

This instrument was prepared by John F. Dartlett
9 Old Kings Highway South, Darien, CT 06820

Revised April 1995

MORTGAGE

THE STATE OF ALABAMA }

SHELBY COUNTY }

THIS INDENTURE, made this 8th day of July, 1999,
by and between Paragon Assisted Living, LLC
a limited liability company and existing under the laws of Delaware
, having its principal place of business at 2606 Linger Lane,
Birmingham, AL 35226
hereinafter referred to as the Mortgagor, and Heartland Capital Corporation
a corporation organized and existing under the laws of Tennessee
having its principal place of business at 1114 W. Clinch Avenue, Knoxville, TN 37916
hereinafter referred to as the Mortgagee.

WHEREAS, the Mortgagor is justly indebted to the Mortgagee in the principal sum of Three Million
Six Hundred Thousand and no/100 Dollars (\$3,600,000.00),
evidenced by its note of even date herewith, bearing interest from date on outstanding balances at Eight and
One quarter per centum (8.25 %) per annum, said principal and interest being payable in
monthly installments as provided in said note with a final maturity of ~~June 1, 2040~~
SEPTEMBER
which note is identified as being secured hereby by a certificate thereon. Said note and all of its terms are
incorporated herein by reference and this conveyance shall secure any and all extensions thereof, however
evidenced.

WHEREAS the said Mortgagor is desirous of securing prompt payment of the said note and all notes given
in extension or renewal of said indebtedness or any part thereof and any other sum due or to become due
hereunder.

NOW, THEREFORE, in consideration of the premises and the sum of one dollar (\$1) to the undersigned
Mortgagor in hand paid by the Mortgagee, the receipt whereof is hereby acknowledged, and for the purpose of
securing the prompt payment of said indebtedness the said Mortgagor does hereby grant, bargain, sell, and
convey unto the said Mortgagee the following-described real property situated in
County, Alabama, to wit:

See Exhibit A attached hereto and made a part hereof.

Inst # 1999-28763

07/08/1999-28763

01:26 PM CERTIFIED

SHELBY COUNTY JUDGE OF PROBATE
022 HHS 5461.00

Inst # 1999-28763

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, including any after-acquired title, franchise, licenses or easements, and also with all right, title and interest of the Mortgagor from time to time in and to any and all buildings and improvements; all heating, lighting, plumbing, cooking, incinerating, ventilating, air conditioning and refrigerating equipment, elevators and motors, engines and machinery, sprinkler systems, ice boxes, storm and screen doors, screens, awnings, window shades, floor coverings, fixtures, equipment and other property now or hereafter owned by Mortgagor, or any successor in title, and attached to or used in connection with the real estate hereinabove described; together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein. AND ALSO all furnishings and articles of personal property now or hereafter attached to or in and about the building or buildings now erected or hereafter to be erected on the lands herein described which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all goods, chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are, or shall be attached to said building or buildings in any manner (the Mortgagor hereby declares that it is intended that the items herein enumerated shall be deemed to have been permanently installed as part of the realty); all income, (from rents or otherwise) profits, receipts, accounts receivable, escrow accounts and any other income of whatever nature; all of which property, together with all and any replacements thereof, shall be deemed a portion of the security for the indebtedness herein mentioned and secured by this Mortgage, and all of the property hereinbefore mentioned is hereinafter sometimes designated as "mortgaged property";

TO HAVE AND TO HOLD the mortgaged property together with all and singular the privileges and appurtenances, tenements, hereditaments, easements, and rights-of-way thereunto belonging or usually enjoyed with said mortgaged property or any part thereof and the reversions, remainder and remainders unto the Mortgagee and its successors and assigns forever.

The Mortgagor covenants with the Mortgagee that Mortgagor is lawfully seized in fee simple of the mortgaged property; that said property is free from all encumbrances and liens whatsoever. That Mortgagor has a good and legal right to mortgage and warrant the same to Mortgagee; and that Mortgagor will warrant and defend the title to said property to Mortgagee forever against the claims and demands of any person or persons whomsoever; the Mortgagor will execute, acknowledge and deliver all and every such further assurances unto Mortgagee as shall and singular the mortgaged property hereby mortgaged and conveyed and intended so to be, or which Mortgagor may be or become hereinafter bound so to do.

