

(043)
WHEN RECORDED RETURN TO:

Duane Morris LLP
227 West Monroe Street
Suite 3400
Chicago, Illinois 60606



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Skagit County Auditor

4/20/2005 Page 1 of 24 1:29PM

ATTENTION: Daniel Kohn, Esq.

ORDER NO.: CHICAGO TITLE IC33921 ✓

DOCUMENT TITLE(s): Mortgage – Site #104

REFERENCE NUMBER(s) OF DOCUMENTS ASSIGNED OR RELEASED:

☐ additional reference numbers on page _____ of document: None

GRANTOR(s): (last name, then first name and initials)

San Juan NH Property, L.L.C.

☐ additional names on page _____ of document

GRANTEE(s): (last name, then first name and initials)

LaSalle Bank National Association

☒ additional names on page 22 of document

LEGAL DESCRIPTION (abbreviated: ie Lot, Block, Plat or Section, Township, Range)

Parcel A: Lots 2 though 7, inclusive, and E. half of Lot 8, and Lots 16 through 19, inclusive, Block 3, Stewart's First Addition to the City of Anacortes Wash.

Parcel B: Tracts 26 and 27, Nelson's addition to Anacortes, Wash.

S TWP RG

☒ additional legal description is on page 21 of document

ASSESSOR'S PROPERTY TAX PARCEL, ACCOUNT NUMBER(s):

☐ additional legal description is on page 21 of document

P58104; P58105; P60416; P60417; P60420; P60421; P60422

I am requesting an emergency non-standard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.


Signature of Requesting Party

This Instrument Was Prepared By
And After Recording Please Return To:

Daniel Kohn, Esq.
Duane Morris LLP
227 West Monroe Street
Suite 3400
Chicago, Illinois 60606

MORTGAGE
Anacortes, Washington

(Site No. 104)

THIS MORTGAGE is made as of the 13th day of April, 2005, by SAN JUAN NH PROPERTY, L.L.C., a Delaware limited liability company ("Mortgagor"), to and for the benefit of LASALLE BANK NATIONAL ASSOCIATION, a national banking association, its successors and its assigns, in its capacity as Administrative Agent (as defined in Recital A hereto) ("Mortgagee"), for the Lenders (as hereinafter defined).

RECITALS:

A. Mortgagee, in its role as a lender, administrative agent ("Administrative Agent") and arranger, and those various entities described in **Schedule 1** attached hereto (the "Additional Lenders"; Mortgagee and the Additional Lenders are sometimes hereinafter individually referred to as "Lender" and collectively as "Lenders") agreed to make certain loans to Mortgagor, AVIV Financing I, L.L.C., a Delaware limited liability company (the "Parent") and those various subsidiaries of the Parent described on **Schedule 2** attached hereto (the "Other Subsidiaries"; Mortgagor, the Parent and the Other Subsidiaries are sometimes hereinafter collectively referred to as "Borrowers"); in an aggregate principal amount not to exceed \$225,000,000.00 (the "Loans"). The Loans shall be evidenced by a certain Credit Agreement of even date herewith (as amended, modified, restated or supplemented from time to time, the "Credit Agreement") made by and between Borrowers and Lenders. Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

B. A condition precedent to Lenders' making the Loans to Borrowers is the execution and delivery by Mortgagor of this Mortgage.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor agrees as follows:

Mortgagor hereby mortgages, grants, assigns, remises, releases, warrants and conveys to Mortgagee, its successors and its assigns, the real estate legally described on **Exhibit A** attached hereto (the "Real Estate"), including all rights, interests and privileges appertaining to land beneath the surface and all air rights to space above the surface, together with the other property



200504200074
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described in the following paragraph (the Real Estate and such other property being hereinafter referred to as the "**Premises**") to secure: (i) the payment of the Loans and all interest, late charges and other indebtedness evidenced by or owing under the Credit Agreement, the Note or any of the other Loan Documents (as defined in the Credit Agreement) and by any extensions, modifications, renewals or refinancings thereof; (ii) the performance and observance of the covenants, conditions, agreements, representations, warranties and other liabilities and obligations of Borrowers or any other obligor to or benefiting Lenders which are evidenced or secured by or otherwise provided in the Credit Agreement, this Mortgage or any of the other Loan Documents; and (iii) the reimbursement of Lenders for any and all sums expended or advanced by Lenders pursuant to any term or provision of or constituting additional indebtedness under or secured by this Mortgage or any of the other Loan Documents, with interest thereon as provided herein or therein.

In addition to the Real Estate, the Premises hereby mortgaged includes all buildings, structures and improvements now or hereafter constructed or erected upon or located on or under the Real Estate, all tenements, easements, rights-of-way and rights used as a means of access thereto, all fixtures and appurtenances thereto now or hereafter belonging or pertaining to the Real Estate, and all rents, issues, royalties, income, revenue, proceeds, profits, security deposits and all accounts relating to the Premises and all other benefits thereof, and any after-acquired title, franchise, or license and the reversions or remainders thereof, for so long and during all such times as Mortgagor may be entitled thereto (which are pledged primarily and on a parity with said Real Estate and not secondarily), and all machinery, apparatus, equipment, appliances, floor covering, furniture, furnishings, supplies, materials, fittings, fixtures and other personal property of every kind and nature whatsoever, and all proceeds thereof, now or hereafter located thereon or therein and which are owned by Mortgagor. All of the land, estate and property hereinabove described, real, personal and mixed, whether or not affixed or annexed, and all rights hereby conveyed and mortgaged are intended so to be as a unit and are hereby understood, agreed and declared, to the maximum extent permitted by law, to form a part and parcel of the Real Estate and to be appropriated to the use of the Real Estate, and shall be for the purposes of this Mortgage deemed to be conveyed and mortgaged hereby; provided, however, as to any of the property aforesaid which does not so form a part and parcel of the Real Estate, this Mortgage is hereby deemed also to be a "Security Agreement" under the Uniform Commercial Code of the State of Illinois (the "**Code**") for purposes of granting a security interest in such property, which Mortgagor hereby grants to Mortgagee, as secured party (as defined in the Code), provided that, with respect to any item of personal property secured by this Mortgage, to the extent the terms of this Mortgage are inconsistent with the terms of the Security Agreement, the terms of the Security Agreement shall control.

