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THIS DOCUMENT PREPARED UNDER
THE SUPERVISION OF OREGON COUNSEL AND
AFTER RECORDING RETURN TO:
Jami L. Brodey, Esq.
Goldberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd.
55 East Monroe Street
Suite 3700
Chicago, Illinois 60603

TRUST DEED, ASSIGNMENT OF RENTS
AND LEASES AND SECURITY AGREEMENT

CRYSTAL TERRACE RETIREMENT COMMUNITY, LLC,
an Oregon limited liability company,
Grantor

FIRST AMERICAN TITLE INSURANCE CORPORATION,
Trustee

HELLER HEALTHCARE FINANCE, INC.,
a Delaware corporation,
Beneficiary

The maturity date of the promissory notes secured by this Trust Deed, exclusive of any option to renew or extend such maturity date is November 30, 2003.

The maximum principal amount to be advanced pursuant to the Loan Agreement and promissory notes is \$4,800,000.

Tax Account Number(s) of Trust Property: 3809-2000-500, Key No. 428059.

THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH
ORS 79.4020(6).

**TRUST DEED, ASSIGNMENT OF RENTS AND LEASES
AND SECURITY AGREEMENT**

**THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH
ORS 79.4020(6).**

This TRUST DEED, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT (this "**Trust Deed**") is made as of this _____ day of May, 2001, by CRYSTAL TERRACE RETIREMENT COMMUNITY, LLC, an Oregon limited liability company ("**Grantor**"), whose address is 2735 12th Street SE, Salem, Oregon 97302. The Trustee is FIRST AMERICAN TITLE INSURANCE CORPORATION ("**Trustee**"), whose address is 422 Main Street, Klamath Falls, Oregon 97601. The Beneficiary is HELLER HEALTHCARE FINANCE, INC., a Delaware corporation ("**Beneficiary**"), whose address is 2 Wisconsin Circle, Suite 400, Chevy Chase, Maryland 20815.

RECITALS

A. Beneficiary has agreed, subject to the terms and conditions of that certain Loan Agreement dated as of the date hereof executed by and between Grantor, certain affiliates of Grantor and Beneficiary (the "**Loan Agreement**"), to make a loan (the "**Loan**") to Grantor and such affiliates of Grantor in the original principal amount of Four Million Eight Hundred Thousand and No/100 Dollars (\$4,800,000.00). The Loan is evidenced by a Promissory Note A of even date herewith in the original principal amount of Three Million One Hundred Twenty Thousand and No/100 Dollars (\$3,120,000.00) and a Subordinated Promissory Note B of even date herewith in the original principal amount of One Million Six Hundred Eighty Thousand and No/100 Dollars (\$1,680,000.00) (said notes together with all amendments thereto and substitutions therefor, the "**Note**"), providing for monthly payments as set forth in the Note, with the balance thereof, due and payable on November 30, 2003 (said date, any later date to which the maturity date may be extended in accordance with the Note, or any earlier date on which the entire unpaid principal amount shall be paid or required to be paid in full, whether by prepayment, acceleration or otherwise is hereinafter called the "**Maturity Date**"). The terms and provisions of the Loan Agreement and Note are hereby incorporated by reference in this Trust Deed. Except as otherwise provided herein, all capitalized terms used in this Trust Deed shall have the meanings assigned to such terms in the Loan Agreement.

B. Beneficiary wishes to secure: (i) the payment of the Note, together with all interest, premiums, Excess Cash Flow payments, Exit Fee and other amounts, if any, due in accordance with the terms of the Note or the Loan Agreement as well as the payment of any additional monies, liabilities and indebtedness of any kind or nature now or hereafter owing, arising or due or payable from Grantor, including indebtedness accruing to Beneficiary on account of any future payments, advances or expenditures made by Beneficiary pursuant to the Note, the Loan Agreement, this Trust Deed, any of the other Loan Documents (hereinafter defined), it being contemplated by the parties hereto that Grantor may hereafter become indebted to Beneficiary in further sum or sums; (ii) the

performance of each and every covenant, condition, and agreement contained in the Note, the Loan Agreement, this Trust Deed, that certain Hazardous Materials Indemnity Agreement of even date herewith made by Grantor and Principals (as defined in the Loan Agreement) in favor of Beneficiary and any other documents evidencing or securing the Loan or executed in connection therewith (such documents together with any modifications, renewals, extensions or replacements thereof are collectively referred to as the "**Loan Documents**") and (iii) the payment of all amounts due under and in accordance with the terms of the Other Loan Instruments and the performance of each and every covenant condition, and agreement contained in the Other Loan Instruments. All payment obligations of Grantor, any Principal or any affiliate of Grantor or any Principal to Beneficiary under the Loan, any of the Loan Documents, including, without limitation, the Exit Fee, or any of the Other Loan Instruments are hereinafter sometimes collectively referred to as the "**Indebtedness**," and all other obligations of Grantor, any Principal or any affiliate of Grantor or any Principal to Beneficiary under the Loan or any of the Loan Documents or Other Loan Instruments are hereinafter sometimes collectively referred to as the "**Obligations**". THIS TRUST DEED SECURES FUTURE ADVANCES. THE MAXIMUM PRINCIPAL AMOUNT SECURED HEREBY IS \$4,800,000.00.

