

63295
LAWYERS TITLE INS. CORP.
ONE PROFESSIONAL CENTER
SUITE 215
CROWN POINT, IN 46307

STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD INDIANA
Lake County

97 DEC 15 AM 11:18

EXTENSION, ASSUMPTION AND MODIFICATION AGREEMENT

This EXTENSION, ASSUMPTION AND MODIFICATION AGREEMENT dated as of the 10th day of December, 1997 by and between CAPITAL SENIOR LIVING PROPERTIES, INC., a Texas corporation ("Borrower"), and BANK ONE, TEXAS, N.A. ("Lender");

WITNESSETH:

WHEREAS, Capital Senior Living Communities, L.P., a Delaware limited partnership ("Original Borrower"), executed and delivered that certain promissory note dated July 29, 1994 in the original principal amount of \$12,000,000, payable to the order of Lender, which note was amended and restated by that certain Revolving Promissory Note dated June 30, 1995 in the original principal amount of \$17,500,000, payable to the order of Lender (as amended and restated, the "Original Note");

WHEREAS, the Original Note was endorsed by Lender to Lehman Brothers Holdings Inc. d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc., a Delaware corporation ("Lehman"), and Original Borrower executed and delivered that certain Promissory Note dated June 30, 1997 in the original principal amount of \$77,000,000, payable to the order of Lehman (the Original Note, as amended, hereinafter referred to as the "Lehman Note"), which was in renewal and modification of the Original Note;

WHEREAS, Borrower assumed the obligations of Original Borrower under the Lehman Note pursuant to that certain Loan Assumption and Modification Agreement dated November 3, 1997, by and among Original Borrower, Borrower and Lehman;

WHEREAS, Lehman has endorsed the Lehman Note to Lender and Borrower has delivered that certain Promissory Note dated of even date herewith in the original principal amount of \$20,000,000 payable to the order of Lender (the "Note"), which note is in renewal and modification of the Lehman Note;

WHEREAS, payment of the Lehman Note is secured by the mortgage described on Exhibit B attached hereto and made a part hereof (the "Mortgage"), which Mortgage covers certain real and personal property described therein (the "Mortgaged Property"), including, without limitation, the property described on Exhibit A attached hereto and made a part hereof [the Note, the Mortgage, the Amended and Restated Loan Agreement of even date herewith executed by Borrower and Lender (the "Loan Agreement") and all other documents executed by Borrower or Original Borrower in connection with the loan evidenced by the Note being herein collectively called the "Loan Documents"];

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WHEREAS, the Note is due and payable on December 10, 2000;

WHEREAS, Original Borrower has conveyed the Mortgaged Property to Borrower;

WHEREAS, the parties desire to modify and otherwise to amend the Mortgage to confirm their agreement that the Mortgage shall secure payment of the Note;

WHEREAS, Lender is the owner and holder of the Note and Borrower is the owner of the legal and equitable title to the Mortgaged Property;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Borrower hereby assumes and promises to keep and perform all covenants and obligations in the Mortgage to be performed by the mortgagor thereof and all other obligations of Original Borrower under any and all other Loan Documents.

2. Borrower and Lender agree that the Mortgage is hereby amended to provide that the payment of the Note is secured by the Mortgage in accordance with the same terms and provisions as stated therein. The Mortgage is security for the payment of the Note and any and all extensions, agreements or renewals that may be given from time to time in the event the time for payment of the Note is modified. The liens, security interests, assignments and other rights evidenced by the Mortgage are hereby renewed and extended to secure payment of the Note.

3. The term "Loan Agreement" as used in the Mortgage shall hereafter mean the Amended and Restated Loan Agreement dated of even date herewith between Bank One, Texas, N.A. and Capital Senior Living Properties, Inc. The loan described in the Loan Agreement is the loan evidenced by the Note, which Note is due and payable on December 10, 2000.

4. Section 11 of the Mortgage is deleted in its entirety and the following is substituted in lieu thereof:

11. The occurrence of an Event of Default (as such term is defined in the Loan Agreement) shall constitute a "Default" under this Mortgage.