TO HAVE AND TO HOLD the Premises unto Mortgagee, its successors and its assigns, forever, for the purposes and uses herein set forth, together with all right to retain possession of the Premises after any Event of Default (as hereinafter defined).

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. **Title.** Mortgagor represents, warrants and covenants that (a) Mortgagor is the holder of the fee simple title to the Premises, free and clear of all liens and encumbrances, except



200504200074

Skagit County Auditor

any lease of the Premises to a Lessee (the rights and liens under any such lease to be expressly subordinate to the liens created by this Mortgage), those liens and encumbrances of record and such other Permitted Liens (collectively, the "**Permitted Exceptions**"); and (b) Mortgagor has legal power and authority to mortgage and convey the Premises.

2. Maintenance; Repair and Restoration of Improvements; Payment of Prior Liens. Subject to the terms of the Credit Agreement and the other terms of this Mortgage, Mortgagor shall (or shall cause the applicable Lessee to): (a) promptly repair, restore or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed; (b) keep the Premises in good condition and repair, without waste, and free from mechanics' liens or other similar liens (excluding Permitted Exceptions), except that Mortgagor (and/or the applicable Lessee) shall have the right to contest by appropriate proceedings in accordance with Section 11.2 of the Credit Agreement; (c) immediately pay when due any indebtedness which may be secured by a lien or charge on the Premises superior or inferior to or at parity with the lien hereof (no such superior, inferior or parity lien to be permitted hereunder, except as permitted by the terms of the Credit Agreement), and upon request exhibit reasonably satisfactory evidence of the discharge of any such lien to Mortgagee; (d) complete within a reasonable time any buildings or any other improvements now or at any time in process of construction upon the Premises; (e) materially comply with all requirements of law, municipal ordinances and restrictions of record with respect to the Premises and the use thereof, including without limitation, those relating to building, zoning, environmental protection, health, fire and safety; (f) make no material alterations to the Premises or any buildings or other improvements now or hereafter constructed thereon, without the prior written consent of Mortgagee; (g) not suffer or permit any change in the general nature of the occupancy of the Premises without the prior written consent of Mortgagee; (h) not initiate or acquiesce in any zoning reclassification without the prior written consent of Mortgagee; (i) pay each item of indebtedness secured by this Mortgage when due according to the terms of the Credit Agreement and the other Loan Documents; and (j) duly perform and observe all of the covenants, terms, provisions and agreements herein, in the Credit Agreement and in the other Loan Documents on the part of Borrowers to be performed and observed, unless the activities or events described in clauses (a) through (j) hereof (or the failure of Mortgagor to comply therewith) would not result in a Material Adverse Effect. As used in this Paragraph and elsewhere in this Mortgage, the term "indebtedness" shall mean the then outstanding principal sum of the Loans evidenced by the Credit Agreement, the Note and the other Loan Documents, together with all interest thereon and all other amounts payable to Lenders thereunder, and all other sums at any time secured by this Mortgage.

3. Payment of Taxes and Assessments. To the extent the failure to do so would, or would be reasonably likely to, result in a Material Adverse Effect, Mortgagor shall (or shall cause the applicable Lessee to) pay all general taxes, special taxes, special assessments, water charges, sewer service charges, and all other liens or charges levied or assessed against the Premises, or any interest therein, of any nature whatsoever when due and before any penalty or interest is assessed, and, at the request of Mortgagee, shall furnish to Mortgagee duplicate receipts of payment therefor. If any special assessment is permitted by applicable law to be paid in installments. Mortgagor (and/or the applicable Lessee) shall have the right to pay such



200504200074

Skagit County Auditor

assessment in installments, so long as all such installments are paid prior to the due date thereof. Notwithstanding anything contained herein to the contrary, Mortgagor (and/or the applicable Lessee) shall have the right to protest any taxes assessed against the Premises, so long as such protest is conducted in good faith by appropriate legal proceedings diligently prosecuted and, to the extent reasonably required by Mortgagee, Mortgagor shall furnish to the title insurer such security or indemnity as said insurer requires to induce it to issue an endorsement, in form and substance reasonably acceptable to Mortgagee, insuring over any exception created by such protest.

4. **Tax Deposits.** Upon the occurrence and during the continuation of an Event of Default, Mortgagor covenants to deposit with Mortgagee on the first (1st) day of each month until the indebtedness secured by this Mortgage is fully paid, a sum equal to one-twelfth (1/12th) of one hundred percent (100%) of the annual taxes and assessments (general and special) on the Premises, as reasonably determined by Mortgagee. If requested by Mortgagee, Mortgagor shall also deposit with Mortgagee an amount of money which, together with the aggregate of the monthly deposits to be made pursuant to the preceding sentence as of one month prior to the date on which the next installment of annual taxes and assessments for the current calendar year become due, shall be sufficient to pay in full such installment of annual taxes and assessments, as estimated by Mortgagee. Such deposits are to be held without any allowance of interest and are to be used for the payment of taxes and assessments on the Premises next due and payable when they become due Mortgagee may, at its option, pay such taxes and assessments when the same become due and payable (upon submission of appropriate bills therefor from Mortgagor) or shall release sufficient funds to Mortgagor for the payment thereof. If the funds so deposited are insufficient to pay any such taxes or assessments for any year (or installments thereof, as applicable) when the same shall become due and payable, Mortgagor shall, within ten (10) days after receipt of demand therefor, deposit additional funds as may be necessary to pay such taxes and assessments in full. If the funds so deposited exceed the amount required to pay such taxes and assessments for any year, the excess shall be applied toward subsequent deposits. Said deposits need not be kept separate and apart from any other funds of Mortgagee.