NOW, THEREFORE, TO SECURE the repayment of the Indebtedness and the performance of the Obligations, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby GRANT, BARGAIN, SELL, TRANSFER, CONVEY AND ASSIGN TO TRUSTEE, IN TRUST WITH POWER OF SALE, subject, however, to the Permitted Exceptions, forever the following described property and all proceeds thereof (which property is hereinafter sometimes collectively referred to as the "**Property**"):

- A. The real estate described on Exhibit A attached hereto (the "**Land**");
- B. All of the following (collectively, the "**Improvements**"): all buildings, improvements and fixtures now or in the future located or to be constructed on the Land; all building materials and goods procured for use or in connection with the foregoing; and all additions, alterations, betterments, substitutions and replacements to any of the foregoing;
- C. All of the following: to the extent not owned by tenants of the Property, all machinery, appliances, equipment, furniture and all other personal property of every kind or nature located in or on, or attached to, or used or to be used in connection with the Land, buildings, improvements or fixtures, including, without limitation, the Personal Property (as hereinafter defined);
- D. All of the following (collectively, the "**Fixtures**"): all materials, supplies, equipment, furniture, furnishings, systems, apparatus, and other items now owned or hereafter acquired by Grantor and now or hereafter attached to, installed in, or used in connection with (temporarily or permanently) any of the Improvements or the Land, which are now owned or hereafter acquired by Grantor and are now or hereafter attached to the Land or the Improvements, together with all accessions, appurtenances, replacements, betterments and substitutions for any of the foregoing and the proceeds thereof;

E. To the extent assignable, all plans, specifications, architectural renderings, drawings, soil test reports, other reports of examination or analysis of the Land or the Improvements;

F. All easements, rights-of-way, water courses, mineral rights, water rights, air rights and appurtenances in any way belonging, relating or appertaining to any of the Land or Improvements, or which hereafter shall in any way belong, relate or be appurtenant thereto ("**Appurtenances**");

G. All agreements affecting the use, enjoyment or occupancy of the Land and/or Improvements, including patient and residential care agreements, leases and other occupancy agreements, now or hereafter entered into (the "**Leases**") and all rents, prepayments, security deposits, termination payments, royalties, profits, issues and revenues from the Land and/or Improvements from time to time accruing under the Leases (the "**Rents**"), reserving to Grantor, however, so long as no Event of Default (hereinafter defined) has occurred hereunder, a license to receive and apply the Rents in accordance with the terms and conditions of Section 8 of this Trust Deed;

H. All claims, demands, judgments, insurance proceeds, refunds, reserves, deposits, rights of action, awards of damages, compensation, settlements and other rights to the payment of money hereafter made resulting from or relating to (i) the taking of the Land or the Improvements or any part thereof under the power of eminent domain, (ii) any damage (whether caused by such taking, by casualty or otherwise) to the Land, Improvements or Appurtenances or any part thereof, or (iii) the ownership or operation of the Property;

I. To the extent assignable, all management contracts, permits, certificates, licenses, approvals, contracts, purchase and sale agreements, purchase options, entitlements, development rights and authorizations, however characterized, issued or in any way furnished for the acquisition, construction, development, operation and use of the Land, Improvements and/or Leases, including building permits, environmental certificates, licenses, certificates of operation, warranties and guaranties;

J. All accounts, contract rights, general intangibles, chattel paper, documents, instruments, inventory, goods, equipment and all books and records relating to the foregoing;

K. Any monies on deposit with or for the benefit of Beneficiary, including deposits for the payment of real estate taxes and any cash collateral account;

L. All proceeds, products, replacements, additions, substitutions, renewals and accessions of and to the Land, Improvements, Appurtenances or any other property of the types described in the preceding granting clauses; and

M. Any and all after-acquired right, title or interest of Grantor in and to any property of the types described in the preceding granting clauses.

TO HAVE AND TO HOLD the Property and all parts thereof together with the rents, issues, profits and proceeds thereof, unto Trustee to its own proper use, benefit, and advantage forever, subject, however, to the terms, covenants, and conditions herein. Grantor does hereby bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND title to the Property unto Trustee against every person whomsoever lawfully claiming or to claim the same or any part thereof. The parties intend for this Trust Deed to create a lien on the Property, and an absolute assignment of the Rents and Leases, all in favor of Beneficiary. The parties acknowledge that some of the Property and some or all of the Rents may be determined under applicable law to be personal property or fixtures. To the extent that any Property or the Rents may be or be determined to be personal property, Grantor, as debtor, hereby grants Beneficiary, as secured party, a security interest in all such property and the Rents, to secure payment and performance of the Indebtedness. This Trust Deed constitutes a security agreement under the Oregon Uniform Commercial Code, covering all such Property and Rents.

Grantor covenants and agrees with Beneficiary as follows:

1. **Payment of Indebtedness; Performance of Obligations.** Grantor shall promptly pay when due the Indebtedness and shall promptly perform all Obligations.

2. **Taxes and Other Obligations.** Grantor shall pay, when due, and before any interest, collection fees or penalties shall accrue, all taxes, assessments, fines, impositions and other charges and obligations, which may become a lien on or charge against the Property (collectively, "**Charges**"). Grantor shall have the right to contest, in good faith by appropriate proceedings, the amount or validity of any such Charges, so long as: (a) Grantor has given prior written notice to Beneficiary of Grantor's intent to so contest or object to any such Charges; (b) such contest stays the enforcement or collection of the Charges or any lien created; and (c) Grantor has obtained an endorsement, in form and substance satisfactory to Beneficiary, to the loan policy of title insurance issued to Beneficiary insuring over any such lien, or Grantor has deposited with Beneficiary a bond or other security satisfactory to Beneficiary in an amount not less than one hundred fifty percent (150%) of the amount of the contested Charges and in the event applicable law requires a larger bond to be deposited with Beneficiary or other or additional security in order to ensure that the enforcement or collection of the Charges are stayed against the Property, Grantor shall satisfy the requirements of such applicable law.

Should Grantor fail to make any of such payments, Beneficiary may, at its option and at the expense of Grantor, pay the amounts due for the account of Grantor. Upon the request of Beneficiary, Grantor shall immediately furnish to Beneficiary copies of all notices of amounts due and receipts evidencing payment. Grantor shall promptly notify Beneficiary of any lien on all or any part of the Property and shall promptly discharge any unpermitted lien or encumbrance.

