

Submitted for Recordation

By and Return to: 200 DEC 11 PM 3:14

Moore & Van Allen, PLLC  
Address 100 North Tryon Street, Floor 47  
Charlotte, North Carolina 28202-4003  
Attn: Granice Geyer-Smith, Esq.

*K56374*  
LINE OF CREDIT MORTGAGE  
Deed of Trust with Assignment  
Of Rents, Security Agreement and Fixture Filing  
(Oregon)

GRANTOR: Extendicare Homes, Inc., a Delaware corporation  
TRUSTEE: First American Title Insurance Company of Oregon  
BENEFICIARY: Bank of America, N.A., as Agent

MAXIMUM AMOUNT  
TO BE ADVANCED: \$800,000,000.00

TERM OF CREDIT  
AGREEMENT, IF ANY: December 31, 2004

Drawn By and Return To:  
 Moore & Van Allen, PLLC (GGS)  
 Bank of America Corporate Center  
 100 North Tryon Street, Floor 47  
 Charlotte, North Carolina 28202-4003

Oregon  
 (Clairmont Retirement)

STATE OF OREGON  
 COUNTY OF KLAMATH

LINE OF CREDIT  
 DEED OF TRUST  
 AND  
 SECURITY AGREEMENT

COLLATERAL IS OR INCLUDES FIXTURES

THIS LINE OF CREDIT DEED OF TRUST AND SECURITY AGREEMENT (the "Deed of Trust") is made and entered into as of the 15th day of November, 2000, by and among

EXTENDICARE HOMES, INC., a Delaware corporation (the "Grantor");

FIRST AMERICAN TITLE INSURANCE COMPANY OF OREGON, an Oregon corporation ("Trustee"); and

BANK OF AMERICA, N.A., a national banking association, formerly known as NationsBank, N.A. in its capacity as administrative agent (in such capacity, the "Agent") for the lenders from time to time party to the Credit Agreement, as amended described herein (collectively, the "Lenders") with a mailing address of NC1-001-15-04, 101 North Tryon Street, Charlotte, North Carolina 28255. Terms not defined herein shall have the meaning assigned to them in the Credit Agreement.

RECITALS:

WHEREAS, the Borrower (as hereinafter defined) and the Guarantors (as hereinafter defined) request that the Lenders provide a credit facility to the Borrower in an amount up to \$800 million;

WHEREAS, the Grantor is the owner of the fee simple interest in the real property described on Exhibit A attached hereto and incorporated herein by reference; and

WHEREAS, the Lenders made the requested credit facility available to the Borrower provided that, among other things, the Grantor executes and delivers this Deed of Trust.

WITNESSETH:

In order to secure the repayment of the aforesaid credit facility together with any renewals or extensions or modifications thereof upon the same or different terms or at the same or different rate of interest and also to secure: (i) all future advances and readvances that may subsequently be made to the Borrower by the Lenders evidenced by any promissory notes given

in connection with the aforesaid credit facility, and all renewals and extensions thereof; and (ii) all other indebtedness of the Borrower to the Lenders pursuant to the credit facility, now or hereafter existing, whether direct or indirect, the maximum amount of all indebtedness outstanding at any one time secured hereby not to exceed \$800,000,000.00, plus interest thereon, all charges and expenses of collection incurred by Agent including court costs and reasonable attorney's fees.

The Grantor, in consideration of the indebtedness herein recited and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has irrevocably granted, released, sold, remised, bargained, assigned, pledged, warranted, mortgaged, transferred and conveyed, and does hereby grant, release, sell, remise, bargain, assign, pledge, warrant, mortgage, transfer and convey unto the Trustee and the Trustee's successors and assigns for the benefit of the Agent and Agent's successors and assigns with power of sale, forever, a continuing security interest in and to, all of Grantor's right, title and interest in and to the following described land, real property interests, buildings, improvements and fixtures, furniture and appliances and other personal property:

(a) All that tract or parcel of land and other real property interests in Klamath County, Oregon more particularly described in Exhibit A attached hereto and made a part hereof (the "Land") and all of the Grantor's right, title and interest in and to rights appurtenant thereto, including easement rights; and

(b) All buildings and improvements of every kind and description now or hereafter erected or placed on the aforesaid land (the "Improvements") and all materials intended for construction, reconstruction, alteration and repair of such Improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises hereby conveyed immediately upon the delivery thereof to the aforesaid Land, and all fixtures and articles of personal property now or hereafter owned by the Grantor and attached to or contained in and used in connection with the aforesaid Land and Improvements including, but not limited to, all furniture, furnishings, apparatus, machinery, equipment, motors, elevators, fittings, radiators, ranges, refrigerators, awnings, shades, screens, blinds, carpeting, office equipment and other furnishings and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment and fixtures and appurtenances thereto and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are or shall be attached to the Land and Improvements in any manner (the "Tangible Personalty") and all proceeds of the Tangible Personalty (hereinafter, the Land, the Improvements and Tangible Personalty may be collectively referred to as the "Premises").

