
Convertible subordinated debt	63,400	63,400
Mortgage notes payable	6,281	6,440
Project financing	7,843	2,414
Deferred income taxes payable, net	2,499	2,499
Warranty and other obligations	1,283	887
	-----	-----
Total noncurrent liabilities	81,306	75,640
	-----	-----
Shareholders' equity		
Common stock	105,618	105,193
Retained earnings	9,463	16,315
Other	(1,147)	(1,081)
	-----	-----
Total shareholders' equity	113,934	120,427
	-----	-----
Total liabilities and shareholders' equity	\$ 240,552	\$ 240,211
	=====	=====

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine months ended September 30,	
	1998	1997
	-----	-----
OPERATING ACTIVITIES		
Net loss	\$ (6,852)	\$ (2,291)
Noncash charges (credits) to income:		
Depreciation and amortization	15,150	12,887
Deferred income taxes	(4,141)	(1,288)
Equity in affiliates, net	1,224	355
Changes in operating accounts:		
Accounts receivable	9,646	(7,476)
Inventories	8,580	2,457
Accounts payable and accrued expenses	(6,191)	2,734
Wages and benefits payable	(2,134)	3,373
Outsourcing contracts receivable	(11,500)	(15,646)
Deferred revenue	(1,823)	(807)
Other, net	(1,435)	2,449
	-----	-----
Cash provided (used) by operating activities	524	(3,253)
	-----	-----
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,202)	(7,863)
Equipment used in outsourcing	(9,296)	(22,308)
Proceeds from sale of equipment used in outsourcing	-	3,035
Other, net	(784)	(1,256)
	-----	-----
Cash used by investing activities	(15,282)	(28,392)
	-----	-----
FINANCING ACTIVITIES		
Change in short-term borrowings, net	10,030	(33,062)
Issuance of convertible subordinated debt	-	63,400
Debt issuance costs	-	(2,355)
Project financing	5,429	1,486
Issuance of common stock	1,979	4,556
Purchase and retirement of common stock	(1,554)	-
Other, net	236	413
	-----	-----
Cash provided by financing activities	16,120	34,438
	-----	-----
Increase in cash and equivalents	1,362	2,793
Cash and cash equivalents at beginning of period	3,023	2,243
	-----	-----
Cash and cash equivalents at end of period	\$ 4,385	\$ 5,036
	=====	=====

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

Note 1: Basis of Presentation

The consolidated financial statements presented in this Form 10-Q are unaudited and reflect, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of operations for the three and nine month periods ended September 30, 1998. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 1997, as filed with the Securities and Exchange Commission on March 31, 1998.

The Company reports revenue in three categories: AMR (automatic meter reading) systems, Handheld systems (EMR or electronic meter reading and the handheld portion of off-site meter reading "OMR"), and Outsourcing. EMR involves the use of handheld computers as meter reading management and data storage devices and the visual on-site inspection of meters. AMR involves reading meters from a distance using various communication technologies including radio frequency and telephone. The major AMR technologies employed are OMR, which uses handheld devices to read meter modules, mobile AMR, which uses vans to read meter modules and fixed network AMR. AMR and Handheld systems revenues include all product and other revenue associated with each business segment. Outsourcing includes revenues for contracts under which the Company may install, own, and/or operate an AMR system to provide meter reading and advanced communications services over a period of time, typically 15 years.

The results of operations for the three and nine month periods ended September 30, 1998, are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Note 2: Balance Sheet Components

Inventories (unaudited, in thousands):	September 30, 1998	December 31, 1997
	-----	-----
Material	\$ 10,733	\$ 14,418
Work in process	2,395	3,138
Finished goods	7,966	7,304
Field inventories awaiting installation	-	5,178
	-----	-----
Total manufacturing inventories	21,094	30,038
Service inventories	2,311	1,947
	-----	-----
Total inventories	\$ 23,405	\$ 31,985
	=====	=====

Note 3: Impact of Recent Accounting Pronouncements and New Accounting Standards

Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, (SFAS 130), "Reporting Comprehensive Income," that establishes new rules for reporting and display of comprehensive income and its components. Adoption of SFAS 130 requires unrealized gains or losses on

foreign currency translation adjustments to be included in other comprehensive income, which prior to adoption were reported separately in shareholders' equity. The components of comprehensive income, net of related tax, are as follows (in thousands):

	Nine months ended September 30, 1998	September 30, 1997
	-----	-----
Loss attributable to common shareholders	\$ (6,852)	\$ (2,291)
Foreign currency translation adjustment	(41)	35
	-----	-----
Comprehensive income	\$ (6,893)	\$ (2,256)
	=====	=====

Note 4: Restructuring

In the third quarter of 1998, in connection with management's plan to reduce costs and improve operating efficiencies, the Company recorded a restructuring charge of \$3.2 million. The restructuring plan primarily involved the elimination and/or consolidation of approximately 150 positions and the write-off of certain of the Company's intangible assets as follows (in thousands):

Nine months ended September 30, 1998	Cash/Non-Cash	Expensed	Activity Through 9/30/98	Accrual Balance At 9/30/98
	-----	-----	-----	-----
Severance and related charges	Cash	\$ 1,502	\$ 1,315	\$ 587
Write-down of intangible assets	Non-Cash	1,104	1,104	-
Other	Non-Cash	241	241	-
		-----	-----	-----
Total restructuring charge		\$ 3,247	\$ 2,660	\$ 587
		=====	=====	=====

Additionally, the Company discontinued business activities in one of its jointly-owned entities during the third quarter resulting in a non-cash charge of \$500,000. This expense is reflected in equity in affiliates in the accompanying financial statements.

Note 5: Contingencies

The Company, together with Johnny M. Humphreys, Chairman, President and Chief Executive Officer, is a defendant in a proposed class action filed by certain former shareholders in federal court, alleging violations of the federal securities laws arising out of alleged misleading disclosures or omissions made by the Company regarding its business and technology. The Company believes this action is without merit and intends to vigorously defend against it. At this time, it is not possible to predict the ultimate outcome of the proceedings.

The Company is also a defendant in a patent infringement lawsuit filed by CellNet Data Systems for allegedly infringing its U.S. Patent No. 4,783,623. On November 2, 1998 Itron won summary judgment in the matter when the Court ruled that none of the accused Itron products infringed any of the asserted claims in CellNet's patent. Should CellNet decide to appeal this decision, Itron will defend vigorously against such an appeal; however, at this time it is not possible to predict the ultimate outcome.

The Company and certain of its officers, directors and shareholders were defendants in a proposed class action filed by a shareholder in the Superior Court of the State of Washington for Spokane County. On July 31, 1998, the Court issued a Memorandum Decision ruling that the Complaint failed to state a cause of action. On September 2, 1998 the lawsuit was dismissed with prejudice.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenues

Total Company revenues for the quarter ended September 30, 1998 decreased \$3.6 million, or 6%, from the comparable quarter in 1997. Revenues increased \$27.6 million, or 18%, for the nine months ended September 30, 1998 from the same year to date period in 1997.

Revenues (in millions)	Three months ended September 30,			Nine months ended September 30,		
	1998	Increase (Decrease)	1997	1998	Increase (Decrease)	1997
AMR systems	\$ 35.5	(8%)	\$ 38.8	\$ 130.1	35%	\$ 96.7
Handheld systems	12.0	(5%)	12.7	33.2	(7%)	35.7
Outsourcing	7.3	5%	7.0	16.0	(17%)	19.4
Total revenues	\$ 54.8	(6%)	\$ 58.4	\$ 179.3	18%	\$ 151.7

AMR systems revenues decreased 8% in the third quarter of 1998 from the third quarter of 1997. Year to date AMR revenues increased 35%, to \$130.1 million, for the nine months ended September 30, 1998 compared to \$96.7 million in the comparable 1997 period. The decrease for the quarter was primarily caused by slow industry-wide bookings for AMR in the first half of 1998. The increase in revenues for the year to date period was mainly due to higher electric meter module shipments in support of a fixed network AMR contract signed in 1997, which is being installed during 1998, and due to increased shipments of water meter modules, in support of a large multi-year contract signed in 1997. The increased shipments of electric and water meter modules have somewhat offset lower shipments of gas meter modules. Gas meter module shipments have declined from last year due to the completion of a large turn-key gas contract. Average selling prices for meter modules have decreased minimally from 1997. The Company expects that AMR systems revenues will continue to grow over the longer term. However, the growth in the near term may not be at levels experienced in the past because AMR business continues to be dependent upon the timing and resolution of industry regulatory reform issues, mergers and acquisitions in the utility industry, development of international markets, and other factors.

