MONTHLY REPORT
for the eleven months ended November 30, 2020

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE
COMMUNITIES

December 30, 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, Senior Vice President 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 eleven months ended November 30, 2020, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

Nick Harshfield

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 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 certain 2019 amounts have been reclassed to conform with the 2020 presentation. In addition, accounting standards require Lifespace to fair value the assets and liabilities assumed at the affiliation date. Information regarding the fair values are disclosed in the audited financial statements, note 11. These fair value adjustments are reflected in the accompanying interim balance sheets.

Calendar year-end financial information for December 31, 2019 is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

This interim report should be read together with the annual report that includes audited year-end financial statements.

Operational Charts and Financials:

The Stayton

Apartments/Units Available

	Independent 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 December 29, 2020.

Average Occupancy

	Fiscal Year Ended December 31,			Eleven Months ended November 30,	
	2017	2018	2019	2019	2020
Independent Living	98.8%	96.9%	94.7%	94.5%	93.1%
Assisted Living	91.1%	91.7%	94.4%	94.2%	96.5%
Memory Support	86.3%	92.9%	88.3%	87.3%	92.1%
Health Center	89.7%	83.0%	90.9%	91.3%	79.1%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Eleven Months ended November 30,	
	2017	2018	2019	2019	2020
Beginning Independent Living Occupiec	188	185	179	179	181
IL Move-Ins	11	15	18	15	4
Transfers to the Health Center	(10)	(11)	(7)	(7)	(5)
IL Move-Outs and Death	(4)	(10)	(9)	(8)	(9)
Ending Independent Living Occupied	185	179	181	179	171
Ending Occupancy Percentage	98.4%	95.2%	96.3%	95.2%	91.0%

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 the eleven months ended November 30, 2019 and 2020 are shown below:

	Fiscal Year Ended December 31,			Eleven Months ended November 30,	
	2017	2018	2019	2019	2020
Lifecare	32.7%	28.1%	25.7%	25.9%	27.4%
Medicare	37.8%	36.9%	38.3%	39.2%	33.7%
Non-Life Care Resident	29.5%	35.0%	36.0%	34.9%	38.9%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of November 30 (Unaudited)
(Thousands of $)

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents	$2,159	$9,185
Investments	4,747	-
Accounts Receivable	1,854	1,480
Inventories	17	17
Prepaid Insurance & Other	226	431
Assets whose use is limited	3,557	9
Total Current Assets	12,560	11,122
Assets whose use is limited	7,820	6,685
Property and equipment, at cost:		
Land and improvements	4,934	4,910
Buildings and improvements	101,415	101,144
Furniture and equipment	2,032	1,973
	108,381	108,027
Less accum. deprec.	(5,520)	(1,876)
Net property and equipment	102,861	106,151
Net goodwill	43,491	53,095
Net deferred assets	57	-
Net intangible assets	9,649	10,921
TOTAL ASSETS	$176,438	$187,974

The Stayton
Balance Sheets
As of November 30 (Unaudited)
(Thousands of $)

	2020	2019
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$840	$969
Related Party	272	3,513
	1,112	4,482
Accrued liabilities:		
Employee compensation expense	466	434
Interest	3,552	5,110
Other	71	79
	4,089	5,623
Entrance fee refunds	726	-
Long-term debt due within one year	-	1,905
Total current liabilities	5,927	12,010
Entrance fee deposits	127	315
Long-term Bonds due after one year	112,261	103,890
Deferred entrance fees	6,984	7,922
Refundable entrance and membership fees	65,309	64,918
Future Service Obligation	-	5,598
Total liabilities	190,608	194,653
Net assets without donor restrictions	(14,170)	(6,679)
TOTAL LIABILITIES AND NET ASSETS	$176,438	$187,974

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Eleven Months Ended November 30 (Unaudited)
(Thousands of $)

