MONTHLY REPORT
for the two months ended February 28, 2023

THE STAYTON
AT MUSEUM WAY

A Lifespace Community

LIFESPACE
COMMUNITIES

April 3, 2023

BOK Financial
George Kubin
Senior Vice President Regional Manager
Corporate Trust
1600 Broadway, 26th Floor
Denver, CO 80202

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, 2023, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
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Nick Harshfield

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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 and June 30 and December 31, 2022. As the debt service coverage ratio is less than 1.0 at December 31, 2021, this is considered an event of default under the Master Trust Indenture. 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 Sidley 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, master trustee, paying agent, registrar and transfer agent and BOKF, N.A. has been appointed successor bond trustee, master trustee, paying agent, registrar and transfer agent under the Master Trust Indenture and the Indenture of Trust.

On May 17, 2022, The Stayton filed a material event notice on EMMA that it has taken, or intends to take, various actions to preserve its cash position, to strengthen its future operations and to ensure continued interest from prospective residents in its community.

On June 22, 2022, The Stayton filed a material event notice on EMMA stating the failure to make the required June 15, 2022 deposit of $538,000 with the Bond Trustee, for deposit into the Bond Fund, as required by the Loan Agreement. The Stayton also failed to make the required monthly deposits with the Bond Trustee through the current date. Restructuring professionals for The Stayton and its financial stakeholders have been working to develop a mutually agreeable forbearance agreement.

In October 2022, The Stayton drew on the Liquidity Support Agreement ("LSA") in the amount of $600,000. It was funded from the Lifespace Obligated Group as part of the $3 million unfunded commitment outlined in the LSA. In addition, pursuant to the LSA, Lifespace has made a deposit of $3 million to be held by the Stayton trustee in a liquidity support account which can also be drawn on.

On December 1, 2022, a notice of nonpayment of debt service was filed on EMMA. The purpose of the notice was to advise Bondholders that The Stayton did not remit funds for the scheduled December 1, 2022 debt service payment due on the Bonds, and that the December 1, 2022 debt service payment due on the Bonds was not paid to Bondholders.

On January 13, 2023, the BOKF, N.A. and The Stayton entered into a Forbearance Agreement. In conjunction with the Forbearance Agreement, BOKF, N.A., The Stayton, and Lifespace entered into the First Amendment to Liquidity Support Agreement. Pursuant to the First Amendment to Liquidity Support Agreement, the Trustee was permitted to withdraw up to $900,000 previously deposited by Lifespace and held by the Trustee in the Liquidity Support Account to pay fees and expenses of the Trustee's counsel and advisors. The $900,000 was withdrawn on January 13, 2023. No other substantive changes were made to the Liquidity Support Agreement.

On January 19, 2023, a notice regarding entry into a forbearance agreement was filed on EMMA.

As of the date of filing this report, The Stayton currently has four warm leads. Throughout 2023 The Stayton will be hosting a combination of educational and lifestyles events. In March, The Stayton held a well-attended wine tasting event, and are planning a panel discussion for April. The Stayton continues to focus on utilizing social media to spotlight resident's interests and talents while displaying the community lifestyle.

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

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 2023.

Average Occupancy

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2020	2021	2022	2022	2023
Independent Living	92.9%	90.1%	90.4%	90.0%	90.8%
Assisted Living	96.3%	91.9%	88.3%	81.7%	91.5%
Memory Support	92.4%	96.4%	90.4%	90.0%	91.8%
Health Center	78.2%	77.9%	92.3%	88.8%	93.4%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2020	2021	2022	2022	2023
Beginning Independent Living Occupied	181	172	170	170	172
IL Move-Ins	6	15	15	1	2
Transfers to the Health Center	(5)	(9)	(8)	(2)	(3)
IL Move-Outs and Death	(10)	(8)	(5)	-	(1)
Ending Independent Living Occupied	172	170	172	169	170
Ending Occupancy Percentage	91.5%	90.4%	91.5%	89.9%	90.4%

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, 2020 through 2022 and the two months ended February 28, 2022 and 2023 are shown below:

	Fiscal Year Ended December 31,			Two Months ended February 28,	
	2020	2021	2022	2022	2023
Lifecare	27.5%	20.0%	21.9%	24.1%	18.2%
Medicare	33.8%	30.4%	24.1%	22.9%	41.6%
Non-Life Care Resident	38.7%	49.6%	54.0%	53.0%	40.2%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	$246	$567
Investments	-	1,913
Accounts Receivable	771	293
Inventories	43	46
Prepaid Insurance & Other	354	357
Assets whose use is limited	17,764	10,255
Total Current Assets	19,178	13,431
Property and equipment, at cost:		
Land and improvements	5,009	4,947
Buildings and improvements	104,257	102,124
Furniture and equipment	2,475	2,166
	111,741	109,237
Less accum. deprec.	(13,246)	(9,459)
Net property and equipment	98,495	99,778
Net goodwill	-	36,322
Net deferred assets	162	84
Net intangible assets	6,786	8,058
TOTAL ASSETS	$124,621	$157,673