5. **Mortgagee's Interest In and Use of Deposits.** Upon the occurrence and during the continuation of an Event of Default, Mortgagee may, at its option, apply any monies at the time on deposit pursuant to Paragraph 4 hereof toward any of the indebtedness secured hereby in such order and manner as Mortgagee may elect. When such indebtedness has been fully paid, any remaining deposits shall be returned to Mortgagor. Such deposits are hereby pledged as additional security for the indebtedness hereunder and shall not be subject to the direction or control of Mortgagor. Mortgagee shall not be liable for any failure to apply to the payment of taxes, assessments and insurance premiums any amount so deposited unless Mortgagor, so long as no Event of Default exists, shall have requested Mortgagee in writing to make application of such funds to the payment of such amounts, accompanied by the bills for such taxes, assessments and insurance premiums. Lenders shall not be liable for any act or omission taken in good faith or pursuant to the instruction of Mortgagor or Borrowers.

6. **Insurance.** Mortgagor shall (or shall cause the applicable Lessee to) at all times keep all buildings, improvements, fixtures and articles of personal property now or hereafter



200504200074

Skagit County Auditor

situated on the Premises insured against loss or damage by fire and such other hazards as is required under the Credit Agreement, including without limitation, Sections 10.4 and 12.1.7(i). Mortgagee shall be identified as an additional insured party under such required insurance policies. All policies of insurance to be furnished hereunder shall contain mortgagee clauses attached in favor of and in form reasonably satisfactory to Mortgagee, including a provision requiring that the coverage evidenced thereby shall not be terminated or modified without thirty (30) days prior written notice to Mortgagee and shall contain endorsements that no act or negligence of the insured or any occupant and no occupancy or use of the Premises for purposes more hazardous than permitted by the terms of the policies will affect the validity or enforceability of such policies as against Mortgagee. Mortgagor shall deliver all certificates of insurance or other evidence of such required insurance reasonably acceptable to Mortgagee, including those pertaining to any additional and renewal policies, to Mortgagee, and, in the case of insurance about to expire, shall deliver certificates of evidence of renewal policies not less than thirty (30) days prior to their respective dates of expiration.

(a) Mortgagor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained hereunder unless Mortgagee is included thereon as the loss payee or an additional insured as applicable, under a standard mortgage clause reasonably acceptable to Mortgagee and such separate insurance is otherwise reasonably acceptable to Mortgagee.

(b) In the event of loss which could reasonably be expected to have a material adverse effect on the Premises, Mortgagor shall give immediate notice thereof to Mortgagee, who shall have the sole and absolute right to make a proof of loss, and each insurance company concerned is hereby authorized and directed to make any resulting payment for such loss directly to Mortgagee (rather than to Mortgagor and Mortgagee jointly) and Mortgagee shall make such proceeds available to the applicable Lessee under the terms of its lease to the extent and on the terms as required of Mortgagor, as lessor, under such lease. During the existence and continuance of an Event of Default, Mortgagee shall have the right, at its option and in its sole discretion, to apply any insurance proceeds so received after the payment of all of Mortgagee's expenses, either (i) on account of the unpaid principal balance of the Note, irrespective of whether such principal balance is then due and payable, whereupon Mortgagee may declare the whole of the balance of indebtedness hereby secured to be due and payable, or (ii) to the restoration or repair of the property damaged as provided in Paragraph 22 hereof; provided, however, that so long as no Event of Default exists, Mortgagee shall make such payments available to Mortgagor and/or the applicable Lessee, on the terms and conditions set forth in Paragraph 22. If insurance proceeds are delivered to Mortgagor by Mortgagee as hereinafter provided, Mortgagor shall (or shall cause the applicable Lessee to) repair, restore or rebuild the damaged or destroyed portion of the Premises so that the condition and value of the Premises are substantially the same as the condition and value of the Premises prior to being damaged or destroyed. In the event insurance proceeds may be applied to the cost of restoration and repair of the Premises in accordance with the terms hereof, any surplus which may remain out of said insurance proceeds after payment of such costs shall, unless an Event of Default shall exist, be paid to Mortgagor.

In the event of foreclosure of this Mortgage, all right, title and interest of Mortgagor in and to any property and casualty insurance policies then in force shall pass to the purchaser at the foreclosure sale.

7. **Condemnation.** If all or any material part of the Premises are damaged, taken or acquired, either temporarily or permanently, in any condemnation proceeding, or by exercise of the right of eminent domain, the amount of any award or other payment for such taking or damages made in consideration thereof is hereby assigned to Mortgagee, who is empowered to collect and receive the same and to give proper receipts therefor in the name of Mortgagor and the same shall be paid forthwith to Mortgagee to be paid to the applicable Lessee in accordance with the terms of its lease and otherwise held by Mortgagee in accordance with the terms of this Mortgage and the Credit Agreement. Notwithstanding the foregoing provisions of this Paragraph 7, so long as no Event of Default exists, in the event of a partial condemnation or eminent domain proceeding, Mortgagee shall make available to Mortgagor (and/or the applicable Lessee) such portion of the award as is reasonably necessary to repair or restore the Premises, all in accordance with the terms of Paragraph 22 hereof.

8. **Stamp Tax.** If, by the laws of the United States of America, or of any state or political subdivision having jurisdiction over Mortgagor, any tax is due or becomes due in respect of the execution and delivery of this Mortgage, the Credit Agreement or any of the other Loan Documents, Mortgagor covenants and agrees to pay such tax in the manner required by any such law. Mortgagor further covenants to reimburse Mortgagee for any reasonable sums which Mortgagee may expend by reason of the imposition of any such tax. Notwithstanding the foregoing, except as otherwise specified in the Credit Agreement, Mortgagor shall not be required to pay any income or franchise taxes of Mortgagee or any of the Additional Lenders.

9. **Lease Assignment.** Mortgagor acknowledges that, concurrently herewith, Mortgagor is delivering to Mortgagee, as additional security for the repayment of the Loans, an Assignment of Rents (the "**Assignment**") pursuant to which Mortgagor has assigned to Mortgagee, as administrative agent for itself and the other Lenders, interests in the rents and income from the Premises. All of the provisions of the Assignment are hereby incorporated herein as if fully set forth at length in the text of this Mortgage. Mortgagor agrees to abide by all of the provisions of the Assignment.

