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Vol M04 Page

State of Oregon, County of Klamath

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Vol M04 Pg 3925-29

Linda Smith, County Clerk

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**IRRIGATION CONTRACT TO EXCLUDE FROM KLAMATH IRRIGATION
DISTRICT AND TO RELEASE
WATER AND DRAINAGE RIGHTS**

This Agreement is made by and between SoCo Development Inc.

herein called Landowners, whether one or more, and the Klamath
Irrigation District, hereincalled KID.

RECITALS

A. Landowners own land in Klamath County, Oregon, which contains 0.67 total acres of irrigable land, is Klamath County Tax Assessor Account No.(s): 3809-34CD-05300 Situs Address: 1504 Arthur St., and 3809-34CD-05400 Situs Address: 1500 Arthur St., Klamath Falls, Oregon; and is more particularly described as follows:

3809-34CD-05300: 0.33 acres
State of Oregon
County of Klamath
Elm Park, Lot 11

3809-34CD-05400: 0.34 acres
State of Oregon
County of Klamath
Elm Park, Lot 10

B. Landowners' predecessors in interest agreed to be included within the Klamath Irrigation District for the purpose of receiving irrigation water and drainage services from KID and the United States of America, by and through the Bureau of Reclamation, Klamath Project.

C. Landowners no longer desire to be included in Klamath Irrigation District and receive said services and pay the costs thereof.

AGREEMENT

NOW, THEREFORE, in consideration of the exclusion by KID of Landowners' Land from the Klamath Irrigation District and the release from KID's assessments, lien, collection and foreclosure rights under Oregon Revised Statutes Chapter 545, Landowners and Landowners' heirs, devisees, personal representatives, grantees, vandeas, successors and assigns, jointly and severally represent, warrant, guarantee, covenant and agree with KID 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 Agreement and to bind said lands as herein agreed.

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If said lands are subject to any trust deed, mortgage, contract of sale or other lien upon the land, landowners agree to furnish to KID, a recordable agreement from the owners and holders of such instrument or lien to be subordinate to the terms of this 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 do not have reasonable access to the system of irrigation works of the district, or have been permanently devoted to uses other than agriculture, horticulture, viticulture or grazing, or are subject to being irrigated from another source or, it is in the best interest of KID to exclude said land from assessment and from the benefits of the District.

(3) Landowners understand and agree that by executing this Agreement, they are releasing and waiving all rights of membership in KID, including the right to receive irrigation water, the right to use the drainage system operated and maintained by KID, and the right to vote in any District election.

(4) Landowners understand that by the execution of this Agreement, said lands may lose any right to receive water under State law because they acknowledge that the abandonment by nonuse of any prior right to receive water and by continued nonuse of water under this Agreement, the lands may fail to receive any future water rights. Landowners does hereby assign, quitclaim and transfer unto KID the water right, if any, appurtenant to their land and do hereby irrevocably appoint the chairperson of the Directors of the Klamath Irrigation District as their attorney in fact to execute any and all documents which may be necessary to transfer said water right, and to exclude landowners' land from the District.

(5) Landowners do hereby recognize, ratify, grant and confirm the existence of all existing rights of KID 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 KID as now constructed and located upon or affecting Landowners' said property and do agree that KID 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.

(6) Landowners do hereby absolve, waive and release both KID and the United States from any and all claims of liability

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with the ownership, operation or maintenance of the Klamath Project.

(7) Landowners understand and agree that should they desire to be included in KID in the future, if such inclusion is possible, that before such request will be granted, 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.

(8) 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 KID and the United States of America, and their respective successors, grantees, transferees and assigns.

(9) 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 contained herein.

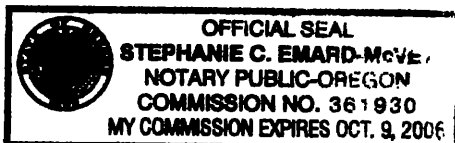
This Agreement shall take effect upon the approval of same by the Board of Directors of KID, and the adoption of the Resolution exempting said land from the assessments of said District.

WITNESS their hands this 16th day of December,
2003.

LANDOWNERS

STATE OF OREGON)
County of Klamath) ss

The foregoing instrument was acknowledged before this 16th
day of December, 2003, by W. LouEllyn Kelly



Stephanie C. Emdin-McKey
Notary Public for Oregon
My commission expires:

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The foregoing Instrument having been read and considered by the Board of Directors of KID 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 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 and accept the release to the District of the water and drainage rights which were appurtenant to said land.

NOW, THEREFORE, Klamath Irrigation District does hereby duly execute this Agreement this 8th day of January, 2004.

KLAMATH IRRIGATION DISTRICT

By David Cacka
Its President

By David Solomon
Its Secretary

STATE OF OREGON)
County of Klamath) ss

On this 8th day of January, 2004, personally appeared David Cacka and David Solomon, who, being duly sworn did each say that Cacka is the President and Solomon is the Secretary of Klamath Irrigation District and that the seal affixed to this instrument is the official seal of said 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.



Cindy E. Cherry
Notary Public for Oregon
My commission expires: 4/12/07

RN After recording return to: Klamath Irrigation District 6640 KID Lane, Klamath Falls, Oregon 97603.

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SUBORDINATION AGREEMENT

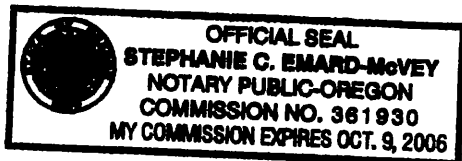
The undersigned owner or holder of a trust deed, mortgage, contract of sale or other lien upon the lands described in the foregoing Agreement, in consideration of the exemption of said lands from future assessments of KID, does hereby subordinate such interest and liens to the terms and conditions of the Agreement and agrees to be bound by the same.

South Valley Bank and Trust
(Print Name)
By Chuck Paulsen
(Signature)

By _____
(Signature)

STATE OF OREGON)
) SS
County of Klamath)

This instrument was acknowledged before me on
December 15, 2003, by Chuck Paulsen
and
duly authorized officers of South Valley Bank and Trust,
on behalf of whom this instrument was executed.



Stephanie C. Emard-Mcvey
NOTARY PUBLIC FOR OREGON
My commission expires: