CONTINUING DISCLOSURE REPORT
for the year ended December 31, 2022

LIFESPACE
COMMUNITIES

OBLIGATED GROUP

Abbey Delray
Abbey Delray South
Beacon Hill
Claridge Court
Friendship Village of Bloomington
Friendship Village of South Hills
Harbour's Edge
Oak Trace
Querencia
The Waterford
Village on the Green

The information contained herein is being filed by the Corporation for the purposes of complying with the Corporation's obligations under SEC Rule 15c2-12. The information contained herein is as of the date of this report.

LIFESPACE COMMUNITIES

February 14, 2023

US Bank
Stephanie Cox
Vice President
2 Concourse Parkway NE, Suite 800
Atlanta, GA 30328

RE: Certificate in accordance with Section 415 (a) (ii) of the Master Trust Indenture dated November 1, 2010

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements for:

Lifespace Communities Obligated Group

Are complete, correct and fairly present the financial conditions and results of operations for the year ended December 31, 2022, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
0FBD63BFF8124CA...

Nick Harshfield

Cc: Bankers Trust, Kristy Olesen
Cc: US Bank, Anita Malmgren

Overview:

Lifespace Communities, Inc. (“Lifespace” or the “Corporation”) is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities (“CCRCs).

The Corporation owned eleven CCRCs in six states that made up the Obligated Group. On August 1, 2021, the Corporation sold Grand Lodge at the Preserve (“Grand Lodge”) located in Lincoln, Nebraska.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia (“Querencia”) located in Austin, Texas. On August 31, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group.

The Obligated Group consists of the above communities. The financial information and covenants presented herein set forth the information for these communities. Prior period information has been restated to include Querencia and reclass Grand Lodge activity to discontinued operations.

The Corporation is the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere (“Edgemere”) located in Dallas, Texas and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“The Stayton”) located in Ft. Worth, Texas. On July 1, 2021, Lifespace acquired Newcastle Place, LLC (“Newcastle Place”) located in Mequon, Wisconsin. On July 19, 2022, Lifespace acquired Meadow Lake located in Tyler, Texas, Wesley Court located in Abilene, Texas and The Craig located in Amarillo, Texas. On February 1, 2023, Lifespace became the sole member of Friendship Village of Mill Creek, NFP, d/b/a GreenFields of Geneva (“GreenFields”) located in Geneva, IL. Edgemere, The Stayton, Newcastle Place, Meadow Lake, Wesley Court, The Craig and GreenFields are separately financed and are not members of the Obligated Group.

The corporation was sole member of Deerfield Retirement Community, Inc. (“Deerfield”) a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge. Deerfield was separately financed and not part of the Obligated Group. While outside the Obligated Group, the Obligated Group had previously guaranteed certain outstanding long-term indebtedness of Deerfield. These guarantees were discharged in connection with the sale of Deerfield and the Obligated Group has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

The Corporation and its affiliates operate 18 CCRCs in seven states from corporate offices located in West Des Moines, Iowa and Dallas, Texas. References to the “Communities” herein are to the 11 CCRCs owned and operated by the Corporation that make up the Obligated Group.

Lifespace Communities, Inc.
Obligated Group
Management's Discussion and Analysis

Calendar year-end financial information for December 31, 2021 and prior is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

Summary of Units Operated per Community

	Independent Living Apartments	Villas, Carriage or Town Homes	Assisted Living	Health Center Private Room	Health Center Semi-Private Room	Memory Support	Total	CMS 5-Star Rating *
Abbey Delray	299	28	48	30	70	30	505	4
Abbey Delray South	240	44		28	46		358	4
Beacon Hill	372			26	84		482	5
Claridge Court (1)	127			17	28		172	4
Friendship Village of Bloomington (2)	368	12	42	66		32	520	5
Friendship Village of South Hills (3)	270	18	50	35	54	32	459	3
Harbour's Edge	266			50	4		320	4
Oak Trace (4)	215	16	66	84	20	28	429	5
Querencia	157	10	40	38	4	23	272	5
The Waterford (5)	247	18		30	30		325	3
Village on the Green	204	58	36	40	8	18	364	4
Total	2,765	204	282	444	348	163	4,206	

* The CMS 5-Star ratings are as of February 2023.

<u>Change in units from December 31, 2021</u>

(1) Claridge Court combined smaller apartments which reduced inventory by one in the second quarter 2022.

(2) Friendship Village of Bloomington has combined smaller apartments which reduced inventory by one in the first quarter and two more in second quarter 2022. The new health center opened in third quarter 2022 with private rooms.

(3) Friendship Village of South Hills has combined smaller apartments which reduced inventory by three in the third quarter 2022.

(4) Oak Trace has combined smaller apartments which reduced inventory by one in the fourth quarter 2022.

(5) The Waterford has combined smaller apartments which reduced inventory by one and demolished seven villas as a result of the redevelopment efforts in the third quarter 2022.

