

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
IN THE EDGEMERE BANKRUPTCY PROCEEDING**

**DECEMBER 19, 2022**

TO UNSECURED CREDITORS OF NORTHWEST SENIOR HOUSING CORP. ("EDGEMERE")

**The Committee**

The Official Committee of Unsecured Creditors (the "Committee") was appointed by the Office of the United States Trustee to represent the interests of all unsecured creditors (including former and current residents) in the Edgemere bankruptcy proceeding. The Committee's goals have been:

- (i) to maximize the repayment (or "dividend") to unsecured creditors, including the repayment of entrance fee refund claims to former and current residents (which aggregate approximately \$145 million); and
- (ii) to recapitalize and de-leverage Edgemere to ensure its financial health going forward in order to allow it to continue operating as a "first in class" CCRC<sup>1</sup> facility.

To this end, the Committee has retained bankruptcy counsel and financial advisors experienced in complex business bankruptcy cases, and has actively negotiated with all parties to develop a bankruptcy plan of reorganization that will achieve these goals.

**The Plan Package**

You have or will soon receive a package of documents from Edgemere. If you are a current or former resident, your package will include:

- A plan of reorganization (the "Plan") proposed and sponsored by the Bondholders (who hold approximately \$110 million of Edgemere's bond debt) and by Edgemere.
- A letter (on blue colored paper) from KCC stating the amount of your Refund Claim. If that amount is accurate, you do not need to file a further claim with the court.
- A Ballot for you to accept or reject the Plan. The Ballot (also on blue colored paper for your easy reference). Please fill out pages 11 and 12 of the Ballot and mail it to the address listed on page 12 of the Ballot so that it is received on or before January 20, 2023 at 4:00 pm CT.



### **Summary of the Plan**

The proposed Plan generally provides as follows:

#### **Sale of Assets**

- Edgemere's assets will be sold to Bay 9 Holdings, LLC ("Bay 9"), which is owned by one of the Bondholders (or any other party who submits a higher and better offer). All of the proceeds from the sale will be used to repay bankruptcy related expenses and to provide the Bondholders a partial repayment of their debt.
- The Landlord's Ground Lease will be assumed and assigned to Bay 9 so that it can continue to operate Edgemere as a "first in class" CCRC.
- The existing Residency Agreements (which primarily utilize a refundable entrance fee model) will be rejected/cancelled, and Edgemere will convert from a refundable entrance fee model to a monthly fee based model that does not contain life care benefits. Bay 9 will provide current residents the right to continue their occupancy at Edgemere by executing new monthly fee based residency agreements.

#### **Residents Trust and Lifespace Settlement**

- The Plan contains a settlement of all claims against Lifespace<sup>2</sup> by Edgemere, SQLC and the Residents (who do not OPT OUT of the settlement, referred to herein as the "Participating Residents"). The Plan is designed to provide sufficient funds to repay 100% of the Resident Claims.
- In exchange for the releases of claims, Lifespace has agreed to pay to a "Residents Trust" (created under the Plan for the benefit of Residents) an aggregate amount equal to the Residents Claims, payable in annual payments over eighteen (18) years as reflected on Exhibit 1. These annual amounts were determined based on actuarial projections obtained by Lifespace.

**Payment to Escrow Residents, Participating Former Residents and Participating Current Residents**

- Escrow Residents who deposited their entrance fees into escrow shall receive a full refund within ten (10) days of the Effective Date of the Plan.
- Participating Former Residents shall receive a distribution from the Residents Trust in the amount of their Resident Claims sixty (60) days after:
  - (a) the Residents Trust has been informed by the Purchaser that the Participating Former Resident's independent living unit has been re-leased to a new resident, and
  - (b) the Residents Trust has sufficient funds, after reasonable reserves, to make such distribution.<sup>3</sup>
- Participating Current Residents shall receive a distribution from the Residents Trust in the amount of their Allowed Current Resident Claims within sixty (60) days after:
  - (a) vacating the Edgemere facility, either through death or by moving out of the facility,
  - (b) the Residents Trust has been informed by the Purchaser that the Participating Current Resident's independent living unit has been re-leased to a new resident, and
  - (c) the Trust has sufficient funds, after reasonable reserves, to make such distribution.<sup>3</sup>

**Potential Queue**

- If there are insufficient funds in the Residents Trust to fully pay a Resident Claim, such Resident shall receive whatever portion of the Resident Claim is available at that time, with the remaining portion of the Resident Claim payable in subsequent years as funds become available. If there is more than one Resident who is not fully paid their Resident Claim when due, the Residents Trust shall pay those Residents in the chronological order as funds are available to the Residents Trust.

