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APPLICATION AND AGREEMENT FOR EXEMPTION FROM PAYMENT OF ASSESSMENTS

WHEREAS, GARY A. & SUSAN L. FERGUSON

hereinafter called Landowners, whether one or more, own the following described real property in Klamath County, Oregon, which is included in Klamath Irrigation District, to wit:

(Type in below the exact legal description of the land to be exempted as the same appears in Landowners' Deed or Title Insurance Policy or as prepared by a registered Oregon Land Surveyor or Engineer)

ALTAMONT ACRES, BLOCK 5, LOT 11 POR

which said Lands contain .16 acres, more or less, and are Klamath County Assessor's Account No. 3909 10AB 4800 and Klamath Irrigation District's Account No. 3909 10AB 04800; and owner code 1639

WHEREAS, Landowners hereby request KLAMATH IRRIGATION DISTRICT, hereinafter called K.I.D., to consent and agree to the exemption of the above described lands from the payment of the assessments of said District pursuant to Oregon Laws 1985, Chapter 581, Section 4;

NOW THEREFORE, in consideration of the granting of such exemption by K.I.D., Landowners and Landowners' Heirs, Devisees, Personal Representatives, Grantees, Vendees, Successors and Assigns, jointly and severally represent, warrant, guarantee, covenant and agree with K.I.D. and its Successors and Assigns as follows:

(1) Landowners are the sole owners and holders of the fee simple title to the above described Lands and have good right to execute this Application and Agreement and to bind said Lands as herein agreed. If said Lands are subject to any trust deed, mortgage, contract of sale or other lien upon the land, landowners agree to furnish to K.I.D., a recordable agreement from the owners and holders of such instrument or lien to be subordinate to the terms of this Application and Agreement but the failure of Landowners to so secure such Agreement shall not

relieve Landowners or said Lands from any of the terms and conditions of this Agreement.

(2) Said Lands for a period of 5 years immediately preceding the execution of this Application and Agreement have been unable to receive water from K.I.D., through no fault of K.I.D., because said Lands; without limitation by this recital, have no right of way, easement or any other right whatsoever to transport or receive water from K.I.D.'s point of delivery across the intervening lands of other parties to Landowners' said Lands and Landowners' said Lands have not in fact received or used any such water during said 5 year period from any canal, lateral, ditch, drain, lake, pond, pump, reservoir, road borrow pit or ditch, pump or pipeline or any other source or facility whatsoever.

(3) Said Lands consist of two acres or less.

(4) Landowners expressly understand and agree that if K.I.D. grants this exemption they shall cease to be electors of Klamath Irrigation District and shall have no right to vote in any District election unless Landowners qualify as electors through ownership of other Land in the District.

(5) Landowners understand that by the execution of this Agreement, said Lands may lose any right to receive water under State Law because they acknowledge the abandonment by nonuse of any prior right to receive water and by continued nonuse of water under this Application and Agreement the Lands may fail to receive any future water right.

(6) Landowners understand and agree that before any future request will be granted to terminate this Application and Agreement and to allow the future use of water on said lands that the then Landowners will be required as a condition thereof to pay all assessments that have been exempted by this Agreement plus the amount of all interest which would have been chargeable for nonpayment of such assessments if they had not been exempted by this Agreement.

(7) Landowners do hereby recognize, ratify, grant and confirm the existence of all existing rights of K.I.D. or the United States

affecting Landowners' said property, including, without limitation by this recital, all rights of way, easements and servitudes for all irrigation and drainage facilities of the United States or K.I.D. as now constructed and located upon or affecting Landowners' said property and do agree that K.I.D. and the United States each now own, have and hold and shall continue to own, have and hold a prescriptive right, right of way, easement and servitude for all percolation, seepage, leakage, overflow, flooding or any failure or lack of drainage which now exists or which at any time heretofore has occurred or resulted from any irrigation or drainage facility now constructed or in existence on or near any part of the Landowners' said premises.

(8) Landowners do hereby absolve, waive and release both K.I.D. and the United States from any and all claims of liability for any damages or injuries to person or property which may have heretofore occurred or which may now be occurring in connection with the ownership, operation or maintenance of the Klamath Project.

(9) Landowners hereby tender to K.I.D. the sum of _____ which is the full amount of all unpaid K.I.D. assessments and interest as of this date, plus the cost of recording this Application and Agreement in Klamath County Deed Records and hereby agree that an executed copy of same shall be so recorded. Landowners also agree to pay any other costs and expenses incurred in connection with this Application and Agreement.

(10) Landowners' representations, warranties, covenants, and agreements herein set forth are covenants running with Landowners' said land and each and every part and parcel thereof in perpetuity, forever binding the same for the use and benefit of K.I.D. and the United States of America, and their respective successors, grantees, transferees and assigns.