THIS MORTGAGE IS MADE, however, subject to the following covenants, conditions, and agreements, that is to say:

1. That Mortgagor will pay the Note at the times and in the manner provided therein;
2. That Mortgagor will not permit or suffer the use of any of the property for any purpose other than the use for which the same was intended at the time this Mortgage was executed;
3. That the Regulatory Agreement, if any, executed by the Mortgagor and the Federal Housing Commissioner, which is being recorded simultaneously herewith, is incorporated in and made a part of this Mortgage. Upon default under the Regulatory Agreement and upon the request of the Federal Housing Commissioner, the Mortgagee, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;
4. That all rents, profits and income from the property covered by this Mortgage are hereby assigned to the Mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to Mortgagor so long as no default exists hereunder, to collect such rents, profits and income;
5. That upon default hereunder Mortgagee shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom;
6. That at the option of the Mortgagor the principal balance secured hereby may be reamortized on terms acceptable to the Federal Housing Commissioner if a partial prepayment results from an award in condemnation in accordance with provisions of paragraph 8 herein, or from an insurance payment made in accordance with provisions of paragraph 7 herein, where there is a resulting loss of project income;
7. That the Mortgagor will keep the improvements now existing or hereafter erected on the mortgaged property insured against loss by fire and such other hazards, casualties, and contingencies, as may be stipulated by the Federal Housing Commissioner upon the insurance of the Mortgage and other hazards as may be required from time to time by the Mortgagee, and all such insurance shall be evidenced by standard Fire and Extended Coverage Insurance Policy or policies, in amounts not less than necessary to comply with the applicable Coinsurance Clause percentage, but in no event shall the amounts of coverage be less than eighty per centum (80%) of the Insurable Values or not less than the unpaid balance of the insured Mortgage, whichever is the lesser, and in default thereof the Mortgagee shall have the right to effect insurance. Such policies shall be endorsed with standard Mortgagee clause with loss payable to the Mortgagee and the Federal Housing Commissioner as interest may appear, and shall be deposited with the Mortgagee;

That if the premises covered hereby, or any part thereof, shall be damaged by fire or other hazard against which insurance is held as hereinabove provided, the amounts paid by any insurance company in pursuance of the contract of insurance to the extent of the indebtedness then remaining unpaid, shall be paid to the Mortgagee, and, at its option, may be applied to the debt or released for the repairing or rebuilding of the premises;

8. That all awards of damages in connection with any condemnation for public use of or injury to any of said property are hereby assigned and shall be paid to Mortgagee, who may apply the same to payment of the installments last due under the Note, and Mortgagee is hereby authorized, in the name of Mortgagor, to execute and deliver valid acquittances thereof and to appeal from any such award;

9. That concurrently with payments of interest or of principal and interest, the Mortgagor will pay to the Mortgagee monthly on the first day of each month after the date hereof and until the principal sum secured hereby is fully paid, the following sums:

- (a) An amount sufficient to provide the Mortgagee with funds to pay the next mortgage insurance

premium if this instrument and the Note secured hereby are insured, or a monthly service charge, if they are held by the Federal Housing Commissioner, as follows:

- (I) If and so long as said Note of even date and this instrument are insured or are reinsured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hands of the Mortgagee one month prior to its due date the annual mortgage insurance premium, in order to provide such Mortgagee with funds to pay such premium to the Federal Housing Commissioner pursuant to the National Housing Act, as amended, and applicable Regulations thereunder, or
 - (II) If and so long as said Note of even date and this instrument are held by the Federal Housing Commissioner, a monthly service charge in the amount equal to 1/12 of 1% of the average outstanding principal balance due on the Note computed for each successive year beginning with the first day of the month following the date of this instrument, if the Federal Housing Commissioner is the Mortgagee named herein, or the first day of the month following assignment, if the Note and this instrument are assigned to the Federal Housing Commissioner, without taking into account delinquencies or prepayment.
- (b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other property insurance covering the premises covered hereby, plus water rates, taxes and assessments next due on the premises covered hereby (all as estimated by the Mortgagee) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, water rates, taxes and assessments will become delinquent, such sums to be held by Mortgagee in trust to pay said ground rents, premiums, water rates, taxes, and special assessments.
- (c) All payments mentioned in the two preceding subsections of this paragraph and all payments to be made under the Note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Mortgagee to the following items in the order set forth:
- (I) premium charges under the Contract of Insurance with the Federal Housing Commissioner or service charge;
 - (II) ground rents, taxes, special assessments, water rates, fire and other property insurance premiums;
 - (III) interest on the Note secured hereby;
 - (IV) amortization of the principal of said Note.

