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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

PORTLAND DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

No. 3:16-cv-00438-PK

DECLARATION OF RONALD F.
GREENSPAN IN SUPPORT OF
RECEIVER'S MOTION FOR ORDERS: (1)

Page 1 - DECLARATION OF RONALD F. GREENSPAN IN
SUPPORT OF THE SENIOR HOUSING SALE

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SCHWABE, WILLIAMSON & WYATT, P.C.
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v.

AEQUITAS MANAGEMENT, LLC;
AEQUITAS HOLDINGS, LLC;
AEQUITAS COMMERCIAL FINANCE,
LLC; AEQUITAS CAPITAL
MANAGEMENT, INC.; AEQUITAS
INVESTMENT MANAGEMENT, LLC;
ROBERT J. JESENİK, BRIAN A. OLIVER;
and N. SCOTT GILLIS,

Defendants.

SCHEDULING HEARING TO APPROVE
SALE OF ASSETS; (2) APPROVING
CIVITAS SENIOR HEALTHCARE, LLC,
AS STALKING HORSE BIDDER; (3)
APPROVING BIDDING PROCEDURES;
and (4) APPROVING THE SALE OF
ASSETS FREE AND CLEAR OF ALL
LIENS, CLAIMS, ENCUMBRANCES AND
INTERESTS

I, Ronald F. Greenspan, declare as follows:

1. I am the duly appointed receiver ("Receiver") for the Receivership Entity. I make this declaration in support of the Receiver's Motion for Orders: (1) Scheduling Hearing to Approve Sale of Assets; (2) Approving Civitas Senior Healthcare, LLC, as Stalking Horse Bidder; (3) Approving Bidding Procedures; and (4) Approving the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests (the "Motion").¹

2. On March 16, 2016, pursuant to the Stipulated Interim Order Appointing Receiver, I was appointed as receiver for the Receivership Entity on an interim basis ("Interim Receivership Order"). [Dkt. 30]. On April 14, 2016, pursuant to the Order Appointing Receiver, I was appointed as receiver for the Receivership Entity on a final basis (the "Final Receivership Order") [Dkt. 156]. The five entity defendants and the 43 related entities are known as the Receivership Entity.

3. Aequitas Senior Housing, LLC, and Aequitas Senior Housing Operations, LLC (together, the "Seller"), has reached an agreement, subject to approval of this Court, with Civitas Senior Healthcare, LLC, or its permitted assignee (the "Stalking Horse Bidder" or "Buyer"),

¹ Capitalized terms not otherwise defined in this declaration shall have the meanings ascribed to them in the Motion.

which provides the terms for sale (“Sale”) of Seller’s interests in certain Loan Documents and Warrant Documents (as those terms are defined in the Letter Agreement dated April 17, 2017, (the “Letter Agreement”). A true and correct copy of the Letter Agreement is attached as Exhibit 1.

4. Pursuant to the Interim Receivership Order and the Final Receivership Order I have, among other things, undertaken to determine the nature, location and value of all Receivership Property. Receivership Property includes the Loan Documents and Warrant Documents described in the Letter Agreement. (Exhibit 1, at pp. 10-11 (Schedules A and B)).

5. The Buyer is the general partner in the senior housing project in which the Seller is either a warrant holder or a note holder, but otherwise has no relationship to the Receivership Entities.

6. The Purchased Assets consist of promissory notes issued by Ledgestone Holdings, LLC and warrants to purchase membership units in Ledgestone Holdings, LLC and Ledgestone Management, LLC. The notes were purchased by Aequitas Senior Housing, LLC from January 2015 to March 2015 pursuant to a Note Purchase Agreement dated January 9, 2015. The initial aggregate purchase price (and corresponding initial principal balance) was \$2,921,372.64. The notes have five-year terms and carry compounded interest at a rate of 13% per annum for the first six quarters (until October 1, 2016) and then became due and payable on a quarterly basis thereafter. The notes are secured by substantially all the personal property assets of Ledgestone Holdings, LLC. As of March 31, 2017, the notes had an outstanding principal balance of \$3,646,564.50 with accrued and unpaid interest of \$356,910.66. The warrants were issued to Aequitas Senior Housing Operations, LLC, an affiliate of Aequitas Senior Housing, LLC, as additional consideration for the purchase of the notes and give Aequitas Senior Housing Operations, LLC the right to purchase certain membership units of each of Ledgestone Holdings, LLC and Ledgestone Management, LLC.

