

**SUMMARY OF TERMS AND CONDITIONS OF DIP FINANCING  
FOR LASALLE ENTITIES**

*This draft term sheet outlines certain basic terms of a proposed Debtor-in-Possession Facility for West Houston Memory Care, LLC, Riverstone Memory Care, LLC, Pearland Memory Care, LLC, Cinco Ranch Memory Care, LLC (as further described below, the "DIP Facility").*

Borrowers/Debtors: Pearland Memory Care, LLC, Cinco Ranch Memory Care, LLC (each a "Debtor," and together, the "Debtors").

DIP Lender: Veritex Bank, N.A.

Venue/Petition Date: The Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court") on May 2, 2019 (the "Petition Date").

DIP Facility: Upon entry of one or more interim orders of the Bankruptcy Court authorizing the Debtors, among other things, to obtain the following DIP facility (the "DIP Facility") on terms and conditions consistent with this Term Sheet and otherwise satisfactory to the DIP Lender in its respective sole discretion (the "Interim Order"), the DIP Lender will provide each Debtor a post-petition term loan (each a "DIP Loan," and together, the "DIP Loans"), each such loan to not exceed \$200,000.00, during the entire funding period from the entry of the Interim Order through and including the Maturity Date (the "DIP Commitment"). Advances under this DIP Facility shall be made on a periodic basis during the DIP Facility term to fund the specific disbursements set forth in the Budget (defined below). Amounts advanced and repaid under the DIP Facility may not be re-borrowed during the term of the DIP Facility. All of the Debtors' obligations in connection with the DIP Facility are referred to herein as the "DIP Obligations."

DIP Documentation: During the interim funding period covered by the Interim Order, the Debtors' and DIP Lender's respective rights and obligations in connection with the DIP Facility will be memorialized and governed by the Interim Order and this Term Sheet. During any subsequent funding period covered by a final, non-appealable order of the Bankruptcy Court that, among other things, approves the DIP Facility and grants the liens and security interests described herein, on terms and conditions substantially similar to the Interim Order and otherwise satisfactory to the DIP Lender (the "Final Order," and together with the Interim Order, the "DIP Orders"), the DIP Facility shall be subject to the negotiation, execution and delivery of loan documents, guarantees, pledges, security documents and other supporting instruments and agreements reasonably requested by the DIP Lender, in each case

on terms and conditions consistent with this Term Sheet and otherwise satisfactory to the DIP Lender in its sole discretion (all such documents, agreements and instruments, collectively, the "DIP Loan Documents"). The DIP Loan Documents shall contain terms and conditions customary in debtor-in-possession financing agreements, consistent with this Term Sheet and the Debtors' rights and obligations as debtors-in-possession. The DIP Facility shall not become effective until an Interim Order has been entered by the Bankruptcy Court.

Maturity Date: August 31, 2019. (the "Outside DIP Termination Date"), or as otherwise provided in the DIP Orders.

Interest Rate: 15% (the "Pre-Default Rate") accrued month to month, and fully due and payable on Maturity Date or upon acceleration.

Reimbursement of Fees and Expenses: The DIP Lender Veritex Bank, N.A. shall be entitled to reimbursement of its reasonable out-of-pocket expenses, including attorneys' and professionals' fees, incurred in connection with the DIP Facility and as provided for in the DIP Loan Documents.

Pre-Petition Indebtedness: All amounts, liabilities and other obligations owed by the Debtors, as pre-petition borrowers, under their various pre-petition notes and related loan documents with the DIP Lender, (the "Pre-Petition Indebtedness").

Pre-Petition Interest: Without prejudice to the rights of the DIP Lender under Section 506(b) of the Bankruptcy Code, the Debtors will not be required to pay current interest on the outstanding balance of the Pre-Petition Indebtedness as part of, or during the term of, the DIP Facility.

DIP Collateral: The DIP Lender's indebtedness under the DIP Facility and all other DIP Obligations will be secured by security interests and liens granted pursuant to section 364(c)(2) and (d)(1) of the Bankruptcy Code (the "DIP Liens") in and on all of the Debtors' and the Debtors' bankruptcy estates' real and personal property, tangible or intangible, whether now existing or hereafter acquired and all proceeds, products, rents, revenues and profits thereof (the "DIP Collateral"), which shall be senior to (priming) all other liens and security interests in the DIP Collateral, including without limitation, any liens and security interests securing the DIP Lender's or Silverado's Pre-Petition Indebtedness. The DIP Liens shall be valid and enforceable and of senior priority notwithstanding any infirmity, avoidance, or other issue making any of the DIP Lender's or Silverado's pre-petition liens unenforceable.

