MONTHLY REPORT
for the four months ended April 30, 2023

THE STAYTON AT MUSEUM WAY

A Lifespace Community

May 30, 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 four months ended April 30, 2023, 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 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.

The Stayton
Management's Discussion and Analysis

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.

In April 2023, The Stayton drew on the Liquidity Support Agreement (“LSA”) in the amount of $1,000,000. It was funded from the Lifespace Obligated Group as part of the $3 million unfunded commitment outlined in the LSA.

As of the date of filing this report, The Stayton currently has two hot leads and four warm leads. Throughout 2023 The Stayton continues to host a combination of educational and lifestyles events. The Stayton’s next event will be a Blues and BBQ theme in late May and reservations are full. 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, 2022 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 April 2023.

Average Occupancy

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
Independent Living	92.9%	90.1%	90.4%	89.9%	90.7%
Assisted Living	96.3%	91.9%	88.3%	82.8%	90.7%
Memory Support	92.4%	96.4%	90.4%	89.1%	92.7%
Health Center	78.2%	77.9%	92.3%	88.5%	92.1%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
Beginning Independent Living Occupied	181	172	170	170	172
IL Move-Ins	6	15	15	3	2
Transfers to the Health Center	(5)	(9)	(8)	(3)	(2)
IL Move-Outs and Death	(10)	(8)	(5)	(1)	(3)
Ending Independent Living Occupied	172	170	172	169	169
Ending Occupancy Percentage	91.5%	90.4%	91.5%	89.9%	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, 2020 through 2022 and the four months ended April 30, 2022 and 2023 are shown below:

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
Lifecare	27.5%	20.0%	21.9%	23.2%	16.1%
Medicare	33.8%	30.4%	24.1%	22.9%	40.4%
Non-Life Care Resident	38.7%	49.6%	54.0%	53.9%	43.5%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2023	**2022**
Assets		
Current Assets:		
Cash and Cash Equivalents	$1,105	$417
Investments	-	1,820
Accounts Receivable	443	417
Inventories	43	44
Prepaid Insurance & Other	390	347
Assets whose use is limited	18,476	12,283
Total Current Assets	20,457	15,328
Property and equipment, at cost:		
Land and improvements	5,009	4,947
Buildings and improvements	104,563	102,513
Furniture and equipment	2,485	2,166
	112,057	109,626
Less accum. deprec.	(13,868)	(10,078)
Net property and equipment	98,189	99,548
Net goodwill	-	35,366
Net deferred assets	161	87
Net intangible assets	6,574	7,846
TOTAL ASSETS	$125,381	$158,175

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

	2023	**2022**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$700	540
Related Party	1,279	1,737
	1,979	2,277
Accrued liabilities:		
Employee compensation expense	835	591
Interest	5,917	2,690
Other	142	83
	6,894	3,364
Entrance fee refunds	1,055	2,499
Long-term debt due within one year	112,261	112,261
Obligation under cap lease due within one yr	21	-
Total current liabilities	122,210	120,401
Entrance fee deposits	10,144	105
Long-term Intercompany Notes Payable	851	-
Obligation under cap lease due after one year	140	-
Deferred entrance fees	5,702	7,538
Refundable entrance and membership fees	75,407	72,242
Future Service Obligation	2,856	6,090
Total liabilities	217,310	206,376
Net assets without donor restrictions	(91,929)	(48,201)
TOTAL LIABILITIES AND NET ASSETS	$125,381	$158,175

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

	2023	2022
Revenues		
Independent living fees	$4,249	$3,740
Entrance fees earned	294	382
Skilled nursing, assisted living and memory support fees	3,847	3,227
Investment income (expense)	124	(261)
	8,514	7,088
Expenses		
Operating expenses:		
Salaries and benefits	3,213	2,833
General and administrative	4,351	1,664
Plant operations	604	521
Housekeeping	45	27
Dietary	849	774
Medical and other resident care	179	246
Depreciation	1,257	1,232
Amortization	1,020	3,318
Interest	2,152	2,152
(Gain) Loss on disposal of fixed assets	-	(42)
	13,670	12,725
Deficit of revenues over expenses	(5,156)	(5,637)
Contributions from (to) Lifespace Communities, Inc.	1,805	(41)
Changes in net assets	(3,351)	(5,678)
Net assets at beginning of year	(88,578)	(42,523)
Net assets at end of the period	($91,929)	($48,201)