TO HAVE AND HOLD the same, together with all privileges, hereditaments, easements and appurtenances thereunto belonging, subject to the Permitted Liens (as defined in the hereinafter described Credit Agreement) and Permitted Encumbrances (hereinafter defined), to the Trustee and the Trustee's successors and assigns in Trust for the benefit of the Agent and the Agent's successors and assigns to secure the indebtedness and other obligations herein recited; provided that, should the indebtedness secured hereby be paid according to the tenor and effect

thereof when the same shall be due and payable and should the Grantor timely and fully discharge its obligations secured hereby and satisfy the obligations in full, then the Premises shall be reconveyed to the Grantor or the title thereto shall be revested according to the provisions of law.

And, as additional security for said indebtedness, the Grantor hereby conditionally assigns to the Trustee and Trustee's successors and assigns for the benefit of the Agent and Agent's successors and assigns all the security deposits, rents, issues, profits and revenues of the Premises from time to time accruing, excluding any and all medicare payments (the "Rents and Profits"), reserving only the right to the Grantor to collect and apply the same as Grantor chooses as long as there shall exist no Event of Default (as defined in Article III).

As additional collateral and further security for the indebtedness, the Grantor does hereby assign and grants to the Agent a security interest in all of the right, title and the interest of the Grantor in and to any and all insurance policies and proceeds thereof and any and all leases (including equipment leases), rental agreements, sales contracts, management contracts, franchise agreements, construction contracts, architects' contracts, technical services agreements, or other contracts, licenses and permits to the extent now or hereafter affecting the Premises (the "Intangible Personalty") or any part thereof, and the Grantor agrees to execute and deliver to the Trustee and/or Agent such additional instruments, in form and substance reasonably satisfactory to the Agent, as may hereafter be requested by the Agent to evidence and confirm said assignment; provided, however, that acceptance of any such assignment shall not be construed as a consent by the Agent to any lease, rental agreement, management contract, franchise agreement, construction contract, technical services agreement or other contract, license or permit, or to impose upon the Agent any obligation with respect thereto. Notwithstanding the foregoing provisions, such assignment and grant of security interest contained herein shall not extend to, and the Intangible Personalty shall not include, any personalty which is now or hereafter held by the Grantor as licensee, lessee or otherwise, to the extent that (a) such personalty is not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (b) such consent has not been obtained; provided, however, that the foregoing assignment and grant of security interest shall extend to, and the Intangible Personalty shall include, any and all proceeds of such personalty to the extent that the assignment or encumbering of such proceeds is not so restricted under the terms of the license, lease or other agreement applicable thereto.

All the Tangible Personalty which comprise a part of the Premises shall, as far as permitted by law, be deemed to be affixed to the aforesaid Land and conveyed therewith. Grantor hereby grants a security interest as to the balance of the Tangible Personalty and the Intangible Personalty, and this Deed of Trust shall be considered to be a security agreement which creates a security interest in such items for the benefit of the Agent. In that regard, the Grantor grants to the Agent all of the rights and remedies of a secured party under the laws of the state in which the Premises are located.

The Grantor, the Trustee and the Agent covenant, represent and agree as follows:

## ARTICLE I

Indebtedness Secured1.1 Obligations Secured.

The obligations secured by this Deed of Trust are the result of (i) the \$800,000,000 credit facility (hereinafter the loans and extensions of credit thereunder may be called the "Loans") established by the Agent and the Lenders in favor of Extendicare Health Services, Inc. (the "Borrower") and each of the guarantors a party to the Credit Agreement (individually a "Guarantor" and collectively, the "Guarantors") pursuant to the terms of the Credit Agreement dated November 26, 1997 (as amended, the "Credit Agreement") and as evidenced by (a) those loan promissory notes of the Borrower (as referenced and defined in the Credit Agreement, as amended, modified, supplemented, extended, renewed or replaced from time to time, the "Notes"), and (b) those letters of credit for the account of the Borrower or any of its Subsidiaries (as referenced in the Credit Agreement, the "Letters of Credit"), and (ii) the unconditional guarantee of the Grantor to the Agent and each Lender of the prompt payment of the Credit Party Obligations (as such term is defined in the Credit Agreement) and the timely performance of all other obligations of the Borrower and Guarantors under the Credit Documents (as defined in the Credit Agreement), whether contingent or matured (the "Guaranty Obligations"). This Deed of Trust is given to secure (i) the payment and performance of all indebtedness and other obligations now or hereafter owing under the Notes, the Letters of Credit, the Credit Agreement, this Deed of Trust and the other Credit Documents and (ii) the Guaranty Obligations, whether contingent or matured.

1.2 Amount Secured. This Deed of Trust secures all present and future loan disbursements made by the Agent under the Credit Documents, and all other sums from time to time owing to the Agent by the Credit Parties under the Credit Documents.

