

**RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:**

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Los Angeles, California 90017-5406
Attention: Robert V. Slattery Jr.

State of Oregon, County of Klamath
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**LINE OF CREDIT TRUST DEED, SECURITY AGREEMENT, ASSIGNMENT OF
RENTS AND LEASES AND FIXTURE FILING**

The original maximum principal amount to be advanced pursuant to the Credit Agreement described herein is One Hundred Eighty-Five Million Dollars (\$185,000,000.00). The maturity date of the Credit Agreement is October 2, 2004.

This Document Constitutes a Fixture Filing In Accordance With ORS 79.4020(6).

THIS LINE OF CREDIT TRUST DEED, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES AND FIXTURE FILING (this "Deed of Trust") is made as of the 10th day of December, 2002, by LTC PROPERTIES, INC., a Maryland corporation ("Trustor"), to FIRST BANCORP, a California corporation ("Trustee"), for the benefit of BANK OF THE WEST (successor in interest to United California Bank, formerly known as Sanwa Bank California), as administrative agent for the lenders from time to time (the "Lenders") under the Credit Agreement referred to in Section 1 below ("Beneficiary"). This instrument covers property which is or may become so affixed to real property so as to become fixtures and also constitutes a fixture filing.

1. GRANTING CLAUSE.

1.1 **Trust Estate.** For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Trustor hereby irrevocably grants, sells, bargains, confirms, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession (which right of entry and possession is subject to the terms of the Leases (as hereinafter defined)), for the benefit and security of Beneficiary, all of Trustor's right, title and interest, now owned or hereafter acquired, in and to all real and personal property, tangible and intangible, described below in Sections 1.1(a) through (e) (hereinafter collectively referred to as the "Trust Estate"): (a) all that certain real property (the "Property") located in the State of Oregon, as more particularly described in Exhibit "A" attached hereto and made a part hereof; (b) all right, title, estate and interest of every kind and nature, at law or in equity, which Trustor now has or may hereafter acquire in the Trust Estate; (c) all rights, rights-of-way, easements, licenses, profits, privileges, tenements, hereditaments and appurtenances, now or hereafter in any way appertaining and belonging to or used in connection with the Trust Estate and any part thereof, or as a means of access thereto, including, but not limited to, any

claim at law or in equity, and any after acquired title and reversion in or to each and every part of all streets, roads, highways and alleys adjacent to and adjoining the Trust Estate; (d) Trustor's interest in all buildings, structures, fixtures and improvements now or hereafter located on or at the Trust Estate, and made a part hereof and any other property now or hereafter affixed or attached to such buildings, structures or improvements (collectively, the "Improvements"); and (e) Trustor's interest in all of the property owned by Trustor which is described in **Exhibit "B"** (to the extent such property constitutes personal property under the Oregon Uniform Commercial Code), and all replacements, additions, substitutions and proceeds thereof, now or hereafter owned by Trustor or in which Trustor now or hereafter has any rights and which is now or hereafter located on or at, or affixed or attached to, or used in connection with the ownership, operation, management, maintenance or repair of the Trust Estate (collectively, the "Personal Property").

TO HAVE AND TO HOLD the Trust Estate, together with all hereditaments and appurtenances thereto belonging or in anyway appertaining unto said Trustee, his successor in trust and assigns forever.

1.2 Assignment of Leases, Rents and Profits. Trustor hereby assigns and transfers to Beneficiary, absolutely and unconditionally, all of Trustor's right, title and interest in and to the following property: (a) any and all leases, subleases, license agreements and concession agreements of any kind or nature, whether now in existence or which may hereafter be entered into, for all or any part of the Trust Estate, together with all benefits and advantages to be derived therefrom, and all rights and benefits now or hereafter accruing to Trustor under any and all guarantees of the obligations of any tenant, subtenant, manager or other occupant thereunder, all as the same may be amended, extended, renewed or modified from time to time (collectively, the "Leases"); provided, however, that such grant is subject to the provisions of Section 3, below; and (b) all rents, revenues, issues, pre-paid rents, security deposits, and other deposits and profits arising from the use and operation of the Trust Estate, including, without limitation, from the Leases, and any renewals and modifications thereof; together with all rights, benefits and advantages derived therefrom (the "Rents and Profits"); provided, however, that such grant is subject to the provisions of Section 3, below.

Notwithstanding anything to the contrary contained herein or in the Credit Agreement, this Deed of Trust is expressly subject and subordinate to any Leases entered into prior to the date hereof and to the rights of parties to such Leases including, without limitation, the possessory rights to the Trust Estate. Accordingly, the exercise by Beneficiary of any remedies hereunder, at law or in equity, are subject to the terms of such Leases.

1.3 Mineral Rights. Trustor hereby assigns and transfers to Beneficiary all damages, royalties and revenue of every kind, nature and description whatsoever that Trustor may be entitled to receive from any person or entity owning or having or hereafter acquiring a right to the oil, gas or mineral rights and reservations of the Property, with the right in Beneficiary to receive and receipt therefor, and apply the same to the indebtedness secured hereby either before or after any Event of Default (as hereinafter defined) hereunder, and Beneficiary may demand, sue for and recover any such payments but shall not be required to do so.

1.4 Revolving Obligations. All terms and conditions of the Credit Agreement and the Notes (as hereinafter defined) are hereby incorporated herein by this reference. All persons who may have or acquire an interest in the Trust Estate shall be deemed to have notice of the terms of the Credit Agreement and the Notes and to have notice that the Notes and the Credit Agreement permit borrowing, repayment and reborrowing, so that repayments of the Notes may not reduce the amounts of the obligations secured by this Deed of Trust.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may in its sole discretion determine:

(1) payment of the indebtedness (a) in the aggregate principal amount of up to \$185,000,000 evidenced by the Revolving Notes, each dated October 31, 2000, issued by Trustor to the Lenders under the Revolving Credit Agreement dated as of October 31, 2000 (as amended, restated or otherwise modified from time to time, the "Credit Agreement") among Trustor, the Lenders and Bank of the West (successor in interest to United California Bank, formerly known as Sanwa Bank California), as administrative agent for the Lenders, (b) evidenced by all additional promissory notes issued by Trustor to one or more Lenders under the Credit Agreement from time to time, (c) evidenced by all Revolving Notes and other promissory notes issued to or otherwise held by one or more new Lenders under the Credit Agreement from time to time, pursuant to an assignment or otherwise, and (d) evidenced by all Revolving Notes and other promissory notes issued by Trustor to one or more of the Lenders under the Credit Agreement in exchange or substitution, whether in whole or in part, for any Revolving Notes and/or other promissory notes previously issued by Trustor to any such Lender (all of the aforementioned notes, including, without limitation, any renewals, extensions, modifications, amendments and other changes thereof or thereto, collectively referred to herein as the "Notes"), together with all interest (including, without limitation, post-default interest) on the Notes and other charges as provided in the Notes;

(2) payment of such further sums as Trustor may hereafter borrow from any Lender, when evidenced by another note or notes reciting that they are secured by this Deed of Trust, payable to such Lender or order and made by Trustor, including, without limitation, any renewals, extensions, modifications, amendments and other changes of or to such notes;

(3) payment of all other moneys agreed or provided to be paid by Trustor in the Credit Agreement and performance of all other obligations of Trustor contained in the Credit Agreement;

(4) payment of all other moneys agreed or provided to be paid by Trustor in this Deed of Trust and performance of all other obligations of Trustor contained in this Deed of Trust, together with interest on such moneys at the rate payable on the Notes from time to time (the "Note Interest Rate"); and

(5) performance of each obligation of Trustor contained in any other agreement (including, without limitation, any other "Credit Document" as defined in the Credit Agreement) entered into by Trustor for the purpose of further securing or evidencing any indebtedness or

obligation secured hereby, as each such other agreement is amended, restated or otherwise modified from time to time.

