MONTHLY REPORT
for the two months ended February 28, 2022

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE COMMUNITIES

April 14, 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 two months ended February 28, 2022, subject to the year-end audit adjustments.

LIFESPACE 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 five warm and six hot leads. Throughout 2022 The Stayton plans to host a combination of educational and lifestyle monthly events. In the last month there was a resident panel discussion. This was a great event for prospective residents to meet some of The Stayton residents and hear directly from them. Most recently held was a spirit tasting event in March.

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		
	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 March 2022.

Average Occupancy

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2019	2020	2021	2021	2022
Independent Living	94.7%	92.9%	90.1%	91.3%	90.0%
Assisted Living	94.4%	96.3%	91.9%	92.7%	83.0%
Memory Support	88.3%	92.4%	96.4%	92.3%	90.0%
Health Center	90.9%	78.2%	77.9%	67.7%	88.8%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2019	2020	2021	2021	2022
Beginning Independent Living Occupied	179	181	172	172	170
IL Move-Ins	18	6	15	-	1
Transfers to the Health Center	(7)	(5)	(9)	(1)	(2)
IL Move-Outs and Death	(9)	(10)	(8)	-	-
Ending Independent Living Occupied	181	172	170	171	169
Ending Occupancy Percentage	96.3%	91.5%	90.4%	91.0%	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 two months ended February 28, 2021 and 2022 are shown below:

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2019	2020	2021	2021	2022
Lifecare	25.7%	27.5%	20.0%	27.5%	24.1%
Medicare	38.3%	33.8%	30.4%	29.5%	22.9%
Non-Life Care Resident	36.0%	38.7%	49.6%	43.0%	53.0%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of February 28 (Unaudited)
(Thousands of $)

	2022	**2021**
Assets		
Current Assets:		
Cash and Cash Equivalents	$567	$1,093
Investments	1,913	4,852
Accounts Receivable	293	1,517
Inventories	46	29
Prepaid Insurance & Other	357	212
Assets whose use is limited	10,255	1,928
Total Current Assets	13,431	9,631
Assets whose use is limited	-	7,606
Property and equipment, at cost:		
Land and improvements	4,947	4,934
Buildings and improvements	102,124	100,851
Furniture and equipment	2,166	2,054
	109,237	107,839
Less accum. deprec.	(9,459)	(5,736)
Net property and equipment	99,778	102,103
Net goodwill	36,322	42,057
Net deferred assets	84	51
Net intangible assets	8,058	9,330
TOTAL ASSETS	$157,673	$170,778

The Stayton
Balance Sheets
As of February 28 (Unaudited)
(Thousands of $)

	2022	2021
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$460	$893
Related Party	746	-
	1,206	893
Accrued liabilities:		
Employee compensation expense	489	319
Interest	1,614	1,684
Other	94	116
	2,197	2,119
Entrance fee refunds	1,435	1,206
Long-term debt due within one year	112,261	-
Total current liabilities	117,099	4,218
Entrance fee deposits	166	124
Long-term Bonds due after one year	-	112,261
Deferred entrance fees	7,219	6,649
Refundable entrance and membership fees	71,962	71,377
Future Service Obligation	6,090	5,424
Total liabilities	202,536	200,053
Net assets without donor restrictions	(44,863)	(29,275)
TOTAL LIABILITIES AND NET ASSETS	$157,673	$170,778

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Two Months Ended February 28 (Unaudited)
(Thousands of $)

	2022	2021
Revenues		
Independent living fees	$1,856	$1,767
Entrance fees earned	185	180
Skilled nursing, assisted living and memory support fees	1,576	1,500
Investment income (expense)	(156)	(32)
	3,461	3,415
Expenses		
Operating expenses:		
Salaries and benefits	1,421	1,221
General and administrative	661	810
Plant operations	233	176
Housekeeping	13	12
Dietary	325	272
Medical and other resident care	115	71
Depreciation	614	628
Amortization	1,343	1,169
Interest	1,076	1,146
	5,801	5,505
Deficit of revenues over expenses	(2,340)	(2,090)
Contributions to Lifespace Communities, Inc.	-	(31)
Changes in net assets	(2,340)	(2,121)
Net assets at beginning of year	(42,523)	(27,154)
Net assets at end of the period	($44,863)	($29,275)

The Stayton
Statements of Cash Flow
For the Two Months Ended February 28 (Unaudited)
(Thousands of $)

Operating activities	**2022**	**2021**
Changes in unrestricted net assets	($2,340)	($2,121)
Adjustments to reconcile changes in net asset to net cash provided in operating activities:		
Entrance fees earned	(185)	(180)
Proceeds from nonrefundable entrance fees and deposits	55	-
Depreciation and Amortization	1,957	1,797
Change in unrealized appreciation of investments	287	56
Net purchases of trading investments	1,060	49
Contributions to Lifespace Communities, Inc.	-	31
Change in entrance fee deposits	61	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	263	(854)
Accounts payables and accrued liabilities	522	1,229
Net cash provided in operating activities	1,680	7
Investing activities		
Purchases of property and equipment	(257)	(42)
Financing activities		
Contributions to Lifespace Communities, Inc.	-	(31)
Proceeds from refundable entrance fees and deposits	495	730
Refunds of entrance fees	(2,361)	(1,385)
Net cash used in financing activities	(1,866)	(686)
Net decrease in cash and cash equivalents	(443)	(721)
Cash and cash equivalents at beginning of year	1,010	1,814
Cash and cash equivalents at end of period	$567	$1,093

Two Months Ended February 28, 2022 versus Two Months Ended February 28, 2021:

The average year-to-date independent living occupancy through February 28, 2022, was 169.3 independent living homes (90.0% of the 188 available homes). The average year-to-date occupancy through February 28, 2021 was 171.6 independent living homes (91.3% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $1,856,000 in 2022, a 5.0% increase from $1,767,000 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 $1,576,000 in 2022 compared to $1,500,000 in 2021, an increase of 5.0%. The increase is driven by monthly fee increases of 6.0% that were effective January 1, 2022 and offset by decreased occupancy in assisted living and memory support.