## ARTICLE II

Grantor's Covenants, Representations and Agreements

2.1 Title to Property. The Grantor represents and warrants to the Agent (i) that it is seized of the Land, the Improvements (and any fixtures) and the Tangible Personalty in fee to the extent such Tangible Personalty does not constitute fixtures and has the right to encumber and convey the same, (ii) as of the date hereof, that title to such property is free and clear of all liens and encumbrances except for the Permitted Liens and title to all such other property is free and clear of all encumbrances except for the matters shown on the title commitment for the Premises delivered to the Agent (the "Permitted Encumbrances"), and (iii) that it will warrant and defend the title to such property except for the Permitted Encumbrances and Permitted Liens against the claims of all Persons. As to the balance of the Premises, the Rents and Profits and the Intangible Personalty, the Grantor represents and warrants that it has title to such property, that it has the

right to encumber and convey such property and that it will warrant and defend such property against the claims of all Persons subject to the Permitted Encumbrances and the Permitted Liens against the claims of all persons.

2.2 Taxes and Fees. The Grantor will pay when due all taxes, general and special assessments, insurance premiums, permit fees, inspection fees, user fees, license fees, water and sewer charges, franchise fees and equipment rents and any other charges or fees against it or the Premises as required by the terms and conditions of Section 7.5 and 7.6 respectively, of the Credit Agreement (and the Grantor, upon request of the Agent, will submit to the Agent receipts evidencing said payments).

2.3 Reimbursement. Subject to Grantor's right to contest as set forth in the Credit Agreement, the Grantor agrees that if it shall fail to pay on or before the date that the same become delinquent any tax, assessment or charge levied or assessed against the Premises or any utility charge, whether public or private, or any insurance premium, or if it shall fail to procure the insurance coverage and the delivery of the insurance certificates required hereunder, or if it shall fail to pay any other charge or fee described in Sections 2.2, 2.3 or 2.6 hereof, then the Agent, at its option, may pay or procure the same and will give the Grantor prompt notice of any such expenditures. The Grantor will reimburse the Agent upon demand for any sums of money paid by the Agent pursuant to this Section, together with interest on each such payment at the default rate of interest provided in Section 3.1 of the Credit Agreement for Loans, and all such sums and interest thereon shall be secured hereby.

2.4 Additional Documents. The Grantor agrees to execute and deliver to the Agent, concurrently with the execution of this Deed of Trust and upon the request of the Agent from time to time hereafter, all financing statements and other documents reasonably required to perfect and maintain the security interest created hereby. The Grantor hereby irrevocably (as long as the Loans or Letters of Credit remain outstanding or the Commitments have not been terminated) makes, constitutes and appoints the Agent as the true and lawful attorney of the Grantor (such appointment being coupled with an interest) to sign the name of the Grantor (after the Grantor has failed or refused to timely execute such documents upon request of the Agent) on any financing statement, continuation of financing statement or similar document required to perfect or continue such security interests but only in the event the Grantor refuses to do so after receipt of written notice.

2.5 Sale or Encumbrance. Except as otherwise permitted by the Credit Agreement, the Grantor will not sell, encumber or otherwise dispose of any of the Tangible Personalty except to incorporate such into the Improvements or replace such with goods of quality and value at least equal to that replaced. Provided, however, in the event the Grantor sells or otherwise disposes of any of the Tangible Personalty, the Agent's security interest in the proceeds of the Tangible Personalty shall continue pursuant to this Deed of Trust.

2.6 Fees and Expenses. The Grantor will promptly pay upon demand any and all reasonable costs and expenses of the Agent, (a) as required under Section 11.5 of the Credit Agreement and (b) as reasonably necessary to protect the Premises, the Rents and Profits or the Intangible Personalty or to exercise any rights or remedies under this Deed of Trust or with

respect to the Premises, Rents and Profits or the Intangible Personality. All of the foregoing costs and expenses shall be secured hereby.

2.7 Leases and Other Agreements. Without first obtaining on each occasion the written approval of the Agent, which approval shall not be unreasonably withheld, the Grantor shall not, except as permitted by the Credit Agreement, enter into, cancel, surrender or materially modify or permit the cancellation of any material lease (including any equipment lease), rental agreement, management contract, franchise agreement, construction contract, technical services agreement or other material contract, license or permit now or hereafter affecting the Premises, or materially modify any of said instruments, or accept or permit to be made, any prepayment (more than one month) of any installment of rent or fees thereunder. Certified copies of each such approved material lease or other material agreement not previously delivered to the Agent shall be submitted to the Agent as soon as possible. The Grantor shall faithfully keep and perform, or cause to be kept and performed, in all material respects, all of the covenants, conditions, and agreements contained in each of said agreements, now or hereafter existing, on the part of the Grantor to be kept and performed (including performance of all covenants to be performed under any and all leases of the Premises or any part thereof) and shall at all times use commercially reasonable efforts to enforce, with respect to each other party to said agreements, all obligations, covenants and agreements by such other party to be performed thereunder.