The Credit Agreement, the Notes, this Deed of Trust, each other "Credit Document" as defined in the Credit Agreement and any and all other instruments given to evidence or further secure the payment and performance of any indebtedness or obligation secured hereby are hereinafter collectively referred to as the "Loan Documents." All that which is described in the subparagraphs (1), (2) and (4) above and the monetary components of the obligations described in subparagraphs (3) and (5) above are collectively referred to herein as the "Indebtedness."

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

2. COVENANTS OF TRUSTOR.

2.1 Condition and Operation of Property.

(a) **Maintenance and Preservation of Trust Estate.** Trustor agrees (a) to keep, or cause the relevant tenants under the Leases to keep, the Trust Estate in good condition and repair; (b) not to commit or permit any waste or deterioration of the Trust Estate; (c) not to cause or permit any removal, demolition or substantial alteration of the Trust Estate except for such alterations as may be required by any law, ordinance, rule, regulation or order of any governmental authority having jurisdiction over the Trust Estate or as specifically permitted under the Leases, (d) to promptly restore, or cause the relevant tenants under the Leases to restore, any portion of the Trust Estate which may be damaged or destroyed, subject to the conditions of Section 3; (e) not to permit any mechanics' or materialmen's liens against the Trust Estate; (f) not to initiate or acquiesce in any change of zoning or other land classification which affects the Trust Estate without Beneficiary's prior written consent; and (g) to perform each of Trustor's covenants and obligations set forth in the Credit Agreement.

(b) **Mortgage Tax.** In the event of the passage, after the date of this Deed of Trust, of any law imposing payment of the whole or any portion of any taxes, assessments or other similar charges against the Trust Estate upon Beneficiary, Trustor shall pay, or reimburse Beneficiary for the payment of, any such tax or increased portion thereof when thereafter levied or assessed against the Trust Estate or any portion thereof. The obligations of Trustor under such agreement shall be secured hereby.

(c) **Preservation of Lien.** Trustor shall do any and all acts which, from the character or use of the Trust Estate, may be reasonably necessary to protect and preserve the lien, the priority of the lien and the security of Beneficiary granted in this Deed of Trust, the specific enumerations herein not excluding the general.

(d) **Compliance with Property Restrictions.** Trustor will faithfully perform each and every covenant to be performed by Trustor under any lien or encumbrance upon or affecting the Trust Estate, including, without limiting the generality hereof, mortgages, deeds of trust, Leases, declarations of covenants, easements, conditions and/or restrictions and other agreements which affect the Trust Estate, in law or in equity. A breach of or a default under any such lien or encumbrance shall constitute an Event of Default under this Deed of Trust

unless cured within ten (10) days after written notice to Trustor of such breach or default; provided, however, in the event such breach or default is not capable of being cured within such ten (10) day period, provided that Trustor has commenced to cure such breach or default within such ten (10) period and so long as Trustor is diligently prosecuting such cure to completion, Trustor shall have ninety (90) days to cure such breach or default.

(e) **Business Use.** The Trust Estate is not used principally or primarily for personal, family, or residential use. Trustor covenants that at no time will this Deed of Trust be a residential trust deed as defined in ORS 86.705(3). This Deed of Trust secures an obligation incurred exclusively for commercial, business or investment purposes. Trustor warrants to the Lenders that all sums borrowed pursuant to the Credit Agreement shall be used exclusively for commercial, business or investment purposes.

2.2 Insurance.

(a) **Insurance Policies.** Trustor shall, at all times, provide, maintain and keep in force all of the insurance required in accordance with the terms of the Credit Agreement.

(b) **Casualty Notice.** After the happening of any casualty or event causing more than \$50,000 of damage to the Trust Estate, Trustor shall give prompt written notice thereof to Beneficiary.

(c) **Assignment of Proceeds.** Trustor hereby absolutely and unconditionally assigns to Beneficiary all insurance proceeds that Trustor may be entitled to receive, which assignment shall be subject to the terms of the Leases. All such proceeds shall be delivered to and held by Beneficiary to be applied in the following order: first, to Beneficiary's expenses in settling, prosecuting or defending any insurance claim; second, subject to the satisfaction of all of the conditions set forth below, to the restoration of any portion of the Trust Estate that has been damaged or destroyed to the same condition, character and value as existed prior to such damage or destruction; and, third, to Beneficiary in accordance with the terms of Section 2.8(c) of the Credit Agreement. The conditions to such second use are: (a) no Event of Default or event which with notice or lapse of time or both shall become an Event of Default shall have occurred and be continuing; (b) Beneficiary's security is not materially impaired, as reasonably determined by Beneficiary; (c) all income from the Trust Estate (from Leases, insurance or otherwise) during such restoration and thereafter will be equal to or greater than the income which was required to pay all debt service and operating expenses prior to the casualty; (d) Trustor provides evidence reasonably satisfactory to Beneficiary that the insurance that Beneficiary requires Trustor to maintain will be available to Trustor during restoration and thereafter; (e) Beneficiary shall have approved the plans and specifications for such restoration, which approval shall not be unreasonably withheld, delayed or conditioned; and (f) in the event that in Beneficiary's sole judgment the insurance proceeds are not sufficient to accomplish restoration, Trustor deposits with Beneficiary, within five days after written demand by Beneficiary (together with supporting information), the additional amounts necessary to accomplish restoration. Proceeds disbursed for restoration will be released to Trustor or paid out pursuant to such disbursement conditions as Beneficiary may establish, in Beneficiary's reasonable discretion. If any of the conditions set forth above are not satisfied or if Trustor fails

to commence restoration of the Property within thirty (30) days after the insurance proceeds have been paid, or if Trustor fails to diligently pursue such restoration to completion, then Beneficiary shall have the option to either apply the insurance proceeds to any indebtedness secured hereby in such order as Beneficiary may reasonably determine or release such proceeds to Trustor, without such release being deemed a payment of any indebtedness secured hereby, rather than to apply such proceeds to the restoration of the Trust Estate. Such application or release shall not cure or waive any Event of Default or notice of default hereunder or invalidate any act done pursuant to such notice. If the Trust Estate is completely restored at a cost less than the available insurance proceeds, then such excess proceeds shall be paid over to Beneficiary in accordance with Section 2.8(c) of the Credit Agreement. Beneficiary may commence, appear in, defend or prosecute any assigned claim or action, and may in good faith adjust, compromise, settle and collect all claims, proceeds and awards assigned to Beneficiary, but Beneficiary shall not be responsible for any failure to collect any claim, proceeds or award, regardless of the cause of the failure. As used in this Section, the term "Beneficiary" shall be deemed to include any parent company of Beneficiary and/or its affiliates or subsidiaries.

