

**MONTHLY REPORT**  
**for the month ended January 31, 2022**

THE  
**STAYTON**  
— AT MUSEUM WAY —

A Lifespace Community

March 17, 2022

BOK Financial  
Kenneth J. Dotson  
Senior Vice President Regional Manager  
Corporate Trust  
2405 Grand Blvd, Ste. 840  
Kansas City, MO 64108


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 month ended January 31, 2022, subject to the year-end audit adjustments.

LIFESPAC E COMMUNITES, INC.

DocuSigned by:  
  
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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. Lifespace Communities, Inc. (“Lifespace”) an Iowa not-for-profit corporation, is the sole member of The Stayton.

The Stayton failed to meet the debt service coverage ratio covenant at June 30 and December 31, 2021. As the debt service coverage ratio is less than 1.0 at December 31, 2021, this is considered an event of default. The Stayton has retained FTI Consulting, Inc. to, among other things, (i) evaluate operations and marketing strategies; and (ii) provide strategic advice on addressing financial issues. Additionally, The Stayton had previously retained Sidney Austin LLP as legal counsel. The Stayton has made the decision to change legal counsel to Polsinelli PC.

Effective March 1, 2022, UMB Bank N.A. resigned as bond trustee and BOKF, N.A. has been appointed successor master trustee, bond trustee, paying agent, registrar and transfer agent under the Master Trust Indenture and the Indenture of Trust.

As of the date of filing this report, The Stayton currently has 12 warm and four hot leads. In January, the monthly marketing events for 2022 kicked off with Tales of the Rodeo. Bourbon tasting and resident panel discussions are planned for the remainder of the quarter. Throughout 2022 The Stayton plans to host a combination of educational and lifestyle monthly events. The Director of Sales joined the team at the end of December and has focused on internal marketing activities with re-engaging ambassadors and referral happy hour.

Calendar year-end financial information for December 31, 2020 and prior is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

## The Stayton

### Apartments/Units Available

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

\* The CMS 5-Star rating is as of February 2022.

### Average Occupancy

|                    | Fiscal Year Ended December 31, |       |       | Month ended January 31, |       |
|--------------------|--------------------------------|-------|-------|-------------------------|-------|
|                    | 2019                           | 2020  | 2021  | 2021                    | 2022  |
| Independent Living | 94.7%                          | 92.9% | 90.1% | 91.5%                   | 90.3% |
| Assisted Living    | 94.4%                          | 96.3% | 91.9% | 92.6%                   | 85.7% |
| Memory Support     | 88.3%                          | 92.4% | 96.4% | 90.5%                   | 91.0% |
| Health Center      | 90.9%                          | 78.2% | 77.9% | 69.8%                   | 91.5% |

### Independent Living Turnover Analysis

|                                       | Fiscal Year Ended December 31, |       |       | Month ended January 31, |       |
|---------------------------------------|--------------------------------|-------|-------|-------------------------|-------|
|                                       | 2019                           | 2020  | 2021  | 2021                    | 2022  |
| Beginning Independent Living Occupied | 179                            | 181   | 172   | 172                     | 170   |
| IL Move-Ins                           | 18                             | 6     | 15    | -                       | -     |
| Transfers to the Health Center        | (7)                            | (5)   | (9)   | -                       | (1)   |
| IL Move-Outs and Death                | (9)                            | (10)  | (8)   | -                       | -     |
| Ending Independent Living Occupied    | 181                            | 172   | 170   | 172                     | 169   |
| Ending Occupancy Percentage           | 96.3%                          | 91.5% | 90.4% | 91.5%                   | 89.9% |