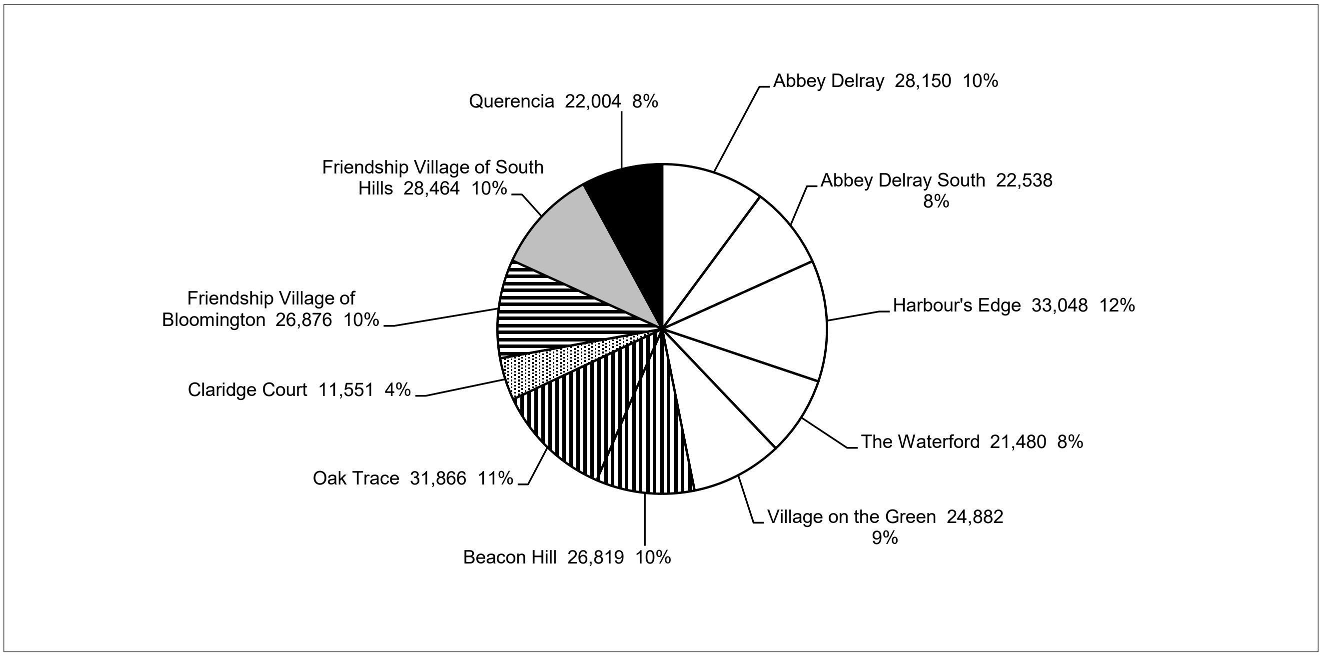
Lifespace Communities, Inc.
Average Occupancy of the Communities

Community	2019 Living Units	2019 Health Center	2019 ALUs	2019 Memory Support	2020 Living Units	2020 Health Center	2020 ALUs	2020 Memory Support
Abbey Delray, FL (a)	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	59.8%	36.0%
Abbey Delray South, FL	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA
Beacon Hill, IL	94.1%	92.7%	N/A	N/A	92.4%	91.5%	NA	NA
Claridge Court, KS	89.2%	89.6%	N/A	N/A	87.3%	82.0%	NA	NA
Friendship Village of Bloomington, MN (b)	96.3%	85.6%	86.8%	N/A	93.3%	82.0%	89.5%	NA
Friendship Village of South Hills, PA (c)	95.5%	94.4%	12.5%	20.0%	87.6%	81.2%	44.7%	63.8%
Grand Lodge, NE (d)	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA
Harbour's Edge, FL	89.8%	91.7%	N/A	N/A	86.8%	92.4%	NA	NA
Oak Trace, IL (e)	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%
Querencia, TX (f)	98.8%	92.4%	99.5%	97.4%	98.0%	82.9%	96.1%	83.3%
The Waterford, FL	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA
Village on the Green, FL (g)	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA
Obligated Group	88.3%	88.8%	79.5%	59.1%	85.0%	85.8%	75.2%	59.6%

