

**IRRIGATION CONTRACT TO SUSPEND
FROM KLAMATH BASIN IMPROVEMENT DISTRICT
AND RELEASE OF WATER RIGHTS**

This agreement is by and between KLAMATH BASIN IMPROVEMENT DISTRICT, referred to herein as KBID and Hager Lane Development

referred to herein as Owner.

WHEREAS:

Owner owns land more particularly described in Exhibit "A" attached hereto, in Klamath County, Oregon, referred to as Klamath County Tax Lot: 3909-12DD-00400
and 3909-12DD-00500

Owner or Owner's predecessors in interest agreed to be included within the KBID for the purposes of receiving services, including delivery of water pursuant to the contracts that KBID has with the United States of America by and through the Bureau of Reclamation, Klamath Irrigation District and other districts located within the Klamath Project. KBID is obligated by contract to the following district or districts, hereinafter referred to as Delivery Districts, regarding water delivery to Owner's land:

Enterprise Irrigation District

Owner no longer desires to receive water deliveries and pay the costs thereof.

IT IS THEREFORE AGREED:

CONDITIONS

This agreement is conditioned upon Delivery Districts forgiving payments owed by KBID associated with such real property by reason of contractual obligation between KBID and Delivery Districts. It is agreed that KBID will cooperate with Owner as Owner makes such requests upon Delivery Districts.

This agreement is further conditioned upon all mortgage and lienholders consenting and agreeing with this agreement, and such mortgage and lienholders subordinating their interest to KBID herein.

This agreement is further conditioned upon all construction charges owed to the United States, acting by and through the Bureau of Reclamation have been paid in full.

A further condition of this agreement is approval of this agreement, and approval of resolution exempting the subject real property from assessments, by the Board of Directors of KBID.

KBID agrees as follows:

1. Upon properly execution of this agreement by all parties, including Delivery Districts, Mortgage and lienholders, and Owner, and upon conditions to this agreement being met, KBID releases Owner from KBID assessments, lien, collection and foreclosure rights KBID has under Oregon law.

OWNER agrees and represents as follows:

1. Owner are the sole owners and holders of the fee simple title to the subject real property, and have good right and title to enter into this agreement.

2. Owner hereby relinquishes, waives and releases all rights of membership and by virtue of being included in the boundaries of KBID, including waiving the right to vote, and receive irrigation water.

3. Owner understands that by entering into this agreement and Owner's failure to apply irrigation water by virtue of rights under KBID and the Klamath Project, Bureau of Reclamation, that Owner may be waiving and forfeiting water rights, including claims to water rights under the laws of the State of Oregon. Owner assigns, transfers and quitclaims to KBID all water rights, if any, appurtenant to the subject real property. Owner irrevocably appoints the Chairman of the Directors of KBID as attorney in fact for the purposes of transferring water rights and for exclusion of lands from KBID.

4. Owner hereby releases KBID, Delivery Districts, and the United States from any and all claims of liability for any damages or injuries to person or property which may have occurred or is presently occurring in connection with the ownership, operation or maintenance of the Klamath Project and district operations and assessments.

5. KBID makes no representations about the possibility of allowing the real property to be included in KBID water deliveries in the future. Owner understands and agrees that should Owner request inclusion into KBID in the future and such inclusion can be allowed, then Owner shall be required to pay all assessments that have been exempted herein, plus interest which would have been chargeable for nonpayment of such assessments if they had not been exempted herein, plus other conditions or assessments as then determined by the Board of Directors of KBID.

6. The restrictions, grants and agreements contained herein shall run with subject real property and shall bind all future owners thereof in perpetuity.

OWNER and KBID agree as follows:

1. This agreement is binding upon the heirs, successors and assigns of the respective parties.

This agreement is executed the 27 day of march, 2006.

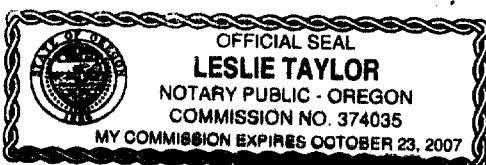
OWNER: _____

STATE OF OREGON

County of Klamath

}
}
} ss.
}

The foregoing instrument was acknowledged before me this 27 day of march, 2006, by Dorinda Puno



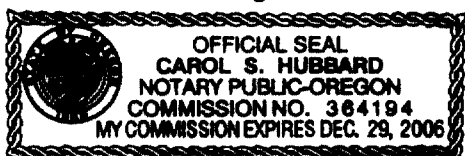
Leslie Taylor
Notary Public for Oregon
My Commission expires:

KLAMATH BASIN IMPROVEMENT DISTRICT, by:

Warren Haught Cindy E Cherry

STATE OF OREGON]
]ss.
County of Klamath]

On this 28th day of March, 2006 personally appeared
WARREN HAUGHT and CINDY E. CHERRY, who, being duly sworn, each
for himself and not one for the other, did say that the former is the PRESIDENT and that
latter is the secretary of Klamath Basin Improvement District and that said instrument was
signed and sealed in behalf of said district by authority of its board of directors; and each of
them acknowledged said instrument to be its voluntary act and deed. Before me:



Carol S. Hubbard
Notary Public for Oregon
My Commission expires: 12-29-06

After recording return to: Klamath Basin Improvement District 6640 KID Lane, Klamath Falls, Oregon, 97603

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ day
of _____ A.D., 20____ at _____ o'clock ____ M., and duly recorded in Vol. _____,
of _____ on Page _____.

FEE \$ _____

County Clerk

By _____

EXHIBIT "A"

Tax account no.: 3909-012DD-00400-000 KBID acres: 0.09

Tax account no.: 3909-012DD-00500-000 KBID acres: 1.27

Legal Description:

Lots 1, 2, 3, 4, 5, 12, 13, 14, 15, and 16 in Block 2, and Lots 1, 2, 3, 4, 5, 12, 13, 14, 15, and 16 in Block 3 of KERNS TRACT, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.