10. Any excess funds accumulated under (b) of the next preceding paragraph remaining after payment of the items therein mentioned, shall be credited to subsequent monthly payments of the same nature required thereunder; but if any such item shall exceed the estimate therefor the Mortgagor shall without demand forthwith make good the deficiency. Failure to do so before the due date of such item shall be a default hereunder. In case of termination of the Contract of Mortgage Insurance by prepayment of the Note and Mortgage in full, or otherwise (except as hereinafter provided), accumulations under (a) of the next preceding paragraph hereof not required to meet payments due under the Contract of Mortgage Insurance, shall be credited to the Mortgagor. If the property is sold under foreclosure or is otherwise acquired by the Mortgagee after default, any remaining balance of the accumulations under (b) of the next preceding paragraph shall be credited to the principal of the Mortgage as of the date of commencement of foreclosure proceedings or as of the date the property is otherwise acquired; and accumulations under (a) thereof shall be likewise credited unless required to pay sums due the Federal Housing Commissioner under the Contract of Mortgage Insurance.

11. That if default be made in the payment of any of the installments provided for in paragraph 9 hereof and Mortgagor fails to pay ground rents, taxes, assessments, water rents, fire and other property insurance premiums before the same become delinquent or subject to penalties or fails to provide the Mortgagee with funds sufficient to meet Mortgage Insurance premiums (all of which the Mortgagor covenants to pay or to provide), or in the event of the failure of the Mortgagor to keep the buildings on said premises and those to be erected on said premises, or improvements thereon, in good repair, said Mortgagee may pay such taxes, water rents, assessments, Mortgage and property insurance premiums, or make such repairs as in its discretion it may deem necessary properly to preserve the property and any sums so paid shall be a lien on such premises prior to any other lien attaching or accruing subsequent to the lien of this Mortgage, payable forthwith, with interest at the rate specified in the Note until paid;

12. That Mortgagor will take reasonable care of the mortgaged premises and the buildings thereon, and will maintain the same in as good repair and condition as at the original date of completion, ordinary depreciation excepted; and that it will commit or permit no waste or nuisance of any kind, and will not make any structural alterations in the buildings without the written consent of the Mortgagee, and will do no act which would unduly impair or depreciate the value of the property as security;

13. That the Mortgagor will give immediate notice by mail to the Mortgagee and the Federal Housing Commissioner of any fire damage or other casualty to the premises;

14. That in case proceedings to foreclose this Mortgage are instituted, any sums necessarily expended for the continuation of the abstract of title to the above-described real estate, together with interest thereon at the rate specified in the Note shall become a part of the debt secured by this Mortgage and shall be collectible as such;

15. That should the proceeds of the loan made by the Mortgagor, the repayment of which is hereby secured, or any part thereof, or any amount paid out or advanced by the Mortgagee, be used directly or indirectly to pay off, discharge, or satisfy, in whole or in part, any prior lien or encumbrance upon said premises above described, or any part thereof, then the Mortgagee shall be subrogated to any additional security held by the holder of such lien or encumbrance;

16. That the funds to be advanced hereunder are to be used in the construction of certain improvements on the lands herein described, in accordance with a building loan agreement between the Mortgagor and the Mortgagee dated July 8, 1999, which building loan agreement (except such part or parts thereof as may be inconsistent herewith), is incorporated herein by reference to the same extent and effect as if fully set forth and made a part of this Mortgage, and if the construction of the improvements to be made pursuant to said building loan agreement shall not be carried on with reasonable diligence or shall be discontinued at any time for any reason other than strikes or lock-outs, the Mortgagee, after due notice to the Mortgagor, or any subsequent owner, is hereby invested with full and complete authority to enter upon the said premises, employ watchmen to protect such improvements from depredation or injury and to preserve and protect the personal property therein, and to continue any and all outstanding contracts for the erection and completion of said building or buildings, to make and enter into any contracts and obligations wherever

necessary, either in its own name or in the name of the Mortgagor, or other owner, and to pay and discharge all debts, obligations, and liabilities incurred thereby. All such sums so advanced by the Mortgagee (exclusive of advances of the principal of the indebtedness secured hereby) shall be added to the principal of the indebtedness secured hereby and shall be secured by this Mortgage and shall be due and payable on demand with interest at the rate specified in the Note, but no such advances shall be insured unless same are specifically approved by the Federal Housing Commissioner prior to the making thereof. The principal sum and other charges provided for herein shall, at the option of the Mortgagee or holder of this Mortgage and the Note secured thereby, become due and payable on the failure of the Mortgagor, or other owner, to keep and perform any of the covenants, conditions, and agreements of said building loan agreement. This covenant shall be terminated upon the completion of the improvements to the satisfaction of the Mortgagee and the making of the final advance as provided in said building loan agreement;

