BYLAWS OF RIVERBEND-RIVERBANK WATER IMPROVEMENT DISTRICT

February 25, 2002

ARTICLE 1

DEFINITIONS

The following terms when used herein shall have the following meanings unless a different meaning is plainly required by the context.

1.1. "District" shall mean RIVERBEND-RIVERBANK WATER IMPROVEMENT DISTRICT, a corporation formed in accordance with the provisions of Chapter 554 of the Oregon Revised Statutes, and having all the powers authorized therein.

1.2. "Homeowner" shall mean the record owner of any Properties, whether one or more persons or entities, of the fee simple title to any Lot, including contract purchasers, but excluding those having such interest merely as security for the performance of any obligation.

1.3. "Lot" shall mean any plot of land shown upon any recorded subdivision plat or partition of the Properties or any condominium unit as shown upon any recorded condominium plat, for which a System Development Charge has been paid.

1.4. "Properties" shall mean all the properties in the District described in Exhibit "A" of the Articles of Incorporation, and any amendments thereto.

1.5. "System Development Charge" shall mean the charge set forth in the District Rules and Regulations for developing new service to any property.

1.6 "Secretary" shall mean the Secretary of the Board of Directors of the District, unless stated otherwise.

1.7. "President" shall mean the President of the Board of Directors of the District.

1.8. "Member" shall mean a member of the District who shall be entitled to vote as provided herein and in the Articles of Incorporation.

1.9. "Board" shall mean the Board of Directors of the District.

1.10. "Director" shall mean a member of the Board of Directors of the District.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS

2.1. Membership. Every Homeowner is a Member of the District. Membership is lost or gained, as the case may be through a sale or purchase by which legal title to any of said land is transferred.

2.2. Voting Rights. At all meetings of the Members, each Member who attends in person, or by proxy appointed in writing, shall be entitled to vote on the basis of one vote for each Lot owned. In any case in which two or more persons share legal title to

a Lot, the vote of any one or more of them shall constitute the vote of the entire ownership interest; provided, however, that in the event such persons disagree among themselves as to the manner in which any vote held by them shall be exercised, any such person may deliver written notice of such disagreement to the Secretary, and the vote shall then not be counted until all persons entitled shall agree in a writing filed with the Secretary upon the exercise of the vote.

2.3. Proxies. Every Member entitled to vote or to execute any waiver may do so either in person or by written proxy duly executed and filed with the Secretary. Members may also join in a voting trust, or give proxy power or power of attorney to vote such membership for a term of years, or until the happening or performance of a named contingency or condition.

2.4. Assignment of Rights. If a Homeowner rents or leases their Lot to a tenant who resides on the Lot, the Homeowner may assign membership rights and obligations in the District to the tenant upon written notice of the assignment to the Secretary. Upon such written assignment, the tenant shall be responsible for payment of all charges billed. Assignment of membership rights to a tenant shall not relieve the Homeowner from responsibility for payment of all charges levied upon such Lot(s). The Homeowner will be notified of any delinquencies prior to any liens being filed against such Lot(s).

ARTICLE III

MEETINGS OF MEMBERS

3.1. Annual Meeting. The annual meeting of the Members shall be held in West Linn, Oregon, at such hour and on such day during the month of January or February of each year as the President may designate, or if the President fails to designate a date by the first day of February, then the annual meeting shall occur at 10:00 AM on the fourth Saturday in February.

3.2. Special Meetings. Special meetings of the Members may be called at any time by the Board of Directors, for any purpose or purposes, and shall be called by the Secretary at the request of any Director, or upon receipt of a written request from one or more Members representing at least 20 percent ownership of the number of Lots included in the District. The written request shall state the purpose of the requested meeting and the proposed date and time.

3.3. Notice of Meetings.

3.3.1. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each Member entitled to vote at such meeting not less than seven nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the other person(s) calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage fully paid thereon, addressed to the Member at their address as it appears on the records of the District. Attendance at a meeting shall constitute a waiver

of notice of such meeting except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.3.2. The persons entitled to receive notice of a meeting shall be determined from the current membership of records of the District. Each Member shall be responsible to provide to the Secretary accurate and up-to-date contact information for inclusion in such records.

3.3.3. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as for an original meeting. In all other cases no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than announcement at the meeting at which such adjournment is taken.