5. Section 14 of the Mortgage is deleted in its entirety. Notwithstanding anything to the contrary contained in the Mortgage, the liability of Borrower for the payment of the Note and for the performance and observance of the covenants, representations and warranties of Borrower contained in the Note and in the Mortgage is limited in the manner, and subject to the exceptions to such limitation, described in the Loan Agreement, reference to which is hereby made for all purposes.

6. Reference is made to Section 3 of that certain Second Modification and Extension of Lien executed with respect to the Mortgage. Borrower acknowledges that there is not a Section 5.8.1 of the Mortgage and the terms and provisions of Section 3 of the Second Modification and Extension of Lien are intended to supplement and be a part of Section 4 of the Mortgage and all references to section numbers in such Section 3 shall be references to the appropriate sections in the Mortgage.

7. The Mortgage shall secure, in addition to the existing indebtedness, if any, any and all future advances and future loans at any time and from time to time hereinafter made to or for the account of Borrower by Lender under the Note within 20 years of the date of this instrument, together with interest thereon, and all such loans or future advances shall constitute part of the indebtedness secured by the Mortgage to the same extent as if such loans or future advances were made on the date hereof. The total amount of indebtedness that may be so secured may decrease or increase from time to time but the total unpaid balance so secured at any time shall not exceed a maximum principal amount of \$20,000,000.00 plus interest thereon and plus any disbursements made for the payment of taxes, levies or insurance on the Mortgaged Property and interest on such disbursements and any other disbursements contemplated by the Loan Documents. Nothing herein shall be deemed or construed to create an obligation on the part of Lender to make future advances to Borrower.

8. Borrower hereby represents and warrants that (a) Borrower is the sole legal and beneficial owner of the Mortgaged Property; and (b) to the best of Borrower's knowledge there exists no uncured default under the Note, the Mortgage or any other Loan Document.

9. Borrower, upon request from Lender, agrees to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the loan evidenced by the Note, including specifically without limitation (a) one or more financing statements showing Borrower as debtor, (b) a Certificate of Non-Foreign Status, in form furnished by Lender, meeting the requirements of Section 1445 of the Internal Revenue Code and applicable regulations, and (c) a Notice of Final Agreement under Section 26.02 of the Texas Business and Commerce Code.

10. Except as provided herein, the terms and provisions of the Mortgage shall remain unchanged and shall remain in full force and effect. Any modification herein of the Mortgage shall in no way affect the security of the Mortgage for the payment of the Note. All references to the Mortgage in the Loan Documents shall hereafter mean the Mortgage as modified by this Agreement. The promissory note described in the Loan Documents as the note secured thereby shall hereafter mean the Note. The Mortgage as modified and amended hereby is hereby ratified and confirmed in all respects. All liens, security interests, mortgages and assignments granted or created by or existing under the Mortgage remain unchanged and continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Note.

11. Borrower hereby acknowledges that the liens, security interests and assignments created and evidenced by the Mortgage are valid and subsisting and further acknowledges and

agrees that there are no offsets, claims or defenses to the Note or the Mortgage or any other Loan Documents.

12. This Agreement supersedes and merges all prior and contemporaneous promises, representations and agreements. No modification of this Agreement, the Note, the Mortgage or any other Loan Document, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by Lender and Borrower. Lender and Borrower further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

13. Any notice or communication required or permitted hereunder shall be given in the manner set forth in the Loan Agreement.

14. Borrower hereby releases, remises, acquits and forever discharges Lender, together with its employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors (including, without limitation, Lehman), successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "Released Parties"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date hereof, and in any way directly or indirectly arising out of or in any way connected to this Agreement, the Note, the Mortgage or any other Loan Document, or any of the transactions associated therewith, or the Mortgaged Property, including specifically but not limited to claims of usury.

15. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All such counterparts shall be construed together and shall constitute one instrument, but in making proof hereof it shall only be necessary to produce one such counterpart.