7. The Letter Agreement is the result of substantial negotiations between the parties and has resulted in an increase in the purchase price by approximately \$400,000. The Receiver evaluated the negotiated price against the expected future cash flow of the project and then discounted that payment stream by a reasonable discount rate reflective of the risk profile of the project. The Receivership will continue marketing the Receivership's interests in the project during the stalking horse period. Although the Receiver has continued his efforts to market the Receivership's interests, the Receiver has been unable to obtain any expressed interest in purchasing the Receivership's minority interest in this project, which is short on funding, operating over budget and behind schedule. The Receiver seeks approval of the competitive bidding and auction procedures described below (the "Bidding Procedures")² in order to ensure that the Receivership Entity will obtain the best return possible for the Purchased Assets. The Bidding Procedures are detailed in the proposed Bid Procedures Order submitted herewith.

8. Pursuant to the Letter Agreement the material terms of the Sale will include the following:

- (a) Property to be Sold: The Purchased Assets (as defined in the Letter Agreement), including the Loan Documents and Warrant Documents.
- (b) Owners of the Purchased Assets: Aequitas Senior Housing, LLC, and Aequitas Senior Housing Operations, LLC.
- (c) Purchase Price: \$1,900,000.00, in cash at closing, as set forth in the Letter Agreement.
- (d) Principal Conditions to Buyer's Obligation to Close: The conditions to the Buyer's obligation to close the Sale are set forth in Section 9 of the Letter Agreement.
- (e) Buyer: Civitas Senior Healthcare, LLC, or its permitted assignee.

² The Bidding Procedures are attached to the Bid Procedures Order as Exhibit 1.

- (f) Buyer's Relation to Receivership Entity or Receiver: None, except as disclosed above.
- (g) Higher and Better Offers. The Letter Agreement will be subject to the submission by third parties of higher or better offers as set forth in the Bid Procedures Order. In order for other bidders to submit a Qualified Alternative Bid, the alternative bid must, among other requirements, be an all cash offer that is not less than \$200,000.00 more than the Stalking Horse Bidder's offer.
- (h) Closing Deadline: May 31, 2017.
- (i) The Stalking Horse Bidder's offer is not subject to any finance or due diligence conditions.
- (j) Limited representations and warranties, with limited covenants, releases, indemnities and closing conditions for the purchase and assumption of the Purchased Assets.

9. The Purchase Price represents fair value for the Purchased Assets. The proposed Sale delivers substantial value to the Receivership Entity, and its creditors and equity owners, including:

- (a) Estimated recovery of not less than \$1,900,000.00 for the Receivership Entity and its stakeholders; and
- (b) The auction and overbid component of the proposed Sale ensure that the \$1,900,000.00 being obtained at closing for the Purchased Assets is the market rate. If competitive bids are received, the benefit to the Receivership Entity and its creditors and investors will only increase.

10. The negotiations over the terms of the Sale were arm's-length and will be subject to the competitive process outlined above. The Receiver and his representatives participated

personally in those negotiations. The Receiver believes that Buyer has at all times acted in good faith in connection with the sales process. The Letter Agreement was proposed and negotiated in good faith after arm's-length bargaining by the parties. The negotiation of the Letter Agreement was extensive and protracted. All of the material terms of the proposed Sale are disclosed. No side agreements exist between or among any party to the transaction, and there is no relationship between the Seller and Buyer, other than as disclosed above.

11. The SEC was notified of the intended sale and terms, and to the best of my knowledge does not object to the proposed Sale or the Bidding Procedures.

12. In connection with the closing of the Sale and the satisfaction of the conditions contemplated therein, all Liens as of the date of the closing of the Sale shall be released as against the Purchased Assets, and shall attach to the proceeds of Sale to the same extent, validity, and priority as they attached to the Purchased Assets.

13. To the best of my knowledge, after diligent investigation, there are no Liens against the Purchased Assets.

14. The proposed Bidding Procedures are in the best interest of the Receivership Entity, and its creditors and investors. The Bidding Procedures are designed to strike a balance between inviting competing bids and enabling the Receiver to close a sale with the Stalking Horse Bidder within a reasonable time frame. The Bidding Procedures are an integral part of the Stalking Horse Bidder's offer. In fact, the Stalking Horse Bidder's offer to purchase the Purchased Assets is and remains conditioned on the Court's approval of the Bidding Procedures. Accordingly, the Receiver respectfully submits that this Court should authorize and approve the Bidding Procedures.