	2020	2019
Revenues		
Independent living fees	$9,805	$9,532
Entrance fees earned	1,136	1,249
Skilled nursing, assisted living and memory support fees, net	9,237	9,265
Investment income	943	223
Other	667	-
	21,788	20,269
Expenses		
Operating expenses:		
Salaries and benefits	7,319	7,440
General and administrative	3,769	5,206
Plant operations	1,175	1,176
Housekeeping	93	114
Dietary	2,014	1,457
Medical and other resident care	1,806	1,926
Depreciation	3,342	3,684
Amortization	6,423	3,107
Interest	6,185	7,635
Loss on disposal of fixed assets	16	3
	32,142	31,748
Deficit of revenues over expenses	(10,354)	(11,479)
Contributions to Lifespace Communities, Inc.	(24)	-
Purchase accounting adjustment	-	102,677
Changes in net assets	(10,378)	91,198
Net assets at beginning of year	(3,792)	(97,877)
Net assets at end of the period	($14,170)	($6,679)

The Stayton
Statements of Cash Flow
For the Eleven Months Ended November 30 (Unaudited)
(Thousands of $)

Operating activities	**2020**	**2019**
Changes in unrestricted net assets	($10,378)	$91,198
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(1,136)	(1,249)
Proceeds from nonrefundable entrance fees and deposits	611	1,140
Depreciation and Amortization	9,765	6,692
Amortization of Financing Costs	-	73
Net accretion of original issue premium/discounts	-	27
Interest applied to long term debt	6,466	-
Change in unrealized appreciation of investments	(287)	(97)
Net (purchases) sales of trading investments	(4,460)	97
Purchase accounting adjustment	-	(102,677)
Contributions to Lifespace Communities, Inc.	24	-
Loss on disposal of property and equipment	16	3
Change in entrance fee deposits	(97)	79
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	428	215
Accounts payables and accrued liabilities	(4,170)	4,001
Net cash (used) provided in operating activities	(3,218)	(498)
Investing activities		
Purchases of property and equipment	(345)	(575)
Financing activities		
Contributions to Lifespace Communities, Inc.	(24)	-
Proceeds from refundable entrance fees and deposits	1,730	10,302
Refunds of entrance fees	(1,890)	(8,366)
Net cash (used) provided in financing activities	(184)	1,936
Net (decrease) increase in cash, cash equivalents and restricted cash	(3,747)	863
Cash, cash equivalents and restricted cash at beginning of year	17,283	15,016
Cash, cash equivalents and restricted cash at end of period	$13,536	$15,879

Eleven Months Ended November 30, 2020 versus Eleven Months Ended November 30, 2019:

The average year-to-date independent living occupancy at November 30, 2020, was 175.1 independent living homes (93.1% of the 188 available homes). The average year-to-date occupancy at November 30, 2019 was 177.7 independent living homes (94.5% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $9,805,000 in 2020, a 2.9% increase from $9,532,000 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 and offset by lower occupancy in independent living.

Revenues from the health center, assisted living, and memory support fees, net of contractual allowances and pass-through therapy expenses were $9,237,000 in 2020 compared to $9,265,000 in 2019, a decrease of 0.3%. While assisted living and memory support occupancy has increased when comparing periods, the health center has decreased. In addition, the payor mix is influencing the revenue negatively. Offsetting these decreases, assisted living, memory support and the health center had monthly fee increases of 3.7% effective January 1, 2020.

During the second quarter, The Stayton received approximately $590,000 from the Department of Health and Human Services as a relief under the CARES Act’s Public Health and Social Services Relief Fund. In August 2020, the Department of Health and Human Services issued a targeted distribution to skilled nursing facilities, of which The Stayton received an additional $77,000. Total funds received through the CARES Act in 2020 is $667,000. The Department of Health and Human Services continues to update the guidance regarding distribution of the funds. Retention and use of the funds are subject to certain terms and conditions and The Stayton will be required to submit documents to substantiate that these funds were used for increased healthcare-related expenses or lost revenue attributable to coronavirus, and that those losses were not reimbursed from other sources and other sources were not obligated to reimburse them.