17. The Mortgagor covenants that it will not voluntarily create or permit to be created against the property subject to this Mortgage any lien superior or inferior hereto, and that it will keep and maintain the mortgaged premises free from the claim of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises;

18. The Mortgagor covenants and warrants that the improvements about to be made upon the premises above described and all plans and specifications comply with all municipal ordinances and regulations made or promulgated by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the fire rating or inspection organization, bureau, association, or office having jurisdiction;

19. The Mortgagor covenants and agrees that so long as the Mortgage and the said Note secured hereby are insured or held by the Federal Housing Commissioner under the provisions of the National Housing Act, it will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the mortgaged property on the basis of race, color or creed;

20. That in the event of default in making any monthly payment provided for herein or in the Note secured hereby, and if such default is not made good prior to the due date of the next such installment, or in the event of a breach of any other stipulations, agreements, conditions and covenants of this Mortgage; then, in any such event, the whole indebtedness hereby secured shall immediately become due and payable and this Mortgage subject to foreclosure, at the option of the Mortgagee, without notice; and the Mortgagee shall have the right and is hereby authorized to enter upon and take possession of said property, and after or without taking possession, to sell the same before the Courthouse door in the City of Birmingham, County of Shelby, Alabama, at public outcry for cash to the highest bidder, first giving notice of the time, place, and terms of said sale by publication once a week for three successive weeks prior to said sale in some newspaper published in said city, and, upon the payment of the purchase money, the Mortgagee or any person conducting said sale for it is authorized to execute to the purchaser at said sale a deed to the property so purchased, and such purchaser shall not be held to inquire as to the application of the proceeds of such sale. The Mortgagee may bid at the sale and purchase said property, if the highest bidder therefor;

The proceeds of said sale shall be applied; First, to the expenses of advertising and selling, including reasonable attorney's fees; second, to the repayment of any money, with interest thereon, which the Mortgagee may have paid or become liable to pay or which it may then be necessary to pay for taxes, assessments, insurance and/or other charges, liens or debts hereinabove provided, third, to the payment and satisfaction of the indebtedness hereby secured with interest, but interest to date of sale only shall be charged; fourth, the balance, if any, shall be paid to the Mortgagor. If this Mortgage be foreclosed in chancery, reasonable attorney's fees for foreclosing the same shall be paid out of the proceeds of the sale;

21. That Mortgagor hereby waives, to the extent permitted by law, the benefits of all valuation, appraisement, homestead, exemption, stay, redemption and moratorium laws, and the law commonly known as the "Deficiency Judgment Act," now in force or which may hereafter become laws;

22. No waiver of any covenant herein or of the Note secured hereby shall at any time thereafter be held to be a waiver of the terms hereof or of the Note secured hereby.

If the Mortgagor shall well and truly pay and discharge the indebtedness hereby secured as it shall become due and payable and shall do and perform all acts and agreements to be done and performed by the Mortgagor under the terms and provisions of this Mortgage, then this conveyance shall be and become null and void.

This Mortgage and all the covenants and agreements herein contained shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto; and to the extent permitted by law, shall bind any subsequent owner of the mortgaged premises or any part thereof. The term "Mortgagee" shall include any lawful owner or holder of the Mortgage debt. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. See Riders attached hereto and made a part hereof.

IN WITNESS WHEREOF, the Mortgagor has caused this instrument to be duly executed in its behalf by its President, attested by its Secretary, and its corporate seal to be affixed hereto the day and year first above written.

In the presence of

PARAGON ASSISTED LIVING, LLC

By:

Gordon L. Smith

President and Chief Executive Officer

Witnesses

State of Alabama)
)
Shelby County)

I, Laura Owen, hereby certify that Gordon L. Smith, whose name as President & Chief Executive Officer of Paragon Assisted Living, LLC, a limited liability company, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such President and Chief Executive Officer and with full authority, executed the same voluntarily for and as the act of said limited liability company.