Handheld systems revenues for the quarter and year to date periods ended September 30, 1998 decreased 5% and 7%, respectively, from the comparable 1997 periods. The Company had higher international handheld shipments in the 1997 period to a Korean utility and the shipments are now substantially complete. The Company expects that handheld systems revenues may decline further as a percentage of total revenues over time as utilities adopt more advanced meter reading technologies. The Company expects future handheld systems revenues to be driven by sales to new customers internationally and by conversion to Year 2000 compliant software and equipment and normal upgrade and replacement sales domestically.

Outsourcing revenues increased somewhat in the third quarter of 1998 versus the third quarter of 1997 but decreased \$3.4 million for the nine months ended September 30, 1998 from the comparable period in 1997. The lower year to date revenues in the 1998 period are because the Company is nearing completion of the installation phase of its outsourcing contract with the Duquesne Light Company ("Duquesne"). During the quarter the Company successfully completed its last remaining critical milestone for the Duquesne agreement. Revenues from outsourcing contracts are expected to decrease as a percentage of total revenues in the foreseeable future if the Company does not sign any new outsourcing agreements.

Gross Margin

Overall gross margins were 27% of revenues for the current quarter and 31% for the nine month period ended September 30, 1998, compared to gross margins of 38% and 36% for each of the same periods in 1997. The percentages for 1998 and 1997 in the table below reflect gross margins as a percentage of corresponding revenues.

Gross margin	Three months ended September 30,			Nine months ended September 30,		
	1998	Margin Inc. (Dec)	1997	1998	Margin Inc. (Dec)	1997
AMR systems	24%	(20%)	44%	29%	(13%)	42%
Handheld systems	46%	19%	27%	47%	18%	29%
Outsourcing	15%	(7%)	22%	16%	(7%)	23%
Total gross margin	27%	(9%)	38%	31%	(5%)	36%

AMR margins for the quarter and year to date 1998 periods were 24% and 29%, respectively, of AMR systems revenues compared to 44% and 42% in the comparable 1997 periods. This margin decline is primarily the result of the Company's turn-key contract with Virginia Power and a higher level of installation and service activities in the current year. The lower margin contract with Virginia Power is primarily the result of the early life cycle status of the Company's fixed network products and installation activities. AMR margins are expected to increase in the future because the contract with Virginia Power will be substantially complete late in 1998 or early in 1999. However, AMR margins have fluctuated in the past depending on the mix of meter module (gas, electric or water) shipments, the level of fixed network components shipped and the level of installation activities in any particular period, and are expected to continue to do so in the future.

Handheld systems margins improved from 27% and 29% in the 1997 three and nine month periods, respectively, to 46% and 47% of revenues in the corresponding 1998 periods. The increase is primarily the result of a combination of software revenues being a larger, and international shipments being a smaller, portion of total handheld systems revenues in the current periods. Third quarter results included a one-time charge of approximately \$1 million from the write down of inventory primarily related to the Company's handheld business. The affected inventory consisted of components that could no longer be utilized because of a design change. Handheld business in 1997 included a large international order with lower than usual margins. Handheld margins are expected to remain fairly level for the remainder of the year.

Outsourcing margins were 15% and 16% of revenues for the third quarter and first nine months of 1998 compared to 22% and 23% in the comparable periods of 1997. The lower margins in 1998 are due to a larger percentage of revenue in the 1998 periods being generated from the Company's contract with Duquesne. This contract is the Company's first large scale, fixed network installation involving the integration of several meter reading technologies and consequently has a low margin. Outsourcing gross profit in the nine month period ended September 30, 1997 included a one-time benefit from a customer's decision to convert its outsourcing contract to a system purchase. The Company expects outsourcing margins to remain fairly consistent on a percentage basis in the near future. However, if the Company enters into additional outsourcing agreements, margins are expected to improve.

Operating Expenses

(in millions) Operating expenses	Three months ended September 30,			Nine months ended September 30,		
	1998	Increase (Decrease)	1997	1998	Increase (Decrease)	1997
Sales and marketing	\$ 6.6	(2%)	\$ 6.8	20.2	(5%)	\$ 21.4
Product development	8.4	4%	8.1	26.4	12%	23.4
General and administrative	3.2	9%	2.9	9.4	10%	8.6
Amortization of intangibles	0.6	12%	0.5	1.8	10%	1.6
Restructuring charge	3.2	100%	-	3.2	100%	-
Total operating expenses	\$ 22.0	21%	\$ 18.3	\$ 61.0	11%	\$ 55.0

Sales and marketing expenses of \$6.6 million for the three months ended September 30, 1998 remained fairly level with the \$6.8 million in the same period in 1997. For the year to date period ended September 30, 1998, sales and marketing expenses were \$20.2 million, or 5%, lower than the \$21.4 million in the comparable nine months of 1997. Sales and marketing expenses for the year to date period decreased as a percentage of revenues from 14% to 11%. The increased expenses in 1997 were primarily due to unusually high consulting charges. Sales and marketing expenses are expected to remain at approximately 11% to 12% of total revenues for the remainder of the year and into 1999.

Product development expenses of \$8.4 million in the current quarter increased \$300,000, or 4%, over the comparable quarter ended September 30, 1997. For the year to date period ended September 30, 1998, product development expenses of \$26.4 million were up \$3 million, or 12%, from \$23.4 million in the same period in 1997. However, as a percentage of revenues, product development expenses remained level at 15%. The increased spending for both the quarter and year to date was primarily related to spending on fixed network AMR products, expansion of meter coverage, development of new models of water and electric meter modules, commercial and industrial hardware and software and systems integration products. Product development expenses are expected to decrease both in dollars and as a percentage of revenue in the fourth quarter of 1998 and for 1999 because of management's restructuring plan, which was announced in the third quarter of 1998 (see restructuring charge discussed below).

General and administrative expenses of \$3.2 million in the third quarter of 1998 were \$300,000 higher than in the same three months of 1997. For the year to date periods, general and administrative expenses increased \$855,000, or 10%, yet decreased as a percentage of revenues to 5% from 6%. The increase in spending for the year to date period was primarily due to a corporate reorganization in 1997 and related reclassification of certain expenses. General and administrative expenses are expected to remain at approximately 5% to 6% of total revenues in the foreseeable future.

Amortization of intangibles increased slightly in the three and nine month periods of 1998 over the same periods in 1997, yet remained at 1% of total revenues. The increased expenses were due to amortization of an exclusive marketing agreement for distribution of STAR software, which was acquired during the last half of 1997. STAR software is used to support half-hourly metering data for customers above 100kw who purchase power competitively. The software is currently being used in the United Kingdom to retrieve and manage half-hourly data from more than 60,000 meters and has also been installed in California as part of its Independent System Operator metering system.

