

thence South 50°04'03" East, along said Lateral boundary, 30.86 feet; thence southeasterly, 124.67 feet along the arc of a 129.59 foot radius curve to the left (the long chord of which bears South 77° 37'13" East, 119.89 feet) to the true point of beginning, containing 2.01 acres, more or less.

This property is commonly known as the old Klamath County Nursing Home and Convalescent Center situate at 5160 Summers Lane, Klamath Falls, Oregon. Said lease includes all permanent furniture, furnishings, and fixtures located on said property together with the following personal property described in Exhibit "A", attached hereto and by reference incorporated as fully as if set out in the body of this agreement.

2. Rental and Term. This lease shall be for a period of four years commencing at 12:01 A.M. on the 20th day of January, 1978 and ending at Midnight on the 20th day of January, 1982.

3. Successive Terms. Beginning with the expiration date of the original lease, unless the option to renew is withdrawn on or before the third anniversary of the lease, Lessor grants to Lessee an exclusive option to renew for continuous successive periods of one year. It is intended and agreed between Lessor and Lessee that this lease shall be subject to automatic renewal in perpetuity unless Lessor gives notice no less than one year prior to the intended date of termination. Lessee may give notice of its intention not to exercise the option to renew or to terminate any of the succeeding one year terms no less than 180 days prior to the intended date of termination. Notice shall be given in writing in a manner provided in paragraph 28 below.

4. Consideration for Lease. It is expressly agreed and understood between Lessor and Lessee that the consideration for this lease and any extensions thereof, shall be lessee's prompt and diligent maintenance and repair of the grounds, structures

and personal property leased pursuant to this lease, together with the prompt payment of all capital repairs and expenditures necessary to retain the structure in its present condition, reasonable wear and tear excepted, pursuant to provisions of paragraph 5 below.

5. Repairs and Improvements to Real Property. Lessor shall not be required to make any repairs, alterations, additions or improvements to or upon the leased premises during the term of this lease other than repair of the steam boiler and heat distribution system as hereinafter specifically provided. Lessee hereby agrees to maintain and keep the leased premises including all interior and exterior doors, heating, ventilating, and cooling systems, interior wiring, plumbing and drain pipes, sewers, septic tanks, exterior walls, roof, gutters, downspouts, foundations, and sidewalks, in good order and repair during the entire term of this lease and replace all glass which may be broken or damaged during the term hereof in the windows and doors of said premises with glass of as good or better quality as that now in use. It is expressly agreed and understood between Lessor and Lessee that one of the steam heating boilers and the accompanying hot water distribution system located within the building may require substantial repair or alteration during the term of this lease or extensions thereto. In the event it becomes necessary to repair or replace said boiler or steam heating lines due to system failure, decertification of the system, or the eminent occurrence of either, Lessor shall contract for and pay the costs of any repair reasonably deemed necessary by Lessor. Lessor reserves at any and all times the right to alter, repair or improve the heating system and for that purpose Lessor, its officers, agents, employees, or contractors, and workmen may enter upon the leased premises during normal working hours to effect reconstruction, repair or

alterations with such materials, equipment or workers as Lessor deems necessary therefore, and Lessee waives any claims for damages including loss of use or loss of business resulting therefrom. Lessor and Lessee further agree that the cost of repair of the steam boiler or heat distribution system shall be paid by Lessor when completed, and proportionately reimbursed to Lessor by Lessee by the following formula: Lessee shall reimburse Lessor at the rate of one-half of one percent per month in advance for the total costs of repair beginning on the first monthly anniversary of the date repairs are completed, with a like monthly payment due during the entire term of this lease to and including the 18th anniversary of this lease if extended for that period. Lessee further shall pay to Lessor within one year after the date of completion of repair a sum of money calculated by multiplying the number of months of possession of the premises under this lease and any extension thereof up to and including the month in which repairs on the system were completed, multiplied by one-half of one percent per month for that period, multiplied by the total costs of repair to the system. However the lump sum payment shall in no case exceed the sum of \$4,200.00.