3.4. Quorum – Majority Vote.

3.4.1. The presence in person or by proxy of Members owning a majority of the number of Lots shall be necessary to constitute a quorum for the transaction of the business at all membership meetings. The Members present either in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members sufficient to equal less than a quorum. Further, in the absence of a quorum, the Members present may deliberate upon and pass any written resolution by majority vote of Members present. Any such written resolution that is passed will then be tabled and voted on at the next membership meeting at which a quorum is present. In the absence of a quorum, a majority of Members present may adjourn the meeting from time to time until a quorum shall attend. Any business that might have been transacted at the original meeting may be transacted at the adjourned meeting if a quorum exists. When a quorum cannot be had at the regular annual meeting of the Members, the Directors may call another meeting within 60 days. At the subsequent annual meeting the presence in person or by proxy of Members representing ownership of at least 25% of the number of Lots shall constitute a quorum for the transaction of business.

3.4.2. A majority vote shall govern in all cases, except as otherwise specially provided by law.

3.4.3. Any business transacted at a membership meeting shall be binding on all Members of the District.

ARTICLE IV

BOARD OF DIRECTORS

4.1. Number. The business and affairs of the District shall be managed by a Board of five (5) Directors.

4.2. Qualification. Directors must be Members of the District.

4.3. Election and Tenure. At the annual meeting of the Members the Directors shall be elected by the Members to hold office until their respective qualified successors are elected and take office. The method of election shall be by plurality of the

votes cast, as provided in the Articles of Incorporation. The term of office of each Director shall be two years. There is no limit on the tenure or number of successive or cumulative terms of any Director.

4.4. Vacancies. Any vacancy in the Board of Directors prior to the expiration of the vacant Director's term shall be filled by appointment of the remaining Directors by majority vote of the remaining Directors.

4.5. Compensation. Directors may be compensated for their services and reimbursed for any expenses incurred in carrying out their duties performed on behalf of or at the direction of the District as provided and limited by the Articles of Incorporation and ORS 198.190 (1999).

4.6. Oath of Office. Each Director shall, before entering upon their official duties, take and subscribe to an oath before a Notary Public that they will honestly, faithfully and impartially perform the duties devolving upon them in their office as Director, and that they will not neglect any of the duties imposed upon them by law.

4.7. Removal of Directors. The entire Board of Directors or any one or more individual Directors may be removed from office, with or without cause, by a majority vote of the Members called to a special meeting for that purpose.

4.8. Liability and Indemnification. Except as otherwise provided by law, neither the Board of Directors nor any Director shall be liable to the District or to any Member for any damage, loss or prejudice suffered or claimed on account of any action or failure ot act of the District, its Board of Directors or any member of its Board of Directors, provided only that the Board member has, in accordance with the actual knowledge possessed by him/her, acted in good faith. The District may indemnify, defend and procure insurance protecting any of its Directors, officers, employees and other agents to the extent and in the manner provided by ORS 60.387 through 60.414, and any successor or related provisions of Oregon law.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

5.1. Organization Meeting. Within 10 days after each annual meeting of Members, the Directors elected at such meeting and those holding over shall hold an organization meeting for the purpose of electing officers as hereinafter provided and for transaction of such other business as may come before the meeting.

5.2. Special Meetings. Special meetings of the Board of Directors may be called at any time by the President, any Vice President or any two Directors.

5.3. Notices. Notice of the time and place of special Board meetings shall be given orally or delivered in writing personally to each Director before the meeting. Notice by mail shall be sufficient if actually received before the meeting or if mailed not less than 5 days before the meeting. Notice mailed shall be directed to the address shown on the District records or to the Director's actual address as may be ascertained by the person giving the notice. Notice of the time and place or holding of a

meeting to resume an adjourned meeting need not be given if such time and place be fixed at the meeting previously adjourned. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

5.4. Quorum and Vote. A majority of the Directors shall constitute a quorum. A minority of at least two Directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business. A minority of the Directors may pass resolutions which shall not go into effect until approved by a majority of the Directors.

5.5. Action Without a Meeting. Directors may take any action in the absence of a meeting which they could take at a meeting by obtaining the oral or written approval of all of the Directors. Any action so taken shall have the same effect as though taken at a meeting of the Directors.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1. General Powers. The Board of Directors shall have all of the powers granted to it by the laws of Oregon, and specifically Chapter 554 of the Oregon Revised Statutes, as may be limited or refined by the Articles of Incorporation, or these bylaws.

6.1.1. These powers of the Board include the power to provide by resolution for the billing and collection of the rate, tolls, fees, fines and charges of the corporation. Such provision may apply to rates, tolls, fees, fines and charges for the operation and maintenance of the corporation, for the use of water, or for the use of any of the works of the District, or for principal and interest (at the statutory rate of 1.5% per month or fraction of a month) of maturing indebtedness, and shall fix the time when any rates, tolls, fees, fines, and charges shall become due and payable, and a time after which they shall become delinquent, which time shall be no later than within one year from the due date.

