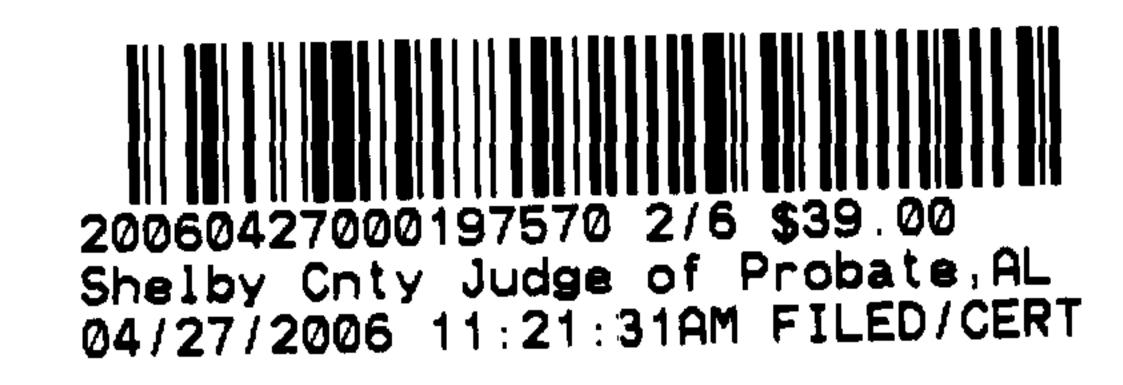


A. NAME & PHONE OF C	S (front and back							
A. NAIVIL & PRONE OF C	CIVIACIAITILL	ziv (optional)						
3. SEND ACKNOWLEDG	MENT TO: (Nan	ne and Address)						
E. Joseph Ki	noll, Esq.							
Krooth & A	ltman LLP							
1850 M Stre	et, N.W., Sui	te 400						
Washington	D.C. 20036							
PH (202) 29								
FX (202) 77			1					
			THE ABOVE	SPACE IS FO	R FILING OFFICE US	EONLY		
. DEBTOR'S EXACT F	JLL LEGAL NAM	E - insert only <u>one</u> debtor name (1a	a or 1b) - do not abbreviate or combine names					
1a. ORGANIZATION'S NA	ME							
PARAGON AS		VING, LLC						
16. INDIVIDUAL'S LAST	NAME		FIRST NAME	MIDDLE	NAME	SUFFIX		
. MAILING ADDRESS	<del></del>		CITY	STATE	POSTAL CODE	COUNTRY		
2634 Valleydale Road			Birmingham	AL	35244	USA		
. TAX ID #: SSN OR EIN	ADD'I INFO RE	16 TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION					
I. IAA ID #. SSIN OR EIN	ADD'L INFO RE 1e. TYPE OF ORGANIZATION ORGANIZATION		<b>[</b>	I ig. OKG	1g. ORGANIZATIONAL ID #, if any			
	DEBTOR	limited liability compar				NON		
ADDITIONAL DEBTOR	سيريها والمناب والمستجوبية كالخاطة	LEGAL NAME - insert only one	debtor name (2a or 2b) - do not abbreviate or com	bine names	······································			
<del></del>								
2a. ORGANIZATION'S NA	AME							
2a. ORGANIZATION'S NA								
2a. ORGANIZATION'S NA			FIRST NAME	MIDDLE	NAME	SUFFIX		
2a. ORGANIZATION'S NA			FIRST NAME	MIDDLE	NAME	SUFFIX		
R 2b. INDIVIDUAL'S LAST			FIRST NAME CITY	MIDDLE	NAME POSTAL CODE	SUFFIX		
2a. ORGANIZATION'S NA								
2a. ORGANIZATION'S NA  2b. INDIVIDUAL'S LAST I	VAME	2e. TYPE OF ORGANIZATION	CiTY	STATE	POSTAL CODE	COUNTRY USA		
R 2b. INDIVIDUAL'S LAST I	ADD'L INFO RE ORGANIZATION	2e. TYPE OF ORGANIZATION		STATE		COUNTRY USA		
2a. ORGANIZATION'S NA  2b. INDIVIDUAL'S LAST I  c. MAILING ADDRESS  d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR		CITY  2f. JURISDICTION OF ORGANIZATION	STATE  2g. ORG	POSTAL CODE	COUNTRY USA		
2a. ORGANIZATION'S NA  2b. INDIVIDUAL'S LAST I  c. MAILING ADDRESS  d. TAX ID #: SSN OR EIN  SECURED PARTY'S	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME of		CiTY	STATE  2g. ORG	POSTAL CODE	COUNTRY USA		