(d) **Transfer of Policy.** In the event of the foreclosure of this Deed of Trust or other transfer of the title to the Trust Estate in extinguishment, in whole or in part, of the indebtedness secured hereby, all right, title and interest of Trustor in and to any insurance policy then in force shall pass to the purchaser or grantee.

(e) **Notice Pursuant to ORS 746.201.**

WARNING

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance coverage purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your 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 your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

2.3 Indemnity. Trustor agrees to indemnify, protect, hold harmless and defend Trustee and Beneficiary from and against any and all losses, liabilities, suits, obligations,

finances, damages, judgments, penalties, claims, charges, costs and expenses (including reasonable attorneys' fees and disbursements) which may be imposed on, incurred or paid by or asserted against Trustee and/or Beneficiary by reason or on account of, or in connection with: (a) any willful misconduct of Trustor or any Event of Default by Trustor under this Deed of Trust; (b) the construction, reconstruction or alteration of the Trust Estate; (c) any negligence of Trustor or any negligence or willful misconduct of any lessee or sublessee of the Trust Estate, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees; (d) any accident, injury, death or damage to any person or property occurring in, on or about the Trust Estate or any street, driveway, sidewalk, curb or passageway adjacent thereto, except for the willful misconduct or gross negligence of the indemnified person; or (e) any action or proceeding to enforce this indemnity. Any amount payable to Trustee or Beneficiary under this Section shall be due and payable within ten (10) days after written demand therefor and receipt by Trustor of a statement from Trustee and/or Beneficiary setting forth in reasonable detail the amount claimed and the basis therefor. Trustor's obligations under this Section shall survive the repayment or any other satisfaction of the Notes and shall not be affected by the absence or unavailability of insurance covering the same or by the failure or refusal of any insurance carrier to perform any obligation on its part under any such policy of insurance. If any claim, action or proceeding is made or brought against Trustee and/or Beneficiary which is subject to the indemnity set forth in this Section, Trustor shall resist or defend against the same, if necessary in the name of Trustee and/or Beneficiary, by attorneys for Trustor's insurance carrier (if the same is covered by insurance) approved by Trustee and/or Beneficiary (as applicable) or otherwise by attorneys retained by Trustor and approved by Trustee and/or Beneficiary (as applicable). Notwithstanding the foregoing, Trustee and Beneficiary, in their discretion, if either or both of them disapprove of the attorneys provided by Trustor or Trustor's insurance carrier, may engage their own attorneys to resist or defend, or assist therein, and Trustor shall pay, or, on demand, shall reimburse, Trustee and Beneficiary for the payment of the reasonable fees and disbursements of said attorneys.

2.4 Taxes, Assessments and Impositions.

(a) Trustor agrees to pay, or cause to be paid in accordance with the terms of the Leases, prior to the imposition of any penalty, all general, special and supplemental real property taxes and assessments, and all other taxes, assessments, fees, levies and charges of every kind and nature whatsoever, including, without limitation, all non-governmental levies and assessments such as maintenance charges, owner association dues and charges, and assessments, fees, levies and charges resulting from covenants, conditions and restrictions affecting the Trust Estate, which are assessed against or imposed upon the Trust Estate, or become due and payable with respect to the Trust Estate, or which create or are secured by a lien upon the Trust Estate (all of such taxes, assessments, fees, levies and charges are hereinafter collectively referred to as "Impositions").

(b) If any tax, assessment, levy or fee (hereinafter "tax") is measured by or based in whole or in part on this Deed of Trust, the amount of the Indebtedness or upon the Trust Estate, or if any such tax is levied, imposed, collected, subjected to withholding or assessed on any payment made by Trustor pursuant to the Notes, this Deed of Trust or the other Loan Documents, Trustor shall make any withholding required by the applicable governmental authority for the account of Beneficiary and make timely payment thereof to the appropriate

governmental authority and shall in any event forthwith pay to Beneficiary such additional amounts as may be necessary so that the net amount actually received by Beneficiary in respect of each such payment, after withholding, deduction or payment for or on account of such taxes, and after payment by Beneficiary of any taxes due by reason of the payment of such additional amounts, will not be less than the amount Beneficiary is entitled to receive hereunder or under the other Loan Documents had no such taxes been deducted, withheld from or paid in respect of such payment. Beneficiary may, but is not required to, pay at any time and from time to time any amount in respect of such taxes or penalties therefor or interest thereon, in which event Trustor shall, in each instance, reimburse Beneficiary on written demand therefor and pay to Beneficiary the additional amounts specified above.

(c) Trustor shall have the right to contest in good faith the amount or validity of any Imposition by appropriate legal proceedings; provided, any such contest by Trustor shall not release Trustor's obligation to pay an Imposition at the time and in the manner provided in this Section 2.4.

2.5 Eminent Domain.

(a) If the Trust Estate, or any part thereof or interest therein, is taken or damaged by reason of any public improvement, condemnation proceeding, exercise of the power of eminent domain, or conveyance in lieu of condemnation (hereinafter collectively referred to as a "taking"), or if Trustor receives any notice or other information regarding any such taking, Trustor shall give prompt written notice thereof to Beneficiary. Beneficiary shall have the right to participate in any proceedings related to a taking and to be represented therein by counsel of its choice.

(b) Subject to the terms of any Leases, and the rights and obligations of parties thereunder, Trustor hereby absolutely and unconditionally assigns, transfers and sets over unto Beneficiary its entire interest in the proceeds (the "Condemnation Proceeds") of any award or any claim for damages for any portion of the Trust Estate taken or damaged under the power of eminent domain or by condemnation or any transaction in lieu of condemnation ("Condemnation"). If (i) Trustor is obligated to restore or replace the damaged or destroyed Improvements under the terms of any lease which is or may be prior to the lien of this Deed of Trust and if such taking does not result in cancellation or termination of such lease, or (ii) Trustor presents to Beneficiary satisfactory written evidence showing that (A) the Condemnation does not materially, adversely affect Trustor's continued use and occupancy of the Trust Estate, (B) the occurrence of such Condemnation and the time required for restoration or replacement of the Improvements does not materially, adversely affect Trustor's ability to comply with the Notes, this Deed of Trust, the Credit Agreement or the other Loan Documents and (C) the Trust Estate can be restored to economic viability within a reasonable period of time from Trustor's receipt of all or any portion of the Condemnation Proceeds (provided, however, that Trustor shall be required to commence restoration or replacement of the Trust Estate within sixty (60) calendar days from Trustor's receipt of all or any portion of the Condemnation Proceeds and Trustor shall thereafter diligently and continuously pursue said restoration or replacement to completion), then in either of the events described in subparagraphs (i) and (ii) above in this Section 2.5(b), and provided there is not then an uncured Event of Default under this Deed of Trust or event which with notice or lapse of time or both shall become an

