

the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether the said damage or injury results from conditions arising upon the premises and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Lessor or Lessee.

18. Waiver of Subrogation. Lessee and Lessor each waives any and all rights of recovery against the other, or against the officers, employees, agents and representatives of the other, for loss or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against any insurance policy in force at the time of such loss or damage.

19. Damage or Destruction.

A. Partial Damage. If the premises are damaged and such damage was caused by a casualty covered under an insurance policy, and the costs of repair of such damage is 25% or less of the full insurable value of the premises, then Lessor shall repair the damages as soon as reasonably possible and this lease shall continue in full force and effect. If the insurance proceeds received by Lessor are not sufficient to effect such repair, then Lessor shall give notice to Lessee of the amount required in addition to the insurance proceeds to effect such repair. Lessee may, at its option, contribute the required amount, but upon failure to do so within thirty (30) days following notice, Lessor's sole remedy shall be, at Lessor's option, and with no liability to Lessee to cancel and terminate this Lease. If Lessee shall contribute such amount to Lessor within thirty (30) day period, Lessor shall make such repairs as soon as reasonably possible and this lease shall continue in full force and effect. Lessee shall in no event have any right to reimbursement for any such amount so contributed. In

the event the premises may be damaged or destroyed by casualty which is not covered by fire and extended coverage insurance carried by Lessee, Lessor shall not be required to restore the same if damage or destruction is to an extent greater than 10% of the then replacement cost of improvements on the premises.

If Lessor elects not to restore, it must give Lessee written notice within 30 days from the date of damage, and if not given, Lessor shall be deemed to have elected to restore and in such event shall repair any damages as soon as reasonably possible. In the event Lessor elects to give notice of Lessor's intention to cancel and terminate this lease, Lessee shall have the right within ten days after receipt of such notice to give written notice to Lessor of Lessee's intention to repair such damage at Lessee's expense without reimbursement from Lessor, in which event this lease shall continue in full force and effect and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee does not give such notice within ten day period, this lease shall be cancelled and terminated as of the date of occurrence of such damage.

B. Total Destruction. In the event of damage to the premises by fire or other casualty to the extent of 25% or more of the replacement costs of improvements on the premises, the Lessor may or may not elect to repair said building at its discretion. Lessor must give Lessee written notice of its election not to restore said building within 30 days from the date of this damage and if not given, Lessor shall be deemed to have elected to restore and in such event, shall repair any damages as soon as reasonably possible.

20. Repair of Structure. In the event Lessor is required or elects to repair said premises, all repair work shall be done with convenient speed and Lessor shall have the right to take possession of and occupy to the exclusion of Lessee all or any part of said building in order to make the necessary repairs and Lessee

hereby agrees to vacate upon request all or any part of said building which the Lessor may require for the purpose of making necessary repairs and for the period of time between the day of such damage and until such repairs have been substantially completed there shall be such an abatement of an obligation to pay fire and casualty insurance, repairs or improvements, assessments against the property as the nature of injury or damage has interference with the occupancy of said leased premises by Lessee shall warrant; however if the premises be but slightly injured and the damage so occasioned shall not cause any material interference with the occupation of the premises by Lessee, then there shall be no abatement or obligation and Lessor shall repair said damage with all convenient speed.

21. Assignment and Subletting. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in this lease or in the premises without Lessor's prior written consent. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such consent shall be void and shall constitute a breach of this lease. Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation to pay the rent and to perform all other obligations to be performed by Lessee hereunder for the term of this lease. The acceptance of consideration by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provisions hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

22. Default. The occurrence of any one or more of the following events shall constitute a default and breach of this lease by Lessee:

(a) The vacating or abandonment of the premises by Lessee.

(b) The failure by Lessee to make any payment due under the terms of this lease as and when due or such failure shall continue for a period of ten (10) days after written notice thereof from Lessor to Lessee.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this lease to be observed or performed by Lessee, or such failure shall continue for a period of 30 days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than 30 days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(d) If Lessee shall be declared bankrupt or insolvent according to law or if any assignment of Lessee's property shall be made for the benefit of creditors.

23. Remedies in Default. In the event of any such default or breach by Lessee, Lessor may at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default or breach, terminate Lessee's right to possession of the premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; the expenses of reletting, or closing the premises including necessary renovation and alteration of the premises, reasonable attorney's fees, all unpaid compensation due Lessor or other sums due and payable through the term of this lease or its extension thereon shall bear interest from the date due at the legal rate of interest as established by state law.

(b) The failure by Lessee to make any payment due under the terms of this lease as and when due or such failure shall continue for a period of ten (10) days after written notice thereof from Lessor to Lessee.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this lease to be observed or performed by Lessee, or such failure shall continue for a period of 30 days after written notice thereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than 30 days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(d) If Lessee shall be declared bankrupt or insolvent according to law or if any assignment of Lessee's property shall be made for the benefit of creditors.

