MONTHLY REPORT
for the month ended January 31, 2020

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE COMMUNITIES

March 10, 2020

UMB Bank
Ginny Housum
120 Sixth Street South, Suite 1400
Minneapolis, MN 55402

RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

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

The Stayton

Are complete, correct and fairly present the financial conditions and results of operations for the month ended January 31, 2020, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

Larry M. Smith

Larry M. Smith

The Stayton
Management's Discussion and Analysis

Overview:

Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way ("The Stayton") is a Texas not-for-profit corporation. The Stayton was formed for the purpose of constructing, owning and operating a continuing care retirement community in Fort Worth, Texas, known as The Stayton at Museum Way, providing housing, health care and other related services to its residents.

In June 2019, Lifespace Communities, Inc. ("Lifespace") an Iowa nonprofit corporation, completed an affiliation with Senior Quality Lifestyles Corporation ("SQLC"). As a result of this affiliation, Lifespace is the sole member of The Stayton and has taken over management of the community.

The 2019 financial statement audit is in process. The audit is expected to be finalized and filed on EMMA no later than May 31, 2020, as required by the bond documents. In addition, in accordance with accounting standards, the balance sheet for The Stayton is required to be fair valued at the time of the affiliation to determine if there is any resulting intangible assets or goodwill. The accounting standards allow one year to complete this valuation. Lifespace has engaged an accounting firm to perform this valuation which is currently in process, and is expected to be completed prior to the issuance of the December 31, 2019 audited financial results. All fair value adjustments, which will include but are not limited to intangible assets, goodwill, fixed assets and the removal of equity prior to the affiliation will be reflected in the December 31, 2019 audited financial statements. The January 31, 2020 balance sheet included in this disclosure does not reflect these adjustments, or any audit adjustments that may be identified. For this reason, the January 31, 2020 balance sheet presented in future periods will be different than this disclosure.

The Stayton converted to Lifespace's financial system on October 1, 2019, which included converting to the Lifespace chart of accounts. As a result of this conversion the reporting package has changed, and certain 2019 amounts have been reclassed to conform with the 2020 presentation.

During 2018 and 2019, The Stayton did not remit to the Trustee the full amount of required monthly debt service payments. As a result, on November 15, 2018 the Trustee provided notice that the interest due on that date was paid in full, funded in part by a draw on the debt service reserve funds, and that no payment was made for the $915,000 in principal due. On May 14, 2019, the Trustee provided notice that one-half of the semi-annual interest payment, due May 15, 2019, was paid, funded entirely by a draw on the debt service reserve funds. Effective June 20, 2019, Lifespace, The Stayton, the bond trustee, and certain holders of approximately 70% of the Series 2009 Bonds entered into a forbearance agreement and a plan support agreement in connection with the financial restructuring of the Series 2009 Bonds. The Stayton filed a chapter 11 petition in the U.S. Bankruptcy Court to implement the terms of the financial restructuring in November 2019. The restructuring included an exchange of The Stayton's Series

2009 Bonds for the new Series 2020 Bonds and became effective January 3, 2020. The Series 2020 Bonds are reflected in the January 2020 financials and ratios.

Operational Charts and Financials:

The Stayton

Apartments/Units Available

	Residential Living	Assisted Living		Health Center		
	Apartments	Assisted Living	Memory Support		Total	CMS 5-Star Rating *
The Stayton	188	42	20	46	296	5

* The CMS 5-Star rating is as of February 3, 2020.

Average Occupancy

	Fiscal Year Ended December 31,			Month ended January 31,	
	2017	2018	2019	2019	2020
Residential Living	98.8%	96.9%	94.6%	95.2%	94.1%
Assisted Living	91.1%	91.7%	94.4%	97.6%	92.9%
Memory Support	86.3%	92.9%	88.3%	90.0%	100.0%
Health Center	89.7%	83.0%	90.9%	73.9%	97.8%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Month ended January 31,	
	2017	2018	2019	2019	2020
Beginning Residential Living Occupied	188	185	179	179	180
RL Move-Ins	11	15	21	1	-
Transfers to the Health Center	(10)	(11)	(10)	-	-
RL Move-Outs and Death	(4)	(10)	(10)	(1)	(3)
Ending Residential Living Occupied	185	179	180	179	177
Ending Occupancy Percentage	98.4%	95.2%	95.7%	95.2%	94.1%

Health Center Payor Mix

The Health Center beds are certified for Medicare. The average payor mix in the Health Center for the fiscal years ending December 31, 2017 through 2019 and month ended January 31, 2019 and 2020 are shown below:

	Fiscal Year Ended December 31,			Month ended January 31,	
	2017	2018	2019	2019	2020
Lifecare	32.7%	28.1%	25.7%	33.3%	19.0%
Medicare	42.1%	47.3%	52.5%	42.2%	57.0%
Non-Life Care Resident	25.2%	24.6%	21.8%	24.5%	24.0%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of January 31 (Unaudited)
(Thousands of $)

	2020	**2019**
Assets		
Current Assets:		
Cash and Cash Equivalents	$6,405	$6,873
Accounts Receivable	1,824	1,322
Inventories	17	26
Prepaid Insurance & Other	368	570
Assets whose use is limited	540	9
Total Current Assets	9,154	8,800
Assets whose use is limited	9,325	9,188
Property and equipment, at cost:		
Land and improvements	4,566	4,566
Buildings and improvements	125,182	124,778
Furniture and equipment	4,071	4,492
	133,819	133,836
Less accum. deprec.	(29,389)	(26,097)
Net property and equipment	104,430	107,739
Net deferred assets	63	0
TOTAL ASSETS	$122,972	$125,727

The Stayton
Balance Sheets
As of January 31 (Unaudited)
(Thousands of $)

	2020	**2019**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$828	$1,137
Intercompany	452	3,618
	1,280	4,755
Accrued liabilities:		
Employee compensation expense	281	449
Interest	502	2,037
Other	6	17
	789	2,503
Entrance fee refunds	452	946
Long-term debt due within one year	0	1,905
Total current liabilities	2,521	10,109
Entrance fee deposits	234	467
Long-term Notes Payable and Intercompany Payable	0	6,664
Long-term Bonds due after one year	107,667	99,136
Deferred entrance fees	11,223	11,252
Refundable entrance and membership fees	94,458	91,120
Future Service Obligation	0	5,598
Total liabilities	216,103	224,346
Net assets without donor restrictions	(93,131)	(98,619)
TOTAL LIABILITIES AND NET ASSETS	$122,972	$125,727

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Month Ended January 31 (Unaudited)
(Thousands of $)

	2020	2019
Revenues		
Residential living fees	$920	$874
Entrance fees earned	123	121
Skilled nursing, assisted living and memory support fees, net	1,005	741
Investment income	16	29
	2,064	1,765
Expenses		
Operating expenses:		
Salaries and benefits	688	659
General and administrative	390	448
Plant operations	89	108
Housekeeping	6	4
Dietary	206	131
Medical and other resident care	184	133
Depreciation	305	317
Interest	482	707
	2,350	2,507
Changes in net assets	(286)	(742)
Net assets at beginning of year	(92,845)	(97,877)
Net assets at end of the period	($93,131)	($98,619)

The Stayton
Statements of Cash Flow
For the Month Ended January 31 (Unaudited)
(Thousands of $)

Operating activities	**2020**	**2019**
Changes in unrestricted net assets	($286)	($742)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(123)	(121)
Proceeds from nonrefundable entrance fees and deposits	21	123
Depreciation and Amortization	305	317
Amortization of Financing Costs	0	12
Net accretion of original issue premium/discounts	0	4
Interest applied to long term debt	6,466	0
Change in unrealized (depreciation) appreciation of investments	(13)	0
Net sales of trading investments	(1,913)	(217)
Change in entrance fee deposits	9	231
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(214)	(177)
Accounts payables and accrued liabilities	(7,327)	897
Net cash provided (used) in operating activities	(3,075)	327
Investing activities		
Purchases of property and equipment	(24)	(15)
Net cash used in investing activities	(24)	(15)
Financing activities		
Proceeds from refundable entrance fees and deposits	434	1,109
Refunds of entrance fees	(275)	(584)
Net cash provided in financing activities	160	525
Net (decrease) increase in cash and cash equivalents	(2,939)	837
Cash and cash equivalents at beginning of year	9,344	6,036
Cash and cash equivalents at end of period	$6,405	$6,873

Month Ended January 31, 2020 versus Month Ended January 31, 2019:

The average year-to-date residential living occupancy at January 31, 2020, was 177.0 residential living homes (94.1% of the 188 available homes). The average year-to-date occupancy at January 31, 2019 was 179.0 residential living homes (95.2% of the 188 available homes).

Revenues from residential living monthly fees and related charges amounted to $920,000 in 2020, a 5.3% increase from $874,000 for the same revenue sources in 2019. The increase is driven by monthly fee increases of an average of 3.7% that took effect January 1, 2020, increase in the miscellaneous income such as guest meals and activities and less promotional discounts.