10. **Effect of Extensions of Time.** If the payment of the indebtedness secured hereby or any part thereof is extended or varied or if any part of any security for the payment of the indebtedness is released, all persons now or at any time hereafter liable therefor, or interested in the Premises or having an interest in Mortgagor, shall be held to assent to such extension, variation or release, and their liability and the lien and all of the provisions hereof shall continue in full force, any right of recourse against all such persons being expressly reserved by Lenders, notwithstanding such extension, variation or release.

11. **Effect of Changes in Laws Regarding Taxation.** If any law is enacted after the date hereof requiring (i) the deduction of any lien on the Premises from the value thereof for the purpose of taxation or (ii) the imposition upon Mortgagee of the payment of the whole or any part of the taxes or assessments, charges or liens herein required to be paid by Mortgagor, or (iii)

a change in the method of taxation of mortgages or debts secured by mortgages or Mortgagee's interest in the Premises, or the manner of collection of taxes, so as to affect this Mortgage or the indebtedness secured hereby or the holders thereof, then Mortgagor, upon written demand by Mortgagee, shall pay such taxes or assessments, or reimburse Mortgagee therefor; provided, however, that, except as otherwise specified in the Credit Agreement, Mortgagor shall not be deemed to be required to pay any income or franchise taxes of Mortgagee or any of the Additional Lenders.

12. Mortgagee's Performance of Defaulted Acts and Expenses Incurred by Mortgagee. If an Event of Default has occurred and is continuing, Mortgagee may, but need not (i) make any payment or perform any act herein required of Mortgagor in any form and manner deemed expedient by Mortgagee, (ii) make full or partial payments of principal or interest on prior encumbrances, if any, (iii) purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof (other than Permitted Liens), (iv) redeem from any tax sale or forfeiture affecting the Premises or (v) cure any default of Mortgagor in any lease of the Premises. All monies paid for any of the purposes authorized under this Paragraph 12 and, to the extent required under the Credit Agreement, all reasonable expenses paid or incurred in connection therewith, including Attorney Costs, and any other monies advanced by Mortgagee in regard to any tax referred to in Paragraph 8 above or to protect the Premises or the lien hereof, shall be so much additional indebtedness secured hereby, and may, to the extent permitted in Section 13.2 of the Credit Agreement, become immediately due and payable by Mortgagor to Mortgagee under the terms specified in the Credit Agreement. If an Event of Default has occurred and is continuing, in addition to the foregoing, any reasonable costs, expenses and fees, including Attorney Costs, incurred by Mortgagee in connection with (a) sustaining the lien of this Mortgage or its priority, (b) protecting or enforcing any of Mortgagee's rights hereunder, (c) recovering any indebtedness secured hereby, (d) any litigation or proceedings affecting the Credit Agreement, this Mortgage, any of the other Loan Documents or the Premises, including without limitation, bankruptcy and probate proceedings, or (e) preparing for the commencement, defense or participation in any threatened litigation or proceedings affecting the Credit Agreement, this Mortgage, any of the other Loan Documents or the Premises, shall be so much additional indebtedness secured hereby, which may become immediately due and payable by Mortgagor to Lenders in accordance with the terms specified in Section 13.2 of the Credit Agreement. Should any amount paid out or advanced by Mortgagee hereunder, or pursuant to any agreement executed by Borrowers in connection with the Loans, be used directly or indirectly to payoff, discharge or satisfy, in whole or in part, any lien or encumbrance upon the Premises or any part thereof, then Mortgagee shall be subrogated to any and all rights, equal or superior titles, liens and equities, owned or claimed by any owner or holder of said outstanding liens, charges and indebtedness, regardless of whether said liens, charges and indebtedness are acquired by assignment or have been released of record by the holder thereof upon payment.

13. Mortgagee's Reliance on Tax Bills and Claims for Liens. Mortgagee, in making any payment hereby authorized: (a) relating to taxes and assessments, may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; or (b) during the existence of an



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Event of Default, for the purchase, discharge, compromise or settlement of any other prior lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted.

14. **Event of Default; Acceleration.** An "Event of Default" shall mean an "Event of Default" as defined in the Credit Agreement.

If an Event of Default occurs and is continuing, Lenders may, at their option, pursuant to the terms of Section 13.2 of the Credit Agreement, declare the whole of the indebtedness hereby secured to be immediately due and payable.

15. **Foreclosure; Expense of Litigation.** Upon the occurrence of an Event of Default which is continuing:

(a) Mortgagee shall have the right to foreclose the lien hereof to satisfy the obligations secured hereby (or any part thereof) and/or exercise any right, power or remedy provided in this Mortgage or any of the other Loan Documents. In the event of a foreclosure sale, Mortgagee is hereby authorized, without the consent of Mortgagor, to assign Mortgagor's rights in and to any and all property and casualty insurance policies related to the Premises to the purchaser at such sale or to take such other steps as Mortgagee may deem advisable to cause the interest of such purchaser to be protected by any of such insurance policies.

(b) In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for Attorney Costs, appraisers' fees, environmental audits, property inspections, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to the title as Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Premises. All expenditures and reasonable expenses of the nature mentioned in this paragraph and such other expenses and fees as may be incurred in the enforcement of Mortgagor's obligations hereunder, the protection of said Premises and the maintenance of the lien of this Mortgage, including the Attorney Costs of any attorney employed by Mortgagee in any litigation or proceeding affecting this Mortgage, the Credit Agreement, or the Premises, including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding shall be immediately due and payable by Mortgagor, with interest thereon at the Default Rate and shall be secured by this Mortgage.

(c) Mortgagee shall have the right and option to commence a civil action to foreclose this Mortgage and to obtain a Decree of Foreclosure and Sale subject to the rights of any Lessee or other tenant or tenants of the Premises having an interest in the



Premises prior to that of Mortgagee. The failure to join any such Lessee or other tenant or tenants of the Premises as party defendant or defendants in any such civil action or the failure of any Decree of Foreclosure and Sale to foreclose their rights shall not be asserted by Mortgagor as a defense in any civil action instituted to collect the indebtedness secured hereby, or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Premises, any statute or rule of law at any time existing to the contrary notwithstanding.