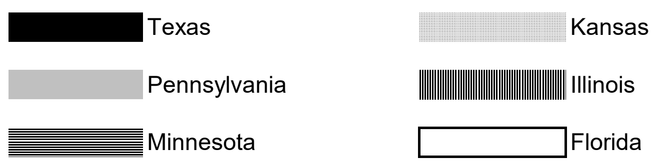
Community	2021 Living Units	2021 Health Center	2021 ALUs	2021 Memory Support	2022 Living Units	2022 Health Center	2022 ALUs	2022 Memory Support
Abbey Delray, FL (a)	60.1%	92.4%	74.1%	60.6%	58.7%	92.5%	92.1%	77.7%
Abbey Delray South, FL	66.3%	75.5%	NA	NA	66.8%	90.0%	NA	NA
Beacon Hill, IL	87.0%	89.6%	NA	NA	80.7%	87.5%	NA	NA
Claridge Court, KS	81.2%	89.3%	NA	NA	84.5%	95.6%	NA	NA
Friendship Village of Bloomington, MN (b)	81.2%	79.6%	55.2%	91.6%	77.1%	89.3%	89.5%	93.4%
Friendship Village of South Hills, PA (c)	81.3%	76.6%	75.4%	90.0%	78.8%	82.1%	94.4%	97.8%
Grand Lodge, NE (d)	85.2%	NA	85.4%	NA	NA	NA	NA	NA
Harbour's Edge, FL	83.3%	92.3%	NA	NA	89.7%	92.8%	NA	NA
Oak Trace, IL (e)	86.2%	93.4%	64.8%	88.1%	84.2%	94.1%	86.7%	97.9%
Querencia, TX (f)	97.9%	81.3%	96.0%	90.1%	96.3%	95.5%	95.8%	87.8%
The Waterford, FL	79.5%	83.3%	NA	NA	77.4%	89.2%	NA	NA
Village on the Green, FL (g)	72.2%	78.2%	46.2%	72.6%	71.1%	92.7%	95.6%	96.7%
Obligated Group	78.7%	85.0%	69.7%	82.8%	77.3%	90.5%	91.8%	91.7%

(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021. The new apartments opened in July 2021. The new health center opened in June 2022.
(c) The new assisted living and memory support opened in November 2019.
(d) Grand Lodge was disposed as of August 1, 2021.
(e) The new health center, assisted living and memory support opened in June 2019.
(f) Querencia joined the Lifespace Obligated Group as of August 31, 2021 in conjunction of the Series 2021 financing. Lifespace affiliated with Querencia on June 20, 2019. Occupancy prior to this date is not reflected above.
(g) The new assisted living opened in March 2021. The memory support and new independent villas opened in April 2021. The replacement health center opened in May 2021.

Comparative Analysis of Gross Revenues
Year Ended December 31, 2022
($ in Thousands)



Gross revenues include independent living fees, skilled nursing, assisted living fee and memory support fees, entrance fees earned, and investment income.



Skilled Nursing Payer Mix and Occupancy

	Year-ended			
Payer	2019	2020	2021	2022
Lifecare	15.1%	13.9%	11.6%	11.7%
Private Pay	25.9%	24.5%	24.0%	27.0%
Medicare	42.6%	44.6%	48.2%	45.0%
Medicaid	10.9%	10.1%	8.5%	6.6%
Other	5.6%	6.9%	7.8%	9.7%
Total Patient Mix	100%	100%	100%	100%
Year-To-Date Average Service Units Available	807	818	809	792
Year-To-Date Average Occupancy Percentage	88.8%	85.8%	85.0%	90.5%

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of December 31 (Unaudited)
(Thousands of $)

	2022	2021
Assets		
Current Assets:		
Cash and Cash Equivalents	$38,775	$20,422
Investments	116,691	159,745
Accounts Receivable	16,497	12,184
Inventories	701	850
Prepaid Insurance & Other	5,500	5,752
Assets whose use is limited	120,833	112,962
Total Current Assets	298,997	311,915
Assets whose use is limited	79,900	87,860
Property and equipment, at cost:		
Land and improvements	71,958	71,115
Buildings and improvements	1,221,108	1,117,426
Furniture and equipment	93,360	85,992
	1,386,426	1,274,533
Less accum. deprec.	(587,187)	(533,188)
Net property and equipment	799,239	741,345
Net goodwill	35,730	41,824
Net deferred assets	2,833	1,861
Net intangible assets	9,369	10,839
TOTAL ASSETS	$1,226,068	$1,195,644

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of December 31 (Unaudited)
(Thousands of $)

	2022	2021
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$32,899	$24,509
Intercompany	3,662	1,885
	36,561	26,394
Accrued liabilities:		
Employee compensation expense	10,868	9,011
Interest	3,468	3,081
Property taxes	2,368	2,094
Other	4,130	4,422
	20,834	18,608
Entrance fee refunds	8,975	10,557
Reserve for health center refunds	32,635	27,830
Long-term debt due within one year	10,485	12,704
Obligation under cap lease due within one yr	426	655
Total current liabilities	109,916	96,748
Entrance fee deposits	7,104	5,888
Wait list deposits	1,215	1,201
Long-term debt due after one year	642,994	567,332
Obligation under cap lease due after one year	1,219	623
Deferred entrance fees	183,468	165,153
Refundable entrance and membership fees	543,116	512,943
Total liabilities	1,489,032	1,349,888
Net assets without donor restrictions	(262,964)	(154,244)
TOTAL LIABILITIES AND NET ASSETS	$1,226,068	$1,195,644

Lifespace Communities, Inc.
Obligated Group Statements of Operations and Changes in Unrestricted Assets
For the Years Ended December 31 (Unaudited)
(Thousands of $)