Given under my hand this 8TH day of July, 1999.

Laura W. Owen
Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE.
MY COMMISSION EXPIRES 10, 2000
BONDED \$10,000

Exhibit A

A part of the Southwest quarter of the Northwest quarter of Section 15, Township 19 South, Range 2 West, and the Southeast quarter of the Northeast quarter of Section 16, Township 19 South, Range 2 West, Shelby County, Alabama and being more particularly described as follows:

Begin at the Northeast corner of the Southeast quarter of the Northeast quarter of Section 16, Township 19 South, Range 2 West, Shelby County, Alabama; thence turn an angle of $45^{\circ}33'20''$ right from the section line Southerly and thence run Southwesterly 444.44 feet; thence turn $96^{\circ}38'08''$ left and run Southeasterly for 328.74 feet; thence turn $65^{\circ}51'05''$ right and run Southwesterly for 219.96 feet; thence turn $42^{\circ}35'40''$ left and run Southeasterly for 155.17 feet to a point on the North right of way line of Valleydale Road; thence turn $90^{\circ}22'40''$ left and run Northeasterly along said North right of way line for 68.56 feet; thence turn $61^{\circ}57'43''$ left and run Northerly for 136.07 feet; thence turn $22^{\circ}20'09''$ right and run Northeasterly for 116.03 feet; thence turn $39^{\circ}37'34''$ right and run Northeasterly for 348.13 feet; thence turn $73^{\circ}40'47''$ right and run Southeasterly for 136.64 feet; thence turn $16^{\circ}00'42''$ right and run Southeasterly for 64.16 feet to a point on the North right of way line of Valleydale Road; thence turn an angle of $89^{\circ}57'21''$ left and run Northeasterly along said North right of way line for 59.00 feet; thence turn an angle of $106^{\circ}03'20''$ left and run Northwesterly for 775.48 feet to the point of beginning.

RIDER TO MORTGAGE
DATED JULY 8, 1999
PARAGON ASSISTED LIVING, LLC
TO
HEARTLAND CAPITAL CORPORATION

IN THE AMOUNT OF \$3,600,000.00

Notwithstanding any other provisions contained herein or in the Note, it is agreed that the execution of the Note shall impose no personal liability on the Mortgagor hereof or any of its officers or members for payment of the indebtedness evidenced thereby and in the event of a default, the holder of the Note shall look solely to the property described in the Mortgage and to the rents, issues and profits therefrom in satisfaction of the indebtedness evidenced by the Note and will not seek or obtain any deficiency or personal judgment against the Mortgagor or any of its officers or members except such judgment or decree as may be necessary to foreclose and bar its interest in the property subject to this Mortgage and all other property mortgaged, pledged, conveyed or assigned to secure payment of this Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of the Mortgagor under the Regulatory Agreement herein referred to and made a part hereof.

This Mortgage, together with the Security Agreement and Financing Statements filed in connection herewith shall constitute a first lien upon any and all assisted living licenses, permits and/or certificates of need which may be required to own and operate the project (hereinafter referred to as "licenses"). The Mortgagor or its successors or assigns shall not, without the prior written approval of the Secretary transfer, assign, encumber, or alienate from the project in any manner whatsoever the licenses, it is understood that laws governing these matters and any governmental entity exercising jurisdiction over assisted living facilities will require compliance therewith. However, in the event of either a monetary or covenant default under the FHA-Insured Note, the Mortgage securing said Note and the Regulatory Agreement between Mortgagor and the Secretary of Housing and Urban Development or his/her successors or assigns (the "Secretary"), all executed in connection herewith, Mortgagor shall cooperate in any legal and lawful manner necessary or required to permit Mortgagee and/or the Secretary to continue to operate and maintain the mortgaged property as an assisted living facility in Mortgagor's name, place and stead under the licenses for the Project. For the intents and purposes herein, Mortgagor hereby irrevocably nominates and appoints Mortgagee, its successors and assigns, as its attorney-in-fact coupled with an interest to do all things necessary, including but not limited to, provide any and all information and data, pay such fees as may be required, and execute and sign in the name of Mortgagor (holder, owner, party to said licenses), its successors or assigns, required by any other governmental entity exercising jurisdiction over assisted living facilities, any and all documents necessary to operate the mortgaged property as an assisted living facility under the licenses.