(d) At the option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part to any and all leases of all or any part of the Premises upon the execution by Mortgagee of a unilateral declaration to that effect and the recording thereof in the Office of the Recorder of Deeds in and for the county wherein the Premises are situated.

16. **Application of Proceeds of Foreclosure Sale.** The proceeds of any foreclosure sale of the Premises shall be distributed and applied in accordance with the terms of the Security Agreement.

17. **Appointment of Receiver.** During the existence of an Event of Default and upon or at any time after the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed shall, upon petition by Mortgagee, appoint a receiver for the Premises. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Mortgagor at the time of application for such receiver and without regard to the value of the Premises or whether the same shall be then occupied as a homestead or not and Mortgagee hereunder or any other holder of the Note may be appointed as such receiver. Such receiver shall have power to collect the rents, issues and profits of the Premises (i) during the pendency of such foreclosure suit, (ii) in case of a sale and a deficiency, during the full statutory period of redemption, whether there be redemption or not, and (iii) during any further times when Mortgagor, but for the intervention of such receiver, would be entitled to collect such rents, issues and profits. Such receiver also shall have all other powers and rights that may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during said period, including, to the extent permitted by law, the right to lease all or any portion of the Premises for a term that extends beyond the time of such receiver's possession without obtaining prior court approval of such lease. The court from time to time may authorize the application of the net income received by the receiver in payment of (a) the indebtedness secured hereby, or by any decree foreclosing this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to foreclosure sale, and (b) any deficiency upon a sale and deficiency.

18. **Mortgagee's Right of Possession in Case of Event of Default.** At any time after an Event of Default has occurred and is continuing:

(a) Mortgagor shall, upon demand of Mortgagee, surrender to Mortgagee possession of the Premises Mortgagee, in its discretion, may, with or without process of law, enter upon and take and maintain possession of all or any part of the Premises,



together with all documents, books, records, papers and accounts relating thereto and may exclude Mortgagor and its employees, agents or servants therefrom, and Mortgagee may then hold, operate, manage, develop and control the Premises, either personally or by its agents, and, in connection therewith but not in limitation thereof, exercise any or all of its rights and remedies set forth in the Loan Documents.

(b) Mortgagee shall have full power to use such measures, legal or equitable, as in its discretion may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Premises, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent. Without limiting the generality of the foregoing, Mortgagee shall, subject to the terms of any applicable Subordination and Attornment Agreement, have full power to:

(i) cancel or terminate any lease or sublease for any cause or on any ground which would entitle Mortgagor to cancel the same;

(ii) elect to disaffirm any lease or sublease which is then subordinate to the lien hereof;

(iii) extend or modify any then existing leases and to enter into new leases, which extensions, modifications and leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the maturity date of the indebtedness secured hereby and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the mortgage indebtedness, satisfaction of any foreclosure, judgment, or issuance of any certificate of sale or deed to any purchaser;

(iv) make any repairs, renewals, replacements, alterations, additions, betterments and improvements to the Premises as Mortgagee deems are reasonably necessary;

(v) insure and reinsure the Premises and all risks incidental to Mortgagee's possession, operation and management thereof; and

(vi) receive all of such avails, rents, issues and profits.

19. **Application of Income Received by Mortgagee.** During the existence of an Event of Default, Mortgagee, in the exercise of the rights and powers hereinabove conferred upon it, shall have full power to use and apply the avails, rents, issues and profits of the Premises to the payment of or on account of the following, in such order as Mortgagee may determine:



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(a) to the payment of the operating expenses of the Premises, including cost of management, marketing, sale and leasing thereof (which shall include compensation to Mortgagee and its agent or agents for management and marketing activities, and lease and sales commissions and other compensation and expenses of seeking and procuring tenants and purchasers and entering into leases and sales contracts), established claims for damages, if any, and premiums on insurance hereinabove authorized;

(b) to the payment of taxes and special assessments now due or which may hereafter become due on the Premises; and

(c) to the payment of any indebtedness secured hereby, including any deficiency which may result from any foreclosure sale, all in such order and in accordance with the terms of this Mortgage and the Credit Agreement.

20. Rights Cumulative. Each right, power and remedy herein conferred upon Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing under any of the Loan Documents or at law or in equity, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by Mortgagee, and the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission of Mortgagee in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any Event of Default or acquiescence therein.

21. Mortgagee's Right of Inspection. Subject to the rights of the applicable Lessee and the terms of the applicable lease of the Premises, Mortgagee and its representatives shall have the right to inspect the Premises and the books and records of Mortgagor as are set forth in Section 10.3 of the Credit Agreement.

22. Disbursement of Insurance or Eminent Domain Proceeds.

(a) Before commencing to repair, restore or rebuild following material damage to, or destruction of, all or a portion of the Premises, whether by fire or other casualty or by a taking under the power of eminent domain, Mortgagor shall obtain from Mortgagee its reasonable approval of all site and building plans and specifications pertaining to such repair, restoration or rebuilding;

(b) Prior to each payment or application of any insurance proceeds or a condemnation or eminent domain awards to the repair or restoration of the improvements upon the Premises to the extent permitted in Paragraphs 6 and 7 above, respectively, (which payment or application may be made, at Mortgagee's option, through an escrow, the terms and conditions of which are reasonably satisfactory to Mortgagee and Mortgagor and the cost of which is to be borne by Mortgagor), Mortgagee shall be entitled to be reasonably satisfied as to the following:



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Skagit County Auditor

(i) An Event of Default has not occurred which is continuing;

(ii) Either (A) such improvements have been fully restored, or (B) the expenditure of money as may be received from such insurance proceeds or condemnation award is or will be sufficient to repair, restore or rebuild the Premises, free and clear of all liens, claims and encumbrances, except the lien of this Mortgage and the Permitted Exceptions, or, in the event such insurance proceeds or condemnation award shall be insufficient to repair, restore and rebuild the Premises, Mortgagor has deposited (or shall have caused the applicable Lessee to have deposited) with Mortgagee such amount of money which, together with the insurance proceeds or condemnation award, shall be sufficient to restore, repair and rebuild the Premises; and

(iii) Prior to each disbursement of any such proceeds or awards held by Mortgagee in accordance with the terms of this Paragraph 22 for the cost of any repair, restoration or rebuilding, Mortgagee shall be furnished with a statement of Mortgagee's architect (the reasonable cost of which shall be borne by Mortgagor), certifying the extent of the repair and restoration completed to the date thereof, and that such repairs, restoration, and rebuilding have been performed to date in conformity with the plans and specifications approved by Mortgagee and with all statutes, regulations or ordinances (including building and zoning ordinances) affecting the Premises; and Mortgagee shall be furnished with appropriate evidence of payment for labor or materials furnished to the Premises, and total or partial lien waivers substantiating such payments.