2.8 Maintenance of Premises. The Grantor will abstain from and will not permit the commission of waste in or about the Premises and will maintain, or cause to be maintained, the Premises in reasonable condition and repair, ordinary wear and tear, casualty, condemnation and obsolescence excepted.

2.9 Insurance. The Grantor shall maintain insurance for the Premises as set forth in Section 7.6 of the Credit Agreement. All proceeds from any insurance so maintained shall at the option of Agent be applied to the repair or reconstruction of any improvements located upon the Premises or to the debt secured hereby. In addition to the requirements set forth in Section 7.6 of the Credit Agreement, if any part of the Improvements is located in an area having "special flood hazards" as defined in the Federal Flood Disaster Protection Act of 1973, a flood insurance policy as may be required by law naming the Agent as mortgagee must be submitted to the Agent. The policy must be in such amount, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice.

2.10 Eminent Domain. Subject to the provisions of the Credit Agreement, the Grantor assigns to the Agent any proceeds or awards which may become due by reason of any condemnation or other taking for public use of the whole or any part of the Premises or any rights appurtenant thereto to which the Grantor agrees to execute such further assignments and agreements as may be reasonably required by the Agent to assure the effectiveness of this Section. In the event any Governmental Authority shall require or commence any proceedings for the demolition of any buildings or structures comprising a part of the Premises, or shall commence any proceedings to condemn or otherwise take pursuant to the power of eminent domain a material portion of the Premises, the Grantor shall promptly notify the Agent of such requirements or commencement of proceeding (for demolition, condemnation or other taking).

2.11 Releases and Waivers. The Grantor agrees that no release by the Agent of any portion of the Premises, the Rents and Profits or the Intangible Personalty, no subordination of Lien, no forbearance on the part of the Agent to collect on the Loans, or Letters of Credit or any part thereof, no waiver of any right granted or remedy available to the Agent and no action taken or not taken by the Agent shall, except to the extent expressly released, in any way have the effect of releasing the Grantor from full responsibility to the Lender's and the Agent for the complete discharge of each and every of the Grantor's obligations hereunder.

2.12 Transfer of Premises. Except as otherwise permitted in the Credit Agreement, the Grantor covenants and agrees with the Agent that the Grantor shall not sell, transfer, convey, mortgage, encumber or otherwise dispose of the Premises, the Rents and Profits or the Intangible Personalty or any part thereof or any interest therein or engage in subordinate financing with respect thereto during the term of this Deed of Trust without the prior written consent of the Agent.

2.13 Compliance with Law. Except as otherwise permitted in the Credit Agreement, the Grantor will comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental authorities in respect of the ownership of the Premises (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls).

2.14 Inspection. Except as otherwise permitted in the Credit Agreement, the Grantor will permit the Agent, or its agents, at all reasonable times and with advance prior notice to enter and pass through or over the Premises for the purpose of inspecting same; provided, however, prior to an Event of Default inspections shall be at reasonable times during the Grantor's normal business hours.

2.15 Security Agreement.

(a) Insofar as the fixtures and articles of personal property either referred to or described in this Deed of Trust are in any way connected with the use and enjoyment of the Premises, this Deed of Trust is hereby made and declared to be a security agreement, encumbering each and every item of personal property included herein, in compliance with the provisions of the Uniform Commercial Code as enacted in the state where the Premises are located. A financing statement or statements reciting this Deed of Trust to be a security agreement, affecting all of said personal property aforementioned, shall be executed by the Grantor and the Agent and appropriately filed. The remedies for any violation of the covenants, terms and condition of the security agreement herein contained shall be (i) as prescribed herein or (ii) as prescribed by general law or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in said Uniform Commercial Code, all at Agent's sole election. The Grantor and the Agent agree that the filing of such financing statement(s) in the records normally having to do with personal property shall never be construed as in anywise derogating from or impairing this declaration and hereby stated intention of the Grantor and the Agent that everything used in connection with the production of income from the Premises or adapted for use therein or which is described or reflected in this Deed of Trust is, and at all times



and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate irrespective of whether (a) any such item is physically attached to the improvements, (b) serial numbers are used for the better identification of certain items capable of being thus identified in a recital contained herein, or (c) any such item is referred to or reflected in any such financing statement(s) so filed at any time. Similarly, the mention in any such financing statement(s) of the rights in and to (aa) the proceeds of any fire or hazard insurance policy of (bb) any award in eminent domain proceedings for a taking or for loss of value or (cc) the Grantor's interest as lessor in any present or future lease or rights to income growing out of the use or occupancy of the Premises, whether pursuant to lease or otherwise, shall never be construed as in anywise altering any of the rights of the Grantor or the Agent as determined by this instrument or impugning the priority of the Agent's lien granted hereby or by any other recorded document, but such mention in such financing statement(s) is declared to be for the protection of the Agent in the event any court shall at any time hold with respect to the foregoing (aa) or (bb) or (cc), that notice of the Agent's priority of interest to be effective against a particular class of persons, must be filed in the Uniform Commercial Code records.