	2022	2021
Revenues		
Independent Living Fees	$139,021	129,744
Entrance fees earned/cancellation penalties	33,521	29,804
Skilled nursing, assisted living and memory support fees	129,208	115,176
Investment Income (Expense)	(24,387)	18,328
Other	315	1,127
	277,678	294,179
Expenses		
Operating expenses:		
Salaries and benefits	149,346	122,914
General and administrative	70,291	65,700
Plant operations	19,694	17,861
Housekeeping	1,266	1,499
Dietary	24,868	21,737
Medical and other resident care	12,918	14,406
Depreciation	54,526	52,224
Amortization	12,429	12,225
Interest	18,815	17,468
Loss on disposal of fixed assets	5	12
Loss on extinguishment of debt	-	214
	364,158	326,260
(Deficit) Excess of revenues over expenses from continuing operations	(86,480)	(32,081)
Discontinued operations		
Gain from operations of discontinued operations	-	985
Gain on sale of Property and Equipment	-	11,921
Loss on sale of Related Pary Investments	-	(14,648)
Total Discontinued Operations	-	(1,742)
Contributions to Lifespace Communities, Inc.	(22,240)	(18,705)
Changes in net assets	(108,720)	(52,528)
Net assets at beginning of year	(154,244)	(101,716)
Net assets at end of the period	($262,964)	($154,244)

Lifespace Communities, Inc.
Obligated Group Statements of Cash Flow
For the Years Ended December 31 (Unaudited)
(Thousands of $)

	2022	2021
Operating activities		
Changes in unrestricted net assets	($108,720)	($52,528)
Adjustments to reconcile changes in net asset to net cash provided (used) in operating activities:		
Reconciling items included in disontinued ops	-	(6,718)
Entrance fees earned	(33,521)	(29,802)
Proceeds from nonrefundable entrance fees and deposits	54,670	51,372
Refunds of entrance fees	(2,003)	(4,354)
Depreciation and Amortization	66,955	64,449
Amortization of Financing Costs	577	474
Net accretion of original issue premium/discounts	(1,975)	(1,498)
Change in unrealized appreciation of investments	27,006	(14,953)
Net sales of trading investments	16,137	(38,761)
Contributions to Lifespace Communities, Inc.	22,240	18,705
Loss on disposal of property and equipment	5	12
Change in wait lists and deposits	1,230	(6,646)
Loss on extinguishment of debt	-	214
Gain on sale of Property and Equipment	-	(11,921)
Loss on sale of Related Pary Investments	-	14,648
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(6,103)	(3,150)
Accounts payables and accrued liabilities	12,393	7,598
Net cash provided (used) in operating activities	48,891	(12,859)
Investing activities		
Purchases of property and equipment	(112,235)	(87,242)
Proceeds from sale of property and equipment	-	32
Net cash used in investing activities	(112,235)	(87,210)
Financing activities		
Financing cost incurred	(821)	(2,896)
Repayment of long-term debt	(18,420)	(33,826)
Proceeds from line of credit	9,082	2,837
Proceeds from New Financing	85,000	132,520
Extinguishment of Prior Debt	-	(39,642)
Proceeds on disposal of a community	-	14,117
Contributions to Lifespace Communities, Inc.	(22,240)	(18,705)
Payments on Finance Leases	178	(381)
Proceeds from refundable entrance fees and deposits	87,843	99,562
Refunds of entrance fees	(58,925)	(50,288)
Net cash provided in financing activities	81,697	103,298
Net increase in cash and cash equivalents	18,353	3,229
Cash and cash equivalents at beginning of year	20,422	17,193
Cash and cash equivalents at end of period	$38,775	$20,422

Year Ended December 31, 2022 versus Year Ended December 31, 2021:

The average year-to-date independent living occupancy through December 31, 2022, was 2,299 independent living homes (77.3% of the 2,975 average available homes). The average year-to-date occupancy, excluding Grand Lodge which is disclosed as a discontinued operations, through December 31, 2021 was 2,312 independent living homes (78.7% of the 2,943 average available homes). The decline in occupancy for 2022 was primarily driven by unusually high attrition throughout the year. While independent living sales and move-ins remained strong, occupancy was outpaced by a second consecutive year of high attrition rates. The increase in average available homes from December 31, 2021 to the same period in 2022 is due to opening independent living apartments at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. In addition, offsetting the additions were five communities that combined smaller apartments and one community demolishing townhomes to support future redevelopment efforts.

Revenues from independent living monthly fees and related charges amounted to $139,021,000 in 2022, a 7.2% increase over the $129,744,000 from the same revenue sources in 2021. Monthly fees increased in the range of 3.8% to 6.0% on January 1, 2022 and again on August 1, 2022, with a range of 2.5% to 6.2%. High attrition rates impacted revenues by approximately $1,488,000.