Revenues from the health center, assisted living, and memory support fees, net of contractual allowances and pass-through therapy expenses were $1,005,000 in 2020 compared to $741,000 in 2019, an increase of 35.6%. This increase is the result of increased census in memory support and the health center. Memory support had an average occupancy of 100% for the month of January while the health center had an average occupancy of 97.8%. Assisted living, memory support and the health center had monthly fee increases of 3.7% effective January 1, 2020.

Total operating expenses, excluding depreciation and interest expense, were $1,563,000 in 2020, an increase of $80,000 or 5.4% from comparable expenses of $1,483,000 in 2019. Salaries and benefits increased $29,000 or 4.4% as a result of annual merit increases of 2.0% and adding a few positions. Offsetting these increases are wages for culinary team member that are now recorded within culinary costs due to the implementation of a new culinary program with a third party provider. General and administrative expense decreased $58,000 or 13.0% as a result of approximately $30,000 less in refinancing related costs and $27,000 less in contributions to another organization. Plant operations decreased $19,000 or 17.6% as a result of lower cost in repairs and maintenance and utilities compared to the same period in 2019. Dietary costs increased $75,000 or 57.3% which is the result of implementing a new culinary program with a third party provider along with increased occupancy. Medical and other resident care increased $51,000 or 38.4% as a result of higher census and employment agency.

Month Ended January 31, 2020 Actual versus Budget:

The Board of Directors annually approves the budget. 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			
Residential Living Fees	$920	$941	($21)
Skilled nursing, assisted living and memory support fees, net	1,005	828	177
	1,925	1,769	156
Expenses			
Operating expenses:			
Salaries and benefits	688	701	13
General and administrative	390	297	(93)
Plant operations	89	126	37
Housekeeping	6	14	8
Dietary	206	141	(65)
Medical and other resident care	184	185	1
	1,563	1,464	(99)
Net operating margin	362	305	57
Net entrance fees	180	403	(223)
Capital expenditures	24	93	69

Net operating margin is favorable to budget by $57,000.

Residential living fees are unfavorable to budget by $21,000 as a result of occupancy in the smaller apartments versus the larger apartments.

Skilled nursing, assisted living and memory support fees are favorable to budget by $177,000 as a result of assisted living, memory support and the health center occupancies exceeding budget. Year-to-date average assisted living occupancy is 92.9% compared to a budget of 83.3%. Year-to-date average memory support occupancy is 100.0% compared to a budget of 75.0%. Year-to-date average health center occupancy is 97.8% compared to a budget of 89.1%.

Salaries and benefits are $13,000, or 1.9%, favorable to budget primarily due to few exempt positions that are currently open.

General and administrative expense is unfavorable to budget by $93,000, or 31.3%. There were refinancing related costs that were $115,000 higher than budgeted. These are one-time costs that will not reoccur.

Plant Operations costs are favorable to budget by $37,000, or 29.4% as a result of lower repairs and maintenance and utilities.

Dietary costs are unfavorable to budget by $65,000, or 46.1% as a result of increased census in higher levels of living. In addition, a new culinary program was implemented in the fourth quarter 2019, which results in some costs budgeted in salaries and benefits while currently recorded in the dietary costs line.

Net entrance fees are unfavorable to budget by $223,000. There were no closings in January 2020 compared to a budget of 1.9 closings. There were net deferrals received as of January 31, 2020 of $244,000, which increases net entrance fees.

Capital expenditures are favorable to budget by $69,000. One of the biggest capital expenditures throughout the year are apartment refurbishments that occur when the apartments come available. There was one apartment that became available in January.

Ratios:

Lifespace uses the Fitch investment grade medians as benchmarks. The ratios for both the investment grade and the BBB ratings are shown in the footnote to the ratio calculation schedule.

On January 3, 2020, The Stayton completed a bond exchange of its Series 2009 Bonds for new Series 2020 Bonds issued in the amount of $112,262,464. The Series 2020 Bonds bear interest at 5.75%, have a final maturity in 2054 and are interest only through 2024. Annual debt service in 2020 is $5,881,253. Maximum annual debt service is $7,519,584. The following is a summary of the long-term debt payable:

(in thousands)	January 31, 2020	January 31, 2019
Series 2009 Bonds	-	105,795
Series 2020 Bonds	112,262	-
Notes Payable	-	664
Liquidity Support	-	6,000
	112,262	112,459
Less: Net Unamortized Original Issue Discount	(2,048)	(2,086)
Less: Net Unamortized Issuance Costs	(2,547)	(2,668)
	107,667	107,705
Less: Amounts Due within One Year	-	1,905
Amounts Due after One Year	107,667	105,800

The Series 2020 Bonds have a debt service coverage ratio covenant, a liquidity covenant and an occupancy covenant. The testing dates for the debt service coverage ratio covenant and the liquidity covenant are June 30 and December 31 and begin June 30, 2021. The occupancy covenant is tested quarterly and testing begins June 30, 2020. The debt service coverage ratio covenant level is 1.10 for the first two testing dates and 1.20 thereafter. The liquidity covenant level is 120 days cash on hand. Calculation of days cash on hand includes amounts available from a $6.0 million liquidity support agreement provided by Lifespace. The occupancy covenant level is 88.0% occupancy of independent living apartments.

