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

In re: Northwest Senior Housing Corporation, <i>et al.</i> , ¹ Debtors.	Chapter 11 Case No. 22-30659 (MVL) (Jointly Administered)
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DECLARATION OF TIMOTHY WINNECKE

I, Timothy Winnecke, declare as follows:

1. I am over 18 years of age, and I am competent to testify.
2. I am a Senior Project Manager for ARCH Consultants, Ltd. (“ARCH”).
3. I submit this declaration (the “Declaration”) as a proffer of the testimony I would offer if called to testify at the hearing on confirmation of the *Third Amended Plan of Reorganization of the Plan Sponsors Dated December 19, 2022* (the “Plan”) [Dkt. 933] in the above-styled case and if called to testify, I would testify competently to the facts set forth herein.
4. Except as otherwise indicated, the facts set forth in this Declaration are based upon my personal knowledge of (a) the physical conditions I observed at The Edgemere and (b)



my opinions based upon my experience, knowledge and information related to the physical conditions of The Edgemere.

Background

5. I have been employed by ARCH for approximately six months. During my time with ARCH, I have evaluated the condition of various buildings and facilities and have personally prepared three property condition assessments for senior living facilities, including The Edgemere. In addition to this, I have also worked on campus repositioning planning of existing facilities and existing triplex to duplex conversion design at one campus and development planning for a three tower campus expansion of a campus converting to a college-based CCRC.

6. Prior to my employment with ARCH, I was employed by Northwestern Medicine for approximately 10 years serving in various roles in the Real Estate Department, which also houses Project Management and Finance. During my time with Northwestern Medicine, I was involved in project management, capital planning, and operations forecasting. As part of my capital planning and capital budgeting role with Northwestern Medicine I regularly assessed buildings and facilities, including visual inspections to evaluate property conditions, as part of budgeting for routine maintenance and capital improvements. I additionally oversaw property acquisitions, which involved review of the property conditions, operations and capital planning for potential acquisitions. Acquisitions ranged from medical office building to hotels. I also lead analysis of buy or lease scenarios for multi-site selections. I also participated in project scoping—the follow-up step after a property condition assessment—to determine which potential capital expenditures should actually be undertaken and also worked in project management

¹ The Debtors in the 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

overseeing projects. When I was initially brought on at Northwestern Medicine my focus was on planning for the Lake Forest Hospital Campus Revitalization, which included replacement of the existing hospital and repositioning and renovation of the existing campus buildings.

7. Prior to my employment with Northwestern Medicine, I was employed as a Project Manager by Cotter Consulting for approximately three years. During my time with Cotter Consulting, I evaluated the conditions of various buildings and assisted in the preparation of more than thirty property condition assessments. I also provided capital planning and project scoping for a major university for the yearly capital planning cycle. In addition to planning activities, I also oversaw the construction of ground up (*i.e.* brand new construction) and renovation projects with some being projects that I had scoped in the planning phase. The projects ranged in size and type from mechanical system replacements, data center conversions, lab renovations, major dorm/apartment renovations, a new central utility plant, and the renovation of an existing central utility plant.

8. Prior to Cotter Consulting, I was employed as a Development Manager at Forest City Enterprises (“Forest City”). During my time at Forest City, I worked on the Illinois Science and Technology Park, which was a \$250 million conversion of an existing five-building campus used as a pharmaceutical research development and production facility into a multi-tenant campus park. Buildings at the site ranged in age from the 1940s to the early 2000s. I worked on lab conversions to office space, tenant buildouts, and full building renovations during my time with Forest City. In addition to working on projects, I also worked as part of the property management team, working with the facilities team to manage maintenance and also preparing yearly operating and capital budgets.

9. In 2003, I graduated with high honors from the University of Illinois, Chicago, with a bachelor's degree in architecture.

10. In 2007, I graduated with distinction from the DePaul Driehaus College of Business with a Master of Business Administration in Real Estate Finance and Investment.