Total operating expenses, excluding depreciation and interest expense, were $16,176,000 in 2020, a decrease of $1,143,000 or 6.6% from comparable expenses of $17,319,000 in 2019. Salaries and benefits decreased $121,000 or 1.6% as a result of the implementation of a new culinary program with a third party provider. Culinary team members are now recorded within the dietary expenses versus the salaries and benefits. Offsetting these decreases were annual merit increases of 2.0% in addition to adding new positions in higher levels of living as a result of increased occupancy. General and administrative decreased $1,437,000 or 27.6% due to lower financing related costs, legal services and marketing costs. Dietary costs increased $557,000 or 38.2%. This increase is the result of implementing a new culinary program with a third party provider in which some costs that were previously recorded in salaries and wages are now recorded in dietary. Medical and other resident care decreased $120,000 or 6.2% as a result of lower occupancy in the health center. In addition, there was less agency and professional dues and fees.

Subsequent to year-end, 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.

The COVID-19 impact on The Stayton changes on a daily basis. At any point in time, The Stayton can experience a resident or team member with a positive COVID-19 test. The Stayton has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. The Stayton has seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. There have also been additional compensation plans for team members put in place. The Stayton expects these costs to increase as the pandemic continues and is unable to estimate those additional costs.

The number of COVID-19 positive results at The Stayton has ranged from zero to 17 on a given day. As of the date of this disclosure, there are two resident cases.

Eleven Months Ended November 30, 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			
Independent Living Fees	$9,805	$10,452	($647)
Skilled nursing, assisted living and memory support fees, net	9,237	8,995	242
Other	667	-	667
	19,709	19,447	262
Expenses			
Operating expenses:			
Salaries and benefits	7,319	7,788	469
General and administrative	3,769	3,303	(466)
Plant operations	1,175	1,305	130
Housekeeping	93	183	90
Dietary	2,014	1,544	(470)
Medical and other resident care	1,806	2,040	234
	16,176	16,163	(13)
Net operating margin	3,533	3,284	249
Net entrance fees	451	4,428	(3,977)
Capital expenditures	345	1,023	678

Net operating margin is favorable to budget by $249,000.

Independent living fees are unfavorable to budget by $647,000 as a result of lower actual occupancy than budgeted and occupancy in the smaller apartments versus the larger apartments. Year-to-date independent living occupancy is 93.1% compared to a budget of 93.6%. In addition, there were more apartment discounts than were budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $242,000 as a result of assisted living and memory support occupancies exceeding budget. Year-to-date average assisted living occupancy is 96.5% compared to a budget of 83.3%. Year-to-date average memory support occupancy is 92.1% compared to a budget of 75.0%.

Other revenue is favorable to budget by $667,000. During the second quarter, The Stayton received approximately $590,000 from the Department of Health and Human Services as relief under the CARES Act's Public Health and Social Services Relief Fund. In August 2020, The

Stayton received an additional $77,000 from the Department of Health and Human Services as relief to skilled nursing facilities. Receipt of these funds were not budgeted.

Salaries and benefits costs are favorable to budget by $469,000, or 6.0%, due to the implementation of a new culinary program in the fourth quarter 2019, which results in some costs budgeted in salaries and benefits being recorded in the dietary costs line. In addition, there is a director position budgeted that has not been filled.

General and administrative costs are unfavorable to budget by $466,000, or 14.1%, due to financing related costs that were $270,000 higher than budgeted. These are one-time costs that will not reoccur. In addition, legal services and application software and licenses are higher than budgeted.

Plant Operations costs are favorable to budget by $130,000, or 10.0% as a result of lower repairs and maintenance and utilities.

Housekeeping costs are favorable to budget by $90,000, or 49.2%, due to less consulting/outsourcing services, which is due to timing. In addition, there were less repairs and maintenance than budgeted.

Dietary costs are unfavorable to budget by $470,000, or 30.4% as a result of higher census in assisted living and memory support when compared to budget. 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.

Medical and other resident care costs are favorable to budget by $234,000, or 11.5%, due to less employment agency, consulting services, professional dues and fees, and legal services.

Net entrance fees are unfavorable to budget by $3,977,000. There were four closings for the eleven months ended November 30, 2020 compared to a budget of 21 closings.

Capital expenditures are favorable to budget by $678,000. This is a result of timing, the inability to have vendors enter the communities due to COVID-19 restrictions, and fewer apartment turnovers.