15. The Bidding Procedures are fair, reasonable and necessary to promote the highest and best sale price, without imposing undue obstacles to the competitive bid process. Further, a receiver often employs bidding protections in order to encourage the making of an original offer

subject to higher and/or better offers and ultimately to increase value.

16. Buyer has no known relation to the Receiver or the Receivership Entity, except as disclosed above.

I declare under penalty of perjury under the laws of the state of Oregon that the foregoing statements and those contained in the attached exhibits, are true and correct to the best of my knowledge, information and belief.

Dated this 26th day of April, 2017.

/s/ Ronald Greenspan
Ronald F. Greenspan, Receiver

April 17, 2017

Mr. Ronald F. Greenspan, Receiver
Aequitas Senior Housing, LLC
Aequitas Senior Housing Operations, LLC

RE: Purchase of Aequitas Senior Housing, LLC Promissory Note and Aequitas Senior Housing Operations, LLC Warrants

Dear Mr. Greenspan:

As you know, on March 10, 2016, the Securities and Exchange Commission filed an action captioned *SEC v. Aequitas Management, LLC et al.* (Case No. 3:16-cv-00438-PK) alleging certain defendants violated the federal securities laws (the “**Action**”) and on April 14, 2016, the United States District Court for the District of Oregon (the “**Oregon Court**”) entered an Order Appointing Receiver (the “**Final Receiver Order**”), appointing you as receiver (the “**Receiver**”) for the entity defendants named in the Action, and certain of their subsidiaries, and/or majority-owned affiliates. Aequitas Senior Housing, LLC and Aequitas Senior Housing Operations, LLC (each individually so called and, collectively, “**Seller**”) are identified in the Final Receiver Order, together with certain other entities identified in the Final Receiver Order as a Receivership Entity (the “**Receivership Entities**”).

This Letter Agreement (the “**Letter Agreement**”) sets forth the agreements and understandings by and between Civitas Senior Healthcare, LLC or its permitted assignee (“**Civitas**”) and Seller concerning the purchase by Civitas of the Purchased Assets (as defined below).

NOW, THEREFORE, the parties agree as follows:

1. Purchase of Purchased Assets. On the terms and subject to the satisfaction of the conditions set forth in this Letter Agreement and in reliance on the representations, warranties, covenants and agreements set forth in this Letter Agreement, Seller agrees to sell, transfer, assign and grant to Civitas, and Civitas agrees to purchase, accept and assume, all of Seller’s right, title and interest in, to and under, the following: (a) the loans evidenced by the “Loan Documents” as defined and described on Schedule A and all obligations to the borrowers with respect thereto; and (b) the warrants evidenced by the “Warrant Documents” as defined and described on Schedule B and all obligations of the holders of those warrants (collectively, the “**Purchased Assets**”). For the purposes of this Letter Agreement, the purchase of the Purchased Assets shall be called the “**Transaction**”.
2. Assumed Obligations. Civitas shall assume on the Closing Date, and shall on and after the Closing Date perform and discharge in accordance with their respective terms, (a) all of Sellers’ duties and obligations owed under the Loan Documents as specified in the related Loan Documents arising from actions or events occurring on or after the beginning of business on the Closing Date, and (b) all of Seller’s duties and obligations owed under the Warrant Documents as specified in the related Warrant Documents arising from actions or events occurring on or after the beginning of business on the Closing Date.
3. True Sale. Seller and Civitas intend that the transfer of the Purchased Assets by Seller to Civitas be an absolute sale and not a secured borrowing. If the Transaction is determined to be a loan rather than an absolute sale despite the intent of Seller and Civitas, the transfers provided for in this Letter Agreement will be deemed to be the grant of, and each Seller shall grant to Civitas, a security interest in all of such Seller’s right, title and interest, whether now owned or hereafter acquired, in, to and under the Purchased Assets to secure such Seller’s obligations under this Letter Agreement, including the obligation to cause the sale of the Purchased Assets, and this Letter Agreement shall be deemed to constitute a security agreement under the Uniform

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Commercial Code. This grant is a protective measure and must not be construed as evidence of any intent contrary to the one expressed in the first sentence of this section, nor should the intent expressed in the first sentence of this section be deemed to be an expression of the intended tax treatment of the conveyance of the Purchased Assets.