Event of Default, the Condemnation Proceeds shall be used to reimburse Trustor for the cost of rebuilding or restoring the Trust Estate. If the Condemnation Proceeds are required to be used as aforesaid to reimburse Trustor for the cost of rebuilding or restoring the Trust Estate, or if Beneficiary elects that the Condemnation Proceeds be so used, then the Trust Estate shall be rebuilt or restored and the Condemnation Proceeds shall be paid out pursuant to such disbursement conditions and procedures as Beneficiary may establish, in Beneficiary's reasonable discretion. So long as no Event of Default or event which with notice or lapse of time or both shall become an Event of Default shall have occurred or is continuing, any surplus which may remain out of the Condemnation Proceeds after payment of such cost of rebuilding or restoration shall be applied in accordance with the terms of Section 2.8(c) of the Credit Agreement.

2.6 Sale of Trust Estate. The "Net Cash Proceeds" (as defined in the Credit Agreement) from the sale of all or any portion of the Trust Estate shall be applied in accordance with the terms of Section 2.8(c) of the Credit Agreement.

2.7 Inspections. Subject to the terms of any Leases and the rights of parties thereunder, Beneficiary, its agents and representatives are authorized to enter the Trust Estate at any reasonable time, and from time to time upon reasonable written notice, for the purpose of inspecting the Trust Estate and performing any tests and samples Beneficiary, in its sole and absolute discretion, deems to be appropriate, and performing any of the acts Beneficiary is authorized to perform under this Deed of Trust and any other Loan Document.

2.8 Preservation of Lien Priority by Trustor. (a) This Deed of Trust is and shall continue to be a valid and perfected first lien upon the Trust Estate subject only to the liens, charges and encumbrances currently recorded against the Trust Estate and disclosed to Beneficiary, in writing, prior to the date of execution of this Deed of Trust, including, without limitation, the Leases (the "Permitted Exceptions"), and Trustor shall not, directly or indirectly, create or permit to be created against the Trust Estate, or any portion thereof, any lien, charge or encumbrance prior to, the lien of this Deed of Trust without Beneficiary's prior written consent, which consent may be withheld by Beneficiary in its sole and absolute discretion, (b) all property of every kind acquired by Trustor after the date hereof which, by the terms hereof, is required or intended to be subjected to the lien of this Deed of Trust shall, immediately upon the acquisition thereof and without any further conveyance, assignment or transfer, become subject to the lien of this Deed of Trust, and (c) if any action or proceeding is instituted (i) which would likely affect Trustor's ability to perform its obligations under any of the Loan Documents, (ii) to recover possession of the Trust Estate, or (iii) for any other purpose which affects the Trust Estate, the lien of this Deed of Trust or Beneficiary's rights hereunder, Trustor shall, immediately upon service thereof on or by Trustor, deliver to Beneficiary a true copy of each petition, summons, complaint, notice of motion, order to show cause and all other processes, pleadings and papers, however designated, served in such action or proceeding.

2.9 Liens. Trustor shall pay or cause to be paid, before imposition of any penalty, all lawful claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in, or permit the creation of, a lien on the Trust Estate, the Leases or the Rents and Profits, and Trustor shall do or cause to be done everything reasonably necessary so that the lien and security interest hereof shall be fully preserved; provided, however, that if

applicable law empowers Trustor to discharge of record any mechanic's, laborer's, material men's or other lien against the Trust Estate by posting a bond or other security, Trustor shall not have to make such payment if Trustor posts such bond or other security within the time prescribed by law so as not to place the Trust Estate in jeopardy of a lien or forfeiture. Trustor (or any parties to any Leases) shall have the right to contest in good faith the amount or validity of any such lawful claims and demands of mechanics, materialmen, laborers and others by appropriate legal proceeding if Trustor gives Beneficiary prior written notice and procures a bond or other security reasonably required by and satisfactory to Beneficiary (in Beneficiary's sole discretion). If at any time payment of any obligation imposed upon Trustor herein shall become necessary to prevent the foreclosure of a lien conveying the Trust Estate or any portion thereof because of non-payment, or if Beneficiary or Trustee shall incur any civil or criminal liability as a result of such non-payment, to the extent Trustor does not pay such amount within five (5) Business Days following written notice to Trustor, then Beneficiary may, but shall not be obligated to, pay the same in sufficient time to prevent the foreclosure or the incurrence of civil or criminal liability, and any expense incurred by Beneficiary in connection therewith shall be payable by Trustor upon demand, together with interest, at the Note Interest Rate, and shall be secured by this Deed of Trust.

2.10 Beneficiary's Powers. Without affecting the liability of any other person liable for the Indebtedness, and without affecting the lien of this Deed of Trust upon any portion of the Trust Estate not then released as security for the Notes or any other Loan Document, Beneficiary may, from time to time with prior written notice to Trustor: (a) release any person so liable; (b) extend the maturity or alter any of the terms of the Indebtedness; (c) grant other indulgences; (d) release or reconvey any parcel, portion or all of the Trust Estate; (e) take or release any other security for the Indebtedness; (f) make any arrangements with debtors in relation to the Indebtedness; and (g) advance additional funds to protect the security of this Deed of Trust and pay or discharge the obligations of Trustor hereunder or under any other Loan Document, and all amounts so advanced, together with interest, at the Note Interest Rate, shall be paid by Trustor to Beneficiary on demand and shall be secured by this Deed of Trust.

3. ASSIGNMENT OF LEASES, RENTS AND PROFITS.

3.1 Assignment. Pursuant to Section 1.2, above, Trustor has absolutely, presently, and unconditionally assigned, transferred, conveyed and set over to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents and Profits to be applied by Beneficiary to the Indebtedness (the "Assignment") and, except in connection with any deeds of trust or mortgages currently recorded against the Trust Estate and disclosed to Beneficiary, in writing, prior to the date of this Deed of Trust, Trustor has not so assigned or transferred to any other person or entity, any interest in the Leases, Rents and Profits. This Assignment shall be fully operative without any further action on the part of Trustor or Beneficiary, and Beneficiary shall be entitled, at its option, to all Rents and Profits whether or not Beneficiary takes possession of the Trust Estate. This is an absolute assignment, not an assignment for security only, and Beneficiary's rights to rents, revenues, issues and profits is not contingent on Beneficiary's possession of all or any portion of the Trust Estate. Trustor hereby further grants to Beneficiary the right, subject to the terms of such Leases and the rights and obligations of parties thereunder, to (a) enter and take possession of the Trust Estate, either itself or by a court-appointed receiver, for the purpose of collecting the Rents and Profits and otherwise possessing,

operating and managing the Trust Estate, (b) dispossess by the usual summary proceedings any tenant defaulting in the payment of the Rents and Profits to Beneficiary, (c) let the Trust Estate or any part thereof, and (d) apply the Rents and Profits, after payment of all necessary charges and expenses (including reasonable attorneys' fees and costs) to the Indebtedness. This Assignment shall continue in effect until the Indebtedness is paid in full. Neither the exercise of any rights under this Assignment by Beneficiary nor the application of the Rents and Profits to the Indebtedness shall cure or waive an Event of Default or notice of default, and shall be cumulative with all other rights and remedies of Beneficiary (all of which shall be subject to the Leases). It is understood and agreed that neither the foregoing Assignment nor the exercise of any of Beneficiary's rights in connection with such Assignment shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise obligated, responsible or liable in any manner with respect to the Trust Estate or the use, occupancy, enjoyment or operation of all or any portion thereof.