Revenues from the health center, assisted living, and memory support fees were $129,208,000 in 2022 compared to $115,176,000 in 2021, an increase of 12.2%. This increase is the result of the monthly fee increases effective January 1, 2022, the mid-year monthly fee increase effective August 1, 2022, and improved occupancies with these higher levels of living. The Friendship Village of Bloomington redevelopment project opened in February of 2021. This added assisted living and memory support rooms while eliminating boarding care. The Village on the Green redevelopment project opened over several months. Village on the Green added assisted living rooms which opened at the end of March of 2021, added and opened memory support in April of 2021 and opened the replacement health center in May of 2021. The monthly fee increases effective January 1, 2022 range from 2.7% to 6.1% and the mid-year monthly fee increases were 5.0%.

As of December 31, 2022, the Obligated Group received a total of $315,000 in COVID relief related funding compared to $1,127,000 for the same period in 2021. During 2022, the Obligated Group received $75,000 from the State of Texas and $240,000 from The Department of Health and Human Services. During 2021, the Obligated Group received $1,036,000 from Department of Health and Human Services in infection quality control payments and relief under the CARES Act’s Public Health and Social Services Relief Fund, $78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania’s Department of Human Services and an additional $13,000 in other COVID relief funds. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $278,383,000 in 2022, an increase of $34,266,000 or 14.0% from comparable expenses of $244,117,000 in 2021. Salaries and benefits increased $26,432,000 or 21.5% due primarily to substantial wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021 and for all remaining team members that took effect January 1, 2022. In addition, further wage increases for culinary, nursing, and housekeeping team members took effect August 1, 2022. These market driven wage increases exceeded the combined January and August resident rate increases by approximately $4,542,000. General and administrative expense increased $4,591,000 or 7.0% due primarily to additional legal reserves for prior year claims (totaling approximately $1,645,000) and higher real estate taxes (primarily a result of the redevelopment projects). Plant expense increased $1,833,000 or 10.3% due primarily to higher costs in consulting and outsourcing services, security services and equipment, utilities, and costs from Hurricane Ian in September 2022 (totaling approximately $773,000). Dietary costs increased $3,131,000 or 14.4% due primarily to higher raw food costs. Medical and other resident care expenses decreased $1,488,000 or 10.3%, due primarily to less agency costs. Agency costs were $5,804,000 as of December 31, 2022 compared to $7,785,000 in the same period of 2021. While a decrease of $1,981,000, agency usage persisted during the first several months of 2022 substantially above pre-pandemic levels. However, during 2022, agency expenses declined from over $1,100,000 for the month of January 2022 to below $100,000 for the month of December 2022. 2022 also continued to see high levels of expenses related to COVID-19. Primarily incurred during the first half of 2022, direct COVID-19 expenses total approximately $2,408,000 compared to approximately $3,760,000 in 2021. However, as noted above, in 2021 $1,127,000 of COVID relief funds were received which helped offset that year's expenses, while only $315,000 was received in 2022.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

COVID-19 is impacting each of the communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. Lifespace has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. As of the date of this disclosure, there are 28 positive resident cases.

Year Ended December 31, 2022 Actual versus Budget

The Lifespace Board of Directors annually approves the budget that results in an accepted net operating margin, net entrance fees and capital expenditures. The chart below shows line-item comparisons to the board approved net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

(in thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent Living Fees	$139,021	$136,843	$2,178
Skilled nursing, assisted living and memory support fees	129,208	122,244	6,964
Other	315	382	(67)
	268,544	259,469	9,075
Expenses			
Operating expenses:			
Salaries and benefits	149,346	144,759	(4,587)
General and administrative	70,291	64,713	(5,578)
Plant operations	19,694	17,240	(2,454)
Housekeeping	1,266	1,347	81
Dietary	24,868	22,038	(2,830)
Medical and other resident care	12,918	6,693	(6,225)
	278,383	256,790	(21,593)
Net operating margin	(9,839)	2,679	(12,518)
Net entrance fees, including initial entrance fees	81,585	62,879	18,706
Capital expenditures, financed with bond proceeds	71,523	93,577	22,054
Capital expenditures, routine and community projects	40,712	62,853	22,141

Net operating margin is unfavorable to budget by $12,518,000. As noted above, several areas of costs were incurred in 2022 that were either unusual in nature and/or levels of expenditures that negatively impacted the financial performance compared to budget. Most notable 2022 expenses impacting the net operating margin are COVID-19 expenses (approximately $2,408,000), agency usage (approximately $2,250,000, premium paid), unusually high attrition (approximately $1,488,000), prior year claims adjustments (approximately $1,645,000), and expenses related to Hurricane Ian (approximately $773,000).

Independent living fees are favorable to budget by $2,178,000, which is related to occupancy and a mid-year monthly fee increase. The year to date average occupancy budgeted for the year ended December 31, 2022 was 76.5% while actual year to date ended higher at 77.3%.