2a. ORGANIZATION'S NA R 2b. INDIVIDUAL'S LAST I  C. MAILING ADDRESS  J. TAX ID #: SSN OR EIN  SECURED PARTY'S  3a. ORGANIZATION'S NA	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME of ME	of TOTAL ASSIGNEE of ASSIGNO	CITY  2f. JURISDICTION OF ORGANIZATION	STATE  2g. ORG	POSTAL CODE	COUNTRY USA		
2a. ORGANIZATION'S NA  R  2b. INDIVIDUAL'S LAST I  E. MAILING ADDRESS  I. TAX ID #: SSN OR EIN  SECURED PARTY'S  3a. ORGANIZATION'S NA  WACHOVIA N	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME OF MAME)  ME MULTIFAM		CITY  2f. JURISDICTION OF ORGANIZATION	STATE  2g. ORG	POSTAL CODE	COUNTRY USA		
2a. ORGANIZATION'S NA  R 2b. INDIVIDUAL'S LAST I  E. MAILING ADDRESS  I. TAX ID #: SSN OR EIN  SECURED PARTY'S  3a. ORGANIZATION'S NA  WACHOVIA N	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME OF MAME)  ME MULTIFAM	of TOTAL ASSIGNEE of ASSIGNO	CITY  2f. JURISDICTION OF ORGANIZATION	STATE  2g. ORG	POSTAL CODE  ANIZATIONAL ID #, if any	COUNTRY USA		
2a. ORGANIZATION'S NA  2b. INDIVIDUAL'S LAST I  MAILING ADDRESS  TAX ID #: SSN OR EIN  SECURED PARTY'S  3a. ORGANIZATION'S NA  WACHOVIA N	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME OF MAME)  ME MULTIFAM	of TOTAL ASSIGNEE of ASSIGNO	2f. JURISDICTION OF ORGANIZATION  R S/P) - insert only one secured party name (3a or	STATE  2g. ORG	POSTAL CODE  ANIZATIONAL ID #, if any	COUNTRY USA		
2a. ORGANIZATION'S NA  2b. INDIVIDUAL'S LAST I  MAILING ADDRESS  TAX ID #: SSN OR EIN  SECURED PARTY'S  3a. ORGANIZATION'S NA  WACHOVIA N  3b. INDIVIDUAL'S LAST I	ADD'L INFO RE ORGANIZATION DEBTOR  NAME (or NAME OF MAME)  ME MULTIFAM	of TOTAL ASSIGNEE of ASSIGNO	2f. JURISDICTION OF ORGANIZATION  R S/P) - insert only one secured party name (3a or	STATE  2g. ORG	POSTAL CODE  ANIZATIONAL ID #, if any	COUNTRY USA		
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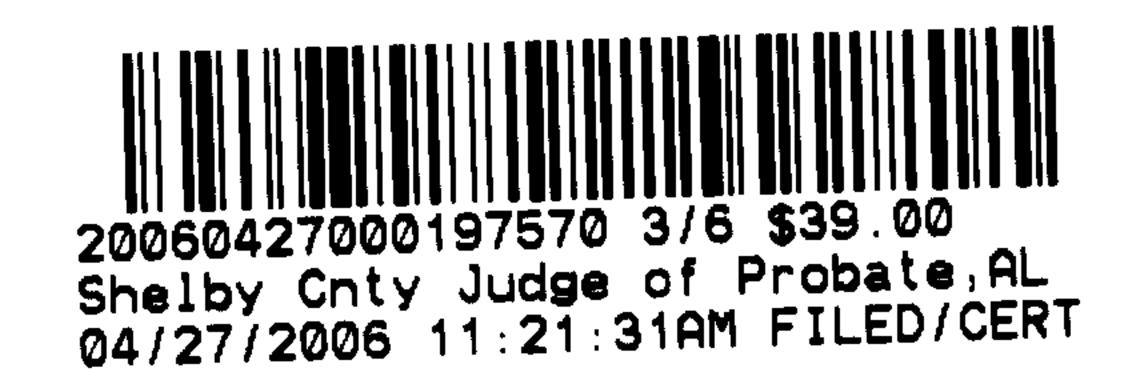
See Exhibit "B" attached hereto and made a part hereof for a description of collateral.