4. Purchase Price. The purchase price for the Purchased Assets is \$1,900,000 payable in immediately available US cash (“**Purchase Price**”) paid at closing in accordance with wire instructions provided by Seller. The Purchase Price will be allocated at Seller’s discretion and Civitas agrees to document, file and follow the allocation as determined by Seller. At Closing, Civitas shall wire to Seller the amount of One Million Six Hundred Fifty Thousand Dollars (\$1,650,000.00) and shall release the Initial Deposit as payment of the Purchase Price.
5. Initial Deposit. Upon the execution by Civitas and Seller of this Letter Agreement and to secure the performance by Civitas under this Letter Agreement, Civitas shall deposit the amount of \$250,000 in immediately available cash (the “**Initial Deposit**”) as an earnest money deposit with Chicago Title in Dallas, Texas with instructions acceptable to Seller. The Initial Deposit will be generally non-refundable, except that it will be refundable to Civitas only in the event: (a) the Oregon Court does not approve the Transaction with Civitas; or (b) if Seller is found in material breach of this Letter Agreement and Civitas fails to close on this Letter Agreement because of that material breach, after Civitas has provided notice and an opportunity to cure to Seller.
6. Representations of Seller. Seller represents and warrants to Civitas as of the acknowledgement date of this Letter Agreement and on the Closing Date as follows:
 - a. Existence. Each Seller is a Delaware limited liability company and validly exists in Delaware.
 - b. Authorization. This Letter Agreement constitutes the valid and legally binding obligation of Seller, enforceable against each Seller in accordance with its terms, except as enforceability may be limited by securities laws, bankruptcy, moratorium, insolvency, or other similar laws affecting the rights of creditors generally and by principles of equity.
 - c. Title to Investments. Each Seller has valid title to the Purchased Assets, and on the Closing Date, the Purchased Assets will be free and clear of all liens and encumbrances of any kind claiming through or under Seller or its affiliates (other than restrictions imposed by applicable securities laws and the restrictions imposed by the Loan Documents and Warrant Documents).
 - d. No Violation. The consummation of the Transaction, and the compliance by Seller with any of the provisions of this Letter Agreement do not conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination or cancellation under, any provision of (a) its certificate of formation or company agreement, or (b) any order to which Seller is a party.
 - e. Compliance with Sale Order. If the Sale Order is obtained, on the Closing Date, the Sale Order will be in full force and effect, and the Receiver will be authorized to execute, deliver, and perform all obligations and related documents as deemed necessary or appropriate by the Receiver to close the Transaction in accordance with the Sale Order and this Letter Agreement.
 - f. No Other Representations and Warranties. Except for the representations and warranties contained in this Section 6, neither Seller nor any other person (including the Receiver or any Receivership Entity) has made or makes any other express, implied, statutory or otherwise representation or warranty, either written or oral, on behalf of either Seller or its affiliates, including any representation or warranty as to the accuracy or completeness

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of any information regarding the Purchased Assets furnished or made available to Civitas and any information, documents or material delivered to Civitas, or in any other form in expectation of the Transaction or as to the future revenue, profitability or success of the Purchased Assets, or any representation or warranty arising from statute or otherwise in law. Such information made available to Civitas was provided to Civitas as a convenience, and shall not create or give rise to any liability of or against any Seller and its affiliates; and any reliance on or use of the same shall be at Civitas' sole risk.

- g. Disclaimer. Except as otherwise expressly set forth in this Section 6, the Transaction and the Purchased Assets shall be without any express, implied, statutory or other warranty or representation as to the condition, quantity, quality, fitness for particular purpose, freedom from vices or defects, conformity to models or merchantability of any of the Purchased Assets, and without any other express, implied, statutory, contractual or other warranty or representation whatsoever. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS SECTION 6, THIS TRANSACTION, THE LETTER AGREEMENT AND THE PURCHASED ASSETS ARE SOLD AS IS WHERE IS AND WITH ALL FAULTS.
7. Representations of Civitas. Civitas represents and warrants to Seller on the date of this Letter Agreement and on the Closing Date as follows:
- a. Existence. Civitas is a valid, subsisting Texas limited liability company.
 - b. Authorization. Civitas has full legal right, power and authority to enter into and deliver this Letter Agreement and to consummate the Transaction. The execution and delivery of this Letter Agreement by Civitas and the consummation and performance by Civitas of the Transaction have been duly and validly authorized by Civitas, and this Letter Agreement is the legal, valid and binding obligation of Civitas, enforceable against Civitas in accordance with its terms, except as enforceability may be limited by securities laws, bankruptcy, moratorium, insolvency, or other similar laws affecting the rights of creditors generally and by principles of equity.
 - c. Brokers and Finders. No broker or finder has acted for Civitas in connection with this Letter Agreement or the Transaction and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings (whether oral or written) made by or on behalf of Civitas.
 - d. Civitas' Knowledge of the Purchased Assets. Civitas acknowledges that it or its affiliates currently hold other investments in Ledgestone Holdings, LLC, Ledgestone Management, LLC or their affiliates and Civitas is very familiar with the Purchased Assets and those entities. To Civitas' knowledge, Schedules A and B to this Letter Agreement contain an accurate and complete listing of the Purchased Assets sold under this Letter Agreement as of the Closing Date and the information contained in this Letter Agreement with respect to the identity of such Purchased Assets and the amounts owing thereunder is true, correct and complete as of the Closing Date.
 - e. Investment Purposes. Civitas is acquiring the Purchased Assets solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Civitas acknowledges that the Purchased Assets are not registered under the Securities Act of 1933, as amended, or any state securities laws, and that the Purchased Assets may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as