23. Remedies in Default. In the event of any such default or breach by Lessee, Lessor may at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default or breach, terminate Lessee's right to possession of the premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; the expenses of reletting, or closing the premises including necessary renovation and alteration of the premises, reasonable attorney's fees, all unpaid compensation due Lessor or other sums due and payable through the term of this lease or its extension thereon shall bear interest from the date due at the legal rate of interest as established by state law.

24. Default by Lessor. Lessor shall not be in default unless Lessor fails to perform any obligations required by Lessor within a reasonable time, but in no event later than 30 days written notice by Lessee to Lessor specifying wherein Lessor's failure to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30 day period and thereafter diligently prosecutes the same to completion.

25. Condemnation. If the premises or any portion thereof are taken under the power of eminent domain, or sold by Lessor under the threat of the exercise of said power, this lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first. If any portion of the floor area of any buildings on the premises or more than 25% of the land area of the premises are not covered by the building is taken by condemnation either Lessor or Lessee may terminate this lease as of the date the condemning authority takes possession by notice in writing of such election within 20 days after Lessor shall have notified Lessee of the taking or in the absence of such notice within 20 days after the condemning authority shall have taken possession. In the event of condemnation whether or not the lease is so terminated, Lessee agrees that it shall not be entitled to any award for the taking of any part of the premises except that Lessee shall be entitled to any award for loss of or damage to Lessee's trade fixtures and removable personal property.

26. Delivering Up Premises on Termination. At the expiration of said term or upon any sooner termination thereof, the Lessee will quit and deliver up said leased premises and all future erections or additions to or upon the same, broom-clean to the Lessor peaceably, quietly, and in as good order and condition,

reasonable use and wear thereof, damage by fire, unavoidable casualty and damage by the elements alone excepted, as the same are now in or hereafter may be put in by the Lessor.

27. Delivering Up Personal Property on Termination.

The expiration of the term of this lease or upon any sooner termination hereof, Lessor and Lessee shall cause to be taken a physical inventory of all personal property to be surrendered pursuant to this lease. It is expressly agreed and understood between the parties that Lessee shall deliver the property to Lessor in good order and condition, reasonable use and wear thereof. Lessee further agrees to pay within 30 days following the date of expiration of this lease the reasonable replacement cost of any and all personal property which has been lost, damaged, or destroyed during the term of this lease.

28. Notices. All notices required by the term of this lease to be given by one party to the other, shall be deemed given if hand delivered in writing to the other party or after five days from the date of posting in the mails of the United States with postage prepaid addressed to the parties at the following addresses:

LESSOR: Klamath County Commissioners
Klamath County Courthouse
Klamath Falls, Oregon 97601

LESSEE: Klamath Council on Alcohol and Drugs
5160 Summers Lane
Klamath Falls, Oregon 97601

29. Assignee's Rights. All rights, remedies and liabilities herein given to or imposed upon either of the parties hereto shall extend to, inure to the benefit of and bind, as the circumstances may require the heirs, executors, administrators, successors and, so far as this lease is assignable by the term hereof, to the assigns of such parties.

In construing this lease, it is understood that the Lessor or the Lessee may be more than one person; that if the context so requires, the singular pronoun shall be taken to mean and including

the plural, the masculine, the feminine and the neuter, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the respective parties have executed this instrument in duplicate on this, the day and year first hereinabove written, any corporation signature being by authority of its Board of Directors.

DATED: January 17, 1978

LESSOR:

Nell Kuonen CHAIRMAN
Floyd L. Wynne COMMISSIONER
Lloyd Gift COMMISSIONER

DATED: January 19, 1978

LESSEE: KLAMATH COUNCIL ON ALCOHOL AND DRUGS

By

Robert J. Brown
 Treasurer

STATE OF OREGON)
) ss.
 County of Klamath)

Personally appeared before me NELL KUONEN, Chairman of the Board of County Commissioners, and acknowledged the foregoing instrument to be her voluntary act and deed.

BEFORE ME:

Virginia Bickey
 NOTARY PUBLIC OF OREGON
 My commission expires: Sept. 23, 1980

STATE OF OREGON)
) ss.
 County of Klamath)

Personally appeared before me LLOYD GIFT, a member of the Board of County Commissioners, and acknowledged the foregoing instrument to be his voluntary act and deed.

BEFORE ME:

Virginia Bickey
 NOTARY PUBLIC OF OREGON
 My commission expires: Sept. 23, 1980

STATE OF OREGON)
) ss.
 County of Klamath)

Personally appeared before me FLOYD WYNNE, a member of the Board of County Commissioners, and acknowledged the foregoing instrument to be his voluntary act and deed.

BEFORE ME:

Virginia Bickey
 NOTARY PUBLIC OF OREGON
 My commission expires: Sept. 23, 1980

LEASE OF REAL PROPERTY, PAGE SIXTEEN.