(b) The Grantor warrants that the names of the "Debtor" and the "Secured Party" (which are the Grantor and the Agent, respectively), the address of the "Secured Party" from which information concerning the security interest may be obtained, and the address of "Debtor", are as set forth in Section 6.2, hereof; and a statement indicating the types, or describing the items, of collateral is set forth hereinabove. The location of the collateral which is Tangible Personalty is upon the Land. The Grantor agrees to furnish the Agent with notice of any change in the name, identity, corporate structure, residence, principal place of business or mailing address of the Grantor within ten (10) days of the effective date of any such change and the Grantor will promptly execute any financing statements or other instruments deemed necessary by the Agent to prevent any filed financing statement from becoming misleading or losing its perfected status.

### ARTICLE III

#### Events of Default

An Event of Default shall exist under the terms of this Deed of Trust upon the existence of an Event of Default under the terms of the Credit Agreement.

### ARTICLE IV

#### Foreclosure

4.1 Acceleration of Secured Indebtedness; Foreclosure. Upon the occurrence and during the continuance of an Event of Default, the entire balance of the Loans and Letters of Credit and any other obligations due under the Credit Documents, including all accrued interest, shall, at the option of the Agent, become immediately due and payable. Upon failure to pay the Credit Party Obligations or reimburse any other amounts due under the Credit Documents in full

at any stated or accelerated maturity and in addition to all other remedies available to the Agent at law or in equity, the Agent may foreclose the lien of this Deed of Trust pursuant to the power of sale hereby granted or by judicial proceeding. The Grantor hereby waives any statutory right of redemption in connection with such foreclosure proceeding.

4.2 Power of Sale. On the written request of the Agent, the Trustee shall sell the Premises (together with Rents and Profits) in accordance with the applicable law of the State of Oregon, at public auction to the highest bidder. The Premises may be sold separately or as a whole, at the option of the Agent. If noncontiguous portions of the Premises are situated in different counties, the Grantor agrees that a sale by the Trustee of all or any part of the Premises may be held in a single county provided all notices required to be published are published in each county. Any person permitted by law may bid at the Trustee's sale. If the Agent is the purchaser at a foreclosure sale, the Agent shall be entitled to a credit against the purchase price in an amount equal to the lesser of (a) the full amount secured by this Deed of Trust as of the date of the sale, or (b) the purchase price.

4.3 Sale of Personalty. Upon the written request of the Agent, the Trustee shall sell the Tangible Personalty at a public sale at the same time and place as the sale of the Premises; or the Agent may sell the Tangible Personalty at one or more other public or private sales in accordance with the applicable Uniform Commercial Code. The Tangible Personalty shall not be required to be exhibited, presented or displayed at any sale. In the event of a Trustee's sale of the Premises, the Rents and Profits and Intangible Personalty, the Agent hereby assigns its security interest in the Rents and Profits and Intangible Personalty to Trustee. The Grantor agrees that a sale by the Trustee and the notices required under the deed of trust laws are commercially reasonable and adequate under the Uniform Commercial Code.

4.4 Proceeds of Sale. Following a foreclosure sale, the Trustee shall deliver to the purchaser at the sale of the Premises its deed, without warranty, which shall convey to the purchaser the interest in the Premises which the Grantor had or had the power to convey at the time of its execution of this Deed of Trust, and such as it may have acquired thereafter. The Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value. The Trustee shall apply the proceeds of any sale in the following order: (a) to the expenses of sale, including a reasonable Trustee's fee and Trustee's attorneys' fees; (b) to the Credit Party Obligations and any other indebtedness (including without limitation attorneys' fees) secured by this Deed of Trust; and (c) the surplus, if any, shall be distributed in accordance with applicable law.

4.5 Nonexclusive Remedy. The power of sale conferred by this Deed of Trust and by applicable law is not an exclusive remedy, and when not being exercised, the Agent may foreclose this Deed of Trust as a mortgage and the Grantor shall pay all costs incurred by Agent in any suit, or appeal therefrom, brought by the Agent to foreclose this Deed of Trust, including without limitation, reasonable attorneys' fees. The Trustee is not obligated to notify any party hereto of a pending sale under any other deed of trust or of any action or proceeding in which the Grantor, the Trustee or the Agent shall be a party, unless such action or proceeding is brought by the Trustee.