6. Use of Premises. Lessor and Lessee agree that the real and personal property shall be used during the term of this lease for the operation of an alcohol and drug abuse rehabilitation center, for in-patient facilities, for alcohol and drug abuse rehabilitation activities, and for all uses incidental thereto. Lessee will make no other use of the premises without Lessor's written consent. Lessee will make no unlawful or offensive use of the premises; nor cause to be removed any equipment, fixtures, partitions; cause or permit physical, aesthetic or other damage, or diminish the value of the structure or commit any waste thereon; will not permit objectionable noise or odor to escape from or to

be emitted from the premises in any way tending to create a nuisance. The Lessee shall not allow the leased premises at any time to fall into a state of disrepair or disorder which would cause or permit damage or disintegration of the structure from the elements or to permit any condition which would increase a fire hazard upon the building. Lessee shall not install any power machinery on the premises except under the supervision or the written consent of Lessor and shall not store gasoline or other highly combustible materials on the leased premises except in storage areas specifically designated for such purpose.

7. Inspection and Alterations. Lessor hereby reserves the right to designate one or more officers, agents or employees to inspect the leased premises on a quarterly basis. In the event of any damage, destruction, or condition found on the leased premises requiring repair, Lessor shall give written notice to Lessee of the deficiencies found on the premises and advise of the method of correction. All repairs shall be completed by Lessee in a reasonable period of time. Lessee will not make or permit any additions, changes or alterations in the premises without first obtaining the written permission of Lessor except for work not exceeding \$500 in costs. As the condition for giving consent, Lessor may require Lessee to remove any such alterations, improvements, additions, or utility installations at the expiration of the term to restore the premises to its prior condition. Before commencing any work for alterations, additions, improvements affecting the premises, Lessee shall notify Lessor in writing of the expected date of commencement thereof. Lessor shall then have the right at any time and from time to time to post and maintain on the premises such notice as Lessor reasonably deems necessary to protect the premises and Lessor from

mechanics liens, materialmens liens, or other liens. In any event, Lessee shall pay when due all claims for labor or materials furnished to or for Lessee at or for use in the premises. Lessee shall not permit any mechanics or materialmens liens to be levied against the premises for any labor or materials furnished to Lessee or claimed to have been furnished to Lessee or to Lessee's agents or contractors in connection with work of any character performed or claimed to have been performed on the premises by or at direction of lessee.

8. Removal of Equipment. Unless Lessor requires removal, all alterations, improvements or additions which may be made part of the premises, shall become the property of Lessor and remain upon or be surrendered with the premises at the expiration of this lease. However, Lessee's machinery, equipment and trade fixtures other than that which is affixed to the premises so that it cannot be removed without material damage to the improvements, shall remain property of the Lessee and may be removed by Lessee prior to the date of surrender of the premises.

9. Condition of Premises. Lessee hereby accepts the premises in the condition existing as of the date of possession hereunder, subject to all applicable zoning, municipal, county, and state laws, ordinances and regulations governing regulating use of the premises and accepts this lease subject thereto and all matters as disclosed thereby and any exhibits attached thereto. Lessee acknowledges that neither Lessor nor Lessor's officers, agents, or employees have made any representations or warranty as to the suitability of the premises for the conduct of Lessee's business. Lessee shall at its expense comply promptly with all applicable statutes, ordinances, rules and regulations in effect during the term of any part of the term hereof regulating the use by Lessee of the premises. Lessee shall not use or permit the use of the premises in any manner which will tend to create

waste or a nuisance.

10. Utilities. Lessee shall pay for all electricity, gas, fuel, oil, water, sewer, and all other services or utilities used in the above leased premises during the term of this lease.

11. Real and Personal Property Taxes. Lessee shall pay all real or personal property taxes applicable to the premises during the term of this lease in the event that any of the real property or personal property is not otherwise exempt from state or local taxes. Payments by taxes shall be made on or before the due date as established by the local taxing authority. If the term of this lease shall not expire concurrently with the expiration of the fiscal year, Lessee's liability for taxes for the last partial lease period shall be pro-rated between the parties. As used herein, the term "real property tax" shall include any form of assessment, license, fee, rent, tax, levy, penalty, imposed by any authority having the direct or indirect property tax including any city, county, state or federal government; any school, agricultural, lighting, drainage, irrigation, fire or other improvement district thereof as against any legal or equitable interest of the Lessor in the premises or in the real property of which the premises are a part.