16. If any covenant, condition, or provision herein contained is held to be invalid by final judgment of any court of competent jurisdiction, the invalidity of such covenant, condition, or provision shall not in any way affect any other covenant, condition or provision herein contained.

17. It is expressly agreed by the parties hereto that time is of the essence with respect to this Agreement.

18. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

19. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE MORTGAGE, THIS AGREEMENT AND THE MORTGAGE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO TEXAS' PRINCIPLES OF CONFLICTS OF LAW) AND THE LAW OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN SUCH STATE, EXCEPT TO THE EXTENT (A) OF PROCEDURAL AND SUBSTANTIVE MATTERS RELATING ONLY TO THE CREATION, PERFECTION, FORECLOSURE AND ENFORCEMENT OF RIGHTS AND REMEDIES AGAINST THE MORTGAGED PROPERTY, WHICH MATTERS SHALL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH THE MORTGAGED PROPERTY IS LOCATED (THE "MORTGAGED PROPERTY STATE"), AND (B) THAT THE LAWS OF THE UNITED STATES OF AMERICA AND ANY RULES, REGULATIONS OR ORDERS ISSUED OR PROMULGATED THEREUNDER ARE APPLICABLE TO THE AFFAIRS AND TRANSACTIONS ENTERED INTO BY LENDER, OTHERWISE PREEMPT THE MORTGAGED PROPERTY STATE OR TEXAS LAW; IN WHICH EVENT SUCH FEDERAL LAW SHALL CONTROL.

IN WITNESS WHEREOF, this Agreement is executed as of the date first above written but is effective as of December 10, 1997.

CAPITAL SENIOR LIVING PROPERTIES, INC.,
a Texas corporation

By: David R. Brickman
Name: David R. Brickman
Title: Vice President

BANK ONE, TEXAS, N.A.

By: Craig B. Hartberg
Name: Craig B. Hartberg
Title: Senior Vice President

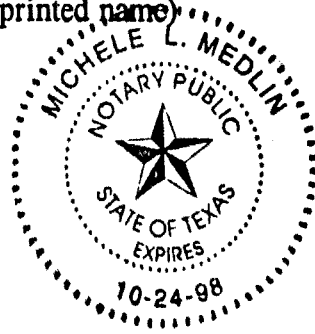
THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on December 10, 1997, by David R. Brickman, Vice President of CAPITAL SENIOR LIVING PROPERTIES, INC., a Texas corporation, on behalf of said corporation.

Michele L. Medlin
Notary Public, State of Texas

My Commission Expires:

(printed name)



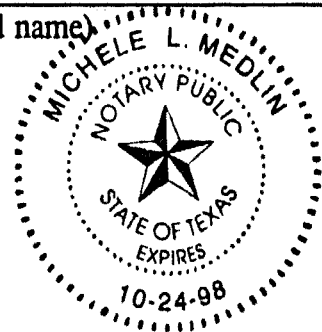
THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on December 10, 1997, by Craig F. Hartberg, Senior Vice President of BANK ONE, TEXAS, N.A., a national banking association, on behalf of said association.

Michele L. Medlin
Notary Public, State of Texas

My Commission Expires:

(printed name)



TOWNE CENTRE RETIREMENT COMMUNITY
(a/k/a MERRILLVILLE TOWN CENTER)
Merrillville, Lake County, Indiana

Parcel 1: Fee Simple

A Parcel of land in the South 1/2 of the Northeast 1/4 of Section 17, Township 35 North, Range 8 West of the Second Principal Meridian, in the Town of Merrillville, Lake County, Indiana, being more particularly described as follows: Commencing at the Northeast corner of said Section 17; thence South 0 degrees 04 minutes 02 seconds West 1,321.79 feet along the East line of said Section 17, to the Point of Beginning, said point being the Northeast corner of the South half of the Northeast Quarter of said Section 17; thence continuing along said last mentioned course 1,321.79 feet to the Southeast corner of the South half of the Northeast Quarter of said Section 17; thence North 89 degrees 46 minutes 13 seconds West 100.00 feet along the South line of the South half of the Northeast Quarter of said Section 17; thence North 00 degrees 04 minutes 02 seconds East 350.00 feet; thence North 89 degrees 46 minutes 13 seconds West 580.10 feet; thence North 39 degrees 00 minutes 00 seconds West 353.23 feet; thence North 40 degrees 00 minutes 00 seconds East 907.81 feet to the North line of the South half of the Northeast Quarter of said Section 17; thence South 89 degrees 50 minutes 37 seconds East 320.00 feet along the North line of the South half of the Northeast Quarter of said Section 17 to the Point of Beginning; less the 10-foot strip lying in the right-of-way for 73rd Avenue along the southernmost boundary of such Parcel 1.