In the third quarter of 1998 the Company announced, and began the implementation of, a restructuring plan to reduce costs and improve operating efficiencies resulting in a \$3.7 million charge, \$500,000 of which is reflected in equity in affiliates. (See Note 4 to the Company's consolidated financial statements). The restructuring plan primarily involved the elimination and/or consolidation of approximately 150 positions, the write-off of certain of the Company's intangible assets due to a reduction in the scope of planned technology development and discontinuation of a jointly-owned entity. Total operating expenses (without the effect of bonus programs) are expected to decrease by approximately \$8 million in 1999 due to the restructuring plan. The majority of the savings will be in the product development area. The Company intentionally increased product development spending in the last two years to expand its selection, and enhance the functionality, of its meter modules, increase the capability of its fixed network and meet customer commitments. As these goals have been achieved, and because of slower bookings, the Company has scaled back its product development spending to lower levels. In addition to the reduction in operating expenses, the Company expects to see a small reduction in its cost of sales from the restructuring plan. Although all known costs have been expensed, the Company is considering several alternatives to further improve operating efficiencies which may result in additional restructuring charges in the future.

Interest and Other, Net

Three months ended September 30,

Nine months ended September 30,

(in millions)	-----			-----		
Other expense	1998	Increase (Decrease)	1997	1998	Increase (Decrease)	1997
	-----	-----	-----	-----	-----	-----
Equity in affiliates loss	\$ (0.9)	337%	\$ (0.2)	\$ (1.2)	245%	\$ (0.4)
Net interest expense	(1.7)	73%	(1.0)	(4.6)	44%	(3.2)
	-----		-----	-----		-----
Total other expense	\$ (2.6)	118%	\$ (1.2)	\$ (5.8)	64%	\$ (3.6)
	=====		=====	=====		=====

The Company had net interest expense of \$1.7 million and \$4.6 million for the third quarter and year to date periods of 1998, respectively, compared to net interest expense of \$1.0 million and \$3.2 million in the same periods of 1997. The Company capitalized interest related to outsourcing installations in 1998 of \$260,000, all of which was in the first quarter. Capitalized interest during the quarter and year to date periods of 1997 was \$110,000 and \$517,000, respectively. Interest expense was higher in the 1998 periods due to inclusion of a full nine months of interest related to the Company's \$63.4 million 6 3/4% Convertible Subordinated Notes which the Company placed in March of 1997. The equity in affiliates loss substantially consists of operating losses incurred by the Company's investments in several joint ventures. As part of the restructuring plan discussed above, the Company discontinued the remaining business activities of a jointly-owned entity in the third quarter of 1998 incurring a charge of \$500,000 related to the decision. This charge is included in the equity in affiliates loss.

Income Taxes

The Company had an income tax benefit of 38% of pre-tax earnings for the nine months ended September 30, 1998, which is comparable to the 36% benefit for the same period in 1997. To the extent pre-tax earnings, or the components of those earnings, differ from expectations, the effective tax rate for the year could change from the current year-to-date rate.

FINANCIAL CONDITION

(in millions)	Three months ended September 30,			Nine months ended September 30,		
	1998	Increase (Decrease)	1997	1998	Increase (Decrease)	1997
Cash flows information						
Operating activities	\$ 1.2	(563%)	\$ (8.1)	\$.5	112%	\$ (3.2)
Investing activities	(4.0)	52%	(8.9)	(15.3)	41%	(28.4)
Financing activities	1.4	(91%)	1.7	16.1	(55%)	34.4
Net increase (dec.) in cash	\$ (1.4)	180%	\$ (15.3)	\$ 1.3	(85%)	\$ 2.8

Operating activities generated \$1.2 million in cash during the third quarter of 1998 and \$524,000 during the first nine months of the year. Operating activities consumed \$8.1 million and \$3.2 million, respectively during the comparable periods one year ago. The increase in cash flows from operating activities was primarily caused by increased collections of accounts receivable during the 1998 periods.

Investing activities consumed \$15.3 million in the first nine months of 1998 compared to \$28.4 million in the comparable period in 1997. The Company is investing less cash in equipment used in outsourcing as installation at the Company's outsourcing project with Duquesne is nearing completion. During the first nine months of 1998 Itron invested \$9.3 million for outsourcing equipment compared to \$22.3 million in the previous year. During the nine months ended September 30, 1997 the Company received \$3.0 million from a customer converting its outsourcing contract to a sale. Costs of capital acquisitions in the last quarter of the year are expected to be approximately \$2 million for Itron fixed assets and somewhat less than that for equipment used in outsourcing.

Financing activities in the first nine months of 1998 provided \$16.1 million in cash, which is substantially lower than the \$34.4 generated in the same period of 1997. Financing activities in the 1998 period consisted primarily of borrowings under the Company's bank line of credit and cash received from a project financing facility for an outsourcing agreement. The Company received \$2.0 million from the issuance of common stock and has repurchased \$1.6 million of common stock. The Company may repurchase additional shares of common stock in the future. Financing activities in the 1997 nine month period generated \$61.0 million in cash from the Convertible Subordinated Note offering, \$33.1 million of which was used to pay off the Company's bank line of credit.

During the third quarter of 1998 the Company signed an agreement to extend its revolving line of credit with two banks. The agreement is for a maximum revolving credit facility of \$35 million. Borrowings available under the facility are based on accounts receivable and inventory, in which the Company has granted the banks a security interest. The pricing of borrowings are based on a financial ratio. The Company reduced the maximum credit from that of the prior credit line because it expected that \$35 million will be more than adequate in the next twelve months to fund operations. The Company is near completion of its installation efforts at Duquesne. One of the primary reasons for increased borrowings in the past was a large amount of expenditures for this project. The Company expects to use project financing to fund the majority of future outsourcing contracts. Existing sources of liquidity at September 30, 1998 include approximately \$4.4 million of existing cash and cash equivalents and \$19 million of available borrowings under the revolving credit facility. The Company believes that existing cash and available borrowings will be sufficient to fund operations for the remainder of 1998 and throughout 1999.

Year 2000 Compliance

In general, the "year 2000 problem" concerns software programs that contain only a two-digit year value (99 to 00) rather than a four-digit year value (1999 to 2000) to indicate a change from 1999 to 2000. The issue is whether computer systems and non information technology systems, such as embedded micro-controllers, will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company instituted a year 2000 program in 1997 to address year 2000 issues by identifying potential risks that the Company had and has developed solutions to mitigate those risks. The Company believes that it will be successful in implementing the identified solutions in a timely manner in order to mitigate potential year 2000 problems.

The Company has potential risks related to the year 2000 problem in three areas; 1) suppliers, 2) internally developed software and hardware the Company sells, and 3) internal software and hardware systems. The following addresses each of these potential risk areas.

- 1) Suppliers: The Company has mailed letters to it's key suppliers from which it purchases the majority of its materials. It has received replies back from almost 90% of such suppliers indicating that they will be year 2000 compliant by December 1998. The Company is pursuing the issue with suppliers who have not yet responded.

- 2) Internally developed software and hardware for sale to customers: The Company is in the process of ensuring that products available for sale to customers are year 2000 compliant. A small number of software platforms will not be upgraded and all customers affected have been notified. Alternatives, including upgrading systems, have been developed for them. The process for upgrading the remaining software and hardware began in late 1997 and the Company intends to have all major applications updated by December 1998. This process is on schedule and approximately 85% complete.
- 3) Internal software and hardware systems: The Company upgraded its financial software including general ledger, manufacturing and sales order processing to be year 2000 compliant during the second quarter of 1998 for domestic and Australian operations. Subsidiaries in the United Kingdom and France are expected to be upgraded by mid-1999. The Company also has a variety of other software and hardware, including personal computer software and software used in engineering functions, whose year 2000 compliance is in the process of being ensured. All internal software is expected to be compliant within the same time frame as concerns European operations.

Additionally, the Company is in the process of developing contingency plans for any unforeseen critical business systems issues arising from the year 2000 problem. The Company does not anticipate that it will incur significant operating expenses or be required to invest heavily in computer systems improvements to be year 2000 compliant. Total costs for the year 2000 issue are estimated to be \$1 million to \$2 million, of which approximately \$700,000 has been spent to date. However, as the compliance process is not yet complete, unavoidable uncertainty exists concerning the costs associated with year 2000 compliance. Any year 2000 compliance problem of either the Company or its collaborative partners could have a material adverse effect on the Company's business, financial condition and results of operations.