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applicable. Civitas is able to bear the economic risk of holding the Purchased Assets for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of buying and holding the Purchased Assets.

- f. Independent Investigation. Civitas has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise) of the Purchased Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Ledgestone Holdings, LLC and Ledgestone Management, LLC for such purpose. Civitas acknowledges and agrees that: (a) in making its decision to enter into this Letter Agreement and to consummate the Transaction, Civitas has relied solely upon its own investigation and the express representations and warranties of Seller set forth in Section 6 of this Letter Agreement; and (b) none of Seller, the Receiver or the Receivership Entities have made any representation or warranty as to Seller, the Purchased Assets or this Letter Agreement, except as expressly set forth in Section 6 of this Letter Agreement.
- g. Sufficiency of Funds. Civitas has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the Transaction.
- h. No Untrue Statements. To Civitas' knowledge, the statements, representations and warranties of Civitas set forth in this Letter Agreement and at Closing and in all other documents and written information furnished to Seller and its representatives in connection herewith do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements, representations and warranties made not misleading.
8. Closing. Subject to Section 12(r), the Closing shall be on a date agreeable to the Parties within forty-five (45) days of the Sale Order, but no later than May 31, 2017, unless: (a) shortened or extended by mutual agreement of the parties or (b) extended by the Receiver in accordance with Section 12(r) ("Closing Date"). The Closing shall take place at one closing (deemed to close in Oregon) and the closing will take place on the Closing Date by exchange of executed documents via facsimile or electronic transmission, or at such place as the parties may mutually agree to.
9. Conditions to Closing. The following conditions must be satisfied or waived by the parties prior to the closing:
 - a. The entry of an order in the pending receivership case from the Oregon Court approving the Letter Agreement and any ancillary agreements and the sale of the Purchased Assets to Civitas (the "Sale Order") and, as of the Closing Date, the Sale Order shall be in full force and effect and shall not have been stayed, vacated or reversed.
 - b. Following execution of this Letter Agreement and conferral with counsel in the receivership case as required by Local Rule 7-1, Civitas by and through the Receiver, shall apply to the Oregon Court for entry of an order seeking, among other things, the following relief: (i) scheduling an Oregon Court hearing to approve the Transaction, (ii) approving a 14-day notice period for submission of competing offers for the Purchased Assets, and (iii) approving bidding and auction procedures.
 - c. There shall not be in effect any preliminary or permanent injunction or other order issued by any governmental authority of competent jurisdiction which restrains, prohibits or otherwise makes illegal the consummation of the Transaction.