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

	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$818	460
Related Party	903	746
	1,721	1,206
Accrued liabilities:		
Employee compensation expense	657	489
Interest	4,841	1,614
Other	103	94
	5,601	2,197
Entrance fee refunds	1,055	1,435
Long-term debt due within one year	112,261	112,261
Obligation under cap lease due within one yr	15	-
Total current liabilities	120,653	117,099
Entrance fee deposits	9,484	166
Long-term Intercompany Notes Payable	851	-
Obligation under cap lease due after one year	150	-
Deferred entrance fees	5,853	7,219
Refundable entrance and membership fees	75,032	71,962
Future Service Obligation	2,856	6,090
Total liabilities	214,879	202,536
Net assets without donor restrictions	(90,258)	(44,863)
TOTAL LIABILITIES AND NET ASSETS	$124,621	$157,673

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

	2023	2022
Revenues		
Independent living fees	$2,151	$1,856
Entrance fees earned	143	185
Skilled nursing, assisted living and memory support fees	1,961	1,576
Investment income (expense)	72	(156)
	4,327	3,461
Expenses		
Operating expenses:		
Salaries and benefits	1,611	1,421
General and administrative	2,267	661
Plant operations	317	233
Housekeeping	16	13
Dietary	389	325
Medical and other resident care	94	115
Depreciation	629	614
Amortization	430	1,343
Interest	1,076	1,076
	6,829	5,801
Deficit of revenues over expenses	(2,502)	(2,340)
Contributions from (to) Lifespace Communities, Inc.	828	-
Changes in net assets	(1,674)	(2,340)
Net assets at beginning of year	(88,584)	(42,523)
Net assets at end of the period	($90,258)	($44,863)

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

Operating activities	**2023**	**2022**
Changes in unrestricted net assets	($1,674)	($2,340)
Adjustments to reconcile changes in net assets to net cash (used) provided in operating activities:		
Entrance fees earned	(143)	(185)
Proceeds from nonrefundable entrance fees and deposits	-	55
Depreciation and Amortization	1,059	1,957
Change in unrealized appreciation of investments	(46)	287
Net purchases of trading investments	(618)	1,060
Contributions to Lifespace Communities, Inc.	(828)	-
Change in entrance fee deposits	593	61
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(111)	263
Accounts payables and accrued liabilities	782	522
Net cash (used) provided in operating activities	(986)	1,680
Investing activities		
Purchases of property and equipment	(82)	(257)
Financing activities		
Contributions to Lifespace Communities, Inc.	828	-
Payments on Leases	(3)	-
Proceeds from refundable entrance fees and deposits	-	495
Refunds of entrance fees	-	(2,361)
Net cash provided (used) in financing activities	825	(1,866)
Net decrease in cash and cash equivalents	(243)	(443)
Cash and cash equivalents at beginning of year	489	1,010
Cash and cash equivalents at end of period	$246	$567

Two Months Ended February 28, 2023 versus Two Months Ended February 28, 2022:

The average year-to-date independent living occupancy through February 28, 2023, was 170.6 independent living homes (90.8% of the 188 available homes). The average year-to-date occupancy through February 28, 2022 was 169.2 independent living homes (90.0% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $2,151,000 for the two months ended February 28, 2023, a 15.9% increase from $1,856,000 for the same revenue sources for the same period in 2022. The increase is driven by monthly fee increases of 7.9% that were effective January 1, 2023, increased occupancy and less apartment discounts.

Revenues from the health center, assisted living, and memory support fees were $1,961,000 for the two months ended February 28, 2023 compared to $1,576,000 for the same period in 2022, an increase of 24.4%. The increase is driven by monthly fee increases of 7.9% that were effective January 1, 2023 and the increase in assisted living, memory support and health center occupancies when comparing periods.

Total operating expenses, excluding depreciation and interest expense, were $4,694,000 for the two months ended February 28, 2023, an increase of $1,926,000 or 69.6% from comparable expenses of $2,768,000 for the same period in 2022. Salaries and benefits increased $190,000 or 13.4% for the two-month period, as compared to the same period in 2022, mainly due to open positions being filled. General and administrative expense increased $1,606,000 or 243.0% mainly due to financing related costs.

Two Months Ended February 28, 2023 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 for the period, along with the favorable and unfavorable variances.

(in thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent Living Fees	$2,151	$2,050	$101
Skilled nursing, assisted living and memory support fees	1,961	1,742	219
	4,112	3,792	320
Expenses			
Operating expenses:			
Salaries and benefits	1,611	1,659	48
General and administrative	2,267	1,107	(1,160)
Plant operations	317	267	(50)
Housekeeping	16	26	10
Dietary	389	406	17
Medical and other resident care	94	97	3
	4,694	3,562	(1,132)
Net operating margin	(582)	230	(812)
Net entrance fees	-	-	-
Capital expenditures	82	1,998	1,916

Net operating margin is unfavorable to budget by $812,000.