(c) Prior to the payment or application of insurance proceeds or a condemnation awards to the repair, restoration or rebuilding of the improvements upon the Premises to the extent permitted in Paragraphs 6 and 7 above, respectively, there shall have been delivered to Mortgagee the following:

(i) With respect to any insurance proceeds, a waiver of subrogation from any insurer with respect to Mortgagor or the then owner or other insured under the policy of insurance in question; and

(ii) Such plans and specifications as required under Paragraph 22(a), any insurance as is required hereunder and such payment and performance bonds for all subcontractors and material suppliers with contracts in excess of \$25,000.00, such bonds to be in amounts, issued by such company or companies and in such forms and substance, as are reasonably required by Mortgagee.

(d) In the event Mortgagor shall fail (or shall fail to cause the applicable Lessee) to restore, repair or rebuild the improvements upon the Premises within a time period deemed reasonably satisfactory by Mortgagee, then Mortgagee, at its option, may commence and perform all necessary acts to restore, repair or rebuild the said improvements for or on behalf of Mortgagor. In the event insurance proceeds or condemnation award shall exceed the amount necessary to complete the repair,



restoration or rebuilding of the improvements upon the Premises, unless an Event of Default shall exist, such excess shall be paid to Mortgagor.

23. Release Upon Payment and Discharge of Mortgagor's Obligations.

Mortgagee shall promptly release this Mortgage and the lien hereof by proper instrument upon payment and discharge of all indebtedness and other obligations secured hereby, including payment of all reasonable expenses incurred by Mortgagee in connection with the execution of such release.

24. Notices. Any notices, communications and waivers under this Mortgage shall be in writing and shall be (i) delivered in person, (ii) mailed, postage prepaid, either by registered or certified mail, return receipt requested, or (iii) sent by overnight express courier, addressed in each case as follows:

To Mortgagee: LaSalle Bank National Association
135 South LaSalle Street
Chicago, Illinois 60603
Attention: Amy K. Hallberg

With copy to: Duane Morris LLP
227 West Monroe Street
Suite 3400
Chicago, Illinois 60606
Attention: Daniel Kohn, Esq.

To Mortgagor: San Juan NH Property, L.L.C.
c/o AVIV Financing I, L.L.C.
2 North LaSalle Street
Suite 725
Chicago, Illinois 60602
Attention: Zev Karkomi and Craig Bernfield

With copy to: Sidley Austin Brown & Wood LLP
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603
Attention: Paul D. Monson, Esq.

or to any other address as to any of the parties hereto, as such party shall designate in a written notice to the other party hereto. All notices sent pursuant to the terms of this Paragraph shall be deemed received (i) if personally delivered, then on the date of delivery, (ii) if sent by overnight, express carrier, then on the next federal banking day immediately following the day sent, or (iii) if sent by registered or certified mail, then on the earlier of the third federal banking day following the day sent or when actually received.



200504200074

Skagit County Auditor

25. **Waiver of Defenses.** No action for the enforcement of the lien or of any provision hereof shall be subject to any defense which would not be good and available to the party interposing the same in an action at law upon the Credit Agreement.

26. **Waiver of Rights.** Mortgagor hereby covenants and agrees that Mortgagor shall not apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws," now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws. To the fullest extent permitted by law, Mortgagor, for itself and all who may claim through or under it, waives any claims based on allegations that Mortgagee has failed to act in a commercially reasonable manner (except as otherwise expressly provided in this Mortgage or the other Loan Documents) and any and all rights to have the property and estates comprising the Premises marshalled upon any foreclosure of the lien hereof and further agrees that any court having jurisdiction to foreclose such lien may order the Premises sold as an entirety.

27. [Intentionally Omitted.]

28. **Additional Indebtedness Secured.** All persons and entities with any interest in the Premises or about to acquire any such interest should be aware that this Mortgage secures more than the stated principal amount of the Note and interest thereon; this Mortgage secures any and all other amounts which may become due under the Credit Agreement, the Note or any other document or instrument evidencing, securing or otherwise affecting the indebtedness secured hereby, including, without limitation, any and all amounts expended by Mortgagee to operate, manage or maintain the Premises or to otherwise protect the Premises or the lien of this Mortgage.

29. **Waiver of Rights of Redemption and Reinstatement.** Mortgagor hereby releases and waives, to the fullest extent permitted by law, any and all rights of reinstatement and redemption as may be provided in the WMFL (as hereinafter defined).

30. **Subordination of Management Agreement.** Mortgagee hereby approves the Management Agreement. Mortgagor acknowledges that Mortgagee has received a Subordination of Management Agreement from Manager for the Management Agreement.

31. **Fixture Filing.** Mortgagor and Mortgagee agree that this Mortgage shall constitute a financing statement and fixture filing under the Code with respect to all "fixtures" (as defined in the Code) attached to or otherwise forming a part of the Premises and that a security interest in and to such fixtures is hereby granted to Mortgagee. For purposes of the foregoing, Mortgagee is the secured party and Mortgagor is the debtor and the collateral covered by this financing statement shall be all items of property contained within the definition of the "Premises" which is or becomes a fixture on the Real Estate or any other real estate contained within the definition of the Premises.



200504200074

Skagit County Auditor

4/20/2005 Page 15 of 24 1:29PM

32. Compliance with Washington Mortgage Foreclosure Law.

(a) In the event that any provision in this Mortgage shall be inconsistent with any provision of the Washington Mortgage Foreclosure Law (herein called "WMFL") the provisions of WMFL shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with WMFL.