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- d. Each of the parties' representations and warranties contained in this Letter Agreement must have been accurate in all material respects as of the acknowledgement date of this Letter Agreement and must be accurate in all material respects as of the Closing Date. Each of the parties must have performed and complied with the covenants contained in this Letter Agreement in all material respects.
 - e. At the Closing, each party will deliver to the other party a certificate of an authorized signatory of that party certifying that the conditions set forth in this Section 9 have been satisfied.
 - f. Civitas shall request and obtain the following consents, waivers and releases from LedgeStone Holdings, LLC and LedgeStone Management, LLC: (i) a consent to this Transaction; (ii) a waiver of any restrictions to the transfer of the Purchased Assets in accordance with this Letter Agreement and the Sale Order; and (iii) a release of Seller and its affiliates, the Receiver and the other Receivership Entities for, of and from any and all past, present or future Claims (as defined below), of any kind, whether known or unknown, resulting from or arising out of Seller's ownership of, or Seller's obligations under, the Purchased Assets.
10. Covenants Before Closing. Each party will use commercially reasonable efforts to cause the conditions in Section 9 to be satisfied as promptly as practicable following the acknowledgement date of this Letter Agreement. Civitas agrees to be the Stalking Horse Bidder and if applicable, the Back-Up Bidder under the court approved bidding procedures and agrees to comply with the terms, deadlines and requirements of the court approved bidding procedures.
11. Release and Indemnity.
- a. Release. At the Closing Date, except for a material breach of this Letter Agreement by Seller, Civitas and its affiliates (the "**Releasors**" and individually, a "**Releasor**"), hereby unconditionally and irrevocably discharge, release, and remise Seller, the Receiver and the Receivership Entities and each of their present and former agents, employees, officers, directors, shareholders, partners, affiliates, members, managers, successors, beneficiaries, trustees, assigns, and any related or successor person or entity (the "**Releasees**"), for, of and from any and all past, present or future claims, causes of action, actions, proceedings, suits, charges, debts, dues, sums of money, attorneys' fees and costs, accounts, bills, covenants, contracts, torts, agreements, expenses, wages, compensation, promises, damages, liabilities, judgments, rights, demands, or otherwise ("**Claims**"), of any kind, known or unknown, in law or equity, accrued or unaccrued, contingent or noncontingent, arising at any time, whether or not capable of proof as of the Closing Date, whether common law or statutory, whether or not now recognized or known, that Releasors, or any of them, in any way might have, or could have, against any of the Releasees related to or arising out of the Purchased Assets or the ownership of, or any Releasee's obligations under, the Purchased Assets. It is the intention of the parties that the language relating to the description of Claims in this Letter Agreement shall be given the broadest possible interpretation permitted by law. Notwithstanding the foregoing, nothing in this Letter Agreement shall be construed to impair, limit, reduce, alter, or affect any Releasor's rights or claims that cannot be waived as a matter of law.
 - b. Indemnity by Civitas. Each of Civitas and its affiliates agrees to defend, indemnify and hold harmless each Releasee, for, from and against any Claims (including all legal fees and other expenses incurred in connection with investigating, preparing, defending, paying, settling or compromising any Claims, whether or not in connection with any pending or threatened litigation in which any Releasee is named a party), to which any of

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such Releasee may become subject and which are related to or arise out of (a) any breach by Civitas of any of the representations, warranties or covenants made by it under this Letter Agreement, (b) all Claims in any way related to the Purchased Assets, and (c) the release in Section 11a. The obligations of Civitas referred to above will be in addition to any rights that the Releasees may otherwise have. These indemnification obligations will survive any termination of this Letter Agreement for a period equal to the two years. The Releasees will promptly deliver written notice to Civitas containing a description of the Claim, along with copies of all papers and official documents received in respect of any Claim. Civitas, if Civitas so requests in writing, may undertake, conduct, and control, through reputable independent counsel of its own choosing (subject to the reasonable approval of the Receiver), the defense, appeal or settlement (which settlement shall be subject to the reasonable approval of the Receiver, unless such settlement results in a full release of the Releasees and such settlement does not restrict future actions of the Receiver) of any claim that is reasonably likely to give rise to an indemnification claim. The Releasees will cooperate with Civitas in the defense or appeal of any such Claim or liability and any related settlement negotiations. Except as set forth above, neither Civitas nor the Releasees will compromise or settle any claim or liability without prior written consent of the other.

12. General Provisions.

- a. Severability. If a provision of this Letter Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Letter Agreement will not be impaired.
- b. Entire Agreement. This Letter Agreement and the Schedules set forth the entire agreement and understanding of the parties with respect to the Transaction and supersede all prior agreements, arrangements, and understandings related to the subject matter of this Letter Agreement. No representation, promise, or statement of intention has been made by any of the parties which is not embodied in this Letter Agreement and none of the parties shall be bound by or liable for any alleged representation, promise, or statement of intention not set forth.
- c. Binding Effect. All the terms, provisions, covenants and conditions of this Letter Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties and their respective heirs, executors, administrators, representatives, successors and assigns. Except as provided in this subsection, the parties do not intend to confer any right or remedy on any third party.
- d. Assignment. Neither party may assign this Letter Agreement or the rights and obligations of the same under this Letter Agreement without the prior written consent of the other party, except that Seller may assign this Letter Agreement or any of its rights, interests or obligations under this Letter Agreement to another Receivership Entity, but Seller shall remain directly liable to Civitas for the performance of all of Seller's obligations under this Letter Agreement.
- e. Amendment; Waiver. This Letter Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, representations, warranties, covenants or conditions of this Letter Agreement may be waived, only by a written instrument executed by all parties, or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision of this Letter Agreement shall in no manner affect the right to enforce the same. No waiver by any party of any condition contained in this Letter Agreement, or of the breach of any

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term, provision, representation, warranty or covenant contained in this Letter Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, provision, representation, warranty or covenant.