11. Based on my background and experience I have extensive knowledge regarding the evaluation of property conditions and capital planning. I am therefore competent to evaluate the property conditions at The Edgemere and to opine regarding capital budgeting, capital planning, and anticipated maintenance at the site.

Background, Overview of Site and Site Visit

12. As part of my assessment ARCH did the following: (a) gathered information about the campus components, including all main buildings on campus and the site/grounds; (b) investigated the type and condition of the existing facility's systems that make up the physical plan; (c) collected data that assisted in the development of capital reserve projections; (d) developed a five-year capital expense forecast and an independent property maintenance approach; and (e) provided recommended priority capital projects.

13. I visited The Edgemere from August 16, 2022 through August 18, 2022, to conduct a site visit guided by Miguel "Angel" Gallegos, Facilities Manager at The Edgemere, which also included a site overview by Jarred Richardson, Director of Plant Operations.

14. The site visit evaluated the existing physical plant, including the site, mechanical, and electrical systems, roofs, building exterior elements, and interior finishes. In addition to visiting the site, ARCH was provided with: (a) a general campus site plan; (b) building floor plans; (c) building square footage; (d) building age; (e) management contract; (f) retail food services establishment inspection reports for July 22; (g) program count; and (h) resident mix data.

15. The Edgemere campus is located in Dallas, Texas, on 16.25 acres, approximately eight miles north of downtown Dallas. The buildings on the site date from 2002 with the addition of Building 9 in 2009 along with Health Center and Performing Arts Center expansions between 2016 and 2018. There are a variety of independent living unit arrangements, assisted living, memory care, and skilled nursing care. In particular, The Edgemere contains 504 total units: 304 independent living apartments, 45 memory care, 68 assisted living, and 87 skilled nursing units.

Purpose and Scope of Assessment and Property Condition Assessments, Generally

16. The goal of my assessment was to assist in understanding the potential future needed and projected physical plant improvements, including any updates necessary to remain competitive in the market. My assessment focused on building common areas, systems, and exterior conditions—re-occupancy renovations were not included in my analysis as those are expected to occur periodically as units are turned over.

17. My assessment is intended to provide a reasonable total average value for anticipated annual capital replacement needs based on a five-year forecast of the data, but not to identify all potential costs, events, or the exact year in which any capital project should occur.

18. Indeed, the potential costs presented in my assessment and in any property condition assessment are preliminary order of magnitude amounts provided to assist in the preparation of capital budgeting and planning—the cost estimates are not intended to suggest that any particular amounts must be spent in any particular year, or at all. For example, a party would not replace a functioning HVAC system in year three of a capital expense plan simply because the plan allocated HVAC replacement costs in that particular year.

19. A property condition assessment is the initial step in a multi-step process for evaluating the potential capital needs of a particular property and to determine what potential

amounts on which needs may be expended and when such expenditures may need to be made. While a property condition assessment provides a preliminary budget, the ultimate decision on capital expenditures is made by the operator of a property, after the multi-step process noted above, based on the operator's needs, priorities, and risk tolerance. For example, an operator could choose to replace an otherwise functioning system that has reached the end of its estimated useful life, while another operator could elect to continue maintenance as long as the system remains functional.

Summary of Findings

20. Based on my assessment, The Edgemere is in overall fair condition. As of the January 2023, I estimated that the total projected capital-expense needs to be approximately \$16,312,154 from 2023 to 2027 (exclusive of escalation or contingency), including an estimate of \$4.7 million in today's dollars for potential capital expenditures as to the exterior façade. I understand that subsequent to preparing my assessment of The Edgemere, the Bankruptcy Court issued a ruling regarding a separate process to investigate the cause of the cracking and staining of the façade. Thus, excluding the estimated capital expenditures for the façade, I am of the opinion that the total projected capital expense needs for the Edgemere is approximately \$11.64 million in today's dollars. The summary of projected costs is as follows:

Edgemere

Dallas, TX

Data	
Total Living Units	504
Total Square Footage	955,551
Gross square footage per Unit*	1896

Total Capital Cost	
Total capital cost (5 years)	\$16,138,751
Total capital cost / Unit (5 years)	\$32,021

Total capital cost / Unit / year avg.		\$6,404
/ Unit / year	2022 REF	\$1,233
/ Unit / year	2023	\$9,918
/ Unit / year	2024	\$9,356
/ Unit / year	2025	\$6,193
/ Unit / year	2026	\$2,681
/ Unit / year	2027	\$3,874

Other**		\$2,731,900
Total capital cost (5 years) w/Other		\$18,870,651
Total capital cost / Unit (5 years) w/ Other		\$37,442
Total capital cost w/ Other / Unit / year (Avg.)		\$7,488

*Gross square footage per unit w/out Garage 1,507

**Re-occupancy excluded from analysis

21. Based on my visual observations, the following table provides a preliminary, order of magnitude, estimate of potential capital expenses that could arise from 2023 to 2027:

[table appears on next page]

Edgemere
Dallas, TX

Forecast Summary
With an annual escalation of 2.1%

4-Jan-2023

Grouping	2022 REF	2023	2024	2025	2026	2027	Totals
Exteriors	\$124,500	\$1,413,611	\$3,740,571	\$2,229,597	\$377,990	\$427,377	\$8,189,145
Interiors	\$0	\$97,500	\$97,500	\$97,500	\$97,500	\$458,800	\$848,800
MEPFP/Vertical Transportation	\$497,167	\$3,384,600	\$685,200	\$605,700	\$767,850	\$872,200	\$6,315,550
Grounds	\$0	\$0	\$0	\$0	\$0	\$1,330	\$1,330
Escalation	\$0	\$102,810	\$191,972	\$188,673	\$107,777	\$192,694	\$783,926
Grouping Total	\$621,667 \$0	\$4,998,521	\$4,715,243	\$3,121,470	\$1,351,116	\$1,952,401	\$16,138,751

Building/Area	2022 REF	2023	2024	2025	2026	2027	Total
West Commons	\$205,743	\$471,083	\$662,801	\$79,750	\$110,650	\$580,250	\$1,904,534
East Commons	\$8,993	\$114,975	\$179,473	\$53,150	\$56,150	\$173,150	\$576,898
Building 1	\$139,743	\$108,456	\$788,621	\$187,336	\$89,956	\$91,623	\$1,265,990
Building 2	\$115,243	\$86,756	\$374,877	\$64,456	\$64,456	\$66,898	\$657,441
Building 3	\$18,993	\$120,861	\$516,392	\$172,911	\$116,573	\$80,801	\$1,007,538
Building 4	\$18,993	\$107,550	\$451,467	\$76,150	\$76,150	\$112,753	\$824,070
Building 5	\$18,993	\$122,400	\$421,881	\$89,500	\$76,000	\$105,250	\$815,031
Building 6	\$18,993	\$66,539	\$150,739	\$471,248	\$70,739	\$73,189	\$832,454
Building 7	\$18,993	\$164,178	\$91,628	\$391,223	\$68,428	\$71,734	\$787,190
Building 8	\$18,993	\$105,233	\$181,783	\$429,042	\$75,833	\$78,387	\$870,279
Building 9	\$18,993	\$91,994	\$110,794	\$784,820	\$95,694	\$186,117	\$1,269,421
Health Center	\$18,993	\$3,326,686	\$587,815	\$128,211	\$297,711	\$128,256	\$4,468,679
Parking Garage	\$0	\$9,000	\$5,000	\$5,000	\$45,000	\$11,300	\$75,300
Escalation	\$0	\$102,810	\$191,972	\$188,673	\$107,777	\$192,694	\$783,926
Building/Area Total	\$621,667	\$4,998,521	\$4,715,243	\$3,121,470	\$1,351,116	\$1,952,401	\$16,138,751