Parcel 2. Fee Simple

A parcel of land in the South 1/2 of the Northeast 1/4 of Section 17, Township 35 North, Range 8 West of the Second Principal Meridian, in the Town of Merrillville, Lake County, Indiana, being more particularly described as follows: Commencing at the Northeast corner of said Section 17; thence South 0 degrees 04 minutes 02 seconds West 2,643.58 feet along the East line of said Section 17 to the Southeast corner of the South 1/2 of the Northeast 1/4 of said Section 17; thence North 89 degrees 46 minutes 13 seconds West 100.00 feet along the South line of the South 1/2 of the Northeast 1/4 of said Section to the Point of Beginning; thence continuing along said last mentioned course 500.00 feet; thence North 0 degrees 04 minutes 02 seconds East 200.00 feet; thence North 28 degrees 00 minutes 00 seconds West 170.25 feet; thence South 89 degrees 46 minutes 13 seconds East 580.10 feet; thence South 0 degrees 04 minutes 02 seconds West 350.00 feet to the Point of Beginning, Excepting therefrom the South 10 feet.

Parcel 3. As to Easement Rights Only

Non-exclusive right of way and easement for access, utility and drainage over and across the following described property: A parcel of land in the South half of the Northeast

quarter of Section 17, Township 35 North, Range 8 West of the Second Principal Meridian, in the Town of Merrillville, Lake County, Indiana, being more particularly described as follows: Commencing at the Northeast corner of said Section 17; thence South 0 degrees 04 minutes 02 seconds West 2,643.58 feet along the East line of said Section 17 to the Southeast corner of the South half of the Northeast quarter of said Section 17; thence North 89 degrees 46 minutes 13 seconds West 600.00 feet along the South line of the South half of the Northeast quarter of said Section 17 to the Point of Beginning; thence continuing along said last mentioned course 1,446.82 feet to a point that is 600.00 feet East of the Southwest corner of the Northeast quarter of said Section 17; thence North 0 degrees 00 minutes 00 seconds West 1,236.4 feet to the South line of the North 5 rods of the West 80 rods of the said South half; thence South 89 degrees 50 minutes 37 seconds East 720.00 feet; thence North 0 degrees 00 minutes 00 seconds West 82.50 feet along the East line of the North 5 rods of the West 80 rods; thence South 89 degrees 50 minutes 37 seconds East 1,008.32 feet along the North line of the South half of the Northeast quarter of Section 17; thence South 40 degrees 00 minutes 00 seconds West 907.81 feet; thence South 39 degrees 00 minutes 00 seconds East 353.23 feet; thence South 28 degrees 00 minutes 00 seconds East 170.25 feet; thence South 0 degrees 04 minutes 02 seconds West 200.00 feet to the Point of Beginning.

As granted in a certain easement agreement dated October 9, 1985 and recorded October 18, 1985 as Document No. 824907.

EXHIBIT B

Mortgage Security Agreement Assignment of Rents and Fixture Filing dated July 29, 1994, recorded as Instrument No. 94054609 in the office of Recorder of Lake County, Indiana, as modified by Modification and Extension of Lien dated June 30, 1995, recorded as Instrument No. 95041757 in the office of Recorder of Lake County, Indiana, and further modified by Second Modification and Extension of Lien dated June 30, 1997, recorded as Instrument No. 97044593 in the office of Recorder of Lake County, Indiana.

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