- f. Counterparts. This Letter Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Letter Agreement shall be binding when one or more counterparts, individually or taken together, shall bear the signatures of the parties reflected as signatories.
- g. Execution and Delivery. A facsimile, telecopy or other reproduction of this Letter Agreement may be executed by one or more parties, and an executed copy of this Letter Agreement may be delivered by one or more parties by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party, all parties agree to execute an original of this Letter Agreement as well as any facsimile, telecopy or other reproduction of this Letter Agreement.
- h. Expenses. Whether or not the Transaction is consummated, each party shall bear its own costs and expenses, including legal fees, incurred to effectuate the sale and purchase of the Purchased Assets.
- i. Notices. All notices, requests, demands and other communications required or permitted to be given under this Letter Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, given by facsimile or other similar instantaneous electronic transmission device or mailed first class, postage prepaid, certified United States mail, return receipt requested, as follows:

- (a) If to Civitas: Civitas Senior Healthcare, LLC
3973 W. Vickery Blvd, Suite 101
Fort Worth, TX 76107
Attn: Jason Dupont
Fax: (817) 386-8324
Email: jd@csrliving.com
- (b) If to Seller: c/o Aequitas Senior Housing, LLC
Aequitas Senior Housing Operations, LLC
5300 Meadows Road, Suite 300
Lake Oswego, OR 97035
Attn: Receiver
Email: ron.greenspan@fticonsulting.com
Fax: (503) 419-3530

With a copy to: Schwabe Williamson & Wyatt
1211 SW Fifth Avenue, Suite 1900
Portland, OR 97204
Attention: Lawrence R. Ream
Fax: (503) 796-2900
Email: lream@schwabe.com

provided that any party may change its address for notice by giving each of the other parties written notice of such change. Any notice given under this subsection shall be effective (i) if delivered

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personally, when delivered, (ii) if sent by facsimile or other similar instantaneous electronic transmission device, twelve (12) hours after sending, and (iii) if mailed, the third business day after mailing.

- j. Interpretation. This Letter Agreement shall be construed reasonably to carry out its intent without presumption against or in favor of either party. Each party to this Letter Agreement acknowledges that it has (i) independently reviewed the contents of this Letter Agreement and the Transaction, (ii) consulted with and relied solely on its own counsel and advisors as to the legal, tax and related implications and ramifications arising from and in connection with the Letter Agreement and the Transaction, and (iii) independently determined to enter into this Letter Agreement.
- k. Further Assurances. Each of the parties shall execute and deliver, at the reasonable request and at the sole expense of the other party, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions of this Letter Agreement and give effect to the Transaction.
- l. Remedies. The parties will have all remedies available to them at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.
- m. Governing Law. This Letter Agreement is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Letter Agreement.
- n. Venue; Service of Process. **THE PARTIES HEREBY IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF OREGON COURT, and agree and consent that service of process may be made upon it in any legal proceeding relating to this Letter Agreement or any other relationship between the parties by any means allowed under state or federal law. Any legal proceeding arising out of or in any way related to this Letter Agreement or any other relationship between the parties may be brought and litigated in the Oregon Court. The parties waive and agree not to assert, by way of motion, as a defense or otherwise, that any such proceeding is brought in an inconvenient forum or that the venue thereof is improper. Any judicial proceeding involving (directly or indirectly) any matter in any way arising out of, related to, or in connection with this Letter Agreement shall be brought only in the Oregon Court.**
- o. Attorney's Fees. If any arbitration or litigation is instituted to interpret, enforce, or rescind this Letter Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements incurred in connection with the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the Oregon Court.
- p. Time of Essence. Time is of the essence with respect to all dates and time periods in this Letter Agreement.
- q. Survival. Unless expressly provided otherwise in this Letter Agreement, Section 12 [General Provisions] and each other provision of this Letter Agreement that expressly provides for rights, obligations or remedies that extend beyond the expiration or earlier termination of this Letter Agreement, will survive and continue in full force and effect after this Letter Agreement expires or is earlier terminated. All the representations and warranties made by the parties in this Letter Agreement in Sections 6 and 7 shall survive

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the Closing only to the extent a party gives another party notice of a breach or inaccuracy thereof prior to December 31, 2017.