Certain Forward-Looking Statements

When included in this Quarterly Report on Form 10-Q, the words "expects," "believes," "intends," "anticipates," "plans," "projects" and "estimates," and analogous or similar expressions are intended to identify forward-looking statements. Such statements, which include, but are not limited to, statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties include, among others, the Company's ability to implement and estimate the cost impact of restructuring actions, the cost and timing of addressing year 2000 issues, changes in the utility industry regulatory environment, delays or difficulties in introducing new products, increased competition and various other matters, many of which are beyond the Company's control. These and other risks are described in more detail in "Description of Business -- Certain Risk Factors" in the Company's most recent Annual Report on Form 10-K, and such description is hereby incorporated herein by reference. These forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change on the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Part 2: Other Information

Item 1: Legal Proceedings

Haub vs. Itron, Inc., Johnny M. Humphreys, Paul A. Redmond, Jon E. Eliassen, and Washington Water Power Company. On September 3, 1997, Itron and its Chief Executive Officer, Johnny M. Humphreys, agreed to accept service of a complaint filed in the Superior Court of the State of Washington, County of Spokane (Civil Action No. 97204889-8). The complaint, which purported to be brought on behalf of plaintiff Katya M. Haub and a class of all similarly situated, asserted claims against defendants Itron, Inc., Johnny M. Humphreys, Paul A. Redmond, Jon E. Eliassen, and Washington Water Power Company under the Washington State Securities Act, the Washington State Consumer Protection Act, and the common law of negligent misrepresentation. The complaint sought monetary damages, costs and attorneys' fees and unspecified equitable or injunctive relief. On July 31, 1998, the Court issued a Memorandum Decision ruling that the Complaint failed to state a cause of action. On September 2, 1998 the lawsuit was dismissed with prejudice.

On May 29, 1997, Itron and its President and Chief Executive Officer, Johnny M. Humphreys, were served with a complaint alleging securities fraud filed by Mark G. Epstein (Epstein vs. Itron, et al.) on his own behalf and alleged to be on behalf of a class of all others similarly situated, in the U.S. District Court for the Eastern District of Washington (Civil Action N. CS-97-214 RHW). The complaint alleges, among other matters, that Itron and Mr. Humphreys violated Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder by making allegedly false statements regarding the development status, performance and technological capabilities of Itron's Fixed Network AMR system and regarding the suitability of Itron's encoder receiver transmitter devices for use with an advanced Fixed Network AMR system. The complaint seeks monetary damages, costs and attorney's fees and unspecified equitable or injunctive relief. The lawsuit is in the discovery phase. The Court has set a trial date of September 7, 1999. The Company believes it has good defenses to the claims alleged and intends to defend itself vigorously against this action.

On October 3, 1996, Itron filed a patent infringement suit against CellNet Data Systems ("CellNet") in the United States District Court for the District of Minnesota, alleging that CellNet is infringing on the Company's United States Patent No. 5,553,094, entitled "Radio Communication Network for Remote Data Generating Stations," issued on September 3, 1996. The Company is seeking injunctive relief as well as monetary damages, costs and attorneys' fees. The discovery phase of this lawsuit has commenced. There can be no assurance that the Company will prevail in this action or, even if it does prevail, that legal costs incurred by the Company in connection therewith will not have a material adverse effect on the Company's financial condition.

On April 29, 1997, Itron was served by CellNet with a complaint alleging patent infringement. On November 2, 1998 Itron won summary judgment in the lawsuit. CellNet sued Itron in U.S. District Court for the Northern District of California, for allegedly infringing its U.S. Patent No. 4,783,623. CellNet sought injunctive relief and damages. In its decision to grant summary judgment, the Court ruled that none of the accused Itron products infringed any of the asserted claims in CellNet's patent. Should CellNet decide to appeal this decision, Itron would defend vigorously against such an appeal.

Item 5: Other Information

Under the federal proxy solicitation rules, proposals submitted by a shareholder for inclusion in the Company's proxy materials for the 1999 Annual Meeting must be received by the Company by December 1, 1998.

In addition, the Company's Bylaws include advance notice provisions whereby shareholders desiring to bring business before a shareholders' meeting must do so in accordance with the terms of the advance notice provisions. These advance notice provisions require that, among other things, shareholders give timely written notice to the Company's Secretary regarding such business. To be timely, the notice must be received at least 90 days prior to the anniversary date of the prior year's annual meeting. Accordingly, a shareholder who intends to present a proposal at the 1999 Annual Meeting without inclusion of the proposal in the Company's proxy materials must provide written notice of the business they wish to propose to the Company's Secretary not later than February 5, 1999.

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

Item 6: Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit 3.2 - Restated bylaws

Exhibit 11 - Statement re Computation of Earnings per Share

Exhibit 27 - Financial Data Schedule

b)

Reports on Form 8-K

No reports on Form 8-K were required to be filed during the quarter ended September 30, 1998.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Commission Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ITRON, INC.
(Registrant)

By: /s/ DAVID G. REMINGTON
David G. Remington
Vice President and
Chief Financial Officer
(Authorized Officer and Principal
Financial Officer)

Date: November 12, 1998

ITRON, INC.
 STATEMENT RE COMPUTATION OF EARNINGS PER SHARE
 (Unaudited, shares in thousands)

EXHIBIT 11

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
Weighted average number of common shares outstanding	14,663	14,470	14,660	13,959
Basic earnings per share	\$ (0.40)	\$ 0.11	\$ (0.47)	\$ (0.16)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
Weighted average number of common shares outstanding	14,663	14,470	14,660	13,959
Dilutive effect of outstanding stock options and warrants	-	504	-	-
Weighted average shares outstanding based on average market price	14,663	14,974	14,660	13,959
Diluted earnings per share	\$ (0.40)	\$ 0.11	\$ (0.47)	\$ (0.16)

9-mos

	Dec-31-1998	
	Sep-30-1998	
		4,385
	0	
	65,536	
	(1,217)	
	23,405	
	105,618	
		146,475
	(51,975)	
	240,552	
45,312		
		0
0		
	0	
	105,485	
	8,316	
240,552		
		179,316
	179,316	
		123,522
	123,522	
	62,235	
	(6,441)	
	(4,611)	
	(11,052)	
	4,200	
(6,852)		
	0	
	0	
		0
	(6,852)	
	(.47)	
	(.47)	

RESTATED BYLAWS

OF

ITRON, INC.

Originally adopted on: March 3, 1988
Restated Bylaws adopted on: November 3, 1998
Amendments are listed on page i

[10145-0001/SB921150.174]

AMENDMENTS

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RESTATED BYLAWS

OF

ITRON, INC.

SECTION 1. OFFICES

The principal office of the corporation shall be located at the principal place of business or such other place as the Board of Directors ("Board") may designate. The corporation may have such other offices, either within or without the State of Washington, as the Board may designate or as the business of the corporation may require from time to time.

SECTION 2. SHAREHOLDERS

2.1 Annual Meeting

The annual meeting of the shareholders shall be held within 90 to 180 days after the fiscal year end of the corporation at a date and time determined by resolution of the Board of Directors, the purpose of electing Directors and transacting such other business as may properly come before the meeting. If the day fixed for the annual meeting is a legal holiday at the place of the meeting, the meeting shall be held on the next succeeding business day.

2.2 Special Meetings

The Chairman of the Board, the President or the Board may call special meetings of the shareholders for any purpose. Further, a special meeting of the shareholders shall be held if the holders of not less than 25% of all the votes entitled to be cast on any issue proposed to be considered at such special meeting have dated, signed and delivered to the Secretary one or more written demands for such meeting, describing the purpose or purposes for which it is to be held.