## ARTICLE V

Additional Rights and Remedies of the Agent

5.1 Rights Upon an Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Agent, immediately and without additional notice and without liability therefor to the Grantor, except for gross negligence, willful misconduct or unlawful conduct, may do or cause to be done any or all of the following to the extent permitted by applicable law: (a) take physical possession of the Premises; (b) exercise its right to collect the Rents and Profits; (c) enter into contracts for the completion, repair and maintenance of the Improvements thereon; (d) expend Loan funds and any rents, income and profits derived from the Premises for the payment of any taxes, insurance premiums, assessments and charges for completion, repair and maintenance of the Improvements, preservation of the lien of this Deed of Trust and satisfaction and fulfillment of any liabilities or obligations of the Grantor arising out of or in any way connected with the Premises whether or not such liabilities and obligations in any way affect, or may affect, the lien of this Deed of Trust; (e) enter into leases demising the Premises or any part thereof; (f) take such steps to protect and enforce the specific performance of any covenant, condition or agreement in the Notes, this Deed of Trust, the Credit Agreement or the other Credit Documents, or to aid the execution of any power herein granted; and (g) generally, supervise, manage, and contract with reference to the Premises as if the Agent were equitable owner of the Premises. Notwithstanding the occurrence of an Event of Default or acceleration of the Loans, the Agent shall continue to have the right to pay money, whether or not Loan funds, for the purposes described in Sections 2.2, 2.6 and 2.8 hereof, and all such sums and interest thereon shall be secured hereby. The Grantor also agrees that any of the foregoing rights and remedies of the Agent may be exercised at any time independently of the exercise of any other such rights and remedies, and the Agent may continue to exercise any or all such rights and remedies until the Event(s) of Default are cured or waived with the consent of the Required Lender's or the Lenders (as required by the Credit Agreement) or until foreclosure and the conveyance of the Premises or until the Indebtedness secured hereby is satisfied or paid in full and the commitments are terminated.

5.2 Appointment of Receiver. Upon the occurrence of an Event of Default, the Agent shall be entitled, without additional notice and without regard to the adequacy of any security for the indebtedness secured hereby whether the same shall then be occupied as a homestead or not or the solvency of any party bound for its payment, to make application for the appointment of a receiver to take possession of and to operate the Premises, and to collect the rents, issues, profits, and income thereof, all expenses of which shall be added to the Credit Party and Guaranty Obligations and secured hereby. The receiver shall have all the rights and powers provided for under the laws of the state in which the Premises are located, including without limitation, the power to execute leases, and the power to collect the rents, sales proceeds, issues, profits and proceeds of the Premises during the pendency of such foreclosure suit, as well as during any further times when the Grantor, its successors or assigns, except for the intervention of such receiver, would be entitled to collect such rents, sales proceeds, issues, proceeds and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period.

All costs and expenses (including receiver's fees, attorney's fees and costs incurred in connection with the appointment of a receiver) shall be secured by this Deed of Trust. Notwithstanding the appointment of any receiver, trustee or other custodian, the Agent shall be entitled, to retain possession and control of any cash or other instruments, at the time held by or payable or deliverable under the terms of the Deed of Trust to the Agent to the fullest extent permitted by law.

5.3 Waivers. No waiver of any Event of Default shall at any time thereafter be held to be a waiver of any rights of the Agent stated anywhere in the Notes, this Deed of Trust, the Credit Agreement or any of the other Credit Documents, nor shall any waiver of a prior Event of Default operate to waive any subsequent Event(s) of Default. All remedies provided in this Deed of Trust, the Notes, the Credit Agreement or any of the other Credit Documents are cumulative and may, at the election of the Agent, be exercised alternatively, successively, or in any manner and are in addition to any other rights provided by law.

5.4 Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, the Grantor or the Grantor's heirs, devisees, representatives, successors or assigns are occupying or using the Premises, or any part thereof, each and all immediately shall become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; and to the extent permitted by applicable law, the purchaser at such sale, notwithstanding any language herein apparently to the contrary, shall have the sole option to demand possession immediately following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible detainer) in any court having jurisdiction.

5.5 Marshalling. The Grantor hereby waives, in the event of foreclosure of this Deed of Trust or the enforcement by the Agent of any other rights and remedies hereunder, any right otherwise available in respect to marshalling of assets which secure the Loans and Letters of Credit and any other indebtedness secured hereby or to require the Agent to pursue its remedies against any other such assets.

## ARTICLE VI

### General Conditions

6.1 Terms. The singular used herein shall be deemed to include the plural; the masculine deemed to include the feminine and neuter; and the named parties deemed to include their heirs, successors and assigns. The term "Agent" shall include any payee of the indebtedness hereby secured or any transferee thereof whether by operation of law or otherwise. "Lender" shall include any of the Persons identified as a "Lender" on the signature pages to the Credit Agreement, and any Person which may become a Lender by way of assignment in

accordance with the terms of the Credit Agreement, together with their successors and permitted assigns.