3.2 Trustor's License. Notwithstanding anything in Section 3.1, above, to the contrary, as long as an Event of Default or an event which with notice or lapse of time or both would become an Event of Default has not occurred and is continuing, Trustor shall have a license to collect and receive all Rents and Profits. During the continuance of any such event, such license shall be deemed revoked, without regard to the adequacy of Beneficiary's security and without notice to or demand upon Trustor, and Trustor shall immediately deliver or cause to be delivered to Beneficiary any Rents and Profits received thereafter by Trustor and immediately reinstated at such time as the Event of Default or event which may give rise to an Event of Default has been cured. Trustor hereby irrevocably appoints Beneficiary its true and lawful attorney-in-fact to enforce in Trustor's name or Beneficiary's name or otherwise all rights of Trustor in the instruments, including, without limitation, checks and money orders, tendered as payments of Rents and Profits and to do any and all things necessary and proper to carry out the purposes of this Assignment.

3.3 Enforcement. The Lenders may enforce this assignment made by Trustor in Section 3.1 without first resorting to or exhausting any security or collateral for the obligations secured by this Deed of Trust.

4. SECURITY AGREEMENT.

4.1 Creation of Security Interest. Trustor hereby grants to Beneficiary a security interest in, and assigns to Beneficiary, all of Trustor's rights, title and interest in and to, the Personal Property for the purpose of securing the Indebtedness.

4.2 Beneficiary's Rights as a Secured Party. With respect to the security interest granted to Beneficiary in this Section 4, Beneficiary shall have all the rights and remedies granted to a secured party under Article 9 of the Oregon Uniform Commercial Code (ORS Chapter 79), as well as all other rights and remedies available at law or in equity, all of which is subject to the terms of any Leases and the rights and obligations of parties thereto. Trustor shall, upon the written demand of Beneficiary, assemble all of such Personal Property and make it available to Beneficiary at the Trust Estate, which is hereby agreed to be reasonably convenient to Beneficiary, Trustee and Trustor. Any sale proceeds which are applied against the

principal component of the Indebtedness shall, to the extent not repaying the entire Indebtedness, be applied to principal in the reverse order of maturity.

4.3 Beneficiary's Collection of Proceeds. Beneficiary may at any time during the continuance of an Event of Default or event which with notice or lapse of time or both would become an Event of Default, without prior notice to or consent of Trustor, collect proceeds of the Personal Property and may give notice of assignment to any and all of Trustor's debtors, and Trustor hereby irrevocably appoints Beneficiary its true and lawful attorney-in-fact to enforce in Trustor's name or in Beneficiary's name or otherwise all rights of Trustor in the Personal Property and to do any and all things necessary and proper to carry out the purposes hereof; provided, however, Trustor shall have the right to collect, retain, use and enjoy such proceeds subject to the terms of the Loan Documents prior to the occurrence of, and following the cure of, any Event of Default. It is recognized that the power of attorney granted herein is coupled with an interest and shall not be revocable and Beneficiary shall have the right to exercise this power of attorney during the continuance of any Event of Default or event which with notice or lapse of time or both would become an Event of Default. Beneficiary shall notify Trustor in writing of any action taken by Beneficiary pursuant to this provision, to do so.

4.4 Fixture Filing. The Personal Property in which Beneficiary has a security interest includes goods which are or may become fixtures on the Trust Estate. This Deed of Trust is intended to serve as a fixture filing pursuant to the terms of the Oregon Uniform Commercial Code. This filing is to be recorded in the real estate records of the county in which the Trust Estate is located. This fixture filing remains in effect as a fixture filing until this Deed of Trust is released or satisfied of record or its effectiveness otherwise terminates as to the Trust Estate. In that regard, the following information is provided:

Name of Debtor:	LTC Properties, Inc., a Maryland corporation.
Address of Debtor:	See Section 6.5 hereof.
Name of Secured Party:	Bank of the West, as administrative agent for the Lenders.
Address of Secured Party:	See Section 6.5 hereof.

Trustor warrants and agrees that there is no financing statement covering the foregoing Personal Property, the Trust Estate or any part thereof, on file in any public office.

5. REMEDIES UPON DEFAULT.

5.1 Events of Default. The occurrence of an "Event of Default" under the Credit Agreement and as defined therein shall be an Event of Default under this Deed of Trust (each herein an "Event of Default"):

5.2 Remedies.

(a) Beneficiary may declare the entire Indebtedness, principal and interest, immediately due and payable without notice or demand, the same being hereby expressly waived.

(b) For any sale under the power of sale granted by this Deed of Trust, Beneficiary and Trustee shall record and give all notices required by Oregon law, including but not limited to ORS Chapter 86, and then, upon the expiration of such time as is required by law, Trustee may sell the Trust Estate upon any terms and conditions specified by Beneficiary and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Trust Estate includes several lots or parcels, Beneficiary in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Trust Estate, real, personal and mixed, may be sold in one parcel. To the extent any of the Trust Estate sold by Trustee is Personal Property, then Trustee shall be acting as the agent of Beneficiary in selling such Personal Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the property sold, but without any covenant or warranty, express or implied, and the recital in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

(c) Subject to the terms of any Leases and the rights and obligations of parties thereto, Beneficiary may at any time, without notice, in person, by agent or by a court-appointed receiver, and without regard to the adequacy of any security for the Indebtedness, enter upon and take possession of the Trust Estate or any part thereof, and in Beneficiary's own name sue for or otherwise collect such Rents and Profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees and costs, to any Indebtedness, in such order as Beneficiary may determine. The entering upon and taking possession of the Trust Estate, the collection of such Rents and Profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act on or pursuant to such notice.

(d) Beneficiary shall have the right to commence an action to foreclose this Deed of Trust, appoint a receiver, and specifically enforce any of the covenants contained in this Deed of Trust or any other Loan Document. If an Event of Default under this Deed of Trust occurs, and as long as any such Event of Default exists, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the adequacy of the security or the then value of the Trust Estate or the interest of Trustor therein, shall have the right to have a receiver of the Trust Estate appointed by any court having jurisdiction, and Trustor hereby irrevocably consents to such appointment. Any such receiver shall have all the usual powers and duties of receivers in like or similar cases (including, but not limited to, the right to possess, operate and manage the Trust Estate).