### 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, 2019 through 2021 and the month ended January 31, 2021 and 2022 are shown below:

|                        | Fiscal Year Ended December 31, |        |        | Month ended January 31, |        |
|------------------------|--------------------------------|--------|--------|-------------------------|--------|
|                        | 2019                           | 2020   | 2021   | 2021                    | 2022   |
| Lifecare               | 25.7%                          | 27.5%  | 20.0%  | 24.3%                   | 23.2%  |
| Medicare               | 38.3%                          | 33.8%  | 30.4%  | 34.9%                   | 25.7%  |
| Non-Life Care Resident | 36.0%                          | 38.7%  | 49.6%  | 40.8%                   | 51.1%  |
| Total Patient Mix      | 100.0%                         | 100.0% | 100.0% | 100.0%                  | 100.0% |

**The Stayton  
Balance Sheets  
As of December 31 (Unaudited)  
(Thousands of \$)**

|                                  | <b>2022</b>      | <b>2021</b>      |
|----------------------------------|------------------|------------------|
| <b>Assets</b>                    |                  |                  |
| Current Assets:                  |                  |                  |
| Cash and Cash Equivalents        | \$385            | \$521            |
| Investments                      | 3,182            | 4,878            |
| Accounts Receivable              | 681              | 2,171            |
| Inventories                      | 46               | 29               |
| Prepaid Insurance & Other        | 353              | 207              |
| Assets whose use is limited      | 1,381            | 1,397            |
| Total Current Assets             | 6,028            | 9,203            |
| Assets whose use is limited      | 7,795            | 8,663            |
| Property and equipment, at cost: |                  |                  |
| Land and improvements            | 4,947            | 4,934            |
| Buildings and improvements       | 101,873          | 100,821          |
| Furniture and equipment          | 2,166            | 2,054            |
|                                  | 108,986          | 107,809          |
| Less accum. deprec.              | (9,152)          | (5,421)          |
| Net property and equipment       | 99,834           | 102,388          |
| Net goodwill                     | 36,800           | 42,535           |
| Net deferred assets              | 85               | 52               |
| Net intangible assets            | 8,164            | 9,436            |
| <b>TOTAL ASSETS</b>              | <b>\$158,706</b> | <b>\$172,277</b> |

**The Stayton  
Balance Sheets  
As of December 31 (Unaudited)  
(Thousands of \$)**

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| <b>Liabilities and net assets</b>       |                  |                  |
| Current liabilities:                    |                  |                  |
| Accounts payable:                       |                  |                  |
| Trade                                   | 585              | \$716            |
| Related Party                           | 238              | 105              |
|   | 823              | 821              |
|   |                  |                  |
| Accrued liabilities:                    |                  |                  |
| Employee compensation expense           | 476              | 294              |
| Interest                                | 1,076            | 980              |
| Other                                   | 96               | 114              |
|   | 1,648            | 1,388            |
|   |                  |                  |
| Entrance fee refunds                    | 1,598            | 1,898            |
| Total current liabilities               | 4,069            | 4,107            |
|   |                  |                  |
| Entrance fee deposits                   | 160              | 236              |
| Long-term Bonds due after one year      | 112,261          | 112,261          |
| Deferred entrance fees                  | 7,274            | 6,739            |
| Refundable entrance and membership fees | 72,537           | 71,378           |
| Future Service Obligation               | 6,090            | 5,424            |
| Total liabilities                       | 202,391          | 200,145          |
|   |                  |                  |
| Net assets without donor restrictions   | (43,685)         | (27,868)         |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$158,706</b> | <b>\$172,277</b> |