3. **Reserves for Taxes and Insurance Premiums.** At the time of and in addition to the monthly installments of principal and interest due under the Note, Grantor shall pay to Beneficiary a sum equal to one-twelfth (1/12) of the amount estimated by Beneficiary to be

sufficient to pay at least thirty (30) days before they become due and payable, (i) all taxes, assessments and other similar charges levied against the Property (collectively, the "**Taxes**"), and (ii) all premiums for all insurance coverages required to be carried by Grantor hereunder ("**Insurance Premiums**"). So long as no Event of Default exists hereunder, Beneficiary shall apply the sums to pay the Taxes and Insurance Premiums. These sums may be commingled with the general funds of Beneficiary, and no interest shall be payable thereon nor shall these sums be deemed to be held in trust for the benefit of Grantor. If Beneficiary at any time reasonably determines that such amount on deposit is insufficient to fully pay such Taxes and Insurance Premiums, Grantor shall, within ten (10) days following notice from Beneficiary, deposit such additional sum as may be reasonably required by Beneficiary. On the Maturity Date, the moneys then remaining on deposit with Beneficiary or its agent shall, at Beneficiary's option, be applied against the Indebtedness. The obligation of Grantor to pay the Taxes and Insurance Premiums is not affected or modified by the provisions of this Section 3.

4. **Insurance and Condemnation.**

(a) **Insurance.**

(i) Grantor shall keep the Improvements insured, and shall maintain general liability coverage and such other coverages reasonably requested by Beneficiary, by carrier(s), in amounts and in form at all times reasonably satisfactory to Beneficiary, which carrier(s), amounts and form shall not be changed without the prior written consent of Beneficiary, such consent not to be unreasonably withheld.

(ii) In case of loss or damage by fire or other casualty, Grantor shall give immediate written notice thereof to the insurance carrier(s) and to Beneficiary. Beneficiary is authorized and empowered, and Grantor hereby irrevocably appoints Beneficiary as its attorney-in-fact (such appointment is coupled with an interest), at its option, to make or file proofs of loss or damage and to settle and adjust any claim under insurance policies which insure against such risks, or to direct Grantor, in writing, to agree with the insurance carrier(s) on the amount to be paid in regard to such loss.

(iii) Provided no Event of Default then exists and Grantor certifies as to same, the net insurance proceeds (after deduction of Beneficiary's reasonable costs and expenses, if any, in collecting the same) shall be made available for the restoration or repair of the Property if, in Beneficiary's reasonable judgment: (a) restoration or repair and the continued operation of the Property is economically feasible; (b) the value of Beneficiary's security is not reduced; (c) the casualty loss is \$250,000 or less; (d) occupancy of the Project would be reduced by not more than 10% during the term of the restoration; (e)

the loss does not occur in the six (6) month period preceding the stated Maturity Date and Beneficiary's independent consultant certifies that the restoration of the Property can be completed at least ninety (90) days prior to the Maturity Date; and (f) Grantor deposits with Beneficiary from time-to-time an amount, in cash, which Beneficiary, in its sole discretion, determines is necessary, in addition to the net insurance proceeds to pay in full the cost of the restoration or repair (Grantor's deposit shall be disbursed prior to any disbursement of insurance proceeds held by Beneficiary). Any excess proceeds remaining after completion of such repair shall be distributed first to Grantor to the extent Grantor has deposited funds with Beneficiary for such repair with the balance applied against the Indebtedness. Notwithstanding the foregoing, it shall be a condition precedent to any disbursement of insurance proceeds held by Beneficiary hereunder that Beneficiary shall have approved (x) all plans and specifications for any proposed repair or restoration, (y) the construction schedule and (z) the architect's and general contractor's contract for all restoration that exceeds \$100,000 in the aggregate. Beneficiary may establish other conditions it deems reasonably necessary to assure the work is fully completed in a good and workmanlike manner free of all liens or claims by reason thereof, and in compliance with all applicable laws, rules and regulations. At Beneficiary's option, the net insurance proceeds shall be disbursed pursuant to a construction escrow acceptable to Beneficiary. If an Event of Default then exists, or any of the conditions set forth in clauses (a) through (f) of this Section 4(a)(iii) have not been met or satisfied, the net insurance proceeds shall be applied to the Indebtedness in such order and manner as Beneficiary may elect, whether or not due and payable, with any excess paid to Grantor.

(iv) Notice Under ORS 746.201 — WARNING.

Unless Grantor provides Beneficiary with evidence of insurance coverage as required by this Trust Deed, Beneficiary may purchase insurance at Grantor's expense to protect Beneficiary's interest. If the Property is damaged, the coverage purchased by Beneficiary may not pay any claim made by Grantor or any claim made against Grantor. Grantor may later cancel the coverage obtained by Beneficiary by providing evidence that it has provided the insurance coverage required by this Trust Deed.

Grantor is responsible for the cost of any insurance obtained by Beneficiary. The cost of that insurance may be added to the indebtedness secured by this Trust Deed. If the cost is added the Default Rate will apply to the 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 purchased by Beneficiary may be considerably more expensive than insurance Grantor may be able to obtain on its own and may not satisfy the need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

(b) **Condemnation.**

(i) Grantor shall within three (3) business days of its receipt of notice thereof, notify Beneficiary of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, and Grantor shall, after consultation with and subject to Beneficiary's approval, appear in and prosecute any such action or proceeding. Upon Grantor's failure to act in accordance with Beneficiary's prior approval, Grantor authorizes Beneficiary, at Beneficiary's option, as attorney-in-fact for Grantor (such appointment as attorney-in-fact is coupled with an interest), to commence, appear in and prosecute, in Beneficiary's or Grantor's name, any action or proceeding relating to any condemnation or other taking of the Property, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Beneficiary and in accordance with the provisions of Section 4(b)(ii) below. Beneficiary is authorized (but is under no obligation) to collect any such proceeds.