As mentioned earlier, a mid-year monthly fee increase was implemented August 1, 2022 which ranged from 2.5% to 6.2% and was not budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $6,964,000 due primarily to higher occupancy than budgeted and a mid-year fee increase that was not budgeted. The health center budgeted an average year to date occupancy of 87.7% and has actual occupancy of 90.5%. Assisted Living budgeted an average year to date occupancy of 87.3% and has actual occupancy of 91.8%. Memory Support budgeted an average year to date occupancy of 89.9% and has actual occupancy of 91.7%. The mid-year increase was 5% and effective August 1, 2022.

Salaries and benefits are $4,587,000, or 3.2%, unfavorable to budget due primarily to wage increases that took effect on August 1, 2022 for culinary, nursing and housekeeping team members. This increase in wage was offset by the monthly fee mid-year increases however was not budgeted.

General and administrative expense is unfavorable to budget by $5,578,000, or 8.6%, due primarily to real estate taxes, continued COVID costs and additional reserves related to prior years that were not budgeted.

Plant operations expense is unfavorable to budget by $2,454,000, or 14.2%, due primarily to higher consulting and outsourcing services, security services and equipment, utilities, garbage and hazardous waste disposal, repair and maintenance, and natural disaster costs from Hurricane Ian than budgeted.

Dietary expense is unfavorable to budget by $2,830,000, or 12.8%, due primarily to higher raw food costs than budgeted.

Medical and other resident care expense is unfavorable to budget by $6,225,000, or 93.0%, due primarily to higher use of agency than budgeted. Agency costs for 2022 are $5,804,000, of which $30,000 was budgeted.

Net entrance fees are favorable to budget by $18,706,000. The budget for the year ended December 31, 2022 had 339 closings compared to the actual closings of 336. The slight shortfall in closings was offset by a higher average net entrance fees than budgeted.

Capital expenditures financed with bond proceeds are approximately $22,054,000 less than budgeted. This is the result of timing. Approximately $22,141,000 less was spent on routine capital expenditures than budgeted.

Ratios:

The Net Operating Margin Ratio decreased from 0.8% at December 31, 2021 to (3.7%) at December 31, 2022. The Net Operating Margin, Adjusted Ratio decreased from 18.8% at December 31, 2021 to 15.9% at December 31, 2022. The annual debt service coverage ratio decreased from 2.3 at December 31, 2021 to 2.0 at December 31, 2022. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the increase in net entrance fees excluding the initial entrance fees. However, that increase is offset by the decrease in net operating margin. Further details on net entrance fees are stated in the Liquidity and Capital Requirements section below.

Investment income decreased when comparing the year ended December 31, 2022 to the same period in 2021. Excluding the unrealized gain/loss, investment income represents a decrease of $9,800,000, which impacts the debt service coverage ratio in a negative manner. However, that decrease is offset by the increase in entrance fees when excluding the initial redevelopment entrance fees which are not included in the debt service coverage ratio. The following chart shows the components of investment income in thousands of dollars.

	December 31, 2022	December 31, 2021
Interest and Dividend Income	$3,560	$4,415
Realized Gain/(Loss)	(941)	8,004
Unrealized Gain/(Loss)	(27,006)	5,909
Total	($24,387)	$18,328

The Adjusted Debt to Capitalization increased from 98.2% at December 31, 2021 to 113.8% at December 31, 2022. Both periods are above the benchmark of 54.0%.

Liquidity and Capital Requirements – Year Ended December 31, 2022 versus Year Ended December 31, 2021:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds and including initial entrance fees, were $81,585,000 for the year ended December 31, 2022 compared to $96,292,000 for the same period in 2021. The number of closings decreased to 336 in the year ended December 31, 2022 from 348 reoccupancies in the year ended December 31, 2021. There were initial entrance fees at two communities of $19,202,000 (28 closings) in the year ended December 31, 2022 and $41,862,000 (64 closings) for the same period in 2021.

Daily operating expenses for 2022 increased to $811,000 from $712,000 in 2021, an increase of 13.9%, due primarily to market wage adjustments. The overall unrestricted cash position decreased from $214,073,000 at December 31, 2021 to $188,338,000 at December 31, 2022, a change of 12.0%. The Days Cash on Hand Ratio decreased from 301 days at December 31, 2021 to 232 days at December 31, 2022. The reduction in unrestricted cash and investments was due primarily to $27.0 million of unrealized investment losses, resulting in a decline of 33 days cash on hand.

Capital expenditures for the communities for the year ended December 31, 2022 were $112,235,000, while depreciation expense for the same period was $54,526,000. The remaining redevelopment projects mentioned below account for $56,166,000 of this year-to-date 2022 expenditure balance. In addition, various community projects were funded by the Series 2021 and Series 2022 financings in the amount of $15,357,000 for the year ended December 31, 2022. Capital expenditures for the communities for the year ended December 31, 2021 were

$87,242,000, while depreciation expense for the same period was $52,224,000. As stated below, the five redevelopment projects account for $52,874,000 of this year-to-date 2021 expenditure balance. In addition, various community projects were funded by the Series 2021 financing in the amount of $4,939,000 for the year ended December 31, 2021.