(11) Landowners do hereby acknowledge that they have read all of the foregoing instrument and consent and agree to each of the representations, warranties, covenants, and agreements.

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This Agreement shall take effect upon the approval of same by the Board of Directors of Klamath Irrigation District, and the adoption of the Resolution exempting said land from the assessments of said District.

WITNESS their hands this 7 day of DECEMBER, 1993.

Gary A. Ferguson

Susan L. Ferguson
LANDOWNERS

STATE OF OREGON)
) SS
County of Klamath)

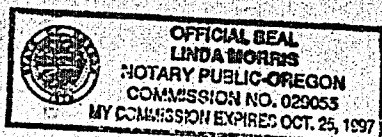
I, GARY A. FERGUSON and I, SUSAN L. FERGUSON each being duly and severally sworn, each says for myself: I am one of the above named Landowners. I have read the foregoing Application and Agreement for Exemption from Payment of Assessments and each statement and representation made by me therein is true and correct and I hereby acknowledge the foregoing instrument to be my voluntary act and deed.

Gary A. Ferguson

Susan L. Ferguson

Subscribed and sworn to before me this 7th day of DECEMBER, 1993.

(SEAL)



SUBORDINATION AGREEMENT

Linda Morris
Notary Public in and for said
State and County KLAMATH
My Commission Expires 10-25-97

The undersigned owner or holder of a trust deed, mortgage, contract of sale or other lien upon the lands described in the foregoing Application and Agreement in consideration of the exemption of said lands from future assessments of Klamath Irrigation District do hereby

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subordinate such interest and liens to the terms and conditions of the Agreement and agree they shall be bound by the same.

FIRST INTERSTATE BANK OF OREGON, N.A.,
by: FIRST INTERSTATE MORTGAGE COMPANY, AS ATTORNEY
IN FACT

Arline Garber
BY: ARLINE GARBER, VICE PRESIDENT

CALIFORNIA
STATE OF CALIFORNIA)
LOS ANGELES) ES
County of ~~Alameda~~)

I, ARLINE GARBER, VICE PRESIDENT, being duly sworn say that I have read the foregoing Subordination Agreement and the Application and Agreement for Exemption; that I have authority to sign said Subordination Agreement on behalf of all Owners and Holders of the interests and liens being subordinated and to so subordinate the same to the terms and conditions of the foregoing Application and Subordination Agreement and I hereby acknowledge that I signed the foregoing Subordination Agreement freely and voluntarily for the purpose therein stated.

Arline Garber
ARLINE GARBER, VICE PRESIDENT

Subscribed and sworn to before me this 15TH day of DECEMBER 19 93.

(SEAL)



Karen A. Stark
Notary Public in and for said
State and County
My Commission Expires

I hereby recommend approval of the foregoing Application and Agreement.

John S. Sorenson
Manager, Klamath Irrigation District

The foregoing instrument having been read and considered by the Board of Directors of Klamath Irrigation District at a Meeting of said Board of Directors and said Board of Directors in consideration of all of the representations, warranties, covenants and agreements made by the Landowners therein duly moved, seconded and voted that Klamath

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Irrigation District approve and agree to the same and did Order that the above described Lands be exempted from the payment of the assessments of the District pursuant to Oregon Laws 1985, Chapter 581, Section 4 for assessment years commencing after the date of execution of this Agreement by Klamath Irrigation District set forth below.

Now, THEREFORE, Klamath Irrigation District does hereby duly execute this Agreement this 13th day of January, 1994.

KLAMATH IRRIGATION DISTRICT

By [Signature]
Its President

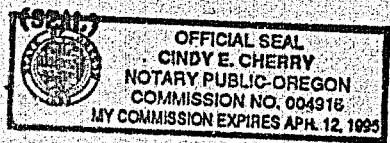
By [Signature]
Its Secretary

STATE OF OREGON)
County of Klamath) SS

On this 13th day of January, 1994, personally appeared Mark D Chen and David A Salem

who, being duly sworn did each say that Chen is the President and Salem the Secretary of Klamath Irrigation District and that the Seal affixed to this instrument is the Official Seal of said Klamath Irrigation District and that said instrument was signed on behalf of Klamath Irrigation District by authority of its Board of Directors and each of them acknowledged said instrument to be the voluntary act and deed of Klamath Irrigation District.

BEFORE ME:



Cindy E. Cherry
Notary Public for Oregon
My Commission Expires 4/12/95

STATE OF OREGON: COUNTY OF KLAMATH: SS.
Filed for record at request of [Signature] of Feb A.D. 19 94 at 10:01 o'clock A.M. and duly recorded in Vol. M94 of Deeds on Page 3798
FEE \$35.00
Evelyn Biehn County Clerk
By [Signature]