6.1.2. If any rates, tolls, fees, fines or charges remain unpaid after the delinquency date, the Secretary may file a Notice of Claim of Lien with the recording officers of Clackamas County, in accordance with the provisions of ORS 554.135 and its successor and related statutes.

6.2. Rules and Regulations. The Board of Directors may promulgate, amend, and delete rules and regulations governing the operations of District and the exercise of the powers of the District and its Directors in accordance with the Articles of Incorporation, these bylaws, and the laws of the State of Oregon. Such rules, regulations and amendments thereof must be ratified by two-thirds of the votes of the Members before they become effective.

6.3. Nothing in this provision or any action taken pursuant to it shall in any way limit the power or discretion vested in the Board of Directors or each of them to take any action on behalf of the District in accordance with these bylaws, the Articles of Incorporation, and the laws of the State of Oregon.

ARTICLE VII

OFFICERS

7.1. General. The officers of the District shall be a President and a Vice President, who shall be members of the Board of Directors, and a Secretary who may be, but need not be, a member of the Board of Directors. The Secretary shall also hold the office of Treasurer of the District. The Board of Directors may appoint an Assistant Secretary or an Assistant Treasurer by resolution entered in its minutes. The officers shall be elected by and hold office at the pleasure of the Board of Directors. Any two offices may be held by the same person, except the office of President and Secretary-Treasurer. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the bylaws for appointment.

7.2. Compensation and Term of Office. The compensation and term of office of all the officers shall be fixed by the Board of Directors, except that the term of the President shall be one year and shall continue thereafter until a qualified successor is elected and takes office. Any officer may be removed, either with or without cause, by action of the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective, provided that the Board of Directors may reject any post-dated resignation by notice in writing to the resigning officer. This section shall not affect the rights of the District or any officer under any express contract of employment.

7.3. President. The President shall be the chief executive officer of the District and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the District. He/she shall preside at all meetings of the Members and of the Board of Directors. He/she shall be ex-officio a member of all the standing committees, including the executive committee, if any; shall have the powers and duties of management usually vested in the office of President of a corporation; and shall have other powers and duties as may be prescribed by the Board of Directors or these bylaws.

7.4. Vice President. In the absence of or disability of the President, the Vice President shall preside and perform the duties of the President. He/she shall also perform such other duties as may be delegated to him/her by the Board of Directors.

7.5. Secretary. The Secretary shall keep or cause to be kept at such place as the Board of Directors may order a fair and correct record of all proceedings of the Board of Directors and the official business of the District. This record shall include minutes of all meetings of Directors and Members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at Directors meetings, and the number of Homeowners and the Lots represented at membership meetings and proceedings thereof. The Secretary shall give or cause to be given such notice of the meetings of the membership and of the Board of Directors as required by these bylaws. The Secretary shall keep the seal of the District and affix it to any documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

7.6. Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the District, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any Director. The Treasurer shall keep the proceeds of the assessments in appropriate accounts depending upon the purpose of the assessments, and disbursements for the expenses of the District shall be paid out of the appropriate account. He/she shall render to the President and Directors, whenever they request it, an account of all of their transactions as Treasurer and of the financial condition of the District, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

7.7. Delegation and Change of Duties. In the event of absence or disability of any officer, the Board of Directors may delegate during such absence or disability the powers or duties of such officer to any other officer or any Director.

ARTICLE VIII

CORPORATE RECORDS, FUNDS AND AUDITS

8.1. Records of Proceedings of Board of Directors. The Board of Directors shall cause to be kept a well-bound book entitled "Records of Proceedings of Board of Directors," in which shall be recorded minutes of all meetings, proceedings, certificates, bonds, and any and all District acts, which records shall be at all times open to inspection of anyone interested, whether Members or creditors.

8.2. Lien Docket. A lien docket shall be maintained as to every Lot, in which all assessments or liens shall be charged and all payments shall be credited, and in which interest on any assessments in arrears shall be charged at time of payment of any installment, to the end that such record shall show the true condition of all liens an the amount thereof.

8.3. Warrant and Bond Register. A warrant and bond register shall be maintained in which shall be separately kept a record of all warrants issued, the number, date and amount thereof with the name of payee, and the date paid, showing principal and interest separately. Likewise, there shall be kept and maintained a register of all bonds with a description thereof, the date

thereof and when issued, and generally such a record as shall show all outstanding bonds separately of the several issues and the kinds and payments.