(ii) Beneficiary may, in its sole discretion, elect to (y) apply the net proceeds of any condemnation award (after deduction of Beneficiary's reasonable costs and expenses, if any, in collecting the same) in reduction of the Indebtedness in such order and manner as Beneficiary may elect, whether due or not or (z) make the proceeds available to Grantor for the restoration or repair of the Property. If the net proceeds of the condemnation award are made available to Grantor for restoration or repair, the net proceeds of the condemnation award shall be disbursed upon satisfaction of and in accordance with the terms and conditions set forth in Section 4(a)(iii) above. Beneficiary is authorized (but is under no obligation) to collect any such proceeds.

5. **Preservation and Maintenance of Property.** Grantor shall: (a) not commit waste or permit impairment or deterioration of the Property; (b) not abandon the Property; (c) keep the Property in good repair and restore or repair promptly, in a good and workmanlike

manner, all or any part of the Property to the equivalent of its original condition, or such other condition as Beneficiary may approve in writing, upon any damage or loss thereto; (d) comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property; (e) provide for management of the Property by a property manager reasonably satisfactory to Beneficiary pursuant to a contract in form and substance reasonably satisfactory to Beneficiary; and (f) give notice in writing to Beneficiary of and, unless otherwise directed in writing by Beneficiary, appear in and defend any action or proceeding purporting to affect the Property, the security granted by the Loan Documents or the rights or powers of Beneficiary. Neither Grantor nor any tenant or other person shall remove, demolish or alter any Improvement on the Land except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind.

6. **Protection of Beneficiary's Security.** If (a) Grantor fails to pay the Indebtedness or to perform the Obligations, (b) any action or proceeding is commenced which affects or could affect the Property or Beneficiary's or Trustee's interest therein, including any loss, damage, cost, expense or liability incurred by Beneficiary or Trustee with respect to (i) any environmental matters relating to the Property or (ii) the preparation of the commencement or defense of any action or proceeding or any threatened action or proceeding affecting the Loan Documents or the Property, then Beneficiary, at Beneficiary's option, may make such appearances, disburse such sums and take such action as Beneficiary deems necessary, in its sole discretion, to protect the Property or Beneficiary's interest therein, including entry upon the Property to take such actions Beneficiary determines appropriate to preserve, protect or restore the Property. Any amounts disbursed by Beneficiary pursuant to this Section 6 (including attorneys' fees, costs and expenses), together with interest thereon at the "**Default Rate**" (defined in the Note) from the date of disbursement, shall become additional Indebtedness of Grantor secured by the lien of this Trust Deed and the other Loan Documents and shall be due and payable on demand. Nothing contained in this Section 6 shall require Beneficiary to incur any expense or take any action hereunder.

7. **Actions.** Grantor shall warrant title and appear in and defend any claim or any action or other proceeding purporting to affect title or other interests relating to any part of the Property, the security of this Trust Deed or the rights of Beneficiary or Trustee, and give Beneficiary prompt written notice of any such claim, action or proceeding. Beneficiary may, at the expense of Grantor, appear in and defend any such claim, action or proceeding and any claim, action or other proceeding asserted or brought against Beneficiary in connection with or relating to any part of the Property or this Trust Deed.

8. **Leases; Assignment of Rents.** Grantor shall not, without Beneficiary's prior written consent, execute, modify, amend, surrender or terminate any non-residential Lease, except as expressly permitted by the Loan Agreement. All Leases shall be on forms previously approved by Beneficiary. Grantor shall not be authorized to enter into any ground lease of the Property without Beneficiary's prior written approval. If Beneficiary consents to any new non-residential Lease or the renewal of any existing non-residential Lease, at Beneficiary's request, Grantor shall cause the tenant thereunder to execute a subordination and attornment agreement in form and substance satisfactory to Beneficiary.

Grantor shall comply with and observe Grantor's obligations as landlord under all Leases. Grantor will not lease any portion of the Property for non-residential use except with the prior written approval of Beneficiary. Grantor shall furnish Beneficiary, within ten (10) days after Beneficiary's request, with a rent roll and copies of all Leases.

As security for the Indebtedness and the Obligations, Grantor assigns and transfers to Beneficiary and grants Beneficiary a security interest in and to all right, title and interest of Grantor in and to the Leases and the Rents. Prior to any Event of Default, Grantor shall have a license to, and shall, collect and receive all Rents as trustee for the benefit of Beneficiary, and apply the Rents so collected first to the payment of all impositions, levies, taxes, assessments and other charges upon the Property, second to maintenance of insurance policies upon the Property required hereby, third to the expenses of Property operations, including maintenance and repairs required hereby, fourth to the payment of that portion of the Indebtedness then due and payable, and fifth, the balance, if any, to or as directed by Grantor. If an Event of Default has occurred, Grantor's license to collect and secure the Rents shall cease and Beneficiary shall have the sole right, with or without taking possession of the Property to collect all Rents. Grantor has executed and delivered to Beneficiary an Assignment of Leases and Rents of even date herewith, and, to the extent the provisions of this Section 8 are inconsistent with the provisions of said Assignment of Leases and Rents, the provisions of said Assignment of Leases and Rents shall control.

9. **Statements by Grantor.** Grantor shall within ten (10) days after Beneficiary's request, furnish Beneficiary with a written statement, duly acknowledged, setting forth the sums, according to Grantor's books and records, secured by the Loan Documents and any right of set-off, counterclaim or other defense which exists against such sums and the Obligations.