To evaluate the financial aspect of the needed re-investment in the communities, management targets capital expenditures as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view and a 10-year forecast period to assist with the annual capital expenditure decisions. The 5-year historical ratio for the Obligated Group at December 31, 2021 is 167% which is higher than the range as a result of the redevelopment projects. The redevelopment projects are mostly funded with long-term debt and internal cash. Routine capital projects are expected to be funded from internal cash flows.

On August 1, 2021 Lifespace sold Grand Lodge to a third party. The proceeds from this sale were used to pay outstanding bonds of $13,956,000.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018, and 2019 of which the proceeds support five redevelopment construction projects. On August 31, 2021, Lifespace completed the fourth and final bond financing to assist in the completion of five redevelopment projects. Lifespace received proceeds from issuing $120.4 million of Series 2021 bonds. The bonds sold at a premium generating $132.5 million of proceeds. The proceeds from these bonds will pay redevelopment costs of $85.0 million at Friendship Village of Bloomington and Oak Trace, fund cost of issuance of $2.4 million and funded interest of $5.9 million. In addition, several communities are receiving proceeds to assist with community projects. The Series 2010 bonds were refinanced with the issuance of the Series 2021 financing.

On November 16, 2022, Lifespace Communities completed a privately placed tax-exempt bond financing that will support The Waterford's redevelopment construction project and smaller projects at the other four Florida communities of Abby Delray, Abbey Delray South, Harbour's Edge and Village on the Green. Lifespace received proceeds from issuing $85.0 million of Series 2022 bonds. The proceeds from these bonds will pay redevelopment costs of $54.1 million at The Waterford, fund cost of issuance of $0.8 million and funded interest of $3.7 million. In addition, several Florida communities received proceeds of $26.4 million to assist with community projects.

Initial entrance fees collected at two of the redevelopment communities have been used to pay down the Series 2019A-2 debt issuance. As of December 15, 2021, the principal amount of $26,850,000 has been fully retired.

Lifespace has secured a line of credit with a bank for $25 million to support the redevelopment efforts. The line of credit is to be used for the redevelopment projects when bond project funds are depleted and prior to the issuance of additional bonds as described below. The terms and covenants of the line of credit follow the master trust indenture. As of December 31, 2022, $16.7 million has been drawn on this line of credit and has $3.4 million outstanding.

Three communities are in the process of significant construction at December 31, 2022. All three of the communities are using proceeds from the Series 2021 and Series 2022 Bonds. As with any construction project, the timing of expenditures and the project budget can change through the passage of time or as the project advances in development. The monthly Redevelopment Project Status Report filed on EMMA provides additional details regarding the construction projects.

Management continuously reviews and prioritizes the needs at each of the Communities to determine what is needed to enhance the Community, fill service gaps, stay competitive in the market place and grow. There is no guarantee that the Lifespace will complete all the projects listed above, that the scope will not be materially altered or that additional Communities will not be added.

On September 13, 2022, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at 'BBB' with a stable outlook. On February 9, 2023, Fitch issued a press release stating Lifespace Communities, Inc. has been placed on Rating Watch Negative.

In conjunction with the acquisition of The Stayton in June 2019, Lifespace provided a Liquidity Support Agreement ("LSA") to the Stayton trustee. Pursuant to the LSA, Lifespace made a deposit of $3,000,000 to be held by the Stayton trustee in a liquidity support account. This was funded from sources other than the Obligated Group. Lifespace has an unfunded commitment in the amount of up to $3,000,000 which may be drawn upon in accordance with the LSA. This $3,000,000 would likely come from the Obligated Group. In October 2022, the Obligated Group funded The Stayton with $600,000 as part of the unfunded commitment amount in the LSA. On January 13, 2023, the BOKF, N.A. and The Stayton entered into a Forbearance Agreement. In conjunction with the Forbearance Agreement, BOKF, N.A., The Stayton, and Lifespace entered into the First Amendment to Liquidity Support Agreement. Pursuant to the First Amendment to Liquidity Support Agreement, the Trustee shall be permitted to withdraw up to $900,000 previously deposited by Lifespace and held by the Trustee in the Liquidity Support Account to pay fees and expenses of the Trustee's counsel and advisors. No other substantive changes were made to the Liquidity Support Agreement.

In conjunction with the acquisition of Newcastle Place on July 1, 2021, Lifespace made an $8,000,000 equity contribution and provided a Liquidity Support Agreement for the Newcastle Place long-term indebtedness which is currently outstanding in the aggregate principal amount of approximately $5,000,000. At December 31, 2022 the Liquidity Support Agreement remains unfunded. Lifespace also holds approximately $8,000,000 million of subordinated bonds issued by Newcastle Place.