	LESSEE/LESSOR	CONSIGNEE/CC	NSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC	FILING
6. This FINANCING STATEMENT is to be filed [for X ESTATE RECORDS. Attach Addendum	or record) (or recorded) i	n the REAL 7. [if applicable]	Check to REQUES ADDITIONAL FEE	T SEARCH REPOR	T(S) on Debtor(s) [optional]	All Debtors	Debtor 1	Debtor 2
8. OPTIONAL FILER REFERENCE DATA								
File with Shelby County, Alabama								



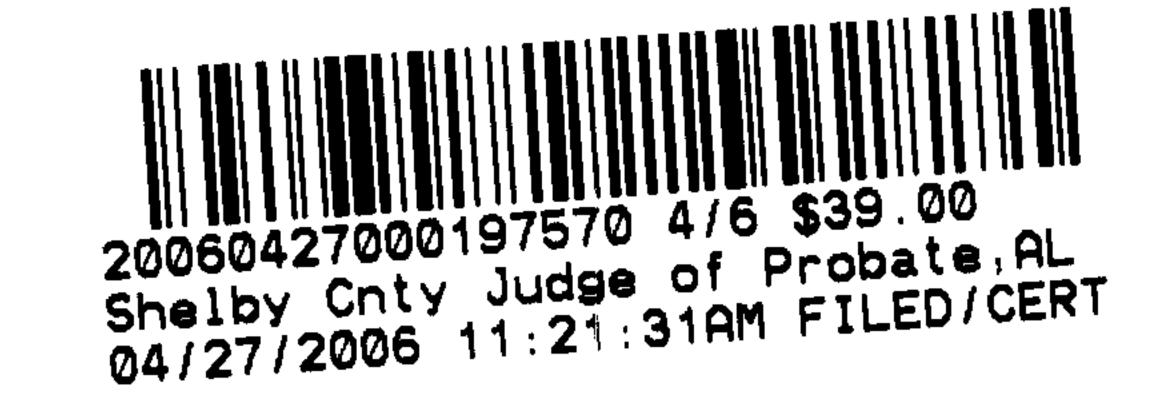
UCC FINANCING STATEM						
OLLOW INSTRUCTIONS (front and back 9. NAME OF FIRST DEBTOR (1a or 1b)		ATEMENT				
9a. ORGANIZATION'S NAME						
OR PARAGON ASSISTED LIVING, LL	.C					
9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX				
0. MISCELLANEOUS:						
			THE ABOV	ESPACE	IS FOR FILING OFFI	CF USE ONLY
11. ADDITIONAL DEBTOR'S EXACT FUL	L LEGAL NAME - insert only one	name (11a or 11h) - do not abbrev			IO I OKTILING OFFI	CE OSE ONL!
11a. ORGANIZATION'S NAME	TE TO TE TO THE TIME OF THE TE	name (Tra or Trb) - do not abbrev	rate of combine han	nes		
11b. INDIVIDUAL'S LAST NAME		FIRST NAME		MIDDLE NAME		SUFFIX
11c. MAILING ADDRESS		CITY		STATE	POSTAL CODE	COUNTRY USA
1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGAN	NIZATION	11g. OR	GANIZATIONAL ID #, if a	ny  NON
2. X ADDITIONAL SECURED PARTY	'S or ASSIGNOR S/P'S	NAME - insert only <u>one</u> name	(12a or 12b)			
12a. ORGANIZATION'S NAME		The state of the s	(1200, 120)	· · · · · · · · · · · · · · · · · · ·		<del></del>
Secretary of Housing and Un	rban Development					
12b. INDIVIDUAL'S LAST NAME		FIRST NAME		MIDDLE	NAME	SUFFIX
2c. MAILING ADDRESS		CITY		STATE	POSTAL CODE	COUNTRY
950 22nd Street, North, Suite 900	)	Birmingham		AL	35203-5301	USA
<ol> <li>This FINANCING STATEMENT covers tire collateral, or is filed as a fixture filing.</li> <li>Description of real estate:</li> </ol>	nber to be cut or as-extracted	16. Additional collateral descrip	ption:			
See Exhibit "A" attached hereto a for a description of real property.						
"LakeView Estates Assisted Livi FHA Project No. 062-43069	ng"					
<ol> <li>Name and address of a RECORD OWNER of (if Debtor does not have a record interest):</li> </ol>	above-described real estate					
		17. Check only if applicable and Debtor is a Trust or T			roperty held in trust or	
		18. Check only if applicable and	<u> </u>		openy neia in trust or	Decedent's Estate
		Debtor is a TRANSMITTING	<del></del>	7.FS1		
		Filed in connection with a M		Transaction	effective 20 mass=	
		Filed in connection with a P				