RIDER TO THE NOTE, MORTGAGE AND REGULATORY AGREEMENT

In further consideration of the endorsement for insurance by the Secretary of Housing and Urban Development ("HUD" or "Secretary") of the mortgage note between Paragon Assisted Living, LLC (in this rider referred to as "Owner" notwithstanding that the document to which this rider is attached may use a different defined term) and Heartland Capital Corporation, dated July ____, 1999, and in order to comply with the requirements of the National Housing Act, as amended and the regulations adopted by the Secretary pursuant thereto, the signatories agree as described below for themselves, their successors, heirs and assigns, in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect and during such further period of time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, or during any time the Secretary is obligated to insure a mortgage on the mortgaged property. The signatories to this document undertake the following obligations in their individual capacities as guarantors and as members of the Owner, and the consideration described above runs to the signatories in both capacities. The following provisions are added to and made a part of the project Mortgage Note, Mortgage and Regulatory Agreement, all dated July 2, 1999.

1. If any provision of the Owner's Articles of Organization, Operating Agreement, other organizational documents, or any later amendment to those documents, conflicts with the terms of the project loan documents (e.g., the mortgage note, mortgage, security agreement, Regulatory Agreement), the provision of the project loan documents will control.
2. Notwithstanding any provision of state law to the contrary, any signatory to this Rider receiving funds of the project other than the distribution of surplus cash as authorized in paragraph 6(e) of the Regulatory Agreement shall immediately deposit such funds in the project bank account and failing to do so in violation of this Agreement shall hold such funds in trust. Notwithstanding any provision of state law to the contrary, any signatory to this Rider receiving property of the project in violation of this agreement shall immediately deliver such property to the project and failing to do so shall hold such property in trust.
3. Notwithstanding any provision of state law to the contrary, all signatories to this Rider are liable for:
 - a. Funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and
 - b. Their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

4. Notwithstanding any provision of state law to the contrary, any member-manager, member with governance interests equaling or exceeding 10% or member with financial interests equaling or exceeding 25%, who, on the date of this Agreement, include the following persons: Gordon L. Smith shall be liable on a joint and several basis in the amount of any loss, damage or cost (including but not limited to attorney's fees) resulting from fraud or intentional misrepresentation by the Owner, the Owner's agents or employees, or a member of Owner in connection with obtaining the loan evidenced by the Note, or in complying with any of the Owner's obligations under the Project Loan Documents.
5. All signatories to this Rider will be considered agents of the Owner for the purpose of establishing liability under the double damages provision at 12 U.S.C. 1715z-4a and the equity skimming penalty under 12 U.S.C. 1715-19, unless HUD agrees in writing to the contrary.
6. Each signatory to this Rider will be individually liable for the payment of the entire amount of any civil money penalty imposed on the Owner pursuant to Sec. 537 of the National Housing Act 12 U.S.C. 1735f- 15.
7. The Owner has designated Gordon L. Smith as its official representative for all matters concerning the project which require HUD consent and approval. The signature of this entity will bind the Owner in all such matters. The Owner may from time to time appoint a new representative to perform this function, but within three (3) business days of doing so, will provide HUD with written notification of the name, address, and telephone number of its new representative. When a member other than the member identified above has full or partial authority for management of the project, the Owner will promptly provide HUD with the name of that member and the nature of that member's management authority.
8. Notwithstanding any provision of state law to the contrary, no signatory to this Rider shall have any right of subrogation or indemnification against the Owner or the property of the project by reason of any payment made or liability incurred pursuant to this Rider or any statute to which this Rider refers.
9. Each signatory to this document undertakes the foregoing obligation in its individual capacity as a guarantor and as member of the Owner, and the consideration described above runs to the signatory in both capacities.
10. The undersigned agrees not to exercise its right to voluntarily dissolve or terminate the Owner without the prior written approval of the Secretary.
11. This Rider shall be binding upon the undersigned and each of their successors, heirs and assigns.

DATED this 8th day of July, 1999.