Independent living fees revenue is favorable to budget by $101,000 or 4.9% mainly due to less apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees revenue is favorable to budget by $219,000 or 12.6% mainly due to occupancy. The average year to date assisted living occupancy is 91.5% while the budget is 85.7%. The average year to date memory support occupancy is 91.8% while the budget is 85.0%. The average year to date health center occupancy is 93.4% while the budget is 85.9%.

General and administrative costs are unfavorable to budget by $1,160,000 or 104.8% mainly due to financing related costs.

Commencing in February 2022, The Stayton has entered into agreements with incoming residents so that their deposits are refundable in full, and the segregated funds have been or will be placed in escrow, until The Stayton resolves its defaults under the Master Trust Indenture. The result is that The Stayton is not receiving the entrance fees at this time from which it can pay refunds, but The Stayton hopes to be receiving entrance fees again soon.

Capital expenditures are favorable to budget by $1,916,000 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 2023 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 December 31, 2022, The Stayton was in compliance with the occupancy covenant. The Stayton was in compliance with the liquidity covenant until June 30, 2022. As the debt service coverage ratio is less than 1.0 at December 31, 2021, this is considered an event of default under the Master Trust Indenture. The Stayton remains at a debt service coverage ratio that is less than 1.0 at December 31, 2022.

Liquidity and Capital Requirements – Two Months Ended February 28, 2023 versus Two Months Ended February 28, 2022:

There were no cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, in 2023 compared to ($1,811,000) in 2022. 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. As stated previously, entrance fees received are segregated and in escrow. The funds are not available for payment of the refund queue currently. As of February 28, 2023, the balance was $9,622,000.

Daily operating expenses for the two months ended February 28, 2023 increased to $98,000 from $65,000 for the two months ended February 28, 2022, a change of 50.1%. The overall unrestricted cash position decreased from $2,480,000 at February 28, 2022 to $246,000 at February 28, 2023, a change of 90.1%.

In October 2022, $600,000 was drawn on the $6 million LSA provided by Lifespace. The support was drawn on the LSA's unfunded commitment of $3 million. In January 2023, $900,000 was drawn on the LSA's funded commitment of $3 million.

Capital expenditures for the community for the two months ended February 28, 2023 were $82,000, while depreciation expense for the same period was $629,000. 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.

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	**2023**	**2022**	**2022**	**2021**	**2020**
Excess (deficit) of revenues over expenses	(2,502)	(2,340)	(19,334)	(15,312)	(23,338)
Less:					
Entrance fees earned	(143)	(185)	(1,436)	(1,630)	(1,387)
Add:					
Depreciation	629	614	3,689	3,741	3,586
Amortization	430	1,343	14,985	10,344	14,093
Interest Expense	1,076	1,076	6,455	6,455	6,399
Unrealized (gain) loss on securities	(46)	287	473	(159)	(197)
Realized loss on sale of assets	-	-	(42)	2	16
Change in future service obligation	-	-	(3,234)	666	5,424
Entrance fee proceeds (less refunds)	-	(1,811)	(2,345)	674	1,588
Income available for debt service	(556)	(1,016)	(789)	4,781	6,184
Annual debt service payment	6,455	6,455	6,455	6,455	5,882
Annual debt service coverage (b)(c)	(0.5)	(0.9)	(0.1)	0.7	1.1
Annual debt service coverage covenant (d)	1.2	1.2	1.2	1.1	1.1
Days Cash on Hand					
Unrestricted cash and investments	246	2,480	489	4,287	6,692
Liquidity support agreement (e)	4,500	6,000	5,400	6,000	6,000
	4,746	8,480	5,889	10,287	12,692
Department operating expenses plus interest	5,770	3,844	27,364	22,605	23,738
Daily expenses	98	65	75	62	65
Days of unrestricted cash and investment, excl. LSA	3	38	7	69	103
Days of unrestricted cash & investments on hand (a)(b)(c)	49	130	79	166	195
Days of unrestricted cash & investments on hand covenant	120	120	120	120	120
Occupancy					
Actual occupancy as of period end (a)	90.4%	89.9%	91.5%	90.4%	91.5%
Occupancy covenant	88.0%	88.0%	88.0%	88.0%	88.0%
Other Ratios					
Net operating margin (b)(c)	-14.2%	19.3%	5.7%	19.4%	18.5%
Net operating margin, adjusted (b)(c)	-14.2%	-70.8%	-5.5%	22.0%	24.1%
Adjusted debt to capitalization (b)(c)	403.0%	150.4%	197.7%	145.6%	122.1%

(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 liquidity support pay out occurred in October 2022 for $600,000 and in January 2023 for $900,000.

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

	Entrance Fee Receipts	Monthly Additions to Refund Queue	Remaining Unfunded	Entrance Fee Turnover
	Net Entrance Fee Turnover			
	Fundings per the queue			
End of 2022			(6,827,667)	-
January	-	-	(6,827,667)	-
February	-	(304,878)	(7,132,545)	-
YTD 2023				-
	Other Accounts Impacting Net Entrance Fees			
Net Entrance Fees				-