As stated within the EMMA notice filed July 28, 2022, effective July 19, 2022, an unfunded Liquidity Support Agreement has been entered into between Lifespace and UMB Bank, National Association (the "Bond Trustee"), as trustee under the Bond Trust Indenture dated as of July 1, 2022 between Tarrant County Cultural Education Facilities Finance Corporation (the "issuer") and the Bond Trustee related to Senior Series 2022 Bonds. The Liquidity Support Agreement provides for an aggregate maximum support amount of $7,412,300. At December 31, 2022 the Liquidity Support Agreement remains unfunded.

As stated within the EMMA notice filed January 9, 2023, Lifespace has agreed to provide certain limited financial support relative to the plan of reorganization contained within the Third Amended Disclosure Statement filed in December 2022 by Edgemere (collectively the "Plan"), pending final confirmation of the Bankruptcy Court. Specifically, the Plan provides for a settlement of all potential Estate, Trustee, DIP Lender and Resident claims against Lifespace in exchange for (a) a $16.5 million payment to the Trustee on the Effective Date for Distribution to holders of the Original Bonds, pursuant to the terms of the Original Bond Documents (the "Lifespace Bond Contribution"), and (b) subject to certain conditions, annual payments (the "Lifespace Resident Contributions") made into a trust, pursuant to the schedule attached to the Third Amended Disclosure Statement, which funds shall be used to pay participating Residents for claims relating to their Residency Agreements. The anticipated Lifespace Resident Contributions will be paid over approximately 19 years in an aggregate amount of approximately $143,000,000, subject to certain contribution deferral provisions. In exchange for the Lifespace Resident Contributions and the releases provided under the Plan, Lifespace will be entitled to a Pro Rata distribution of Litigation Trust Assets, in accordance with the terms of the Plan and the Litigation Trust Agreement. The Lifespace Bond Contribution and Lifespace Resident Contributions are collectively referred to as the "Lifespace Contribution".

On February 10, 2023, Lifespace posted an event notice on EMMA as notification of the incurrence of a financial obligation. In conjunction with the Member Substitution Agreement of GreenFields of Geneva, Lifespace has provided financial support and entered into unfunded Liquidity Support Agreements.

Forward-Looking Statements:

This document contains various "forward-looking statements". Forward-looking statements represent our expectations or beliefs concerning future events. The words "plan", "expect' "estimate" "budget" and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect the Obligated Group's business and operating results, we further caution you that other factors may in the future prove to be important in affecting the Obligated Group's results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Lifespace Communities, Inc.
Obligated Group Selected Historical Financial Information
(Thousands of $)

Historical Debt Service Coverage	**Year Ended December 31 (Unaudited) 2022**	**Year Ended December 31 (Audited) 2021**	**2020**	**2019**
Excess (deficit) of revenues over expenses	(86,480)	(32,081)	(7,071)	(57)
Less:				
Entrance fees earned	(33,521)	(29,802)	(31,694)	(30,468)
Initial redevelopment entrance fee and/or redevelopment deposits	(19,202)	(41,862)	1,290	(7,653)
Add:				
Depreciation	54,526	52,224	47,028	43,778
Amortization	12,429	12,225	15,873	6,609
Interest Expense	18,815	17,468	14,781	7,595
Expenses paid by long-term debt issuances	1,234	1,719	1,273	2,305
Unrealized (gain) loss on securities	27,006	(14,953)	(3,298)	(15,243)
Realized loss on sale of assets	5	12	616	2,923
Loss on extinguishment of debt	-	214	-	-
Entrance fee proceeds (less refunds)	81,585	96,292	15,215	48,353
Income available for debt service	56,397	61,456	54,013	58,142
Annual debt service payment	27,717	27,213	25,926	20,372
Annual debt service coverage (b)(c)(d)	2.0	2.3	2.1	2.9
Maximum annual debt service payment	40,586	34,748	32,614	31,917
Maximum annual debt service coverage (d)	1.4	1.8	1.7	1.8
Cash to Debt				
Unrestricted cash and investments (a)	188,338	214,073	212,456	194,906
Debt service reserve fund	32,359	34,245	37,847	37,867
	220,697	248,318	250,303	232,773
Bonds outstanding long-term	642,994	567,332	510,743	519,389
Annual debt service	27,717	27,213	25,926	20,372
Maximum annual debt service	40,586	34,748	32,614	31,917
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.3	0.4	0.5	0.4
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	8.0	9.1	9.7	11.4
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	5.4	7.1	7.7	7.3
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	295,964	259,866	236,958	219,134
Daily expenses	811	712	647	600
Days of unrestricted cash & investments on hand (b)(c)(d)	232	301	328	325
Other Ratios				
Net operating margin (c)(d)	-3.7%	0.8%	7.5%	2.1%
Net operating margin, adjusted (c)(d)	15.9%	18.8%	13.4%	17.5%
Adjusted debt to capitalization (c)(d)	113.8%	98.2%	91.7%	88.0%

(a) The balances include the Cash & Cash Equivalents, Investments, and the Florida operating and renewal and replacement reserve funds.

(b) The financial ratios that are required by the financing documents.

(c) The financial ratios that are monitored monthly by Lifespace.

(d) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.