6.2 Notices. All notices and other communications required to be given hereunder shall be in writing (including by telecopy) and shall have been duly given and shall be effective (i) when delivered by hand, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers set forth below, or at such other address as such party may specify by written notice to the other parties hereto or to such other address as may hereafter be given by notice in accordance with this paragraph.

to the Grantor:

Extendicare Health Services, Inc.  
105 West Michigan Street, 9th Floor  
Milwaukee, Wisconsin 53203  
Attn: Chief Financial Officer  
Telephone: (414) 347-4401  
Telecopy: (414) 347-4424

with a copy to:

Extendicare Inc.  
3000 Steeles Avenue East, Suite 700  
Markham, Ontario L3R 9W2  
Attn: Chief Financial Officer  
Telephone: (905) 470-5579  
Telecopy: (905) 470-4003

to the Agent:

Bank of America, N.A.  
Independence Center, 15th Floor  
NC1-001-15-04  
101 North Tryon Street  
Charlotte, North Carolina 28255  
Attn: Agency Services  
Telephone: (704) 388-3916  
Telecopy: (704) 386-9923

with a copy to:

Bank of America, N.A.  
Bank of America Corporate Center  
100 N. Tryon Street, 8th Floor  
Charlotte, NC 28255  
Telephone: (704) 388-6000  
Telecopy: (704) 388-6002  
Attn: Michael A. (Trey) Crabb, III

to the Trustee:

First American Title Insurance Company of Oregon  
200 Southwest Market Street  
Portland, Oregon 97201  
Telecopier: (503) 790-1805  
Telephone: (503) 222-3651

6.3 Severability. If any provision of this Deed of Trust is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

6.4 Headings. The captions and headings herein are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Deed of Trust nor the intent of any provision hereof.

6.5 Conflicting Terms. In the event the terms and conditions of this Deed of Trust conflict with the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control and supersede the provisions of this Deed of Trust with respect to such conflicts.

6.6 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the internal law of the State of New York as provided in Section 11.10 of the Credit Agreement; provided, however, that the provisions of this Deed of Trust relating to the

creation, perfection and enforcement of the lien and security interest created by this Deed of Trust in respect of the Premises and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Deed of Trust, shall be governed by and construed in accordance with the internal law of the state where the Premises is located. In the event of a conflict between the laws of the State of New York and the internal law with respect to creation, perfection and enforcement of the lien and security interest created by this Deed of Trust, the laws of the state in which the Premises is located shall govern.

6.7 Application of the Foreclosure Law. If any provision in this Deed of Trust shall be inconsistent with any provision of the foreclosure laws of the state where the Premises are located, the provisions of such laws shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Deed of Trust that can be construed in a manner consistent with such laws.

6.8 WRITTEN AGREEMENT.

(a) THE RIGHTS AND OBLIGATIONS OF THE GRANTOR AND THE AGENT SHALL BE DETERMINED SOLELY FROM THIS WRITTEN DEED OF TRUST AND THE OTHER LOAN DOCUMENTS, AND ANY PRIOR ORAL OR WRITTEN AGREEMENTS BETWEEN THE AGENT AND THE GRANTOR CONCERNING THE SUBJECT MATTER HEREOF AND OF THE OTHER LOAN DOCUMENTS ARE SUPERSEDED BY AND MERGED INTO THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS.

(b) THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS MAY NOT BE VARIED BY ANY ORAL AGREEMENTS OR DISCUSSIONS THAT OCCUR BEFORE, CONTEMPORANEOUSLY WITH, OR SUBSEQUENT TO THE EXECUTION OF THIS DEED OF TRUST OR THE OTHER LOAN DOCUMENTS.

(c) THIS WRITTEN DEED OF TRUST AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENTS BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

6.9 WAIVER OF JURY TRIAL. THE AGENT AND THE GRANTOR HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS DEED OF TRUST. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY THE AGENT AND THE GRANTOR, AND THE AGENT AND THE GRANTOR ACKNOWLEDGE THAT NO PERSON ACTING ON BEHALF OF ANOTHER PARTY TO THIS AGREEMENT HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THE AGENT AND THE GRANTOR FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS DEED OF TRUST AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL

COUNSEL, SELECTED OF THEIR OWN FREE WILL, AND THAT THEY HAVE HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

6.10 Request for Notice. The Grantor requests a copy of any statutory notice of default and a copy of any statutory notice of sale hereunder be mailed to the Grantor at the address specified in Section 6.2 of this Deed of Trust.

6.11 Substitution of Trustee. If, for any reason, the Agent shall elect to substitute for the Trustee (or for any successor to Trustee), the Agent shall have the right to appoint successor Trustee(s) by duly acknowledged written instruments, and each new Trustee immediately upon recordation of the instrument so appointing him shall become successor in title to the Premises for the uses and purposes of this Deed of Trust, with all the powers, duties and obligations conferred on the Trustee in the same manner and to the same effect as though he were named herein as the Trustee. If more than one Trustee has been appointed, each of such Trustees and each successor thereto shall be and hereby is empowered to act independently.

6.12 In the event of any inconsistency between the provisions of this Deed of Trust and the provisions of the Credit Agreement, the Credit Agreement shall control.

6.13 Statutory Disclaimer for Loans made to Oregon Grantors after 1989. Under Oregon law, most agreements, promises and commitments made by Agent after October 3, 1989 concerning loans and other credit extensions which are not for personal family or household purposes or secured solely by the Grantor's residence must be in writing, express consideration and be signed by Agent to be enforceable.