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 $112,261,000. 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 $5,882,000. Maximum annual debt service is $7,520,000. The following is a summary of the long-term debt payable:

(in thousands)	November 30,	
	2020	2019
Series 2009 Bonds	-	105,795
Series 2020 Bonds	112,261	-
	112,261	105,795
Less: Amounts Due within One Year	-	1,905
Amounts Due after One Year	112,261	103,890

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 – Eleven Months Ended November 30, 2020 versus Eleven Months Ended November 30, 2019:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $451,000 in 2020 compared to $3,076,000 for 2019. There were four closings for the eleven months ended November 30, 2020 and 15 closings for the same period ended 2019. The Stayton pays out refunds in the order of the refund queue. The timing of refunds according to the queue heavily influences the net entrance fees.

Daily operating expenses for November 30, 2020 decreased to $67,000 from $75,000 for November 30, 2019, a change of 10.7%. The change is driven by decreased interest expense along with one more day in 2020 than 2019. The overall unrestricted cash position decreased from $9,185,000 at November 30, 2019 to $6,906,000 at November 30, 2020, a change of 24.8%. 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 November 30, 2020.

Capital expenditures for the community for the eleven months ended November 30, 2020 were $345,000, while depreciation expense for the same period was $3,342,000. Capital expenditures for the community for the eleven months ended November 30, 2019 were $575,000, while depreciation expense for the same period was $3,684,000.

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, 2019 is 14% 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	**Eleven Months Ended November 30 (Unaudited) 2020**	**2019**	**Year Ending December 31 (Audited) 2019**
Excess (deficit) of revenues over expenses	(10,354)	(11,479)	(8,592)
Less:			
Entrance fees earned	(1,136)	(1,249)	(2,247)
Add:			
Depreciation	3,342	3,684	3,999
Amortization	6,423	3,107	3,734
Interest Expense	6,185	7,635	9,283
Unrealized (gain) loss on securities	(287)	(97)	(82)
Realized loss on sale of assets	16	3	3
Deferred management fee	0	150	160
Change in future service obligation	0	0	(5,598)
Entrance fee proceeds (less refunds)	451	3,076	4,476
Income available for debt service	4,640	4,830	5,136
Annual debt service payment	5,882	9,513	9,513
Annual debt service coverage (a)(b)(c)	0.9	0.6	0.5
Annual debt service coverage covenant (d)	1.1	1.2	1.2
Days Cash on Hand			
Unrestricted cash and investments	6,906	9,185	9,344
Liquidity support agreement (e)	6,000	-	6,000
	12,906	9,185	15,344
Department operating expenses plus interest	22,361	24,954	29,459
Daily expenses	67	75	81
Days of unrestricted cash & investments on hand (a)(b)(c)	193	123	190
Days of unrestricted cash & investments on hand covenant	120	120	N/A
Occupancy			
Actual occupancy as of November 30, 2020 (a)	91.0%		
Occupancy covenant	88.0%		
Other Ratios			
Net operating margin (b)(c)	17.9%	7.9%	1.7%
Net operating margin, adjusted (b)(c)	19.8%	20.8%	19.3%
Adjusted debt to capitalization (b)(c)	106.8%	98.8%	96.6%

(a) The financial ratios that are required by the financing documents beginning in June 2021.

(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 with the first testing date of June 2021 and the second testing date of December 2021. Thereafter, the debt service coverage ratio is 1.2 times.

(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)	-
February	701,803	(673,200)	(3,210,268)	-
March	350,920	-	(2,859,348)	-
April	-	(741,332)	(3,600,680)	-
May	-	-	(3,600,680)	-
June	-	(855,743)	(4,456,422)	-
July	335,233	-	(4,121,189)	-
August	-	(779,900)	(4,901,089)	-
September	501,168	-	(4,399,921)	-
October	-	(570,879)	(4,970,800)	-
November	-	-	(4,970,800)	-
YTD 2020				-

	Other Accounts Impacting Net Entrance Fees
Change in refunds in process	451,000
Net Entrance Fees	451,000