Other	2022 REF	2023	2024	2025	2026	2027	Total
Site	\$171,967	\$239,000	\$161,700	\$327,929	\$155,200	\$73,500	\$957,329
ReOcc/Refurb's	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emergency Fund/Contingency	\$245,957	\$344,018	\$344,018	\$344,018	\$344,018	\$344,018	\$1,720,091
Escalation*	\$0	\$5,019	\$6,863	\$21,096	\$13,453	\$8,049	\$54,480
Other Total	\$417,924	\$588,037	\$512,581	\$693,044	\$512,671	\$425,567	\$2,731,900

Totals (Build/Area & Other)	\$1,039,591	\$5,586,558	\$5,227,824	\$3,814,514	\$1,863,788	\$2,377,968	\$18,870,651
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Average per year total \$3,227,750
Average per year incl'dg Other \$3,774,130

\$ 18,032,245

22. As noted above, the amounts presented in the foregoing table (a) included \$4.7 million in estimated capital expenses related to the exterior façade that I understand is being addressed separately, and (b) are not intended to suggest that any particular amount must be expended in any particular year, or at all. Consistent with the purpose of a property condition assessment, the foregoing cost estimates provide a rough estimate to be used as part of a multi-step capital planning process. The ultimate determination of any particular capital expenditure would be up to the operator based on its needs, priorities, and risk tolerance.

Ongoing Maintenance Approach

23. As part of my analysis, I was also asked to evaluate a possible ongoing maintenance approach that could be taken to continue to address potentially larger capital project needs by maintaining such property on an ongoing basis. Consistent with the varying acceptable approaches an operator could elect based on its needs and priorities, an ongoing maintenance approach provides an option for keeping the property in fair and functioning condition until such time as capital projects are undertaken.

24. A summary of the ongoing maintenance approach an operator could elect to undertake for some items is as follows:

[table appears on following page]

Ongoing Maintenance

Item	Description	3 Year Estimate
Flat Roof	Maintaining the roof as it approaches the end of its useful life would require additional patching as necessary. Cost would vary depending on the number of leaks and size each year.	unknown
Health Center HVAC	R22 units are no longer in production so replacement components can be difficult to source and could have long lead times. This approach would not reduce future capital project.	unknown
Health Center Medical Alert	Replacement components for the Medical Alert System are no longer being made and are difficult to source. The system is experiencing periodic failures and issues that are hard to address. This approach would not reduce future capital project.	unknown
IL Heat Pumps	IL heat pumps can be replaced on an as needed basis. Currently the site is replacing 6-8 per year. This could increase as more units age. This approach could reduce some scope from future capital project.	\$160,000
Exterior Façade	Stucco cracks larger than a quarter inch and repair the stucco exterior around the mechanical equipment at the west commons are recommended to be addressed due to potential water infiltration issues. This comprises an estimated 15% of the exterior which crack repairs could be completed without painting. This approach could reduce some scope from future capital project.	\$517,223
Perimeter Fence	There are some areas of the fence that have deteriorated and can be addressed by section. Estimating 20% of the fencing would need attention. This approach could reduce some scope from future capital project.	\$43,486
Sidewalks	Sidewalks have some areas with heaving and spalling that could be prioritized that would need to be addressed in the near term for safety and access. This approach could reduce some scope from future capital project.	\$15,000
Parking Lot	There are some areas in the parking lot that are cracked or spalled and should be addressed in the near term that comprises about 10% of the main drive area. This approach could reduce some scope from future capital project.	\$43,486
Retaining Wall	The retaining wall has areas with cracks larger than a quarter of an inch or show signs of heaving that could be addressed on an ongoing basis. This approach could reduce some scope from future capital project.	\$50,000
Total		\$829,194

[signature appears on following page]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: February 20, 2023

A handwritten signature in black ink, appearing to be 'Timothy Winnecke', written over a horizontal line.

By: _____
Name: Timothy Winnecke
Title: Senior Project Manager
ARCH Consultants, Ltd.