In the presence of:

Louise C. Ramfathor
[Signature]
Witness

Paragon Assisted Living, LLC

By:

Gordon L. Smith
Gordon L. Smith
President & Chief Executive Officer

State of Alabama)

Jefferson County)

I, Laura W. Owen, hereby certify that Gordon L. Smith, whose name as President & Chief Executive Officer of Paragon Assisted Living, LLC, a limited liability company, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such President & Chief Executive Officer and with full authority, executed the same voluntarily for and as the act of said limited liability company.

Given under my hand this 8TH day of July, 1999.

Laura W. Owen
Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Apr. 19, 2000.
BONDED THRU NOTARY PUBLIC UNDERWRITERS.

In the presence of:

Elizabeth Catts
Witness

Gordon L. Smith
Gordon L. Smith, Member

State of Alabama)

Jefferson County)

I, Lee Ann Glover, hereby certify that Gordon L. Smith, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 30th day of June, 1999.

Lee Ann Glover
Notary Public

In the presence of:

[Signature]
[Signature]
Witness

[Signature]
W. Carl Jernigan, Member

State of Alabama)

Jefferson County)

I, Lee Ann Glover, hereby certify that W. Carl Jernigan, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 30th day of June, 1999.

[Signature]
Notary Public

In the presence of:

[Signature]
[Signature]
Witness

[Signature]
Donald E. Harrison, Member

State of Alabama)

Jefferson County)

Ramon J. Nash hereby certify that Donald E. Harrison, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 25th day of June, 1999.

[Signature]
Notary Public
My commission exp 99-01

In the presence of:

[Signature]
[Signature]
Witness

[Signature]
Walter L. Howard, Jr., Member

State of Alabama)
Jefferson County)

I, Lee Ann Glover, hereby certify that Walter L. Howard, Jr., who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 30th day of June, 1999.

[Signature]
Notary Public

In the presence of:

Charles Smith

Dorothy C. Hyde
Witness

Thomas E. Bradford, Jr.
Thomas E. Bradford, Jr., Member

State of Alabama)

Jefferson County)

I, Pamela A. Bakane, hereby certify that Thomas E. Bradford, Jr., who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 21st day of June, 1999.

Pamela A. Bakane
Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE.
MY COMMISSION EXPIRES: Feb. 6, 2001.
BONDED THRU NOTARY PUBLIC UNDERWRITERS.

In the presence of:

[Signature]
[Signature]
Witness

William D. Upton
William D. Upton, Member

State of Alabama)

Jefferson County)

I, Lee Ann Glover, hereby certify that William D. Upton, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 30th day of June, 1999.

[Signature]
Notary Public

In the presence of:

David Culwell
Jordan Fry
Witness

Raymond W. McNair, Member
Raymond W. McNair, Member

State of Alabama)

Jefferson County)

I, Gwendolyn Hunt, hereby certify that Raymond W. McNair, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 17th day of June, 1999.

Gwendolyn Hunt
Notary Public

Notary Public, Alabama, State at Large
My Commission Expires January 26, 2003

In the presence of:

Garry Smith
[Signature]
Witness

[Signature]
Douglas S. Dickinson, Member

State of Alabama)

Jefferson County)

I, Lee Ann Glover, hereby certify that Douglas S. Dickinson, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 30th day of June, 1999.

[Signature]
Notary Public

In the presence of:

[Signature]

Witness

Dewey R. Sullivan
Dewey R. Sullivan, Member

State of Alabama)

Jefferson County)

I, Kameron J. Nash, hereby certify that Dewey R. Sullivan, who name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand this 25th day of June, 1999.

Kameron J. Nash
Notary Public
Commission Exp 9-9-01

Timothy L. Stone
Timothy L. Stone, Member

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STATE OF ALABAMA

JEFFERSON COUNTY

)
:
)

I, the undersigned, a notary public in and for said county in said state, hereby certify that Timothy L. Stone, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this 30th day of June, 1999.



Notary Public

[NOTARIAL SEAL]

My commission expires: June 11, 2000

STATE OF ALABAMA

Loan No.

MORTGAGE

Paragon Assisted Living, LLC
TO
Heartland Capital Corporation

THE STATE OF ALABAMA,)

SHELBY COUNTY.)

I,
Judge of the Probate County of said
County, do hereby certify that the
foregoing conveyance was filed for

registration in this office on the
day of

, 19

and was recorded in Vol.
Record of Deeds, pages

on the

, 19

day of

Judge of Probate

Fee

Inst # 1999-28763

07/08/1999-28763
01:26 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
022 NWS 5461.00