**Superpriority:** The DIP Lender's indebtedness under the DIP Facility shall have a superpriority under the provisions of section 364(c)(1) of the Bankruptcy Code over all administrative expenses incurred in the Debtors' bankruptcy cases, subject to the Carve Outs in the DIP Orders.

**No Surcharge:** In the Final Order and/or DIP Loan Documents, no costs or expenses of administration shall be imposed against the DIP Lender's DIP Collateral under section 506(c) of the Bankruptcy Code. No proceeds of the DIP Facility or cash collateral of the Debtors shall be used to prosecute investigation of or proceedings to contest post-petition or pre-petition liens or debt of the DIP Lender or Silverado.

**Cash Collateral:** The Interim Order and the Final Order shall authorize the Debtors to use the DIP Lender's cash collateral (as defined in Section 363(a) of the Bankruptcy Code) only as provided in the Budget.

**Budget:** As a condition precedent to the DIP Facility, there shall be established a budget for the Debtors' disbursements. The Debtors shall only be permitted to use cash collateral, proceeds of DIP Loans, and proceeds of the DIP Collateral for the purposes and in the amounts set forth in the budget attached hereto as Exhibit A (the "Budget"). The Debtors shall provide to the DIP Lender any reporting required under any order entered by the Bankruptcy Court authorizing use of cash collateral in the Debtors' bankruptcy cases.

**Carve-Outs:** The DIP Lender will agree to a carve-out of its DIP Collateral as set forth on the Budget.

**Releases:** In the Final Order and/or DIP Loan Documents, Debtors shall provide the DIP Lender a standard release of any and all claims and causes of action whether such claims and causes of action arise against it pre-petition or post-petition.

**Alternative DIP Loan:** Between entry of the Interim Order and entry of the Final Order, the Debtors are expressly authorized to market the DIP Facility to seek financing from another lender; provided, however, that if the Debtors locate and choose to utilize alternative financing, any amounts funded under the DIP Facility by the DIP Lender must be repaid in full through such alternative financing. By agreeing to allow the Debtors to market the DIP Facility, except to the extent its DIP Liens are extinguished as the underlying DIP indebtedness

is repaid in full per the foregoing, the DIP Lender is not agreeing to any priming of its DIP Liens (including through subrogation), nor does it waive its ability to improve the terms of the DIP Facility in response to any competing financing.

General Conditions  
Precedent:

Customary for a facility of this type, including:

1. As to initial funding:
  - (c) Receipt of Budget satisfactory to the DIP Lender;
  - (d) Bankruptcy Court's entry of an Interim Order approving the DIP Facility and other arrangements described herein, in form and substance acceptable to the DIP Lender;
  - (f) The DIP Lender shall have received such other documents and instruments as it may reasonably request.
2. Draw requests consistent with budget and stating for which budget item to be made by Debtor and approved by DIP Lender.

Reps & Warranties:

Customary representations and warranties for transactions of this type.

Affirmative Covenants:

Affirmative covenants customary for transactions of this type, including, without limitation, covenants that each of the Debtors shall:

- (a) Maintain its corporate existence;
- (b) Permit access and inspections as provided in the DIP Orders;
- (c) Customary reporting requirements as provided in the DIP Orders; and
- (d) Maintain insurance in amounts, on terms and with specified insurers, all satisfactory to the DIP Lender.
- (e) Retain Karen Nicolaou as CRO with ultimate authority over day-to-day operations at all times while the DIP Facility is outstanding.

NOTE: NOT INTENDED TO BE AN EXHAUSTIVE LIST OF COVENANTS FOR PURPOSES OF THE FINAL ORDER.

Negative Covenants: Negative covenants customary for transactions of this type, including, without limitation, covenants that the Debtors shall not, and shall not permit any of their subsidiaries to:

(a) Merge or consolidate with any other entity, transfer or otherwise dispose of any assets other than inventory in the ordinary course of business or make any fundamental changes in its corporate structure;

(b) Create or permit to exist any consensual lien or encumbrance on any asset;

(c) Incur or permit to exist any financing under section 364 of the Bankruptcy Code or any other indebtedness or contingent obligations except as specifically permitted by the DIP Lender (other than with respect to the DIP Facility);

(d) Create or permit to exist any superpriority administrative expense claim except as specifically permitted by the DIP Lender (other than with respect to the DIP Facility);

(e) Make investments outside of the ordinary course except as specifically permitted by the DIP Lender;

(f) Declare or pay dividends or make any distributions to shareholders or pay amounts with respect to subordinated indebtedness or any other prepetition indebtedness except in accordance with the DIP Orders, other orders of the Bankruptcy Court, or as otherwise specifically permitted by the DIP Lender;

(g) Use cash collateral or the proceeds of the DIP Facility except in accordance with the Budget;

(h) Seek to obtain any stay on the exercise of the DIP Lender's remedies permitted pursuant to this Term Sheet and any DIP Order; or

(i) Change of key management (including CRO), except as directed by the CRO.