- r. Termination. This Letter Agreement may be terminated (i) by the mutual written consent of Civitas and Seller; (ii) by written notice of either party, in the event that the conditions to closing of this Letter Agreement have not been met by July 31, 2017, provided that, the Receiver may unilaterally extend the July 31, 2017 date if Civitas is the Back-Up Bidder as defined in the bidding procedures and Civitas will remain obligated under this letter agreement pending the court process; or (iii) by written notice of the non-breaching party of a material breach by the other party of any representation, warranty, covenant or agreement contained in this Letter Agreement which cannot be or is not cured within ten (10) days after written notice of the breach is given to the party committing the breach and that breach would give rise to the failure of a condition specified in this Letter Agreement. This Letter Agreement shall automatically terminate if the Oregon Court enters a "sale order" allowing a purchaser other than Civitas to purchase the Purchased Assets.


If the provisions of this Letter Agreement are acceptable to you, please sign in the space provided and return the same to me via electronic transmission on or before April 20, 2017 at 5:00 pm (CST), after which this Letter Agreement, if not so executed and returned, will become null and void and of no effect.

Civitas Senior Healthcare LLC



By: Jason Dupont
Title: CFO

Acknowledged and agreed to by:

Aequitas Senior Housing, LLC


By: Ronald F. Greenspan
Title: Receiver
Date executed:

Aequitas Senior Housing Operations, LLC


By: Ronald F. Greenspan
Title: Receiver
Date executed:

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Schedule A

The following documents are the “**Loan Documents**”:

- (i) LedgeStone Holdings, LLC Note Due March 2, 2020 dated March 2, 2015 in the amount of \$100,000 payable to Aequitas Senior Housing, LLC;
- (ii) LedgeStone Holdings, LLC Note Due January 8, 2020 dated January 9, 2015 in the amount of \$2,371,372.64 payable to Aequitas Senior Housing, LLC;
- (iii) LedgeStone Holdings, LLC Note due February 4, 2020 dated February 3, 2015 in the amount of \$300,000 payable to Aequitas Senior Housing, LLC;
- (iv) Note Purchase Agreement among LedgeStone Holdings, LLC, the Purchasers named therein and Aequitas Senior Housing, LLC dated January 9, 2015, as amended by Amendment to Note Purchase Agreement and Operating Agreements dated January 9, 2015 and Amendment to Note Purchase Agreement and Operating Agreement dated February 2, 2015;
- (v) Cooperation Guaranty (Note Documents) dated January 9, 2015;
- (vi) Security and Pledge Agreement dated as of January 9, 2015 among LedgeStone Holdings, LLC, Additional Grantors and Aequitas Senior Housing, LLC as Collateral Agent;
- (vii) Amendment to Letter Agreement dated March 2, 2015;
- (viii) Memorandum of Instruction dated March 2, 2015; and
- (ix) Amendment to Side Letter dated April 6, 2015.

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Schedule B

The following documents are the “**Warrant Documents**”:

- (i) Membership Unit Purchase Warrant Agreement (Warrant No. LH-2) issued January 9, 2015 by Ledgestone Holdings, LLC to Aequitas Senior Housing Operations, LLC relating to the right to purchase 3,480 Common Units, as amended by Amendment No. 1 to Warrant dated April 1, 2015 which modified the Warrant, in addition to other matters, to 1,905 Common Units;
- (ii) Membership Unit Purchase Warrant (Warrant No. LM-2) issued January 9, 2015 by Ledgestone Management, LLC to Aequitas Senior Housing Operations, LLC relating to the right to purchase 3,480 Common Units as amended by Amendment No. 1 to Warrant dated April 1, 2015 which modified the Warrant, in addition to other matters, to 1,905 Common Unit;
- (iii) Cooperation Guaranty (Ledgestone Holdings Equity Investment Documents) dated January 9, 2015 by Wayne Powell, Jay Dempsey and Brent Hammond in favor of Aequitas Senior Housing Operations, LLC; and
- (iv) Cooperation Guaranty (Ledgestone Management Equity Investment Documents) dated January 9, 2015 by Wayne Powell, Jay Dempsey and Brent Hammond in favor of Aequitas Senior Housing Operations, LLC.