## 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 querter of the Northeast querter of Section 16, Township 19 South, Range 2 West, Shelby County, Aleberna; thence turn an angle of 45° 33° 20° right from the section line Southerty and thence run Southwesterly 444.44 feet; thence turn 95° 38° 08° left and run Southeasterly for 325.74 feet; thence turn 65° 51° 06° right and run Southeasterly for 155.17 feet to a point on the North right of way line for 68.55 feet; thence turn Valleydale Road; thence turn 90° 22° 40° left and run Northeasterly elong said North right of way line for 68.55 feet; thence turn 51° 57° 43° left and run Northeasterly for 136.07 feet; thence turn 72° 20° 08° right and run Northeasterly for 136.84 feet; thence 39° 37° 34° right and run Northeasterly for 346.13 feet; thence turn 73° 40° 47° right and run Northeasterly for 64.15 feet to a point on the North right of way line of Valleydale Road; thence turn 18° 00° 42° right and run Northeasterly for 64.16 feet to a point on the North right of way line of Valleydale Road; thence turn 18° 00° 42° right and run Northeasterly slong said North right of way line for 59.00 feet; thence turn an angle of 106° 03° 20° left and run Northeasterly slong said North right of way line for 59.00 feet; thence turn an angle of 106° 03° 20° left and run Northeasterly for 775.48 feet to the point of beginning.

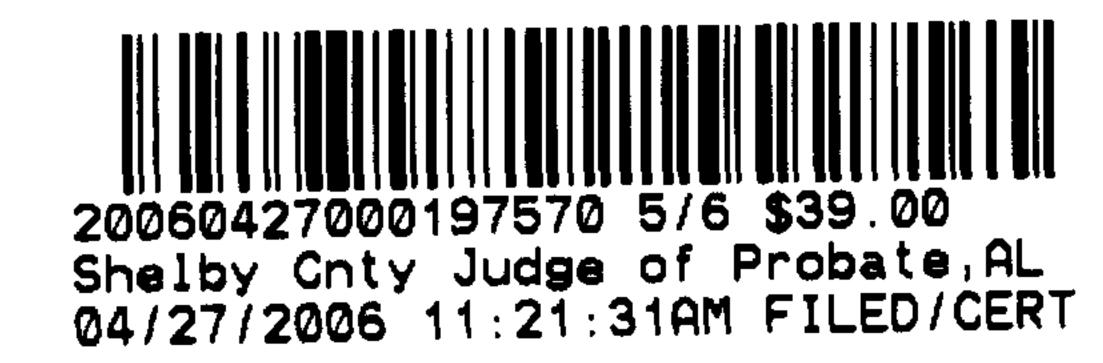


## EXHIBIT "B" TO SECURITY AGREEMENT AND FINANCING STATEMENTS

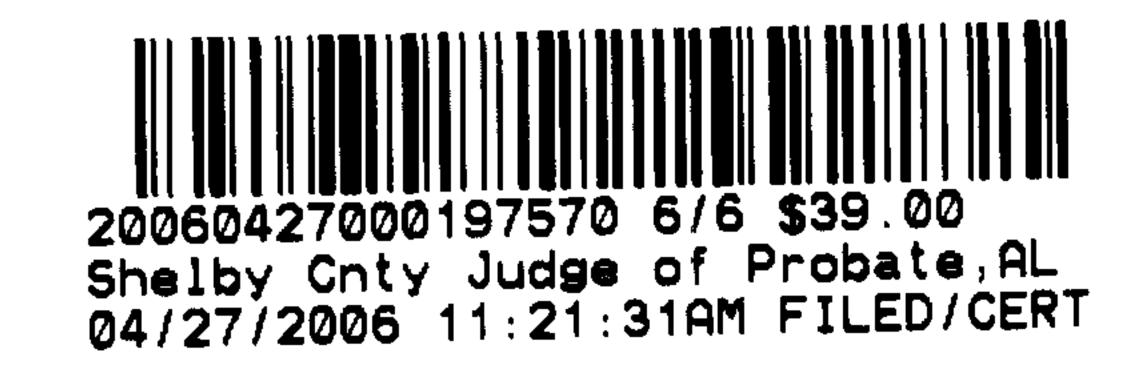
This Exhibit "B" is attached to, incorporated by reference in, and forms a part of that certain Security Agreement and Financing Statements (collectively, the "Security Documents"), executed and delivered by the Debtor in connection with the financing of the Project (as hereinafter defined) in favor of WACHOVIA MULTIFAMILY CAPITAL, INC., a Maryland corporation (the "Secured Party").