6.14 Statutory Notice regarding Insurance. Unless Grantor provides Agent with evidence of the insurance coverage as required by Agent's contract or loan agreement, Agent may purchase insurance at Grantor's expense to protect Agent's interest. This insurance may, but need not, also protect Grantor's interest. If the collateral becomes damaged, the coverage Agent purchases may not pay any claim Grantor makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained property coverage elsewhere.

Grantor is responsible for the cost of any insurance purchased by Agent. The cost of this insurance may be added to Grantor's contract or loan balance. If the cost is added to Grantor's contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage.

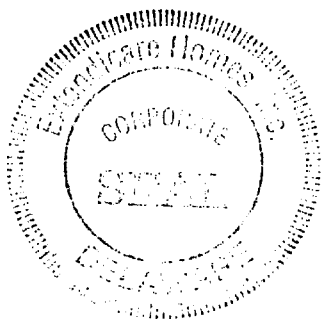
The coverage Agent purchase may be considerably more expense than insurance Grantor can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

PROVIDED ALWAYS, and it is the true intent and meaning of the Grantor and the Agent, that if the Grantor, its successors and assigns, shall pay or cause to be paid and discharged unto the Agent, its successors and assigns, the obligations secured hereby according to the terms



of this Deed of Trust and the Credit Documents, then this Deed of Trust shall cease, determine and be void, otherwise it shall remain in full force and virtue. And it is agreed, by and between the Grantor and the Agent, that the Grantor is to hold and enjoy the said premises until an Event of Default be made in the terms of this Deed of Trust. In the event the Grantor or any other Subsidiary obtains title to the Premises, this Deed of Trust shall be deemed satisfied.

IN WITNESS WHEREOF, the Grantor has executed this Deed of Trust under seal as of the above written date.



EXTENDICARE HOMES, INC.

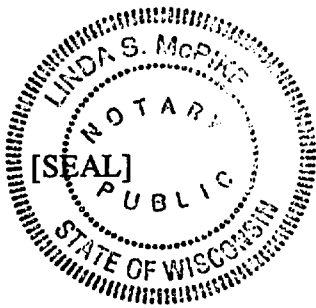
By:

  
Timothy J. Murphy  
Vice President

STATE OF WisconsinCOUNTY OF Milwaukee

I certify that I know or have satisfactory evidence that Timothy J. Murphy is the person who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the Vice President of EXTENDICARE HOMES, INC. to be the free and voluntary act and deed of said company, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed this 1<sup>st</sup> day of December 2000.



Linda S. McPike  
Signature of Notary

Linda S. McPike  
Print or stamp name of Notary

NOTARY PUBLIC in and for the State  
of Wisconsin

My Appointment Expires: is permanent

## EXHIBIT A

A TRACT OF LAND SITUATED IN THE  $11/2$  SW  $1/4$  SE  $1/4$  SE  $1/4$  OF SECTION 28, T38S, R9EW, KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF THE SE  $1/4$  SE  $1/4$  OF SAID SECTION 28; THENCE  $N00^{\circ}49'52"E$  333.61 FEET TO THE NORTHWEST CORNER OF THE SW  $1/4$  SW  $1/4$  SE  $1/4$  SE  $1/4$  OF SAID SECTION 28; THENCE  $S89^{\circ}28'52"E$  30.00 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE CONTINUING  $S89^{\circ}28'52"E$  301.12 FEET TO THE NORTHEAST CORNER OF SAID SW  $1/4$  SW  $1/4$  SE  $1/4$  SE  $1/4$ ; THENCE  $N00^{\circ}59'52"E$  46.50 FEET TO THE NORTHWEST CORNER OF THE HIGHLAND CARE CENTER TRACT; THENCE  $S89^{\circ}30'00"E$ , ALONG THE NORTH LINE OF THE HIGHLAND CARE CENTER TRACT, 32.17 FEET TO THE EAST LINE OF THE SW  $1/4$  SE  $1/4$  SE  $1/4$  OF SAID SECTION 28; THENCE  $N00^{\circ}57'53"E$  286.78 FEET TO THE NORTHEAST CORNER OF SAID SW  $1/4$  SE  $1/4$  SE  $1/4$ ; THENCE  $N89^{\circ}27'44"W$  633.01 FEET, MORE OR LESS, TO A POINT THAT IS  $S89^{\circ}27'44"E$  30.00 FEET FROM THE NORTHWEST CORNER OF SAID SW  $1/4$  SE  $1/4$  SE  $1/4$ ; THENCE  $S00^{\circ}49'52"W$  333.57 FEET TO THE TRUE POINT OF BEGINNING, CONTAINING 195,550 SQUARE FEET OR 4.489 ACRES AND WITH BEARINGS BASED ON THE SOUTH LINE OF SAID SECTION 28 AS BEING  $S89^{\circ}30'00"E$

State of Oregon, County of Klamath  
Recorded 12/11/00, at 314 P m.  
In Vol. M00 Page 44361  
Linda Smith,  
County Clerk Fee\$ 116.00