2.3 Meetings by Communication Equipment

Shareholders may participate in any meeting of the shareholders by any means of communication by which all persons participating in the meeting can hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

2.4 Date, Time and Place of Meeting

Except as otherwise provided herein, all meetings of shareholders, including those held pursuant to demand by shareholders as provided herein, shall be held on such date and at such time and place, within or without the State of Washington, designated by or at the direction of the Board.

2.5 Notice of Meeting

Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be given by or at the direction of the Board, the Chairman of the Board, the President or the Secretary to each shareholder entitled to notice of or to vote at the meeting not less than 10 nor more than 60 days before the meeting, except that notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger or share exchange, the sale, lease, exchange or other disposition of all or substantially all of the corporation's assets other than in the regular course of business or the dissolution of the corporation shall be given not less than 20 nor more than 60 days before such meeting. Further, notice of a meeting called by the requisite percentage of shareholders pursuant to Section 2.2 hereof, shall be given not less than 20 nor more than 60 days before such meeting. Such notice may be transmitted by mail, private carrier, personal delivery, telegraph, teletype or communications equipment which transmits a facsimile of the notice to like equipment which receives and reproduces such notice. If these forms of written notice are impractical in the view of the Board, the Chairman of the Board, the President or the Secretary, written notice may be transmitted by an advertisement in a newspaper of general circulation in the area of the corporation's principal office. If such notice is mailed, it shall be deemed effective when deposited in the official government mail, first-class postage prepaid, properly addressed to the shareholder at such shareholder's address as it appears in the corporation's current record of shareholders. Notice given in any other manner shall be deemed effective when dispatched to the shareholder's address, telephone number or other number appearing on the records of the corporation. Any notice given by publication as herein provided shall be deemed effective five days after first publication.

2.6 Business for Shareholders' Meetings

2.6.1 Business at Annual Meetings

In addition to the election of directors, other proper business may be transacted at an annual meeting of shareholders, provided that such business is

properly brought before such meeting. To be properly brought before an annual meeting, business must be (a) brought by or at the direction of the Board or (b) brought before the meeting by a shareholder pursuant to written notice thereof, in accordance with subsection 2.6.3 hereof, and received by the Secretary not fewer than 90 nor more than 120 days prior to the anniversary date of the prior year's annual meeting. Any shareholder notice shall set forth (i) the name and address of the shareholder proposing such business; (ii) a representation that the shareholder is entitled to vote at such meeting and a statement of the number of shares of the corporation which are beneficially owned by the shareholder; (iii) a representation that the shareholder intends to appear in person or by proxy at the meeting to propose such business; and (iv) as to each matter the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, the language of the proposal (if appropriate), and any material interest of the shareholder in such business. No business shall be conducted at any annual meeting of shareholders except in accordance with this subsection 2.6.1. If the facts warrant, the Board, or the chairman of an annual meeting of shareholders, may determine and declare (a) that a proposal does not constitute proper business to be transacted at the meeting or (b) that business was not properly brought before the meeting in accordance with the provisions of this subsection 2.6.1 and, if, in either case, it is so determined, any such business not properly brought before the meeting shall not be transacted. In addition to the procedures set forth in this subsection 2.6.1, shareholders desiring to include a proposal in the Company's proxy statement must also comply with the requirements set forth in Rule 14a-8 under Section 14 of the Securities Exchange Act of 1934, as amended, or any successor provision.

2.6.2 Business at Special Meetings

At any special meeting of the shareholders, only such business as is specified in the notice of such special meeting given by or at the direction of the person or persons calling such meeting, in accordance with subsection 2.4 hereof, shall come before such meeting.

2.6.3 Notice to Corporation

Any written notice required to be delivered by a shareholder to the corporation pursuant to subsection 2.4, subsection 2.6.1 or subsection 2.6.2 hereof must be given, either by personal delivery or by registered or certified mail, postage prepaid, to the Secretary at the corporation's executive offices in the City of Spokane, State of Washington.

2.7 Waiver of Notice

Whenever any notice is required to be given to any shareholder under the provisions of these Bylaws, the Articles of Incorporation or the Washington Business Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice and delivered to the corporation, whether before or after the date and time of the meeting, shall be deemed equivalent to the giving of such notice. Further, notice of the time, place and purpose of any meeting will be deemed to be waived by any shareholder by attendance thereat in person or by proxy, unless such shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

2.8 Fixing of Record Date for Determining Shareholders

For the purpose of determining shareholders entitled (a) to notice of or to vote at any meeting of shareholders or any adjournment thereof, (b) to demand a special meeting, or (c) to receive payment of any dividend, or in order to make a determination of shareholders for any other purpose, the Board may fix a future date as the record date for any such determination. Such record date shall be not more than 70 days, and in case of a meeting of shareholders not less than 10 days prior to the date on which the particular action requiring such determination is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting, the record date shall be the day immediately preceding the date on which notice of the meeting is first given to shareholders. Such a determination shall apply to any adjournment of the meeting unless the Board fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If no record date is set for the determination of shareholders entitled to receive payment of any stock dividend or distribution (other than one involving a purchase, redemption, or other acquisition of the corporation's shares) the record date shall be the date the Board authorizes the stock dividend or distribution.

2.9 Voting Record

At least 10 days before each meeting of shareholders, an alphabetical list of the shareholders entitled to notice of such meeting shall be made, arranged by voting group and by each class or series of shares therein, with the address of and number of shares held by each shareholder. This record shall be kept at the principal office of the corporation for 10 days prior to such meeting, and shall be kept open at such meeting, for the inspection of any shareholder or any shareholder's agent.

2.10 Quorum

A majority of the votes entitled to be cast on a matter by the holders of shares that, pursuant to the Articles of Incorporation or the Washington Business Corporation Act, are entitled to vote and be counted collectively upon such matter, represented in person or by proxy, shall constitute a quorum of such shares at a meeting of shareholders. If less than a quorum of such votes are represented at a meeting, a majority of the votes so represented may adjourn

the meeting from time to time without further notice if the new date, time or place is announced at the meeting before adjournment. Any business may be transacted at a reconvened meeting that might have been transacted at the meeting as originally called, provided a quorum is present or represented thereat. Once a share is represented for any purpose at a meeting other than solely to object to holding the meeting or transacting business thereat, it is deemed present for quorum purposes for the remainder of the meeting and any adjournment thereof (unless a new record date is or must be set for the adjourned meeting) notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

2.11 Manner of Acting

If a quorum is present, action on a matter other than the election of Directors shall be approved if the votes cast in favor of the action by the shares entitled to vote and be counted collectively upon such matter exceed the votes cast against such action by the shares entitled to vote and be counted collectively thereon, unless the Articles of Incorporation or the Washington Business Corporation Act requires a greater number of affirmative votes.

2.12 Proxies

A shareholder may vote by proxy executed in writing by the shareholder or by his or her attorney-in-fact or agent. Such proxy shall be effective when received by the Secretary or other officer or agent authorized to tabulate votes. A proxy shall become invalid 11 months after the date of its execution, unless otherwise provided in the proxy. A proxy with respect to a specified meeting shall entitle the holder thereof to vote at any reconvened meeting following adjournment of such meeting but shall not be valid after the final adjournment thereof.

2.13 Voting of Shares

Except as provided in the Articles of Incorporation or in Section 2.14 hereof, each outstanding share entitled to vote with respect to a matter submitted to a meeting of shareholders shall be entitled to one vote upon such matter.

2.14 Voting for Directors

Each shareholder entitled to vote at an election of Directors may vote, in person or by proxy, the number of shares owned by such shareholder for as many persons as there are Directors to be elected and for whose election such shareholder has a right to vote, or (unless otherwise provided in the Articles of Incorporation) each such shareholder may cumulate such shareholder's votes by distributing among one or more candidates as many votes as are equal to the number of such Directors multiplied by the number of such shareholder's shares. Unless otherwise provided in the Articles of Incorporation, the candidates elected shall be those receiving the largest number of votes cast, up to the number of Directors to be elected.