This Exhibit "B" refers to the following collateral, which may be now or hereafter located on the premises of, relate to, or be used in connection with, the acquisition or refinancing, repair, ownership, management, and operation of a certain nursing facility known as "LakeView Estates Assisted Living" (the "Project"), located in Birmingham, Shelby County, Alabama (the "State") and owned by PARAGON ASSISTED LIVING, LLC, a Delaware limited liability company (the "Debtor"):

- 1. All income, rents, profits, receipts and charges from the Project.
- 2. All accounts including without limitation the following: Reserve Fund for Replacement, residual receipts, and special funds; ground rents, taxes, water rents, assessments and fire and other hazard-insurance premiums; accounts receivable; operating revenue; initial operating escrow; and escrow for latent defects.
  - 3. All insurance and condemnation proceeds; and all inventories.
- 4. All materials now owned or hereafter acquired by the Debtor and intended for the construction, reconstruction, alteration and repair of any building, structure or improvement now or hereafter erected or placed on the property described in Exhibit "A" attached hereto (the "Property"), all of which materials shall be deemed to be included within the Project immediately upon the delivery thereof to the Project.
- All of the walks, fences, shrubbery, driveways, fixtures, machinery, apparatus, equipment, fittings, and other goods and other personal property of every kind and description whatsoever, now owned or hereafter acquired by the Debtor and attached to or contained in and used or usable in connection with any present or future operation of the Project, including, by way of example rather than of limitation, all lighting, laundry, incinerating and power equipment; all engines, boilers, machines, motors, furnaces, compressors and transformers; all generating equipment; all pumps, tanks, ducts, conduits, wire, switches, electrical equipment and fixtures, fans and switchboards; all telephone equipment; all piping, tubing, plumbing equipment and fixtures; all heating, refrigeration, air conditioning, cooling, ventilating, sprinkling, water, power and communications equipment, systems and apparatus; all water coolers and water heaters; all fire prevention, alarm and extinguishing systems and apparatus; all cleaning equipment; all lift, elevator and escalator equipment and apparatus; all partitions, shades, blinds, awnings, screens, screen doors, storm doors, exterior and interior signs, gas fixtures, stoves, ovens, refrigerators, garbage disposals, dishwashers, cabinets, mirrors, mantles, floor coverings, carpets, rugs, draperies and other furnishings and furniture installed or to be installed or used or usable in the operation of any part of the Project or facilities erected or to be erected in or upon the Property; and every renewal or replacement thereof or articles in substitution therefor, whether or not the same are now or hereafter attached to the Property in any manner; all except for any right, title or interest therein owned by any tenant (it being agreed that all personal property owned by the Debtor and placed by it on the Property shall, so far as permitted by law, be deemed to be affixed to the Property, appropriated to its use, and covered by each of the Security Documents to which this Exhibit is attached).