10. **Transfers of the Property or Beneficial Interest in Grantor.** Grantor shall not (a) create any new ownership interest in Grantor or any Principal, or (b) transfer (i) all or any part of the Property, or any interest therein or (ii) any ownership interest in Grantor or any Principal (including any interest in the profits, losses or cash distributions in any way relating to the Property or Grantor). Intestate transfers or transfers by devise shall not constitute a transfer for the purposes of the foregoing provisions.

11. **No Additional Liens, Encumbrances or Indebtedness.** Grantor covenants not to execute any Trust Deed, security agreement, assignment of leases and rents or other agreement granting a lien (except the liens granted to Beneficiary by the Loan Documents) against or encumbrance on the Property or take or fail to take any other action which would result in a lien against the Property or the interest of Grantor in the Property without the prior written consent of Beneficiary; provided, however, Grantor may in good faith, by appropriate proceeding, contest the validity or amount of any asserted lien and, pending such contest, Grantor shall not be deemed to be in default hereunder if Grantor shall first obtain an endorsement, in form and substance satisfactory to Beneficiary to the loan policy of title insurance issued to Beneficiary insuring over such lien, or, if no such loan policy shall have been issued, then Grantor shall deposit with Beneficiary a bond or other security satisfactory

to Beneficiary in the amount of 150% of the amount of such lien to assure payment of the same as and when due.

12. **Grantor and Lien Not Released.** Without affecting the liability of Grantor or any other person liable for the payment of the Indebtedness, and without affecting the lien or charge of this Trust Deed as security for the payment of the Indebtedness, Beneficiary may, from time to time and without notice to any junior lien holder or holder of any right or other interest in and to the Property: (a) release any person so liable; (b) waive or modify any provision of this Trust Deed or the other Loan Documents or grant other indulgences; (c) release all or any part of the Property; (d) take additional security for any obligation herein mentioned; (e) subordinate the lien or charge of this Trust Deed; (f) consent to the granting of any easement; or (g) consent to any map or plan of the Property.

13. **Uniform Commercial Code Security Agreement.**

(a) This Trust Deed shall constitute a security agreement pursuant to the Uniform Commercial Code (the "UCC") and Grantor and Beneficiary shall constitute the "debtor" and "secured party," respectively, thereunder for any portion of the Property which, under applicable law, may be subject to a security interest pursuant to the UCC (such portion of the Property is hereinafter called the "**Personal Property**") and Grantor hereby grants to Beneficiary a security interest in the Personal Property. Beneficiary shall have all of the rights and remedies of a secured party under the UCC as well as all other rights and remedies available at law or in equity. For purposes of this Section 13(a), the address of the "debtor" and the "secured party" shall be as set forth in the first paragraph of this Trust Deed for Grantor and Beneficiary, respectively.

(b) Grantor agrees to execute and deliver to Beneficiary any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Trust Deed in such form as Beneficiary may require to perfect a security interest with respect to the Personal Property. Grantor hereby authorizes and empowers Beneficiary and irrevocably appoints Beneficiary its agent and attorney-in-fact (such appointment of attorney-in-fact is coupled with an interest) to execute and file, on Grantor's behalf, all financing statements and refilings and continuations thereof as Beneficiary deems necessary or advisable to create, preserve and protect such lien. Grantor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements as Beneficiary may reasonably require.

(c) Grantor shall not, without the prior written consent of Beneficiary, sell, assign, transfer, encumber, remove or permit to be removed from the Property any of the Personal Property. So long as no Event of Default exists, Grantor may sell or otherwise dispose of the Personal Property

when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of the Property, but only upon replacing the same with other Personal Property at least equal in value and utility to the disposed Personal Property. Any replacement or substituted Personal Property shall be subject to the security interest granted herein.

(d) To the extent permitted by law, Grantor and Beneficiary agree that with respect to all items of Personal Property which are or will become fixtures on the Land, this Trust Deed, upon recording or registration in the real estate records of the proper office, shall constitute a security agreement and "fixture filing" within the meaning of the UCC.

(e) This Trust Deed shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts subject to ORS79.1030(5), and is to be filed for record in the real property records of the county where the Property is located.

14. **Events of Default; Acceleration of Indebtedness.** The occurrence of any one or more of the following events shall constitute an "**Event of Default**" under this Trust Deed:

(a) failure of Grantor to pay, within five (5) days of the due date, any of the Indebtedness, including any payment due under the Note; or

(b) failure of Grantor to strictly comply with Sections 4(a)(i) (insurance), 8 (Leases), 10 (prohibition on transfers), and 11 (no additional liens) of this Trust Deed; or

(c) failure of Grantor, within thirty (30) days after written notice and demand, to satisfy each and every Obligation not set forth in the subsections above; provided, however, if such Obligation cannot by its nature be cured within thirty (30) days, and if Grantor commences to cure such failure promptly after written notice thereof and thereafter diligently pursues the curing thereof (and then in all events cures such failure within sixty (60) days after the original notice thereof), Grantor shall not be in default hereunder during such period of diligent curing; or

(d) the occurrence an Event of Default under the Loan Agreement.

Upon the occurrence of an Event of Default, at the option of Beneficiary, the Indebtedness shall become immediately due and payable without notice to Grantor and Beneficiary shall be entitled to all of the rights and remedies provided in the Loan Documents or at law or in equity. Each remedy provided in the Loan Documents is distinct and cumulative to all other rights or remedies under the Loan Documents or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

15. Remedies.

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(a) **Acceleration of Maturity.** If an Event of Default shall have occurred, Beneficiary may declare all Indebtedness to be immediately due and payable, and upon such declaration Indebtedness shall immediately become and be due and payable without further demand or notice.