2.15 Action by Shareholders Without a Meeting

Any action which could be taken at a meeting of the shareholders may be taken without a meeting if one or more written consents setting forth the action so taken are signed by all shareholders entitled to vote on the action and are delivered to the corporation. If not otherwise fixed by the Board, the record date for determining shareholders entitled to take action without a meeting is the date the first shareholder signs the consent. A shareholder may withdraw a consent only by delivering a written notice of withdrawal to the corporation prior to the time that all consents are in the possession of the corporation. Action taken by written consent of shareholders without a meeting is effective when all consents are in the possession of the corporation, unless the consent specifies a later effective date. Any such consent shall be inserted in the minute book as if it were the minutes of a meeting of the shareholders.

SECTION 3. BOARD OF DIRECTORS

3.1 General Powers

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board, except as may be otherwise provided in these Bylaws, the Articles of Incorporation or the Washington Business Corporation Act.

3.2 Number and Tenure

The Board shall be composed of not less than three nor more than nine Directors, the specific number to be set by resolution of the Board or the shareholders. The number of Directors may be changed from time to time by amendment to these Bylaws, but no decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. Prior to the 1992 annual election of Directors, unless a Director dies, resigns, or is removed, his or her term of office shall expire at the next annual meeting of shareholders. At the 1992 annual election of Directors, the Board of Directors shall be divided into three classes (said classes to be as equal in number as may be possible) with the following classes being elected for the terms set forth below:

Class	Term
Class 1	1 year
Class 2	2 years
Class 3	3 years

Subsequent to the 1992 annual election of Directors, a Director's term shall be three years, and each Director shall serve for the term for which he or she was elected, or until his or her successor shall have been elected and qualified, or until his or her death, resignation or removal from office; provided, however, that a Director shall continue to serve until his or her successor is elected or until there is a decrease in the authorized number of Directors. Directors need not be shareholders of the corporation or residents of the State of Washington and need not meet any other qualifications.

3.3 Nomination and Election.

3.3.1 Nomination

Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors. Nominations for the election of Directors may be made (a) by or at the direction of the Board or (b) by any shareholder of record entitled to vote for the election of Directors at such meeting; provided, however, that a shareholder may nominate persons for election as Directors only if written notice (in accordance with subsection 2.6.3 hereof) of such shareholder's intention to make such nominations is received by the Secretary not later than (i) with respect to an election to be held at an annual meeting of the shareholders, not fewer than sixty nor more than ninety days prior to the date specified in subsection 2.1 hereof for such annual meeting (or if less than sixty days' notice or prior public disclosure of the date of the annual meeting is given or made to the shareholders, not later than the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made) and (ii) with respect to an election to be held at a special meeting of the shareholders for the election of Directors, the close of business on the seventh business day following the date on which notice of such meeting is first given to shareholders. Any such shareholder's notice shall set forth (a) the name and address of the shareholder who intends to make a nomination; (b) a representation that the shareholder is entitled to vote at such meeting and a statement of the number of shares of the corporation which are beneficially owned by the shareholder; (c) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (d) as to each person the shareholder proposes to nominate for election or re-election as a Director, the name and address of such person and such other information regarding such nominee as would be required in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board, and a description of any arrangements or understandings, between the shareholder and such nominee and any other persons (including their names), pursuant to which the nomination is to be made; and (e) the consent of each such nominee to serve as a Director if elected. If the facts warrant, the Board, or the chairman of a shareholders' meeting at which Directors are to be elected, shall determine and declare that a nomination was not made in accordance with the foregoing procedure and, if it so determined, the defective nomination shall be disregarded. The right of shareholders to make nominations pursuant to the foregoing procedure is subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation. The procedures set forth in this subsection 3.3 for nomination for the election of Directors by shareholders are in addition to, and not in limitation of, any procedures now in effect or hereafter adopted by or at the direction of the Board or any committee thereof.

3.3.2 Election

At each election of Directors, the persons receiving the greatest number of votes shall be the Directors.

3.4 Annual and Regular Meetings

An annual Board meeting shall be held without notice immediately after and at the same place as the annual meeting of shareholders. By resolution the Board, or any committee thereof, may specify the time and place either within or without the State of Washington for holding regular meetings thereof without notice other than such resolution.

3.5 Special Meetings

Special meetings of the Board or any committee designated by the Board may be called by or at the request of the Chairman of the Board, the President, the Secretary or, in the case of special Board meetings, any two Directors and, in the case of any special meeting of any committee designated by the Board, by the Chairman thereof. The person or persons authorized to call special meetings may fix any place either within or without the State of Washington as the place for holding any special Board or committee meeting called by them.

3.6 Meetings by Communications Equipment

Members of the Board or any committee designated by the Board may participate in a meeting of such Board or committee by, or conduct the meeting through the use of, any means of communication by which all Directors participating in the meeting can hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

3.7 Notice of Special Meetings

Notice of a special Board or committee meeting stating the place, day and hour of the meeting shall be given to a Director in writing or orally. Neither the business to be transacted at, nor the purpose of, any special meeting need be specified in the notice of such meeting.

3.7.1 Personal Delivery

If notice is given by personal delivery, the notice shall be effective if delivered to a Director at least two days before the meeting.

3.7.2 Delivery by Mail

If notice is delivered by mail, the notice shall be deemed effective if deposited in the official government mail at least five days before the meeting, properly addressed to a Director at his or her address shown on the records of the corporation, with postage thereon prepaid.

3.7.3 Delivery by Private Carrier

If notice is given by private carrier, the notice shall be deemed effective when dispatched to a Director at his or her address shown on the records of the corporation at least three days before the meeting.

3.7.4 Facsimile Notice

If notice is delivered by wire or wireless equipment which transmits a facsimile of the notice, the notice shall be deemed effective when dispatched at least two days before the meeting to a Director at his or her telephone number or other number appearing on the records of the corporation.

3.7.5 Delivery by Telegraph

If notice is delivered by telegraph, the notice shall be deemed effective if the content thereof is delivered to the telegraph company for delivery to a Director at his or her address shown on the records of the corporation at least three days before the meeting.

3.7.6 Oral Notice

If notice is delivered orally, by telephone or in person, the notice shall be deemed effective if personally given to the Director at least two days before the meeting.

3.8 Waiver of Notice

3.8.1 In Writing

Whenever any notice is required to be given to any Director under the provisions of these Bylaws, the Articles of Incorporation or the Washington Business Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice and delivered to the corporation, whether before or after the date and time of the meeting, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board or any committee designated by the Board need be specified in the waiver of notice of such meeting.

3.8.2 By Attendance

A Director's attendance at or participation in a Board or committee meeting shall constitute a waiver of notice of such meeting, unless the Director at the beginning of the meeting, or promptly upon his or her arrival, objects to holding the meeting or transacting business thereat and does not thereafter vote for or assent to action taken at the meeting.

3.9 Quorum

A majority of the number of Directors fixed by or in the manner provided in these Bylaws shall constitute a quorum for the transaction of business at any Board meeting but, if less than a quorum are present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

3.10 Manner of Acting

If a quorum is present when the vote is taken, the act of the majority of the Directors present at a Board meeting shall be the act of the Board, unless the vote of a greater number is required by these Bylaws, the Articles of Incorporation or the Washington Business Corporation Act.

3.11 Presumption of Assent

A Director of the corporation who is present at a Board or committee meeting at which any action is taken shall be deemed to have assented to the action taken unless (a) the Director objects at the beginning of the meeting, or promptly upon the Director's arrival, to holding the meeting or transacting any business thereat, (b) the Director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) the Director delivers written notice of the Director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation within a reasonable time after adjournment of the meeting. The right of dissent or abstention is not available to a Director who votes in favor of the action taken.

3.12 Action by Board or Committees Without a Meeting

Any action which could be taken at a meeting of the Board or of any committee created by the Board may be taken without a meeting if one or more written consents setting forth the action so taken are signed by each of the Directors or by each committee member either before or after the action is taken

and delivered to the corporation. Action taken by written consent of Directors without a meeting is effective when the last Director signs the consent, unless the consent specifies a later effective date. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board or a committee meeting.