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

|  | <b>2022</b>              | <b>2021</b>              |
|--|--------------------------|--------------------------|
| <b>Revenues</b>  |                          |                          |
| Independent living fees                                  | \$928                    | \$886                    |
| Entrance fees earned                                     | 86                       | 90                       |
| Skilled nursing, assisted living and memory support fees | 834                      | 787                      |
| Investment income  | (81)                     | 209                      |
|  | <u>1,767</u>             | <u>1,972</u>             |
| <b>Expenses</b>  |                          |                          |
| Operating expenses:                                      |                          |                          |
| Salaries and benefits                                    | 751                      | 642                      |
| General and administrative                               | 418                      | 394                      |
| Plant operations   | 112                      | 89                       |
| Housekeeping   | 9                        | 6                        |
| Dietary  | 151                      | 145                      |
| Medical and other resident care                          | 58                       | 39                       |
| Depreciation   | 307                      | 314                      |
| Amortization   | 585                      | 584                      |
| Interest   | 538                      | 442                      |
|  | <u>2,929</u>             | <u>2,655</u>             |
| Deficit of revenues over expenses                        | <u>(1,162)</u>           | <u>(683)</u>             |
| Contributions to Lifespace Communities, Inc.             | -                        | (31)                     |
| Changes in net assets                                    | <u>(1,162)</u>           | <u>(714)</u>             |
| Net assets at beginning of year                          | <u>(42,523)</u>          | <u>(27,154)</u>          |
| Net assets at end of the period                          | <u><u>(\$43,685)</u></u> | <u><u>(\$27,868)</u></u> |

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

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| <b>Operating activities</b>   |                |                |
| Changes in unrestricted net assets  | (\$1,162)      | (\$714)        |
| Adjustments to reconcile changes in net asset to net cash used in operating activities: |                |                |
| Entrance fees earned  | (86)           | (90)           |
| Depreciation and Amortization   | 892            | 898            |
| Interest applied to long term debt  | -              | 6,466          |
| Change in unrealized appreciation of investments  | 93             | (176)          |
| Net purchases of trading investments  | 1,064          | (271)          |
| Contributions to Lifespace Communities, Inc.  | -              | 31             |
| Change in entrance fee deposits   | 55             | 112            |
| Changes in operating assets and liabilities:  |                |                |
| Accounts receivables, inventories, and prepaid insurance and other                      | (121)          | (1,503)        |
| Accounts payables and accrued liabilities   | 294            | 426            |
| Net cash provided in operating activities   | <u>1,029</u>   | <u>5,179</u>   |
| <b>Investing activities</b>   |                |                |
| Purchases of property and equipment   | (6)            | (13)           |
| <b>Financing activities</b>   |                |                |
| Contributions to Lifespace Communities, Inc.  | -              | (31)           |
| Proceeds from refundable entrance fees and deposits                                     | -              | 730            |
| Refunds of entrance fees  | (1,648)        | (693)          |
| Net cash used in financing activities   | <u>(1,648)</u> | <u>(6,459)</u> |
| Net decrease in cash and cash equivalents   | (625)          | (1,293)        |
| Cash and cash equivalents at beginning of year  | <u>1,010</u>   | <u>1,814</u>   |
| Cash and cash equivalents at end of period  | <u>\$385</u>   | <u>\$521</u>   |



**The Stayton  
Management's Discussion and Analysis**

**Month Ended January 31, 2022 versus Month Ended January 31, 2021:**

The average year-to-date independent living occupancy through January 31, 2022, was 169.8 independent living homes (90.3% of the 188 available homes). The average year-to-date occupancy through January 31, 2021 was 172.0 independent living homes (91.5% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to \$928,000 in 2022, a 4.7% increase from \$886,000 for the same revenue sources in 2021. The increase is driven by monthly fee increases of 6.0% that were effective January 1, 2022 and offset by decreased occupancy.

Revenues from the health center, assisted living, and memory support fees were \$834,000 in 2022 compared to \$787,000 in 2021, an increase of 6.0%. The increase is driven by monthly fee increases of 6.0% that were effective January 1, 2022. In addition, memory support and the health center have higher occupancy when comparing average year to date occupancy through January 31, 2022 and 2021.

Total operating expenses, excluding depreciation and interest expense, were \$1,499,000 in 2022, an increase of \$184,000 or 14.0% from comparable expenses of \$1,315,000 in 2021. Salaries and benefits increased \$109,000 or 17.0% due to wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021 and increases for all other positions that took effect January 1, 2022.