(b) **Possession and Operation of Property.** If an Event of Default exists, in addition to all other rights herein conferred on Beneficiary, Beneficiary (or any person designated by Beneficiary) may, but will not be obligated to, (a) enter upon the Property and take possession of any or all of the Property without being guilty of trespass or conversion, exclude Grantor therefrom, and hold, use, administer, manage and operate the same to the extent that Grantor could do so, without any liability to Grantor resulting therefrom; (b) collect, receive and receipt for all proceeds accruing from the operation and management of the Property; (c) make repairs and purchase needed additional property; (d) insure or reinsure the Property; (e) maintain and restore the Property; (f) prepare the Property for resale, lease or other disposition; (g) have furnished to the Property utilities and other materials and services used on or in connection with the Property; and (h) exercise every power, right and privilege of Grantor with respect to the Property.

(c) **Judicial Proceedings; Right to Receiver.** If an Event of Default exists, Beneficiary, in lieu of or in addition to exercising the power of sale hereinafter given, may proceed by suit to foreclose its lien on the Property, to sue Grantor for damages on account of said default, for specific performance of any provision contained herein, or to enforce any other appropriate legal or equitable right or remedy. Beneficiary shall be entitled, as a matter of right (upon bill filed or other proper legal proceedings being commenced for the foreclosure of this Trust Deed, to the extent required by law), to the appointment by any competent court or tribunal, without notice to Grantor or any other party, of a receiver of the rents, issues, profits and revenues of the Property, with power to lease and control the Property and with such other powers as may be deemed necessary.

(d) **Power of Sale.** If an Event of Default exists, this Trust Deed shall be subject to foreclosure and may be foreclosed as now provided by law in case of past-due Trust Deeds, and Beneficiary shall be authorized, at its option, whether or not possession of the Property is taken, to sell the Property (or such part or parts thereof as Beneficiary may from time to time elect to sell) under the power of sale which is hereby given to Beneficiary, at public outcry, to the highest bidder for cash, at the front or main door of the courthouse of the county in which the Land to be sold, or a substantial and material part thereof, is located, after first giving notice by publication once a week for three successive weeks of the time, place and terms of such sale, together with a description of the Property to be sold, by publication in some

newspaper published in the county or counties in which the Land to be sold is located. If there is Land to be sold in more than one county, publication shall be made in all counties where the Land to be sold is located, but if no newspaper is published in any such county, the notice shall be published in a newspaper published in an adjoining county for three successive weeks. Beneficiary may bid at any sale held under this Trust Deed and may purchase the Property, or any part thereof, if the highest bidder therefor. The purchaser at any such sale shall be under no obligation to see to the proper application of the purchase money. At any sale all or any part of the Property, real, personal or mixed, may be offered for sale in parcels or en masse for one total price, and the proceeds of any such sale en masse shall be accounted for in one account without distinction between the items included therein and without assigning to them any proportion of such proceeds, Grantor hereby waiving the application of any doctrine of marshalling or like proceeding. In case Beneficiary, in the exercise of the power of sale herein given, elects to sell the Property in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Property not previously sold shall have been sold or all Indebtedness shall have been paid in full, all obligations of Beneficiary and Beneficiaries under the Loan Agreement have been terminated and this Trust Deed shall have been terminated as provided herein.

(e) **Personal Property and Fixtures.** If an Event of Default exists, Beneficiary shall have all rights and remedies of a secured party under the Alabama Uniform Commercial Code, including the right to sell it at public or private sale or otherwise dispose of, lease or use it, without regard to preservation of the Property or its value and without the necessity of a court order.

(f) **Rents and Leases.** If an Event of Default exists, Beneficiary, at its option, shall have the right, power and authority to terminate the license granted to Grantor in Section 8 to collect the rents, profits, issues and revenues of the Property, whether paid or accruing before or after the filing of any petition by or against Grantor under the federal Bankruptcy Code, and, without taking possession, in Beneficiary's own name to demand, collect, receive, sue for, attach and levy all of such rents, profits, issues and revenues, to give proper receipts, releases and acquittances therefor, and to apply the proceeds thereof as set forth in said Section 8.

(g) **Foreclosure Deeds.** To the extent permitted by applicable law, Grantor hereby authorizes and empowers Beneficiary or the auctioneer at any foreclosure sale had hereunder, for and in the name of Grantor, to execute and deliver to the purchaser or purchasers of any of the Property sold at foreclosure good and sufficient deeds of conveyance or bills of sale thereto.

(h) **Order of Application of Proceeds.** All payments received by Beneficiary as proceeds of any of the Property, as well as any and all amounts realized by Beneficiary in connection with the enforcement of any right or remedy under this Trust Deed, shall be applied by Beneficiary as follows: (1) to the payment of all expenses incident to the exercise of any remedies under this Trust Deed, including attorneys' fees and disbursements as provided in the Loan Agreement, appraisal fees, environmental site assessment fees, title search fees and foreclosure notice costs, (2) to the payment in full of any of Indebtedness that are then due and payable (including principal, accrued interest and all other sums secured hereby) in such order as Beneficiary may elect in its sole discretion, (3) to a cash collateral reserve fund to be held by Beneficiary in an amount equal to, and as security for, any of Indebtedness that are not then due and payable, and (4) the remainder, if any, shall be paid to Grantor or such other persons as may be entitled thereto by law, after deducting therefrom the cost of ascertaining their identity.