(e) Subject to the terms of any Leases and the rights and obligations of parties thereto, Beneficiary shall have the right to exercise and enforce any or all of the rights and remedies available to a secured party under the Oregon Uniform Commercial Code, including, without limitation, those rights and remedies set forth in Section 4 of this Deed of Trust, or the right to sell the Personal Property or any part thereof, or any further or additional or substitute of the Personal Property, at one or more times, and from time to time at public sale or sales or private sale or sales, on such terms as cash or credit, or partly for cash and partly on credit, as Beneficiary may deem proper. At any such sale or sales, Beneficiary shall have the right to become the purchaser, free and clear of any and all claims and rights of equity or

redemption (statutory or common law) in Trustor, all of which are hereby waived and released. Should any of the Personal Property be sold to any party other than Beneficiary, on credit or for future delivery, the Personal Property so sold may be retained by Beneficiary until the full sales price therefor is paid, and Beneficiary shall not be liable or responsible for the failure of such purchaser to pay for any Personal Property so sold but may, in such event resell such Personal Property. Trustor shall not be credited with the amount of any part of such purchase price, unless (and only to the extent) that such payment is actually received in cash. Beneficiary shall give Trustor reasonable notice of any sale of the Personal Property or any part thereof. Trustor agrees that notice and demand shall be conclusively deemed to be reasonable and effective if such notice is mailed by regular or certified mail, postage prepaid, to Trustor at the address above given, or at such other address as Trustor may designate hereafter by written notice to Beneficiary, at least ten (10) calendar days prior to such sale. In addition, notice of public sale, if given, shall be sufficiently given, for all purposes, if published not less than nor more than seven (7) calendar days prior to any sale, in a newspaper of general circulation distributed in the city in which the Personal Property is located. The net proceeds of any sale of the Personal Property which may remain after the deduction of all costs, fees and expenses incurred in connection therewith (including, but not limited to, all advertising expenses, brokers' commissions, documentary stamp taxes, recording fees, foreclosure costs, and attorneys' fees and costs) shall be credited by Beneficiary against the Indebtedness. Any portion of the Personal Property which may remain unsold after the full payment of the Indebtedness shall be returned to the respective parties which delivered the same to Beneficiary. If at any time Trustor or any other parties shall become entitled to the return of any of the Personal Property, any transfer or assignment by Beneficiary shall be and shall recite that the same is made wholly without representation or warranty whatsoever by or recourse whatsoever against Beneficiary. Trustor recognizes that Beneficiary may not have the usual opportunity for an orderly liquidation of the Personal Property or part thereof, but may be compelled to resort to "private sale" of the Personal Property, at a price which may be less than any fair market price for the Personal Property at the time of its sale. Trustor specifically authorizes Beneficiary to sell at Beneficiary's election, any or all of the Personal Property at "private sale" at such price as may be negotiated directly between Beneficiary and the purchaser of the Personal Property, or any part thereof, whether or not the price may be less than the fair market price at the time of such sale. Trustor further acknowledges and agrees that, at Beneficiary's election, the Personal Property may be sold, pursuant to the Oregon Uniform Commercial Code, concurrently with the sale of the Trust Estate.

(f) Subject to the terms of any Leases, and the rights and obligations of parties thereto, Beneficiary or its agents, acting by themselves or through a court appointed receiver, may, with or without notice, and without releasing Trustor from any obligation hereunder, for the purpose of curing any default of Trustor or otherwise in connection therewith, enter upon the Trust Estate or any part thereof and perform such acts and do such things as Beneficiary deems necessary or desirable to inspect, investigate, assess and protect the security of this Deed of Trust, including, without limitation, contract for services of persons to perform environmental site assessments (including invasive sampling of the soil, groundwater and/or improvements) on the Trust Estate. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections and examinations which Beneficiary or its agents or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants and attorneys, shall be paid by Trustor. All costs and expenses incurred by Trustee and Beneficiary

pursuant to this Section 5.2(f) (including, without limitation, court costs, consultant fees and attorneys' fees and costs, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Interest Rate from the date of expenditure and shall be secured by this Deed of Trust.

(g) Subject to the terms of any Leases, and the rights and obligations of parties thereto, Beneficiary shall have the right to full and complete access to the Trust Estate for the purpose of conducting any investigations, appraisals, studies or reports that Beneficiary may desire in its sole discretion, and the cost of any such investigations, appraisals, studies and reports shall be paid by Trustor, together with interest at the Note Interest Rate, and shall be secured by this Deed of Trust.

5.3 Remedies Not Exclusive. Every right, power and remedy granted to Trustee or Beneficiary in this Deed of Trust shall be cumulative and not exclusive, and in addition to all rights, powers and remedies granted at law or in equity or by statute, and each such right, power and remedy may be exercised from time to time and as often and in such order as may be deemed expedient by Trustee or Beneficiary, and the exercise of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy, all of which is subject to the terms of any Leases and the rights and obligations of parties thereto.

5.4 Waiver of Rights. Upon the commencement of any action, suit or other legal proceeding by Beneficiary to obtain a judgment in connection with the Indebtedness or for the enforcement of this Deed of Trust or any other Loan Document, Trustor, to the fullest extent permitted by law, hereby waives every statute of limitations applicable at any time to any such action, suit, or proceeding. To the fullest extent permitted by applicable law, Trustor shall not at any time insist upon, plead or in any manner claim or take any benefit or advantage of, any stay or extension or moratorium law or law pertaining to the marshaling of assets, the administration of estates of decedents, any exemption from execution or sale of the Trust Estate or any part thereof, including exemption of homestead, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Deed of Trust.

5.5 Expenses. All reasonable expenses incurred by Beneficiary and Trustee in exercising any of their rights under this Section 5 of the Deed of Trust or in exercising any other rights available at law or in equity (including, without limitation, expenses incurred in retaking, holding, preparing for sale or selling the Trust Estate or any part thereof and Trustee's and Beneficiary's reasonable attorneys' fees and costs) shall be borne solely by Trustor and shall, together with interest at the Note Interest Rate, be secured by this Deed of Trust.

5.6 Order of Application. The purchase money or other proceeds of any foreclosure sale made under or by virtue of this Deed of Trust, together with all other sums which then may be held by Trustee or Beneficiary under this Deed of Trust, whether under the provisions of Section 5.2 or otherwise, shall be applied as follows: (a) first, to the payment of the costs and expenses of sale and any related judicial proceeding including, without limitation, compensation to Trustee and Beneficiary, their agents and counsel, all costs of publishing, recording, mailing and posting notices, the costs of any search and evidence of title and environmental condition procured in connection therewith and revenue stamps on any deed or

instrument of conveyance, all expenses, liabilities and advances made or incurred by Trustee under this Deed of Trust, together with interest as provided herein and all taxes or assessments, except for any taxes, assessments or other charges subject to which the Trust Estate shall have been sold; (b) second, to the payment of any and all other sums expended under the provisions of this Deed of Trust not then repaid, and all other sums (other than sums described in clause (c), below) required to be paid by Trustor pursuant to any provisions of this Deed of Trust or any other Loan Document, including, without limitation, all expenses, liabilities and advances made or incurred by Beneficiary under this Deed of Trust or in connection with the enforcement thereof, together with interest thereon as set forth herein; (c) third, to costs, expenses and fees due to Beneficiary under the Loan Documents; (d) fourth, to the payment of the whole amount then due, owing or unpaid upon the Notes for the principal, interest, other charges and any damages, and any other sums advanced by, or owed to, Beneficiary and secured hereby, with the exception of any sums recoverable by Beneficiary in connection with Hazardous Materials (as defined in the Credit Agreement); (e) fifth, to any and all portions of the Indebtedness recoverable by Beneficiary in connection with Hazardous Materials; and (f) sixth, the remainder, if any, to the persons legally entitled thereto. Upon written request by Trustor, Beneficiary shall provide Trustor with a statement setting forth the application of any payments other than to principal and interest.