3.13 Resignation

Any Director may resign at any time by delivering written notice to the Chairman of the Board, the President, the Secretary or the Board. Any such resignation is effective upon delivery thereof unless the notice of resignation specifies a later effective date and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.14 Removal

At a meeting of shareholders called expressly for that purpose, one or more members of the Board, including the entire Board, may be removed with or without cause (unless the Articles of Incorporation permit removal for cause only) by the holders of the shares entitled to elect the Director or Directors whose removal is sought if the number of votes cast to remove the Director exceeds the number of votes cast not to remove the Director. If the Articles of Incorporation permit cumulative voting in the election of Directors, then a Director may not be removed if the number of votes sufficient to elect such Director if then cumulatively voted at an election of the entire Board or, if there are classes of Directors, at an election of the class of Directors of which such Director is a part, is voted against the Director's removal.

3.15 Vacancies

Unless the Articles of Incorporation provide otherwise, any vacancy occurring on the Board may be filled by the shareholders, the Board or, if the Directors in office constitute fewer than a quorum, by the affirmative vote of a majority of the remaining Directors. Any vacant office held by a Director elected by the holders of one or more classes or series of shares entitled to vote and be counted collectively thereon shall be filled only by the vote of the holders of such class or series of shares. A Director elected to fill a vacancy shall serve only until the next election of Directors by the shareholders.

3.16 Executive and Other Committees

3.16.1 Creation of Committees

The Board, by resolution adopted by the greater of a majority of the Directors then in office and the number of Directors required to take action in accordance with these Bylaws, may create standing or temporary committees, including an Executive Committee, and appoint members thereto from its own number and invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board, these Bylaws and applicable law. Each committee must have two or more members, who shall serve at the pleasure of the Board.

3.16.2 Authority of Committees

Each committee shall have and may exercise all of the authority of the Board to the extent provided in the resolution of the Board creating the committee and any subsequent resolutions pertaining thereto and adopted in like manner, except that no such committee shall have the authority to: (1) authorize or approve a distribution except according to a general formula or method prescribed by the Board, (2) approve or propose to shareholders actions or proposals required by the Washington Business Corporation Act to be approved by shareholders, (3) fill vacancies on the Board or any committee thereof, (4) adopt, amend or repeal Bylaws, (5) amend the Articles of Incorporation pursuant to RCW 23B.10.020, (6) approve a plan of merger not requiring shareholder approval, or (7) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares except that the Board may authorize a committee or a senior executive officer of the corporation to do so within limits specifically prescribed by the Board.

3.16.3 Quorum and Manner of Acting

A majority of the number of Directors composing any committee of the Board, as established and fixed by resolution of the Board, shall constitute a quorum for the transaction of business at any meeting of such committee but, if less than a quorum are present at a meeting, a majority of such Directors present may adjourn the meeting from time to time without further notice. Except as may be otherwise provided in the Washington Business Corporation Act, if a quorum is present when the vote is taken the act of a majority of the members present shall be the act of the committee.

3.16.4 Minutes of Meetings

All committees shall keep regular minutes of their meetings and shall cause them to be recorded in books kept for that purpose.

3.16.5 Resignation

Any member of any committee may resign at any time by delivering written notice thereof to the Chairman of the Board, the President, the Secretary or the Board. Any such resignation is effective upon delivery thereof, unless the notice of resignation specifies a later effective date, and the acceptance of such resignation shall not be necessary to make it effective.

3.16.6 Removal

The Board may remove any member of any committee elected or appointed by it but only by the affirmative vote of the greater of a majority of the Directors then in office and the number of Directors required to take action in accordance with these Bylaws.

3.16.7 Audit Committee

In addition to any committees appointed pursuant to this Section, there shall be an Audit Committee, appointed annually by the Board, consisting of at least two Directors who are not members of management. It shall be the responsibility of the Audit Committee to review the scope and results of the annual independent audit of books and records of the corporation, to review compliance with all corporate policies which have been approved by the Board and to discharge such other responsibilities as may from time to time be assigned to it by the Board. The Audit Committee shall meet at such times and places as the members deem advisable, and shall make such recommendations to the Board as they consider appropriate.

3.16.8 Compensation Committee

The Board may, in its discretion, designate a Compensation Committee consisting of not less than two Directors as it may from time to time determine. The duties of the Compensation Committee shall consist of the following: (a) to establish and review periodically, but not less than annually, the compensation of the officers of the corporation and to make recommendations concerning such compensation to the Board; (b) to consider incentive compensation plans for the employees of the corporation; (c) to carry out the duties assigned to the Compensation Committee under any stock option plan or other plan approved by the corporation; (d) to consult with the President concerning any compensation matters deemed appropriate by the President or the Compensation Committee; and (e) such other duties as shall be assigned to the Compensation Committee by the Board.

3.17 Compensation

By Board resolution, Directors and committee members may be paid their expenses, if any, of attendance at each Board or committee meeting, or a fixed sum for attendance at each Board or committee meeting, or a stated salary as Director or a committee member, or a combination of the foregoing. No such payment shall preclude any Director or committee member from serving the corporation in any other capacity and receiving compensation therefor.

SECTION 4. OFFICERS

4.1 Appointment and Term

The officers of the corporation shall be those officers appointed from time to time by the Board or by any other officer empowered to do so. The Board shall have sole power and authority to appoint executive officers. As used herein, the term "executive officer" shall mean the President, any Vice President in charge of a principal business unit, division or function or any other officer who performs a policy-making function. The Board or the President may appoint such other officers and assistant officers to hold office for such period, have such authority and perform such duties as may be prescribed. The Board may delegate to any other officer the power to appoint any subordinate officers and to prescribe their respective terms of office, authority and duties. Any two or more offices may be held by the same person. Unless an officer dies, resigns or is removed from office, he or she shall hold office until his or her successor is appointed.

4.2 Resignation

Any officer may resign at any time by delivering written notice thereof to the corporation. Any such resignation is effective upon delivery thereof, unless the notice of resignation specifies a later effective date, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.3 Removal

Any officer may be removed by the Board at any time, with or without cause. An officer or assistant officer, if appointed by another officer, may be removed by any officer authorized to appoint officers or assistant officers.

4.4 Contract Rights of Officers

The appointment of an officer does not itself create contract rights.

4.5 Chairman of the Board

If appointed, the Chairman of the Board shall perform such duties as shall be assigned to him or her by the Board from time to time and shall preside over meetings of the Board and shareholders unless another officer is appointed or designated by the Board as Chairman of such meetings.

4.6 President

If appointed, the President shall be the chief executive officer of the corporation unless some other officer is so designated by the Board, shall preside over meetings of the Board and shareholders in the absence of a Chairman of the Board, and, subject to the Board's control, shall supervise and control all of the assets, business and affairs of the corporation. In general, the

President shall perform all duties incident to the office of President and such other duties as are prescribed by the Board from time to time. If no Secretary has been appointed, the President shall have responsibility for the preparation of minutes of meetings of the Board and shareholders and for authentication of the records of the corporation.

4.7 Vice President

In the event of the death of the President or his or her inability to act, the Vice President (or if there is more than one Vice President, the Vice President who was designated by the Board as the successor to the President, or if no Vice President is so designated, the Vice President first elected to such office) shall perform the duties of the President, except as may be limited by resolution of the Board, with all the powers of and subject to all the restrictions upon the President. Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or by or at the direction of the Board.

4.8 Secretary

If appointed, the Secretary shall be responsible for preparation of minutes of the meetings of the Board and shareholders, maintenance of the corporation records and stock registers, and authentication of the corporation's records and shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by or at the direction of the Board. In the absence of the Secretary, an Assistant Secretary may perform the duties of the Secretary.