8.4. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the District, shall be signed or endorsed by the Treasurer and such other person, if any, and in such manner as shall be determined by resolution of the Board of Directors.

8.5. Execution of Documents. The Board of Directors may, except as otherwise provided by law or these bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the District. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the District by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or for any amount.

8.6. Deposit of Funds. Except as otherwise provided by subsection (2) of ORS 554.160, all money of the District shall be deposited with a federally insured depository in the name of the District, and all funds provided to be segregated and held separate shall be so kept, and an accounting of each of such funds on the books of the District shall be correctly kept.

8.7. Audits. From time to time the Board of Directors, at the expense of the District, may obtain an audit of the books and records pertaining to the District and may furnish copies thereof to the Members. At any time any Member may, at their own expense, cause an audit or inspection to be made of the books and records of the District.

ARTICLE IX

RULES AND REGULATIONS

9.1. Rules and Regulations governing District operations and policies necessary for the smooth operation and maintenance of District affairs for the benefit of all Members of the District may be promulgated, amended, or repealed by the Board of Directors at such times as the Board shall find it necessary or expedient to do so, and shall be promulgated upon written petition of a Member or Members representing at least 20% ownership of the number of Lots then eligible to vote. The Rules and Regulations may set forth provisions regarding assessments, liens, charges, fines, procedures, and policies of the District not set forth in these bylaws, the Articles of Incorporation, or any recorded Landowner Notice, and shall be subject to any limitations therein.

9.2. Publication. The current Rules and Regulations, if any, shall be published and kept with the records of the District, open to inspection by any Member at all reasonable times. The Secretary of the Board shall transmit to each Member according to the contact information provided by that Member, a complete and accurate copy of the current Rules and Regulations of the

District upon request, and shall provide notice to the Members within three months of ratification of any change to the Rules and Regulations.

9.3. It shall be the responsibility of the Directors and Officers of the District to carry out policies and procedures embodied in the Rules and Regulations. The Rules and Regulations shall bind each Homeowner, Member and Lot as provided therein, and each and every Member of the District shall be held responsible for his or her own compliance therewith.

ARTICLE X

INSURANCE

10.1. Duty to Obtain Insurance. The District, acting for itself and for all owners, shall obtain and maintain at all times insurance of the type of policy and amount set forth below. Payments of premiums for such insurance shall be considered a purpose for which assessments may be levied by the District.

10.1.1. A policy or policies of fire insurance with extended coverage endorsement for the full insurable replacement value of all water system structures and improvements.

10.1.2. A policy or policies insuring the District, its officers and Board of Directors and employees against any liability to the public or the owners, their invitees or tenants, incident to ownership or use of the Properties. Limits of under such policy shall not be less than $100,000 per occurrence and $300,000 in the aggregate for personal injury and $100,000 for property damage in each occurrence. Such policy or policies shall be issued on a comprehensive liability basis to provide cross-liability endorsements.

ARTICLE XI

GENERAL PROVISIONS

11.1. Seal. The Board shall adopt an appropriate corporate seal to be used as necessary on official District documents or correspondence.

11.2. Amendment of Bylaws. The Board of Directors may amend or repeal these bylaws or adopt new bylaws, provided such amendment or repeal is ratified by two-thirds of the votes of the Members as required by ORS 554.080.

11.2.1. A record shall be kept with other records of the District reflecting any change, amendment, or repeal of these bylaws.

11.3. Waiver of Notice. Whenever any notice to any Member or Director is required by law, the Articles of Incorporation or these bylaws, a waiver of notice in writing signed at any time by the person entitled to notice shall be equivalent to the giving of the notice. Presence at any meeting for which notice may be required shall similarly constitute waiver of notice of any such meeting except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

11.4. Conflicts; Severability. These bylaws are intended to comply with Chapter 554 of Oregon Revised Statutes and to assist in carrying out the purposes of the District as stated in the Articles of Incorporation and any landowners' notice made and recorded pursuant to ORS 554.170-554.190. In the event of any invalid provision in any of such documents or any conflict between the documents, the invalid provision shall be deemed deleted and the remainder of the documents shall be construed as necessary to accomplish the purposes of the District to the greatest extent feasible.

11.5. These Bylaws supercede in whole any previous bylaws of the District.

The foregoing Bylaws of Riverbend-Riverbank Water Improvement District are the official Bylaws of the District, and have been duly ratified by the Members of the District and made effective as of the _____ day of _____200__.

Signature of President:_____ Date:_____

Signature of Secretary:_____ Date:_____