12. Capital Improvement Assessments. Any and all special assessments or levies made by any taxing authority including but not limited to assessments for streets, roads, highways, sidewalks, sewer, water, street lighting, other than those assessments made for payment on an annual or installment basis over less than five years, shall be paid by Lessor when due subject to reimbursement by Lessee. Reimbursement from Lessee shall be in equal annual installments of 20% the amount of the assessment, beginning on the first anniversary of the lease or any extension thereof after the assessment becomes due and continuing to and including the fifth anniversary of the lease or any extension thereto.

13. Fire and Casualty Insurance. Lessee hereby agrees to procure and maintain fire and casualty insurance of the structure insuring it to cost of replacement with the policy

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made payable to Lessor. It is agreed and understood

between the parties that the initial fire and casualty insurance shall be taken out on the structure in the amount of \$500,000.00. If Lessee fails to procure and maintain said insurance, the Lessor may but shall not be required to procure and maintain the same but at the expense of Lessee. Lessor and Lessee expressly agree that the policy limit of insurance mentioned above shall be subject to periodic review every two years on the anniversary date of this lease as to the reasonable sufficiency of said limit. In the event of dispute between Lessor and Lessee as to the sufficiency of the limits, the dispute shall be settled by arbitration in the following manner. Lessor and Lessee shall each select an arbitrator and the two arbitrators so selected shall select a third arbitrator and the three arbitrators so selected shall hear and determine the controversy. Their decision thereon shall be final and binding upon both Lessor and Lessee who shall bear the costs of such arbitration equally between them. Should arbitration fail for any cause, either Lessor or Lessee hereto may envoke if need be equitable jurisdiction in any appropriate court to determine the amounts of said fire and casualty insurance.

14. Ice, Snow and Debris. Lessee shall keep the sidewalks in front of the leased premises free and clear of ice, snow, rubbish, debris or obstructions which may be dangerous to pedestrians or motor vehicles passing the property. Further Lessee shall maintain any lawn, garden or other planted area in aesthically pleasant condition.

15. Liability Insurance. Lessee shall obtain and keep in force during the term of this lease a policy of comprehensive public liability insurance insuring Lessor and Lessee against any liability arising out of the ownership, use, occupancy, or maintenance of the premises and all areas appurtenant thereto. Such insurance shall be in an amount of not less than \$300,000.00 for injury to or death of any one person in any one accident or occurrence in an amount of not less than \$500,000.00 for injury to or death of more than one person in any one accident or occurrence.

Such insurance shall further insure Lessor and Lessee against liability for property damage of at least \$50,000.00. The limits of said insurance shall not, however, limit the liability of Lessee hereunder. If the Lessee shall fail to procure and maintain said insurance, the Lessor may, but shall not be required to, procure and maintain the same, but at the expense of Lessee. Lessor and Lessee expressly agree that the limits of liability insurance mentioned above shall be subject to periodic review every two years on the anniversary date of this lease as to the reasonable sufficiency of said limits.

16. Hold Harmless. Lessee shall indemnify, defend and hold Lessor harmless from any and all claims arising from Lessee's use of the premises or from the conduct of its business or from any activity, work, or other things which may be permitted or suffered by Lessee in or about the premises and shall further indemnify, defend and hold Lessee harmless from and against any and all claims arising from any breach of default in the performance of any obligation on Lessee's part to be performed under the provisions of this lease or arising out of any negligence of Lessee or any of its agents, contractors, employees, or invitees and from any and all costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or any action or proceeding brought thereon. Lessee hereby assumes in full force and effect.

17. Exemption of Lessor from Liability. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the premises; nor, unless through its negligence, shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors and invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, rain or from