4.9 Treasurer

If appointed, the Treasurer shall have charge and custody of and be responsible for all funds and securities of the corporation, receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in banks, trust companies or other depositories selected in accordance with the provisions of these Bylaws, and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by or at the direction of the Board. In the absence of the Treasurer, an Assistant Treasurer may perform the duties of the Treasurer. If required by the Board, the Treasurer or any Assistant Treasurer shall give a bond for the faithful discharge of his or her duties in such amount and with such surety or sureties as the Board shall determine.

4.10 Salaries

The salaries of the officers shall be fixed from time to time by the Board or by any person or persons to whom the Board has delegated such authority. No officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the corporation.

SECTION 5. CONTRACTS, LOANS, CHECKS AND DEPOSITS

5.1 Contracts

The Board may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances.

5.2 Loans to the Corporation

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

5.3 Checks, Drafts, Etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, or agent or agents, of the corporation and in such manner as is from time to time determined by resolution of the Board.

5.4 Deposits

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board may select.

SECTION 6. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 Issuance of Shares

No shares of the corporation shall be issued unless authorized by the Board, or by a committee designated by the Board to the extent such committee is empowered to do so.

6.2 Certificates for Shares

Certificates representing shares of the corporation shall be signed, either manually or in facsimile, by the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary and shall include on their face written notice of any restrictions which may be imposed on the transferability of such shares. All certificates

shall be consecutively numbered or otherwise identified.

6.3 Stock Records

The stock transfer books shall be kept at the principal office of the corporation or at the office of the corporation's transfer agent or registrar. The name and address of each person to whom certificates for shares are issued, together with the class and number of shares represented by each such certificate and the date of issue thereof, shall be entered on the stock transfer books of the corporation. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

6.4 Restriction on Transfer

Except to the extent that the corporation has obtained an opinion of counsel acceptable to the corporation that transfer restrictions are not required under applicable securities laws, or has otherwise satisfied itself that such transfer restrictions are not required, all certificates representing shares of the corporation shall bear a legend on the face of the certificate, or on the reverse of the certificate if a reference to the legend is contained on the face, which reads substantially as follows:

"The securities evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or any applicable state law, and no interest therein may be sold, distributed, assigned, offered, pledged or otherwise transferred unless (a) there is an effective registration statement under such Act and applicable state securities laws covering any such transaction involving said securities or (b) this corporation receives an opinion of legal counsel for the holder of these securities (concurring in by legal counsel for this corporation) stating that such transaction is exempt from registration or this corporation otherwise satisfies itself that such transaction is exempt from registration. Neither the offering of the securities nor any offering materials have been reviewed by any administrator under the Securities Act of 1933, as amended, or any applicable state law."

6.5 Transfer of Shares

The transfer of shares of the corporation shall be made only on the stock transfer books of the corporation pursuant to authorization or document of transfer made by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney-in-fact authorized by power of attorney duly executed and filed with the Secretary of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificates for a like number of shares shall have been surrendered and cancelled.

6.6 Lost or Destroyed Certificates

In the case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and indemnity to the corporation as the Board may prescribe.

SECTION 7. BOOKS AND RECORDS

The corporation shall:

(a).....Keep as permanent records minutes of all meetings of its shareholders and the Board, a record of all actions taken by the shareholders or the Board without a meeting, and a record of all actions taken by a committee of the Board exercising the authority of the Board on behalf of the corporation.

(b).....Maintain appropriate accounting records.

(c).....Maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each; provided, however, such record may be maintained by an agent of the corporation.

(d).....Maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

(e).....Keep a copy of the following records at its principal office:

1. the Articles of Incorporation and all amendments thereto as currently in effect;
2. the Bylaws and all amendments thereto as currently in effect;
3. the minutes of all meetings of shareholders and records of all action taken by shareholders without a meeting, for the past three years;
4. the financial statements described in Section 23B.16.200(1) of the Washington Business Corporation Act, for the past three years;
5. all written communications to shareholders generally within the past three years;

6. a list of the names and business addresses of the current Directors and officers; and
7. the most recent annual report delivered to the Washington Secretary of State.

SECTION 8. ACCOUNTING YEAR

The accounting year of the corporation shall be the calendar year"calendar year, provided that if a different accounting year is at any time selected by the Board for purposes of federal income taxes, or any other purpose, the accounting year shall be the year so selected.

SECTION 9. SEAL

The Board may provide for a corporate seal which shall consist of the name of the corporation, the state of its incorporation and the year of its incorporation.

SECTION 10. INDEMNIFICATION

10.1 Right to Indemnification

Each person who was, is or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or officer of the corporation or, that being or having been such a Director or officer or an employee of the corporation, he or she is or was serving at the request of an executive officer of an executive officer of the corporation as a Director, officer, partner, trustee, employee or agent of another corporation or of a partnership, joint venture, trust, employee benefit plan or other enterprise (hereinafter an "indemnitee"), whether the basis of a proceeding is alleged action in an official capacity as such a Director, officer, partner, trustee, employee or agent or in any other capacity while serving as such a Director, officer, partner, trustee, employee or agent, shall be indemnified and held harmless by the corporation against all expense, liability and loss (including counsel fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, partner, trustee, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Except as provided in subsection 10.2 of this Section with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if a proceeding (or part thereof) was authorized or ratified by the Board. The right to indemnification conferred in this Section shall be a contract right.

10.2 Restrictions on Indemnification

No indemnification shall be provided to any such indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnitee finally adjudged to be in violation of Section 23B.08.310 of the Washington Business Corporation Act, for any transaction with respect to which it was finally adjudged that such indemnitee personally received a benefit in money, property or services to which the indemnitee was not legally entitled or if the corporation is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560 or any successor provision of the Washington Business Corporation Act is hereafter amended, the restrictions on indemnification set forth in this subsection 10.2 shall be as set forth in such amended statutory provision.

10.3 Advancement of Expenses

The right to indemnification conferred in this Section shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). An advancement of expenses shall be made upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this subsection 10.3.

10.4 Right of Indemnitee to Bring Suit

If a claim under subsection 10.1 or 10.3 of this Section is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Section upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the corporation) and thereafter the corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.

10.5 Procedures Exclusive

Pursuant to Section 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this Section are in lieu of the procedures required by Section 23B.08.550 or any successor provision of the Washington Business Corporation Act.

10.6 Nonexclusivity of Rights

The right to indemnification and the advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or Bylaws of the corporation", general or specific action of the Board, contract or otherwise.

10.7 Insurance, Contracts and Funding

The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, partner, trustee, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may enter into contracts with any Director, officer, partner, trustee, employee or agent of the corporation in furtherance of the provisions of this Section and may 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 Section.

10.8 Indemnification of Employees and Agents of the Corporation

The corporation may, by action of the Board, grant rights to indemnification and advancement of expenses to employees and agents or any class or group of employees and agents of the corporation (i) with the same scope and effect as the provisions of this Section with respect to the indemnification and advancement of expenses of Directors and officers of the corporation; (ii) pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act; or (iii) as are otherwise consistent with law.

10.9 Persons Serving Other Entities

Any person who, while a Director, officer or employee of the corporation, is or was serving (a) as a Director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its Directors is held by the corporation or (b) as a partner, trustee or otherwise in an executive or management shall be deemed to be so serving at the request of an executive officer of an executive officer of the corporation and entitled to indemnification and advancement of expenses under subsections 10.1 and 10.3 of this Section.

SECTION 11. AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board, except that the Board may not repeal or amend any Bylaw that the shareholders have expressly provided, in amending or repealing such Bylaw, may not be amended or repealed by the Board. The shareholders may also alter, amend and repeal these Bylaws or adopt new Bylaws. All Bylaws made by the Board may be amended, repealed, altered or modified by the shareholders.

The foregoing Restated Bylaws were adopted by the Board of Directors on November 3, 1998.

/s/ MariLyn Blair
Secretary