(i) **Multiple Sales.** If an Event of Default exists, Beneficiary shall have the option to proceed with foreclosure, either through the courts or by power of sale as provided for in this Trust Deed, but without declaring the whole of Indebtedness due. Any such sale may be made subject to the unmatured part of Indebtedness, and such sale, if so made, shall not affect the unmatured part of Indebtedness, but as to such unmatured part of Indebtedness this Trust Deed shall remain in full force and effect as though no sale had been made under this subsection 15(i). Several sales may be made hereunder without exhausting the right of sale for any remaining part of Indebtedness, whether then matured or unmatured, the purpose hereof being to provide for a foreclosure and sale of the Property for any matured part of Indebtedness without exhausting the power of foreclosure and the power to sell the Property for any other part of Indebtedness, whether matured at the time or subsequently maturing.

(j) **Waiver of Certain Laws.** Grantor waives, to the fullest extent permitted by law, the benefit of all laws now existing or hereafter enacted providing for (1) any appraisal before sale of any portion of the Property (commonly known as appraisal laws), or (2) any extension of time for the enforcement of the collection of Indebtedness or any creation or extension of a period of redemption from any sale made in collecting Indebtedness (commonly known as stay laws and redemption laws). Grantor also waives any and all rights Grantor may have to a hearing before any governmental authority prior to the exercise by Beneficiary of any of its rights or remedies under the Loan Agreement and applicable law.

(k) **Prerequisites of Sales.** In case of any sale of the Property as authorized by this Section, all prerequisites to the sale shall be presumed to have been performed, and in any conveyance given hereunder all statements

of facts, or other recitals therein made, as to the nonpayment of any of Indebtedness or as to the advertisement of sale, or the time, place and manner of sale, or as to any other fact or thing, shall be taken in all courts of law or equity as rebuttably presumptive evidence that the facts so stated or recited are true.

(l) **Remedies Cumulative.** No right, power or remedy conferred upon or reserved to Beneficiary by the Loan Agreement, this Trust Deed or any other Loan Instrument or any instrument evidencing or securing Indebtedness is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Loan Agreement or any other Loan Instrument or any instrument evidencing or securing Indebtedness, or now or hereafter existing at law, in equity or by statute.

16. **Expenditures and Expenses.** In any action to foreclose the lien hereof or otherwise enforce Beneficiary's rights and remedies hereunder, there shall be allowed and included as additional Indebtedness all Costs (as defined in the Loan Agreement) which may be paid or incurred by or on behalf of Beneficiary. All Costs and such other costs, expenses and fees as may be incurred by Beneficiary in the protection of the Property and the maintenance of the lien of this Trust Deed, including, attorneys' fees and costs in any litigation or proceeding affecting this Trust Deed, the Note, the other Loan Documents, the Property or the Personal Property, including probate, appellate, and bankruptcy proceedings and any post-judgment proceedings to collect or enforce any judgment or order relating to this Trust Deed or the other Loan Documents or in preparation for the commencement or defense of any action or proceeding, shall be immediately due and payable to Beneficiary, with interest thereon at the Default Rate, and shall be secured by this Trust Deed.

17. **Application of Proceeds of Foreclosure Sale.** The proceeds from any sale, lease or other disposition made pursuant to Section 15 or the proceeds from the surrender of any insurance policies pursuant hereto, or any Rents collected by Beneficiary from the Property, or proceeds from insurance which Beneficiary elects to apply to the Indebtedness, shall be applied by Trustee, or by Beneficiary, as the case may be, to the Indebtedness in the following order and priority: (i) to the payment of all expenses of appraisals, environmental reports, advertising, selling, and conveying the Property or part thereof, and/or prosecuting or otherwise collecting Rents, proceeds, premiums, or other sums including reasonable attorneys' fees and a reasonable fee to Trustee; (ii) to the remainder of the Indebtedness in the order of priority set forth in the Note with the excess, if any, being applied, to any party entitled thereto as their rights may appear. The application of proceeds of sale or other proceeds as otherwise provided herein shall be deemed to be payment of the Indebtedness like any other payment. The balance of the Indebtedness remaining unpaid, if any, shall remain fully due and owing in accordance with the terms of the Note or other Loan Documents.

18. **Future Advances.** Because Beneficiary and Grantor contemplate that Grantor (or its affiliates) may hereafter become indebted to Beneficiary in further sum or sums, this Trust Deed is given to secure not only the existing Indebtedness, but also future advances (whether such advances are obligatory or are made at the option of Beneficiary, or otherwise) made by Beneficiary under the Note, this Trust Deed or the Other Loan Instruments, to the same extent as if such future advances were made on the date of the execution of this Trust Deed. The total amount of indebtedness that may be so secured may decrease or increase from time to time.

19. **Waiver of Statute of Limitations.** To the fullest extent permitted by law, Grantor hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien created by any of the Loan Documents or to any action brought to enforce the Loan Agreement, the Note or any other obligation secured by any of the Loan Documents.

20. **Waiver of Homestead and Redemption.** Grantor hereby waives all right of homestead exemption in the Property. Grantor hereby waives all right of redemption on behalf of Grantor and on behalf of all other persons acquiring any interest or title in the Property subsequent to the date of this Trust Deed, except decree or judgment creditors of Grantor.

21. **Governing Law; Severability.** This Trust Deed shall be governed by and construed in accordance with the internal laws of the State of Illinois except that the provisions of the laws of the jurisdiction in which the Property is located shall be applicable to the creation, perfection and enforcement of the lien created by this Trust Deed. The invalidity, illegality or unenforceability of any provision of this Trust Deed shall not affect or impair the validity, legality or enforceability of the remainder of this Trust Deed, and to this end, the provisions of this Trust Deed are declared to be severable.

22. **Notice.** Notices shall be given under this Trust Deed in conformity with the terms and conditions of the Loan Agreement and in conformity with applicable law. Grantor's mailing address, as set forth in the opening paragraph hereof or as changed pursuant to the provisions of the Loan Documents, is true and correct.