(b) If any provision of this Mortgage shall grant to Mortgagee (including Mortgagee acting as a mortgagee-in-possession) or a receiver appointed pursuant to the provisions of Paragraph 17 of this Mortgage any powers, rights or remedies prior to, upon or following the occurrence and continuance of an Event of Default which are more limited than the powers, rights or remedies that would otherwise be vested in Mortgagee or in such receiver under WMFL in the absence of said provision, Mortgagee and such receiver shall be vested with the powers, rights and remedies granted in WMFL to the full extent permitted by law.

33. Miscellaneous.

(a) **Successors and Assigns.** This Mortgage and all provisions hereof shall be binding upon and enforceable against Mortgagor and its assigns and other successors. This Mortgage and all provisions hereof shall inure to the benefit of Mortgagee, its successors and assigns and any holder or holders, from time to time, of the Note.

(b) **Invalidity of Provisions; Governing Law.** In the event that any provision of this Mortgage is deemed to be invalid by reason of the operation of law, or by reason of the interpretation placed thereon by any administrative agency or any court, Mortgagor and Mortgagee shall negotiate an equitable adjustment in the provisions of the same in order to effect, to the maximum extent permitted by law, the purpose of this Mortgage and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby and shall remain in full force and effect. Mortgagor agrees that this Mortgage is to be construed, governed by and enforced in accordance with the laws of the State of Illinois, without regard to its conflict of laws rules; provided, however, that with respect to issues relating to the creation, perfection, priority and enforcement of the liens on and security interest in the Real Estate, the laws of the state in which the Real Estate is located shall govern.

(c) **Municipal and Zoning Requirements.** To the extent it would result in, or be reasonably likely to result in, a Material Adverse Effect: (i) Mortgagor shall not by act or omission permit any building on Premises not subject to the lien of this Mortgage to rely on the Premises or any part thereof or any interest therein to fulfill any municipal or governmental requirement, and Mortgagor hereby assigns to Mortgagee any and all rights to give consent for all or any portion of the Premises or any interest therein to be so used. (ii) Similarly, no building or other improvement on the Premises shall rely on any premises not subject to the lien of this Mortgage or any interest therein to fulfill any governmental or municipal requirement necessary to operate the facility and Mortgagor

shall not by act or omission alter (or permit the alteration of) the zoning classification of the Premises in effect as of the date hereof. Any act or omission by Mortgagor which would result in a violation of any of the provisions of this subparagraph shall be void.

(d) **Mortgagee in Possession.** Nothing herein contained shall be construed as constituting Mortgagee a mortgagee in possession in the absence of the actual taking of possession of the Premises by Mortgagee pursuant to this Mortgage.

(e) **Relationship of Mortgagee and Mortgagor.** Mortgagee shall in no event be construed for any purpose to be a partner, joint venturer, agent or associate of Mortgagor or of any lessee, operator, concessionaire or licensee of Mortgagor in the conduct of their respective businesses, and, without limiting the foregoing, Mortgagee shall not be deemed to be such partner, joint venturer, agent or associate on account of Mortgagee becoming a mortgagee in possession or exercising any rights pursuant to this Mortgage, any of the other Loan Documents, or otherwise.

(f) **Time of the Essence.** Time is of the essence of the payment by Mortgagor of all amounts due and owing to Lenders under the Credit Agreement, the Note and the other Loan Documents and the performance and observance by Mortgagor of all terms, conditions, obligations and agreements contained in this Mortgage and the other Loan Documents.

(g) **No Merger.** It being the desire and intention of the parties hereto that the Mortgage and the lien hereof do not merge in fee simple title to the Premises, it is hereby understood and agreed that should Mortgagee acquire any additional or other interest in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by Mortgagee as evidenced by an express statement to that effect in an appropriate document duly recorded, this Mortgage and the lien hereof shall not merge in the fee simple title and this Mortgage may be foreclosed as if owned by a stranger to the fee simple title.

(h) **Maximum Indebtedness.** This Mortgage secures payment of, and the indebtedness secured by this Mortgage shall include, any unpaid balances of Loans advances which Lenders may make or be obligated to make under this Mortgage, the Credit Agreement, or any other Loan Document at any time after this Mortgage is delivered to the recorder for record to the extent that the total unpaid indebtedness of the Loans, exclusive of interest thereon, does not exceed the maximum amount of Five Hundred Million and No/100 Dollars (\$500,000,000.00) which may be outstanding at any time and from time to time.

(i) **Conflict with Credit Agreement.** In the event there is a conflict between the terms of this Mortgage and the terms of the Credit Agreement, the terms of the Credit Agreement shall control.

(j) **Jurisdiction and Venue.** MORTGAGOR HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MORTGAGOR AND



ARISING DIRECTLY OR INDIRECTLY OUT OF THIS MORTGAGE SHALL BE LITIGATED IN CHICAGO, ILLINOIS, OR IF MORTGAGEE INITIATES SUCH ACTION, ANY COURT IN WHICH MORTGAGEE SHALL INITIATE SUCH ACTION AND WHICH HAS JURISDICTION. MORTGAGOR HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTIONS IN ANY ACTION OR PROCEEDING COMMENCED BY MORTGAGEE IN ANY OF SUCH COURTS, AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO MORTGAGOR AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS MORTGAGE. MORTGAGOR WAIVES ANY CLAIM THAT CHICAGO, ILLINOIS, OR ANY SUCH OTHER JURISDICTION, IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD MORTGAGOR, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE MAILING THEREOF, MORTGAGOR SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY MORTGAGEE AGAINST MORTGAGOR AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. THE EXCLUSIVE CHOICE OF FORUM FOR MORTGAGOR SET FORTH IN THIS PARAGRAPH SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT, BY MORTGAGEE, OF ANY JUDGMENT OBTAINED IN ANY OTHER FORUM OR THE TAKING, BY MORTGAGEE, OF ANY ACTION TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION, AND MORTGAGOR HEREBY WAIVES THE RIGHT, IF ANY, TO COLLATERALLY ATTACK ANY SUCH JUDGMENT OR ACTION.