- 6. All of the Debtor's right, title and interest in and to any and all judgments, awards of damages (including but not limited to severance and consequential damages), payments, proceeds, settlements or other compensation (collectively, the "Awards") heretofore or hereafter made, including interest thereon, and the right to receive the same, as a result of, in connection with, or in lieu of (i) any taking of the Property or any part thereof by the exercise of the power of condemnation or eminent domain, or the police power, (ii) any change or alteration of the grade of any street, or (iii) any other injury or decrease in the value of the Property or any part thereof (including but not limited to destruction or decrease in value by fire or other casualty), all of which Awards, rights thereto and shares therein are hereby assigned to the Secured Party, who is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor and to apply, at its option, the net proceeds thereof, after deducting expenses of collection, as a credit upon any portion, as selected by the Secured Party, of the indebtedness secured by the Security Documents.
- 7. All of the Debtor's right, title and interest in and to any and all payments, proceeds, settlements or other compensation heretofore or hereafter made, including any interest thereon, and the right to receive the same from any and all insurance policies covering the Property or any portion thereof, or any of the other property described herein.
- 8. The interest of the Debtor in and to all of the rents, royalties, issues, profits, revenues, income and other benefits of the Property, or arising from the use or enjoyment of all or any portion thereof, or from any lease or agreement pertaining thereto, and all right, title and interest of the Debtor in and to, and remedies under, all contract rights, accounts receivable and general intangibles arising out of or in connection with any and all leases and subleases of the Property, or any part thereof, and of the other property described herein, or any part thereof, both now in existence or hereafter entered into, together with all proceeds (cash and non-cash) thereof; and including, without limitation, all cash or securities deposited thereunder to secure performance by the lessees of their obligations thereunder.
- 9. All of the Debtor's rights, options, powers and privileges in and to (but not the Debtor's obligations and burdens under) any construction contract, architectural and engineering agreements and management contract pertaining to the construction, development, repair, operation, ownership, equipping and management of the Property and all of the Debtor's right, title and interest in and to (but not the Debtor's obligations and burdens under) all architectural, engineering and similar plans, specifications, drawings, reports, surveys, plats, permits and the like, contracts for construction, development, repair, operation, management and maintenance of, or provision of services to, the Property or any of the other property described herein, and all sewer taps and allocations, agreements for utilities, bonds and the like, all relating to the Property.
- 10. All intangible personal property, accounts, licenses, permits, instruments, contract rights, chattel paper and general intangibles of the Debtor, including but not limited to cash; accounts receivable; bank accounts; certificates of deposit; securities; promissory notes; rents; rights (if any) to amounts held in escrow; insurance proceeds; condemnation rights; deposits; judgments, liens and causes of action; warranties and guarantees.
- 11. The interest of the Debtor in any cash escrow fund and in any and all funds, securities, instruments, documents and other property which are at any time paid to, deposited with, under the control of, or in the possession of the Secured Party, or any of its agents, branches, affiliates, correspondents or others acting on its behalf, which rights shall be in addition to any right of set-off or right of lien that the Secured Party may otherwise enjoy under



applicable law, regardless of whether the same arose out of or relates in any way, whether directly or indirectly, to the Project located upon the Property.

- 12. The interest of the Debtor in and to any and all funds created or established and held by the Trustee pursuant to any indenture of trust or similar instrument authorizing the issuance of bonds or notes for the purpose of financing the Project located upon the Property.
- 13. All inventory, including raw materials, components, work-in-process, finished merchandise and packing and shipping materials.
- 14. The interest of the Debtor, as lessee, in any and all of the above which may be leased by the Debtor from others.
- 15. All of the records and books of account now or hereafter maintained by or on behalf of the Debtor and/or its agents and employees in connection with the Project.
- 16. All names now or hereafter used in connection with the Project and the goodwill associated therewith.
- 17. Any and all of the above arising or acquired by the Debtor or to which the Debtor may have a legal or beneficial interest in on the date hereof and at any time in the future.
- 18. Any and all of the above which may become fixtures by virtue of attachment to Property.
  - 19. Proceeds, products, returns, additions, accessions and substitutions of and to any and all of the above.
- 20. Hospital beds and equipment, physiotherapy equipment, medical equipment and apparatus, all other equipment, goods and personal property as are commonly used in this full furnishing and equipping of a skilled nursing facility, whether personal property, inventory or fixtures, whether now owned or hereafter from time to time acquired by the Debtor, together with all substitutions, replacements, additions, attachments, accessories, accretions, their component parts thereto or thereof, all other items of like property and all accounts and contract rights covering or relating to any or all thereof, whether nor in existence or hereafter arising, and relating to, situated on, or used or usable in connection with the maintenance and/or operation of a skilled nursing facility on a parcel of real estate.
- 21. Any and all other Collateral of the Debtor as defined in the Uniform Commercial Code adopted in the State.
- 22. All leaseholds, licenses, permits, certificates and agreements for the provision of property or services to or in connection with, or otherwise benefiting, the Premises, including, but not limited to, operating leases, assisted living facility licenses, certificates of need, bed authorities, Medicare and Medicaid provider agreements, including any payments or claims thereunder; provided, the Secured Party disclaims a security interest in such of the collateral described in this sentence to the extent that government regulations provide that the grant of a security interest in such property to the Secured Party will result in a forfeiture of the rights of the Debtor therein, or in a default of the Debtor's obligations thereunder.