23. **Successors and Assigns Bound; Joint and Several Liability; Agents; Captions.** The covenants and agreements contained in the Loan Documents shall bind, and the rights thereunder shall inure to, the respective successors and assigns of Beneficiary and Grantor, subject to the provisions of Section 10 hereof. All covenants and agreements of Grantor shall be joint and several. In exercising any rights under the Loan Documents or taking any actions provided for therein, Beneficiary may act through its employees, agents or independent contractors as authorized by Beneficiary. The captions and headings of the paragraphs of this Trust Deed are for convenience only and are not to be used to interpret or define the provisions hereof.

24. **Release.** Upon payment of all sums secured by this Trust Deed, Beneficiary shall release this Trust Deed. Grantor shall pay Beneficiary's reasonable costs incurred in releasing this Trust Deed and any financing statements related hereto.

25. **Loss of Note.** Upon notice from Beneficiary of the loss, theft, or destruction of the Note and upon receipt of an indemnity reasonably satisfactory to Grantor from Beneficiary, or in the case of mutilation of the Note, upon surrender of the mutilated Note, Grantor shall make and deliver a new note of like tenor in lieu of the then to be superseded Note.

26. **Matters Relating to Trustee.**

(a) **Powers of Trustee.** From time to time, upon written request of Beneficiary, and the consent of Grantor if Grantor is not then in default, and presentation of this Trust Deed for endorsement, and without affecting the obligations for payment of any indebtedness or performance of the obligations secured hereby, Trustee may, without liability therefor and without notice: reconvey all or any part of the Property; consent to the making of any map or plat thereof; join in granting any easement thereon; join in any declaration of covenants and restrictions; or join in any extension agreement or any agreement subordinating the lien hereof. Trustee or Beneficiary may from time to time apply in any court of competent jurisdiction for aid and direction in the execution of the trusts under this Trust Deed and the enforcement of the rights and remedies available under this Trust Deed, and Trustee or Agent may obtain orders or decrees directing or confirming or approving acts in the execution of said trusts and the enforcement of said remedies. Grantor shall pay to Trustee reasonable compensation and reimbursement for services and expenses in the administration of the trusts created under this Trust Deed, including reasonable attorney fees, but in no event more than allowed by any then applicable statute. Grantor shall indemnify Trustee and Beneficiary against all losses, claims, demands and liabilities which either may incur, suffer or sustain in the execution of the trusts created under this Trust Deed or in the performance of any act requiring or permitted under this Trust Deed or by law in connection with this Trust Deed.

(b) **Appointment of Successor Trustee.** The Trustee or any successor acting hereunder may resign and thereupon be discharged of the trusts hereunder upon 30 days' prior written notice to Beneficiary. Regardless of whether such resignation occurs, Beneficiary may from time to time substitute a successor or successors to any Trustee. If permitted by law, Beneficiary may substitute such successor or successors by recording a document executed by Beneficiary and containing the name of the original Grantor and Beneficiary hereunder, the book and page in which this Trust Deed is recorded (and/or instrument number, as applicable) and the name of the new Trustee, in which event such successor Trustee shall, without

conveyance from the predecessor Trustee, succeed to all its estate, rights and duties hereunder.

(c) **Trust Irrevocable; Acceptance by Trustee.** The trust created hereby is irrevocable by Grantor. The Trustee accepts this trust when this Trust Deed is made a public record as provided by law.

27. **Statutory Warning.** THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

28. **Standard for Discretion.** In the event this Trust Deed is silent on the standard for any consent, approval, determination or similar discretionary action, the standard shall be sole and unfettered discretion as opposed to any standard of good faith, fairness, or reasonableness.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY A LENDER AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE LENDER TO BE ENFORCEABLE.

27227

IN WITNESS WHEREOF, Grantor has executed this Trust Deed or has caused the same to be executed by its duly authorized representatives as of the date first above written.

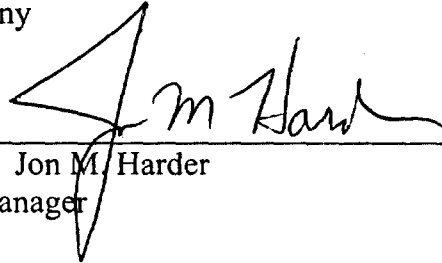
GRANTOR:

CRYSTAL TERRACE RETIREMENT
COMMUNITY, LLC, an Oregon limited liability
company

By

Name: Jon M. Harder

Its: Manager

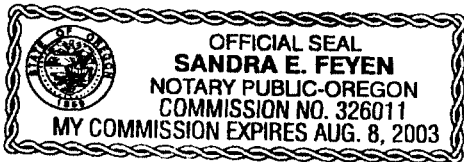
A handwritten signature in black ink, appearing to read "Jon M. Harder", is written over a horizontal line. The signature is stylized with a large, looped initial "J" and a trailing flourish.

27228

STATE OF Oregon)
) ss
COUNTY OF Marion)

This instrument was acknowledged before me this 9th day of May, 2001 by Jon M. Harder, the Manager of CRYSTAL TERRACE RETIREMENT COMMUNITY, LLC, an Oregon limited liability company, on behalf of said limited liability company.

[SEAL]



Sandra E. Feyen
Notary Public

Sandra E Feyen
Notary's Name (printed)

My Commission Expires:

Aug 8, 2003

27229

EXHIBIT A

LEGAL DESCRIPTION

Parcel 1 of Land Partition 62-00 situate in the Southeast $\frac{1}{4}$ Northeast $\frac{1}{4}$ of Section 20,
Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

Record Owner: Crystal Terrace Retirement Community, LLC, an Oregon limited
liability company

Property Address: _____

State of Oregon, County of Klamath
Recorded 06/08/01, at 356 P m.
In Vol. M01 Page 27208
Linda Smith,
County Clerk Fee\$ 136-