(k) Waiver of Right to Jury Trial. MORTGAGEE AND MORTGAGOR ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THE LOAN DOCUMENTS OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND THEREFORE, THE PARTIES AGREE THAT ANY COURT PROCEEDING ARISING OUT OF ANY SUCH CONTROVERSY WILL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

[Signature Page to Follow]



200504200074
Skagit County Auditor

4/20/2005 Page 18 of 24 1:29PM

IN WITNESS WHEREOF, Mortgagor has executed this instrument the day and year first above written.

MORTGAGOR:

SAN JUAN NH PROPERTY, L.L.C., a Delaware limited liability company

By: _____

Name: Zev Karkomi

Its: Manager



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Skagit County Auditor

4/20/2005 Page 19 of 24 1:29PM

STATE OF ILLINOIS)

) SS.

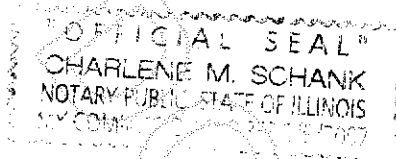
COUNTY OF COOK)

I, Charlene M. Schank Notary Public in and for said County, in the State aforesaid, do hereby certify that **Zev Karkomi**, a Manager of **San Juan NH Property, L.L.C.**, a Delaware limited liability company, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Manager, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said limited liability company for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal, this 13th day of April, 2005.

Charlene M. Schank
NOTARY PUBLIC

(SEAL)



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Skagit County Auditor

4/20/2005 Page 20 of 24 1:29PM

EXHIBIT A

Legal Description

PARCEL A:

Lots 2 through 7, inclusive, and the East Half of Lot 8, and Lots 16 through 19, inclusive, Block 3, STEWART'S FIRST ADDITION TO THE CITY OF ANACORTES, WASH., according to the plat thereof recorded in Volume 2 of Plats, page 14, records of Skagit County, Washington.

(Also known as San Juan Care Center).

Situated in Skagit County, Washington.

PARCEL B:

Tracts 26 and 27, NELSON'S ADDITION TO ANACORTES, WASH., according to the plat thereof recorded in Volume 2 of Plats, page 102, records of Skagit County, Washington.

(Also known as San Juan Care Center)

Situated in Skagit County, Washington.

- END OF EXHIBIT "A" -



200504200074

Skagit County Auditor

4/20/2005 Page 21 of 24 1:29PM

Schedule 1

List of Additional Lenders

Banco Popular North America
9600 West Bryn Mawr
Rosemont, IL 60018
Attention: S. Michael McCracken
Phone: (847) 994-5400
Facsimile: (847) 994-5926

Bank Leumi USA
100 North LaSalle Street
Chicago, IL 60602
Attention: Jon W. Spoerry
Phone: (312) 781-7806
Facsimile: (312) 781-9469

MB Financial Bank, N.A.
611 North River Road
Rosemont, IL 60018
Attention: Jack H. Sharp
Phone: (847) 653-1826
Facsimile: (847) 653-0082

Bank of Oklahoma N.A.
Bank of Oklahoma Tower
P.O. Box 2300
Tulsa, OK 74192
Attention: Jane P. Faulkenberry
Phone: (918) 588-6272
Facsimile: (918) 280-3368

Busey Bank, an Illinois Banking Corporation
7908 Summerlin Lakes Drive, Suite 204
Fort Myers, FL 33907
Attention: Thomas W. Scharlau
Phone: (239) 489-3599
Facsimile: (239) 489-4328

Israel Discount Bank of New York
9401 Wilshire Boulevard, Suite 600
Beverly Hills, CA 90212
Attention: Eileen Lewis
Phone: (310) 860-6332
Facsimile: (310) 859-1190



200504200074

Skagit County Auditor

4/20/2005 Page 22 of 24 1:29PM

SCHEDULE 2
Other Subsidiaries

<u>Name of Entity</u>	<u>Jurisdiction of Organization</u>
Bellingham II Associates, L.L.C.	Delaware
Savoy/Bonham Venture, L.L.C.	Delaware
Clayton Associates Limited Partnership	New Mexico
Columbia View Associates, L.L.C.	Delaware
Florence Heights Associates, L.L.C.	Delaware
Giltex Care, L.L.C.	Delaware
Aviv Foothills, L.L.C.	Delaware
Karan Associates, L.L.C.	Delaware
Aviv Liberty, L.L.C.	Delaware
Manor Associates	Illinois
Missouri Associates, L.L.C.	Delaware
Missouri Regency Associates, L.L.C.	Delaware
Oakland Nursing Homes Limited Partnership	California
October Associates, L.L.C.	Delaware
Omaha Associates, L.L.C.	Delaware
Oregon Associates, L.L.C.	Delaware
Peabody Associates, L.L.C.	Delaware
Salem Associates, L.L.C.	Delaware
Skyview Associates, L.L.C.	Delaware
Benton Harbor, L.L.C.	Illinois
Burton NH Property, L.L.C.	Delaware
Chippewa Valley, L.L.C.	Illinois
Columbus Western Avenue, L.L.C.	Delaware
Commerce Nursing Homes, L.L.C.	Illinois
Effingham Associates, L.L.C.	Illinois
Fullerton California, L.L.C.	Delaware
Hobbs Associates, L.L.C.	Illinois
KB Northwest Associates Limited Partnership	Illinois
KB Pinehurst Limited Partnership	Illinois
Minnesota Associates, L.L.C.	Delaware
Montana Associates, L.L.C.	Illinois
Ogden Associates, L.L.C.	Delaware
Orange, L.L.C.	Illinois
Pomona Vista L.L.C.	Illinois
Raton Property Limited Company	New Mexico
Rose Baldwin Park Property L.L.C.	Illinois
 Sandpoint, L.L.C.	 Illinois
Sun-Mesa Properties, L.L.C.	Illinois
Washington - Oregon Associates, L.L.C.	Illinois
Watauga Associates, L.L.C.	Illinois



200504200074

Skagit County Auditor

West Pearl Street, LLC
Wheeler Healthcare Associates, L.L.C.

Delaware
Texas



200504200074

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