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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:

NORTHWEST SENIOR HOUSING
CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 22-30659 (MVL)

(Jointly Administered)

NOTICE OF BAY 9 HOLDINGS LLC'S FILED EXHIBIT 19

Bay 9 Holdings LLC submits a true and accurate copy of its Exhibit 19 attached hereto, which was admitted into evidence by the Court at the evidentiary hearing on February 23, 2023.

Dated: February 27, 2023

Respectfully submitted

LOCKE LORD LLP

/s/ Matthew H. Davis

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¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Northwest Senior Housing Corporation (1278) and Senior Quality Lifestyles Corporation (2669). The Debtors' mailing address is 8523 Thackery Street, Dallas, Texas 75225.



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CERTIFICATE OF SERVICE

I certify that on February 27, 2023, a true and correct copy of the foregoing was served electronically on all persons via the Court's CM/ECF System.

/s/ Matthew Davis
Matthew H. Davis

Exhibit 19



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February 22, 2022

VIA EMAIL or FEDEX

<u>Name</u>	<u>Delivery address</u>	<u>Representation</u>
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Edgemere Residents' Association	Edgemere 8523 Thackery Street Dallas, TX 75225	

RE: Edgemere – Need for Immediate Attention

All:

As most of you know, we represent Intercity Investments, Inc. ("ICI"), the landlord of the Northwest Senior Housing Corporation (the "Edgemere"), pursuant to a Ground Lease dated November 1999 (the "Lease"). ICI has been forbearing on its rights and remedies since September 2021, when the Edgemere first missed a lease payment (with the exception of the single catch-up payment made in connection with a forbearance agreement), and it has failed to make any rent payment since that time (collectively, the "Payment Defaults"). Unless the Payment Defaults are cured in full, the Lease will terminate on March 11, 2022 (the "Termination Deadline") – less than three weeks away.

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During these past months when the rent has gone unpaid, ICI has learned the following troubling facts about the Edgemere's current situation:

- The Quarterly Financial Report for the year ended December 31, 2021 showed approximately \$6.6 million dollars in cash and cash equivalents, with a monthly burn rate of approximately \$1 million;
- As of December 31, 2021, the Edgemere had only 62 days cash on hand;
- There is approximately \$124 million accrued to be paid in current and future resident refunds;
- There is no money for capital expenditures;
- The Edgemere owes approximately \$110 million on the bond debt;
- The Edgemere failed to meet its debt service covenant for the years ending December 31, 2019 and December 31, 2020, and bond payment default occurred in the fourth quarter of 2021;
- The bondholders were first informed of the Edgemere's failure to meet its debt service covenant on February 14, 2020, *over two years ago*;
- The Edgemere failed to post or otherwise publish audited financial information for the year ending December 31, 2020 (and the Quarterly Financial Reports for 2021 are unclear and inconsistent on whether such audit was even completed);
- Bondholders have been selling their bonds at prices more than seventy percent below original purchase price;
- There is increased and substantial competition for senior living in North Dallas;
- Residency has been declining to a staggering low – with overall occupancy at only 64.5%;
- The Edgemere provided false and misleading information about the Lease to residents in a recent disclosure statement.

During this time, we have reached out to various parties in interest, seeking to understand whether anyone intends to cure the Payment Defaults, and requesting updated financial information and other information regarding a potential strategy or plan in the event that such Payment Defaults are not cured. To date, we have yet to receive a definitive response or plan from anyone regarding the Payment Defaults. Instead, we have been met with silence as to a specific plan. And our request for an introduction to counsel for the residents has likewise gone unanswered.

The Edgemere's, Lifespace's, and the bondholders' collective failure to act over the last two years has put the Edgemere's residents at an avoidable and unnecessary risk. It's frankly unconscionable that ICI and, more importantly, the Edgemere's residents have not yet been presented with a plan to address the Payment Defaults and the Termination Deadline. As we rapidly approach the Termination Deadline, ICI has no choice but to assume that the Payment Defaults will not be cured and that the property will revert to ICI upon the Termination Deadline.

Accordingly, ICI has begun working on a go-forward solution for the Edgemere residents, in an attempt to ensure that residents are not displaced, and services are maintained, on and after the Termination Deadline. Specifically, ICI has determined that its expert industry consultant, Kong Capital LLC, has the necessary expertise and personnel to convert the building from a CCRC into a senior living rental facility. Such a rental community will continue to offer all levels of care, but, unlike the Edgemere's current model, will

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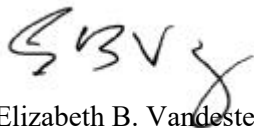
not be dependent on resident financing or entrance fees. But the residents will be provided with a pathway to direct feedback to and participation in the management of the facility. Ideally, there would be a period of months in which to complete this transition and conversion. Unfortunately, we do not have the luxury of several months here – we are left with only a dwindling matter of weeks before the Termination Deadline.

In order to effectuate this conversion to a rental community as safely and seamlessly as possible, we expect your full cooperation. We request the prompt assistance of all stakeholders to allow ICI and Kong to begin to address certain pressing items such as, for example, licensure, certifications, and employee and vendor communications. And, most critically, we need immediate access to the residents to discuss plans that we are developing and considering in terms of residency and associated benefits post-conversion.

In that light, please let us know your availability for an in-person meeting at Jackson Walker's office in Dallas (2323 Ross Ave.) on Thursday, February 24th at 2 PM or Friday, February 25th at 8:30 AM.

We look forward to your response and expect to receive it without delay.

Very truly yours,



Elizabeth B. Vandesteeg

EBV:nlb

cc: Eileen M. Sethna
Harold D. Israel