Total operating expenses, excluding depreciation and interest expense, were $2,768,000 in 2022, an increase of $206,000 or 8.0% from comparable expenses of $2,562,000 in 2021. Salaries and benefits increased $200,000 or 16.4% 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. General and administrative expense decreased $149,000 or 18.4% due to lower COVID-19 expenses and no winter storm costs in 2022. Plant operations expense increased $57,000 or 32.4% due to more repairs and maintenance. Dietary expense increased $53,000 or 19.5% as a result of increases in raw material costs. Medical and other resident care increased $44,000 or 62.0% due to agency.

Two Months Ended February 28, 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/ (Unfavorable)
Revenues			
Independent Living Fees	$1,856	$1,830	$26
Skilled nursing, assisted living and memory support fees	1,576	1,676	(100)
	3,432	3,506	(74)
Expenses			
Operating expenses:			
Salaries and benefits	1,421	1,569	148
General and administrative	661	829	168
Plant operations	233	218	(15)
Housekeeping	13	58	45
Dietary	325	328	3
Medical and other resident care	115	97	(18)
	2,768	3,099	331
Net operating margin	664	407	257
Net entrance fees	(1,811)	(1,048)	(763)
Capital expenditures	257	1,944	1,687

Net operating margin is favorable to budget by $257,000.

Skilled nursing, assisted living and memory support revenue is unfavorable to budget by $100,000 or 6.0% due to more hardship discounts than were budgeted.

Salaries and benefits costs are favorable to budget by $148,000, or 9.4%, due to open positions.

General and administrative costs are favorable to budget by $168,000, or 20.3%, due to timing.

Housekeeping costs are favorable to budget by $45,000, or 77.6%, due to timing.

Net entrance fees are unfavorable to budget by $763,000. There was one closing and four refunds for the two months ended February 28, 2022 and one closing and three refunds 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 $1,687,000 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 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 – Two Months Ended February 28, 2022 versus Two Months Ended February 28, 2021:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were ($1,811,000) in 2022 compared to ($655,000) in 2021. There was one closing and four refunds for the two months ended February 28, 2022 and no closings and two refunds for the same period ended 2021. However there were receipts of deferrals as of February 28, 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 February 28, 2022 increased to $65,000 from $63,000 for February 28, 2021, a change of 3.7%. The overall unrestricted cash position decreased from $5,945,000 at February 28, 2021 to $2,480,000 at February 28, 2022, a change of 58.3%. 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 February 28, 2022.

Capital expenditures for the community for the two months ended February 28, 2022 were $257,000, while depreciation expense for the same period was $614,000. Capital expenditures for the community for the two months ended February 28, 2021 were $42,000, while depreciation expense for the same period was $628,000.

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, 2021 is 18% 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 $)

	Two Months Ended February 28 (Unaudited)		Year Ended December 31 (Unaudited)	(Audited)	
Historical Debt Service Coverage	**2022**	**2021**	**2021**	**2020**	**2019**
Excess (deficit) of revenues over expenses	(2,340)	(2,090)	(15,312)	(23,338)	(8,592)
Less:					
Entrance fees earned	(185)	(180)	(1,630)	(1,387)	(2,247)
Add:					
Depreciation	614	628	3,741	3,586	3,999
Amortization	1,343	1,169	10,344	14,093	3,734
Interest Expense	1,076	1,146	6,455	6,399	9,283
Unrealized (gain) loss on securities	287	56	(159)	(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)	(1,811)	(655)	674	1,588	4,476
Income available for debt service	(1,016)	74	4,781	6,184	5,136
Annual debt service payment	6,455	6,455	6,455	5,882	9,513
Annual debt service coverage (b)(c)	(0.9)	0.1	0.7	1.1	0.5
Annual debt service coverage covenant (d)	1.2	1.1	1.1	1.1	1.2
Days Cash on Hand					
Unrestricted cash and investments	2,480	5,945	4,287	6,692	9,344
Liquidity support agreement (e)	6,000	6,000	6,000	6,000	6,000
	8,480	11,945	10,287	12,692	15,344
Department operating expenses plus interest	3,844	3,708	22,605	23,738	29,459
Daily expenses	65	63	62	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	130	190	166	195	190
Days of unrestricted cash & investments on hand covenant	120	120	120	120	N/A
Occupancy					
Actual occupancy as of period end (a)	89.9%	91.0%	90.4%	91.5%	96.3%
Occupancy covenant	88.0%	88.0%	88.0%	88.0%	88.0%
Other Ratios					
Net operating margin (b)(c)	19.3%	21.6%	19.4%	18.5%	1.7%
Net operating margin, adjusted (b)(c)	-70.8%	1.9%	22.0%	24.1%	19.3%
Adjusted debt to capitalization (b)(c)	150.4%	125.2%	145.6%	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.

	Net Entrance Fee Turnover			
	Fundings per the queue			
	Entrance Fee Receipts	Monthly Additions to Refund Queue	Remaining Unfunded	Entrance Fee Turnover
End of 2021			(1,012,420)	-
January	-	(414,900)	(1,427,320)	-
February	550,241	(407,106)	(1,284,185)	-
YTD 2022				-
	Other Accounts Impacting Net Entrance Fees			
Change in refunds in process				(1,811,000)
Net Entrance Fees				(1,811,000)