NOTE: NOT INTENDED TO BE AN EXHAUSTIVE LIST OF COVENANTS FOR PURPOSES OF THE FINAL ORDER.

Events of Default: Events of Default shall be material breaches of this Term Sheet, any DIP Order or the DIP Loan Documents (once executed) by the Debtors, including, without limitation:

- (a) The failure of Borrowers to obtain the Final Order from the Bankruptcy Court by August 31, 2019;
- (b) The failure of Borrowers to file a sale motion covering the sale of substantially all the assets of the Cinco Ranch and Pearland Memory Care facilities by August 31, 2019;
- (c) The failure of Borrowers to file a motion to approve a sale of substantially all the assets of the Cinco Ranch and Pearland Memory Care facilities by August 31, 2019;
- (d) The failure of Borrower to sell substantially all the assets of the Cinco Ranch and Pearland Memory Care facilities by September 15, 2019;
- (b) The Debtors' attempt to vacate or modify any of the DIP Orders over the objection of the DIP Lender;
  - (c) In connection with the Final Order only, the Debtors shall institute any proceeding or investigation, or support same by any other person, challenging the status and/or validity of the post-petition debt or post-petition liens of the DIP Lender;
  - (d) For the 4-week or 5-week periods under the Budget, variances from such periods for aggregate and line item disbursements in an amount of more than 20% on a cumulative basis.
  - (e) In connection with the Final Order only, the Debtors file a plan of reorganization or liquidation or disclosure statement, or any amendment to such plan or disclosure statement without the consent of the DIP Lender;
  - (f) The entry of an order amending, supplementing, staying, vacating or otherwise modifying any DIP Loan Document, the DIP Orders, in each case without the consent of the DIP Lender, or the filing of a motion for reconsideration with respect thereto;
  - (g) Using cash collateral or advances under the DIP Facility for any purpose other than those set forth in the Budget; and
  - (h) Dismissal or conversion of the Debtors' Bankruptcy Cases to cases under chapter 7 of the Bankruptcy Code without DIP Lender's consent.
  - (i) The Debtors' failure to pay any amount due under the DIP Orders or the DIP Loan Documents, pursuant to the terms and timing required by such DIP Order or DIP Loan Documents.

(j) The Debtor's failure to comply with any material provision, term, affirmative covenant, negative covenant, under this Term Sheet, the DIP Orders, or DIP Loan Documents.

Upon the occurrence of an Event of Default, (i) the DIP Lender may declare all outstanding principal and interest due and immediately payable and terminate any further commitment to extend credit under the DIP Facility, and (ii) upon five (5) business days' notice to the Debtors (which notice shall also be filed with the Bankruptcy Court), should such default not be cured within such period, the automatic stay shall be deemed automatically lifted with respect to the DIP Collateral securing the DIP Facility and other DIP Obligations, and the DIP Lender shall have the right to exercise any other remedies customary for secured lenders, including set-off and foreclosure, in connection with the DIP Facility.

Indemnification:

In the Final Order and/or DIP Loan Documents, the Debtors will indemnify the DIP Lender and its officers, directors, employees, affiliates, agents, attorneys, financial advisors, and controlling persons and hold them harmless from and against all costs, expenses (including fees, disbursements and other charges of counsel) and liabilities of any such indemnified person arising out of or relating to any claim arising out of or relating to any claim or litigation or other proceedings (regardless of whether any such indemnified person is a party thereto), that relate to the DIP Loans; provided that no indemnified party will be indemnified for its gross negligence or willful misconduct.

Governing Law:

Texas law shall govern the DIP Loan Documents (provided that perfection of security interests in the Debtors' assets will be governed by the law of the state in which such assets are located to the extent reasonably determined to be necessary). Debtors shall agree that all disputes between them and the DIP Lender shall be heard by the Bankruptcy Court.