### **Life Care Subsidy**

- Participating Current Residents who advance to higher levels of care within the community may request, and the Residents Trust will advance to the resident (subject to the availability of funds in the Residents Trust), the portion of such Resident's monthly fee for the elevated level of care that exceeds the then-current monthly fee charged for independent living services. All payments made hereunder shall be deducted from such Resident's Claim.
- In addition, Participating Current Residents that are able to establish to the satisfaction of the Residents Trust Trustee that he or she is indigent and unable to pay their monthly fee may request, and the Residents Trust will advance to the resident (subject to the availability of funds in the Residents Trust) such Resident's monthly fee (in any level of care) until such Resident's Claim has been exhausted. Requests for distribution of Residents Trust assets in accordance with this paragraph and the preceding paragraph (referred to herein as the "Life Care Subsidy") shall be given priority in timing of payment to distributions to residents who vacate the community.

### **Option to "OPT OUT" of Releases**

The Plan provides that each Resident individually is releasing Edgemere and Lifespace (among others) from any and all claims UNLESS you "OPT OUT" of the release by so indicating on the Ballot. The Committee does not represent you personally and cannot give you legal advice on whether you should or should not elect to OPT OUT of the Lifespace settlement.

Residents who OPT OUT of the Plan Releases pursuant to the terms of the Plan shall receive no distributions from the Residents Trust and shall not be entitled to payment of Life Care Subsidy from the Residents Trust.

### **Committee Recommendation**

The Committee believes the Plan is the best option available to unsecured creditors, including residents, and strongly urges you to:

☒ **ACCEPT (Vote For)** the Plan.

### **Important Deadlines**

The Court has set a number of important **deadlines**, including (but not limited to) the following:

- **January 20, 2023, at 4:00 p.m. (Central Time)** is the **deadline** for KCC, the Voting Agent, to **actually receive** Ballots from all creditors, including residents.
- **January 26, 2023, at 9:30 a.m. (Central Time)** is the date for the **hearing on the proposed sale of assets and confirmation** of the Plan.

Sincerely,

/s/ Erle Nye

Official Committee of Unsecured Creditors

By: Erle Nye

Title: Chairperson

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<sup>1</sup> Continuing Care Retirement Community.

<sup>2</sup> The potential claims against Lifespace are described in more detail in the Disclosure Statement that you have recently received.

<sup>3</sup> The Trustee shall reserve sufficient funds in the Residents Trust for projected Trust expenses and the future payments of projected Life Care Subsidy on behalf of Participating Current Residents.

Exhibit 1

Lifespace Trust Contribution Schedule

<b>Date</b>	<b>Lifespace Contribution Payment</b>	<b>Administrative Expense Payment</b>	<b>Annual Payment</b>
Effective Date Pay neat	\$52,385,094.00	\$75,000.00	\$52,460,094.00
2024	\$11,395,234.00	\$75,000.00	\$11,470,234.00
2025	\$10,839,105.00	\$75,000.00	\$10,914,105.00
2026	\$9,968,057.00	\$75,000.00	\$10,043,057.00
2027	\$9,005,741.00	\$75,000.00	\$9,080,741.00
2028	\$7,901,979.00	\$75,000.00	\$7,976,979.00
2029	\$6,889,084.00	\$75,000.00	\$6,964,084.00
2030	\$5,966,775.00	\$75,000.00	\$6,041,775.00
2031	\$5,134,098.00	\$75,000.00	\$5,209,098.00
2032	\$4,359,664.00	\$75,000.00	\$4,434,664.00
2033	\$3,674,660.00	\$75,000.00	\$3,749,660.00
2034	\$3,078,130.00	\$75,000.00	\$3,153,130.00
2035	\$2,562,942.00	\$75,000.00	\$2,637,942.00
2036	\$2,129,252.00	\$75,000.00	\$2,204,252.00
2037	\$1,761,542.00	\$75,000.00	\$1,836,542.00
2038	\$1,446,837.00	\$75,000.00	\$1,521,837.00
2039	\$1,173,589.00	\$75,000.00	\$1,248,589.00
2040	\$931,568.00	\$75,000.00	\$1,006,568.00
2041	\$734,281.00	\$75,000.00	\$809,281.00
2042	\$572,976.00	\$75,000.00	\$647,976.00
	<b>\$141,910,608.00</b>	<b>\$1,500,000.00</b>	<b>\$143,410,608.00</b>