5.7 Other Security. If Beneficiary at any time holds additional security for any obligations secured hereby, it may enforce the terms hereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder, and may apply the proceeds upon the indebtedness secured hereby without affecting the status of or waiving any right to exhaust all or any other security, including the security hereunder, and without waiving any breach or default or any right or power whether exercised hereunder or contained herein or in any such other security. Trustor, for itself and for all persons hereafter claiming through or under it or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Trust Estate or any other property which is security for the indebtedness secured hereby shall be sold and to have any of the Trust Estate, or any other property which is security for the indebtedness secured hereby, marshalled upon any foreclosure of this Deed of Trust or of any other security for any indebtedness secured hereby.

6. MISCELLANEOUS.

6.1 Governing Law. This Deed of Trust shall be governed by, construed, and enforced pursuant to the internal laws of the State of Oregon without resort to choice of law principles.

6.2 Attorneys' Fees. Upon election of either Beneficiary or Trustee so to do, employment of an attorney is authorized, and payment by Trustor of all attorneys' fees, costs and expenses in connection with any action or actions (including the cost of evidence or search of title) which may be brought for the foreclosure of this Deed of Trust, for possession of the Trust Estate covered hereby, for the appointment of a receiver, and/or for the enforcement of any covenant or right in this Deed of Trust contained as hereinafter provided, shall be secured hereby. Trustor shall pay immediately, upon written demand, after expenditure, all sums expended or expenses incurred by Trustee and/or Beneficiary in acting under any of the terms of

this Deed of Trust, including, without limitation, any fees and expenses (including attorneys' fees) incurred in connection with any reconveyance of the Trust Estate or any portion thereof, or to compel payment of the Notes or any portion of the indebtedness evidenced thereby or in connection with any default thereunder, including, without limitation, attorneys' fees incurred in any bankruptcy or judicial or nonjudicial foreclosure proceeding, with interest from date of expenditure at the Note Interest Rate and said sums shall be secured hereby.

6.3 Payments in Full. If Trustor shall pay the Indebtedness, this conveyance shall become void and Trustee shall convey by appropriate legal instrument the Trust Estate herein described at the expense of Trustor, and Beneficiary shall execute and deliver to Trustor, at Trustor's request, such documents as may be necessary to evidence the termination of the security interests and assigns herein granted.

6.4 Further Assurances. Whenever reasonably requested by Beneficiary, Trustor shall within a reasonable time following request, execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and do or cause to be done all such other and further things as may be necessary and reasonably required in order to carry out the terms of this Deed of Trust.

6.5 Notices. Except as otherwise required by law, whenever Beneficiary, Trustor or Trustee wishes to give any notice or demand with respect to this Deed of Trust, each such notice or demand shall be in writing and shall be given by personal service, certified or registered mail (return receipt requested) Federal Express or other recognized overnight delivery service regularly providing proof of delivery addressed to the address set forth below. All such notices and demands shall be deemed to have been given or made, in the case of notice by mail, on the earlier of the date reflected on the return receipt or three (3) calendar days after deposit in the U.S. mails, and in the case of personal service or delivery by overnight courier, on the date shown on the courier's delivery receipt. Any party may change its address for such notices by giving notice of such change to the other parties hereto.

If to Beneficiary, to: Bank of the West
601 So. Figueroa Street
Los Angeles, California 90017
Attention: E. Leigh Irwin, Senior Vice President

with copies to: Pillsbury Winthrop LLP
725 South Figueroa Street, Suite 2800
Los Angeles, California 90017
Attention: Robert V. Slattery Jr.

If to Trustor, to: LTC Properties, Inc.
300 Esplanade Drive, Suite 1860
Oxnard, California 93030
Attention: General Counsel

with copies to: Christensen, Miller, Fink, Jacobs,
Glaser, Weil & Shapiro, LLP

2121 Avenue of the Stars
18th Floor
Los Angeles, California 90067
Attention: Brett J. Cohen, Esq.

6.6 Time. Time is of the essence in the performance of each and every obligation contained herein.

6.7 Successors and Assigns. This Deed of Trust inures to the benefit of and binds all parties hereto, their personal representatives, heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Trustor" includes both the original Trustor and any subsequent owner of the Trust Estate or any part thereof. The term "Beneficiary" shall mean the administrative agent for the owners and holders of the Notes, now or hereafter, and whether or not named as Beneficiary herein.

6.8 Interpretation. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust. Whenever the context requires, the singular number includes the plural, and vice versa, and each gender includes each other gender.

6.9 Invalidity of Certain Provisions. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Indebtedness, or if such lien is invalid or unenforceable as to any part of the Trust Estate, the unsecured or partially secured portion of such Indebtedness shall be completely paid prior to the payment of the remaining and secured or partially secured portion, and all payments made, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Indebtedness which is not secured or not fully secured by the lien of this Deed of Trust. The invalidity of any provision of this Deed of Trust shall not affect the remaining provisions of this Deed of Trust or any part thereof and this Deed of Trust shall be construed as if such invalid provision, if any, had not been inserted herein.

6.10 Subrogation. To the extent that proceeds of the Notes or advances under this Deed of Trust are used to pay any outstanding lien, charge or prior encumbrance against the Trust Estate (which shall be at the sole discretion of Beneficiary), such proceeds or advances have been or will be advanced by Beneficiary at Trustor's request and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether such liens, charges or encumbrances are released.

6.11 No Waiver. The acceptance by Beneficiary of any sum after it is due shall not constitute a waiver of the right either to require prompt payment, when due, of all other sums hereby secured or to declare a default as herein provided. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall be deemed an acceptance only of the sum so paid, and such acceptance of less than the full amount due shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due. In addition, Trustor's failure to pay the entire sum then due shall be and continue to be a default notwithstanding acceptance of an amount which is less than the full amount due, and Beneficiary or Trustee shall, at all times

thereafter and until the entire sum then due has been paid (and notwithstanding the acceptance by Beneficiary thereafter of further sums) be entitled to exercise all rights in this Deed of Trust conferred upon them upon the occurrence of an Event of Default, and the right to proceed with a sale under any notice of default, and election to sell, shall in no way be impaired, whether any of such amounts are received prior or subsequent to such notice. Consent by Beneficiary to any transaction or action of Trustor which is subject to consent or approval of Beneficiary hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive transactions or actions. This Deed of Trust cannot be waived, amended, modified, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, amendment, modification, change, discharge or termination is sought.