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

Operating activities	**2023**	**2022**
Changes in unrestricted net assets	($3,351)	($5,678)
Adjustments to reconcile changes in net assets to net cash (used) provided in operating activities:		
Entrance fees earned	(294)	(382)
Proceeds from nonrefundable entrance fees and deposits	-	571
Depreciation and Amortization	2,277	4,550
Change in unrealized appreciation of investments	(46)	462
Net purchases of trading investments	(1,330)	(1,050)
Contributions to Lifespace Communities, Inc.	(1,805)	41
(Gain) Loss on disposal of property and equipment	-	(42)
Change in entrance fee deposits	1,253	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	181	146
Accounts payables and accrued liabilities	2,333	2,760
Net cash (used) provided in operating activities	(782)	1,378
Investing activities		
Purchases of property and equipment	(398)	(603)
Financing activities		
Contributions to Lifespace Communities, Inc.	1,805	(41)
Payments on Leases	(9)	-
Proceeds from refundable entrance fees and deposits	-	1,042
Refunds of entrance fees	-	(2,369)
Net cash provided (used) in financing activities	1,796	(1,368)
Net increase (decrease) in cash and cash equivalents	616	(593)
Cash and cash equivalents at beginning of year	489	1,010
Cash and cash equivalents at end of period	$1,105	$417

Four Months Ended April 30, 2023 versus Four Months Ended April 30, 2022:

The average year-to-date independent living occupancy through April 30, 2023, was 170.4 independent living homes (90.7% of the 188 available homes). The average year-to-date occupancy through April 30, 2022 was 169.0 independent living homes (89.9% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $4,249,000 for the four months ended April 30, 2023, a 13.6% increase from $3,740,000 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 $3,847,000 for the four months ended April 30, 2023 compared to $3,227,000 for the same period in 2022, an increase of 19.2%. 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 $9,241,000 for the four months ended April 30, 2023, an increase of $3,176,000 or 52.4% from comparable expenses of $6,065,000 for the same period in 2022. Salaries and benefits increased $380,000 or 13.4% for the four-month period, as compared to the same period in 2022, mainly due to open positions in culinary being filled and merit increases. General and administrative expense increased $2,687,000 or 161.5% mainly due to financing related costs.

Four Months Ended April 30, 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	$4,249	$4,063	$186
Skilled nursing, assisted living and memory support fees	3,847	3,559	288
	8,096	7,622	474
Expenses			
Operating expenses:			
Salaries and benefits	3,213	3,344	131
General and administrative	4,351	2,216	(2,135)
Plant operations	604	533	(71)
Housekeeping	45	87	42
Dietary	849	915	66
Medical and other resident care	179	101	(78)
	9,241	7,196	(2,045)
Net operating margin	(1,145)	426	(1,571)
Net entrance fees	-	-	-
Capital expenditures	398	3,995	3,597

Net operating margin is unfavorable to budget by $1,571,000.

Independent living fees revenue is favorable to budget by $186,000 or 4.6% mainly due to less apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees revenue is favorable to budget by $288,000 or 8.1% mainly due to occupancy and less hardship discounts. The average year to date assisted living occupancy is 90.7% while the budget is 85.7%. The average year to date memory support occupancy is 92.7% while the budget is 86.3%. The average year to date health center occupancy is 92.1% while the budget is 87.0%.

Salaries and benefits are $131,000, or 3.9%, favorable to budget due primarily to better labor management. The Stayton has closely managed overtime, shift bonuses, short breaks and hours worked greater than six with no break while always focusing on quality of care and delivering exceptional service to our residents.