Liquidity and Capital Requirements –Month Ended January 31, 2020 versus Month Ended January 31, 2019:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $180,000 in 2020 compared to $648,000 for 2019. There were no closings as of January 31, 2020 and one closing for the same period ended 2019. In January 31, 2020, there was deferral collections of $244,000.

Daily operating expenses for January 31, 2020 decreased to $66,000 from $71,000 for January 31, 2019, a change of 7.0%. The overall unrestricted cash position decreased from $6,873,000 at January 31, 2019 to $6,405,000 at January 31, 2020, a change of 6.8%. In addition, there is a $6,000,000 million liquidity support agreement provided by Lifespace. No amounts have been drawn on this agreement as of January 31, 2020.

Capital expenditures for the community for the month ended January 31, 2020 were $24,000, while depreciation expense for the same period was $305,000. Capital expenditures for the community for the month ended January 31, 2019 were $15,000, while depreciation expense for the same period was $317,000.

To evaluate the financial aspect of the needed re-investment in the community, Lifespace management targets capital expenditures for all communities it manages as a percentage of depreciation in the range of 70% to 130%. Lifespace will apply this approach to The Stayton as budgets are prepared for 2021 and going forward. This ratio is monitored on a 5-year historical view to assist with the annual capital expenditure decisions. The 5-year historical ratio for The Stayton at December 31, 2018 is 13% and falls well below the targeted range of Lifespace guidelines. It is not unusual to fall below the 70% of depreciation for a community that has been in service less than 15 years. Routine capital projects are expected to be funded from internal cash flows.

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 Stayton's business and operating results, we further caution you that other factors may in the future prove to be important in affecting The Stayton'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.

The Stayton
Selected Historical Financial Information
(Thousands of $)

Historical Debt Service Coverage	**Month Ended January 31 (Unaudited) 2020**
Excess (deficit) of revenues over expenses	(286)
Less:	
Entrance fees earned	(123)
Add:	
Depreciation	305
Interest Expense	482
Unrealized (gain) loss on securities	(13)
Entrance fee proceeds (less refunds)	180
Income available for debt service	545
Annual debt service payment	5,882
Annual debt service coverage (a)(b)(c)	1.1
Annual debt service coverage covenant (d)	1.1
Days Cash on Hand	
Unrestricted cash and investments	6,405
Liquidity support agreement (e)	6,000
	12,405
Department operating expenses plus interest	2,045
Daily expenses	66
Days of unrestricted cash & investments on hand (a)(b)(c)	188
Days of unrestricted cash & investments on hand covenant	120
Other Ratios	
Net operating margin (b)(c)	18.8%
Net operating margin, adjusted (b)(c)	25.7%
Adjusted debt to capitalization (b)(c)	418.0%

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

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

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 5.9%, net operating margin, adjusted of 22.9%, maximum annual debt service of 2.4 times, days cash on hand of 501 and adjusted debt to capitalization of 54.3%. The latest "BBB" ratings are as follows: net operating margin of 5.9%, net operating margin, adjusted of 23.0%, maximum annual debt service of 1.9 times, days cash on hand of 465 and adjusted debt to capitalization of 63.1%.

(d) The debt service coverage ratio covenant is 1.1 times through December 2021 and 1.2 times thereafter.

(e) Lifespace has provided a $6.0 million liquidity support agreement. In accordance with the 2020 bond documents, amounts available under this agreement are included in days cash on hand.

The table below summarizes the current period entrance fee turnover activity.

	Net Entrance Fee Turnover			
	Fundings per the queue			
	Entrance Fee Receipts	Monthly Additions to Refund Queue	Remaining Unfunded	Entrance Fee Turnover
End of 2019			(1,468,317)	-
January	451,809	(2,222,363)	(3,238,871)	-
YTD 2020				-
	Other Accounts Impacting Net Entrance Fees			
Change in refunds in process				177,000
Rounding/Immaterial				3,000
Net Entrance Fees				180,000