**The Stayton  
Management's Discussion and Analysis**

**Month Ended January 31, 2022 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/<br>(Unfavorable) |
|--|------------|------------|-----------------------------|
| <b>Revenues</b>  |            |            |                             |
| Independent Living Fees                                  | \$928      | \$915      | \$13                        |
| Skilled nursing, assisted living and memory support fees | 834        | 857        | (23)                        |
|  | 1,762      | 1,772      | (10)                        |
| <b>Expenses</b>  |            |            |                             |
| Operating expenses:                                      |            |            |                             |
| Salaries and benefits                                    | 751        | 831        | 80                          |
| General and administrative                               | 418        | 413        | (5)                         |
| Plant operations   | 112        | 109        | (3)                         |
| Housekeeping   | 9          | 16         | 7                           |
| Dietary  | 151        | 164        | 13                          |
| Medical and other resident care                          | 58         | 50         | (8)                         |
|  | 1,499      | 1,583      | 84                          |
| <b>Net operating margin</b>                              | <b>263</b> | <b>189</b> | <b>74</b>                   |
| Net entrance fees  | (1,648)    | (801)      | (847)                       |
| Capital expenditures                                     | 6          | 972        | 966                         |

Net operating margin is favorable to budget by \$74,000.

Salaries and benefits costs are favorable to budget by \$80,000, or 9.6%.

Net entrance fees are unfavorable to budget by \$847,000. There were three refunds for the month ended January 31, 2022 and one refund budgeted. 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.

Capital expenditures are favorable to budget by \$966,000 as a result of timing.

**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

## **The Stayton Management's Discussion and Analysis**

at 5.75%, have a final maturity in 2054 and are interest only through 2024. Annual debt service in 2022 is \$6,455,000. Maximum annual debt service is \$7,520,000.

The Series 2020 Bonds have an occupancy covenant, historical debt service coverage ratio covenant and a liquidity covenant. The occupancy covenant is 88% independent living apartments and is tested quarterly. The testing dates for the debt service coverage ratio and the liquidity covenant are June 30 and December 31 and began on June 30, 2021. 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 the \$6.0 million liquidity support agreement provided by Lifespace. At June 30, 2021 and December 31, 2021, The Stayton was in compliance with the occupancy covenant and the liquidity covenant, and was not in compliance with the debt service coverage requirement.

### **Liquidity and Capital Requirements – Month Ended January 31, 2022 versus Month Ended January 31, 2021:**

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were (\$1,648,000) in 2022 compared to \$37,000 in 2021. There were three refunds for the month ended January 31, 2022 and no closings for the same period ended 2021. However there were receipts of deferrals and a refund that netted to \$37,000 as of January 31, 2021. 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 January 31, 2022 increased to \$66,000 from \$57,000 for January 31, 2021, a change of 15.9%. The overall unrestricted cash position decreased from \$5,399,000 at January 31, 2021 to \$3,567,000 at January 31, 2022, a change of 33.9%. 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, 2022.

Capital expenditures for the community for the month ended January 31, 2022 were \$6,000, while depreciation expense for the same period was \$307,000. Capital expenditures for the community for the month ended January 31, 2021 were \$13,000, while depreciation expense for the same period was \$314,000.

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%. 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, 2020 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.