General and administrative costs are unfavorable to budget by $2,135,000 or 96.3% 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 $3,597,000 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 March 31, 2023, 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 – Four Months Ended April 30, 2023 versus Four Months Ended April 30, 2022:

There were no cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, in 2023 compared to ($2,369,000) 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 April 30, 2023, the balance was $10,219,000.

Daily operating expenses for the four months ended April 30, 2023 increased to $95,000 from $68,000 for the four months ended April 30, 2022, a change of 38.7%. The overall unrestricted cash position decreased from $2,237,000 at April 30, 2022 to $1,105,000 at April 30, 2023, a change of 50.6%.

The table below shows the amount drawn on the $6 million LSA provided by Lifespace.

	Unfunded Commitment	Funded Commitment	Total Commitment
	$3,000,000	$3,000,000	$6,000,000
October 2022	(600,000)	-	(600,000)
January 2023	-	(900,000)	(900,000)
April 2023	(1,000,000)	-	(1,000,000)
Total remaining	**$1,400,000**	**$2,100,000**	**$3,500,000**

Capital expenditures for the community for the four months ended April 30, 2023 were $398,000, while depreciation expense for the same period was $1,257,000. Capital expenditures for the community for the four months ended April 30, 2022 were $603,000, while depreciation expense for the same period was $1,232,000.

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, 2022 is 28% 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	Four Months Ended April 30 (Unaudited) 2023	2022	Year Ended December 31 (Audited) 2022	2021	2020
Excess (deficit) of revenues over expenses	(5,156)	(5,637)	(46,440)	(15,312)	(23,338)
Less:					
Entrance fees earned	(294)	(382)	(1,436)	(1,630)	(1,387)
Add:					
Depreciation	1,257	1,232	3,766	3,741	3,586
Amortization	1,020	3,318	10,229	10,344	14,093
Interest Expense	2,152	2,152	6,455	6,455	6,399
Unrealized (gain) loss on securities	(46)	462	473	(159)	(197)
Realized loss on sale of assets	-	(42)	(42)	2	16
Loss on impairment	-	-	31,543	-	-
Change in future service obligation	-	-	(3,234)	666	5,424
Entrance fee proceeds (less refunds)	-	(756)	(2,344)	674	1,588
Entrance fee proceeds held in escrow (f)	-	(1,613)	-	-	-
Income available for debt service	(1,067)	(1,266)	(1,030)	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)	(0.6)	(0.2)	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	1,105	2,237	489	4,287	6,692
Liquidity support agreement (e)	3,500	6,000	5,400	6,000	6,000
	4,605	8,237	5,889	10,287	12,692
Department operating expenses plus interest	11,393	8,217	27,635	22,605	23,738
Daily expenses	95	68	76	62	65
Days of unrestricted cash and investment, excl. LSA	12	33	6	69	103
Days of unrestricted cash & investments on hand (a)(b)(c)	49	120	78	166	195
Days of unrestricted cash & investments on hand covenant	120	120	120	120	120
Occupancy					
Actual occupancy as of period end (a)	89.9%	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)	-14.1%	12.9%	4.6%	19.4%	18.5%
Net operating margin, adjusted (b)(c)	-14.1%	2.4%	-6.7%	22.0%	24.1%
Adjusted debt to capitalization (b)(c)	431.2%	156.8%	378.3%	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, January 2023 for $900,000 and April 2023 for $1,000,000.

(f) Entrance fee proceeds received in 2022 are held in escrow and will not be included in the net entrance fees used for the debt service coverage ratio.

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 2022			(6,827,667)	-
January	-	(227,927)	(7,055,594)	-
February	-	(304,878)	(7,360,472)	-
March	-	(279,900)	(7,640,372)	-
April	-	(1,491,245)	(9,131,617)	-
YTD 2023				-
	Other Accounts Impacting Net Entrance Fees			
Net Entrance Fees				-

Note: Funds in the segregated entrance fee escrow account ("Escrow Account") can only be used to pay refunds to those residents that deposited into the Escrow Account. As of April 30, 2023, two residents whose funds were deposited into the Escrow Account are owed refunds, which are not reflected in the above table, but will be paid out of the Escrow Account in the amount of $1.2 million.