6.12 Trustee's Powers. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Notes for endorsement, and without affecting the personal liability of any person for payment of all or any portion of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Trust Estate, Trustee may: reconvey any part of the Trust Estate; consent in writing to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

6.13 Affidavit to Trustee. Trustee, upon presentation to it of an affidavit signed by or on behalf of Beneficiary, setting forth any fact or facts showing an Event of Default, is authorized to accept as true and conclusive all facts and statements in such affidavit and to act hereunder in complete reliance thereon.

6.14 Trustee's Acceptance. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. The trust created hereby is irrevocable by Trustor.

6.15 No Obligation to Notify. Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which Trustor, Beneficiary and/or Trustee shall be a party, unless brought by Trustee, or of any pending sale under any other deed of trust.

6.16 Substitution of Trustee. Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Trust Estate is located, substitute a successor or successors for Trustee named herein or acting hereunder.

6.17 Waiver of Statute of Limitations. The right to plead any and all statutes of limitation as a defense to any demand secured by this Deed of Trust is hereby waived to the full extent permitted by law.

6.18 Trustor Waiver of Rights. Trustor waives, to the extent permitted by law: (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisalment before sale of any portion of the Trust Estate; (b) all rights and remedies which

Trustor may have or be able to assert by reason of the laws of the State of Oregon pertaining to the rights and remedies of sureties; and (c) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created; provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights under ORS 86.753 and 88.100.

6.19 Releases, Extensions, Modifications and Additional Security. Without affecting the liability or obligations of any person, including Trustor, for the performance of any obligations secured hereby (excepting only any person or property otherwise expressly released in writing by Beneficiary), Beneficiary may, from time to time and without notice, release any person liable for payment of any of said indebtedness or the performance of any of said obligations, extend the time of payment or otherwise alter the terms of any of said obligations, accept additional security therefor of any kind, including trust deeds or mortgages, or alter, substitute or release any property securing said obligations.

6.20 Obligations of Trustor Joint and Several. If more than one person has executed this Deed of Trust as "Trustor," the obligations of all such persons hereunder shall be joint and several.

6.21 Beneficiary's Statement Fee. Trustor shall pay the amount demanded by Beneficiary or its authorized servicing agent for any statement regarding the obligations secured hereby; provided, however, that such amount may not exceed the maximum amount allowed by law at the time request for the statement is made.

6.22 Statutory Land Use Disclaimer. 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.

6.23 Statutory Notice. 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.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the date first above written.

“TRUSTOR”

LTC PROPERTIES, INC.,
a Maryland corporation

By: Wendy Simpson

Name: Wendy Simpson

Its: Vice Chairman and Chief Financial Officer

74413

ACKNOWLEDGEMENT

State of California)
) ss.
County of Ventura)

On December 10, 2002, before me, Joley Martinez, Notary Public, personally appeared Wendy Simpson, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

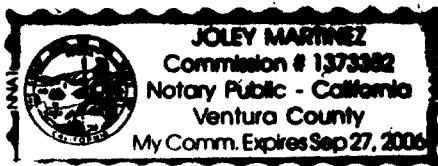
NOTARY SEAL



Name: Joley Martinez

Commission Number: 1373352

My Commission Expires: Sep. 27, 2006



74414

EXHIBIT "A"

LEGAL DESCRIPTION

TRACTS 14 AND 17, KIELSMEIER ACRE TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

EXHIBIT "B"

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All of Trustor's interest in all machinery, equipment, materials (including building materials and supplies), appliances and fixtures now or hereafter installed or placed on or in the Trust Estate or for the generation and distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air conditioning purposes or for sanitary or drainage purposes or for the exclusion of vermin or insects or for the removal of dust, refuse or garbage, and all elevators, escalators, awnings, window shades, drapery rods and brackets, screens, floor coverings, incinerators, carpeting and all furniture, fixtures, equipment and other Trust Estate used in the operation or occupancy of the Trust Estate, together with all additions to, substitutions for, changes in or replacements of the whole or any part of any or all of said articles of Trust Estate, and together with all Trust Estate of the same character that Trustor may hereafter acquire at any time until the termination of this Deed of Trust all proceeds received upon the sale, exchange, collection or other disposition of the foregoing.

All causes of action, claims, compensation and recoveries for any damage, condemnation or taking of the Trust Estate and/or all other Trust Estate described in this **Exhibit "B,"** or for any conveyance in lieu thereof, whether direct or consequential, or for any damage or injury to the Trust Estate, or for any loss or diminution in value of the Trust Estate, together with all rights of Trustor under any policy or policies of insurance covering the Trust Estate and/or all other Trust Estate described in this **Exhibit "B,"** and all proceeds, loss payments and premium refunds which may become payable with respect to such insurance policies and all proceeds payable with respect to any taking under power of eminent domain.

All plans and specifications prepared for construction of Improvements and all studies, data and drawings related thereto; and also all contracts and agreements of Trustor relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings or to the construction of Improvements.

All interest of Trustor in all goods, supplies, fixtures, furniture, furnishings and equipment which are now used upon (or may hereafter be appropriated for use on) or located on, the Trust Estate; all security deposits in connection with any lease, sublease or rental agreement relating to the Trust Estate; and all rights to the use of any trade name, trade mark or service mark now or hereafter associated with the business or businesses conducted on the Trust Estate (subject, however, to any franchise or license agreements relating thereto).

All appurtenances to the Trust Estate and all rights, licenses, profits, liens, tenements, hereditaments, franchises and privileges of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Trust Estate.

All monetary deposits which Trustor has been required to give to any public or private utility with respect to utility services furnished to the Trust Estate, instruments (including, but not limited to, any management contract for the operation of the nursing home facility located on the Trust Estate), documents, general intangibles and notes or chattel paper arising from or by virtue of any transactions related to the Trust Estate and all permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Trust Estate, including any and all compensation, rents, revenues, income, issues, rights, benefits and profits

due or to become due under all present and future oil, gas and mining leases on the Trust Estate or any part thereof, and all proceeds of the foregoing.

All general intangibles relating to the ownership, development, use or occupancy of or construction on the Trust Estate, including, but not limited to, all governmental licenses, map rights, approvals and permits; all materials prepared for filing or filed with any public or quasi-public governmental entities or any public utilities; all names under or by which the Trust Estate or any part thereof may at any time be operated or known; all rights to carry on business under any such names or any variants thereof; and all goodwill in any way relating to the Trust Estate or the Improvements thereon.

All right, title and interest of Trustor in and to refundable or returnable fees, bonds, securities or other Trust Estate held by any public or quasi-governmental entity, utility company or other entity which pertains to the Trust Estate.

After-acquired Trust Estate which replaces the foregoing or is included within any of the foregoing descriptions.

The proceeds from all of the above.