## **The Stayton Management's Discussion and Analysis**

### **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<br>January 31<br>(Unaudited) |               | Year Ended December 31 |                   |               |
|---|--|---------------|------------------------|-------------------|---------------|
|   | 2022                                     | 2021          | (Unaudited)<br>2021    | (Audited)<br>2020 | 2019          |
| Excess (deficit) of revenues over expenses                | (1,162)                                  | (683)         | (15,279)               | (23,338)          | (8,592)       |
| Less:   |  |               |                        |                   |               |
| Entrance fees earned                                      | (86)                                     | (90)          | (1,630)                | (1,387)           | (2,247)       |
| Add:  |  |               |                        |                   |               |
| Depreciation  | 307                                      | 314           | 3,708                  | 3,586             | 3,999         |
| Amortization  | 585                                      | 584           | 10,344                 | 14,093            | 3,734         |
| Interest Expense  | 538                                      | 442           | 6,455                  | 6,399             | 9,283         |
| Unrealized (gain) loss on securities                      | 93                                       | (176)         | (158)                  | (197)             | (82)          |
| Realized loss on sale of assets                           | -  | -             | 2                      | 16                | 3             |
| Deferred management fee                                   | -  | -             | -                      | -                 | 160           |
| Change in future service obligation                       | -  | -             | 666                    | 5,424             | (5,598)       |
| Entrance fee proceeds (less refunds)                      | (1,648)                                  | 37            | 1,378                  | 1,588             | 4,476         |
| Income available for debt service                         | <u>(1,373)</u>                           | <u>428</u>    | <u>5,486</u>           | <u>6,184</u>      | <u>5,136</u>  |
| Annual debt service payment                               | 6,455                                    | 6,455         | 6,455                  | 5,882             | 9,513         |
| Annual debt service coverage (b)(c)                       | (2.6)                                    | 0.8           | 0.8                    | 1.1               | 0.5           |
| Annual debt service coverage covenant (d)                 | 1.2                                      | 1.1           | 1.1                    | 1.1               | 1.2           |
| <b>Days Cash on Hand</b>                                  |  |               |                        |                   |               |
| Unrestricted cash and investments                         | 3,567                                    | 5,399         | 4,287                  | 6,692             | 9,344         |
| Liquidity support agreement (e)                           | <u>6,000</u>                             | <u>6,000</u>  | <u>6,000</u>           | <u>6,000</u>      | <u>6,000</u>  |
|   | <u>9,567</u>                             | <u>11,399</u> | <u>10,287</u>          | <u>12,692</u>     | <u>15,344</u> |
| Department operating expenses plus interest               | 2,037                                    | 1,757         | 22,604                 | 23,738            | 29,459        |
| Daily expenses  | 66                                       | 57            | 62                     | 65                | 81            |
| Days of unrestricted cash & investments on hand (a)(b)(c) | 146                                      | 201           | 166                    | 195               | 190           |
| Days of unrestricted cash & investments on hand covenant  | 120                                      | 120           | 120                    | 120               | N/A           |
| <b>Occupancy</b>  |  |               |                        |                   |               |
| Actual occupancy as of period end (a)                     | 89.9%                                    | 91.5%         | 90.4%                  | 91.5%             | 96.3%         |
| Occupancy covenant  | 88.0%                                    | 88.0%         | 88.0%                  | 88.0%             | 88.0%         |
| <b>Other Ratios</b>                                       |  |               |                        |                   |               |
| Net operating margin (b)(c)                               | 14.9%                                    | 21.4%         | 19.4%                  | 18.5%             | 1.7%          |
| Net operating margin, adjusted (b)(c)                     | -1214.9%                                 | 23.1%         | 24.6%                  | 24.1%             | 19.3%         |
| Adjusted debt to capitalization (b)(c)                    | 148.0%                                   | 123.2%        | 145.5%                 | 122.1%            | 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 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%.

(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.

| <b>Net Entrance Fee Turnover</b>                  |                     |                     |                     |             |
|---|---------------------|---------------------|---------------------|-------------|
| <b>Fundings per the queue</b>                     |                     |                     |                     |             |
|   | <b>Monthly</b>      |                     |                     |             |
|   | <b>Entrance Fee</b> | <b>Additions to</b> | <b>Remaining</b>    |             |
|   | <b>Receipts</b>     | <b>Refund Queue</b> | <b>Unfunded</b>     |             |
|   |                     |                     | <b>Entrance Fee</b> |             |
|   |                     |                     | <b>Turnover</b>     |             |
| End of 2021                                       |                     |                     | (1,376,433)         | -           |
| January   | -                   | (414,900)           | (1,791,333)         | -           |
| YTD 2022  |                     |                     |                     | -           |
| <b>Other Accounts Impacting Net Entrance Fees</b> |                     |                     |                     |             |
| Change in refunds in process                      |                     |                     |                     | (1,648,000) |
| Net Entrance Fees                                 |                     |                     |                     | (1,648,000) |