MONTHLY REPORT
for the eight months ended August 31, 2023

THE STAYTON
AT MUSEUM WAY

A Lifespace Community

LIFESPACE COMMUNITIES

September 27, 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 eight months ended August 31, 2023, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

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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, June 30 and December 31, 2022 and June 30, 2023. 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.

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.

On June 14, 2023, a notice regarding continuation of the forbearance agreement was filed on EMMA. The forbearance agreement currently runs through September 22, 2023.

As of the date of filing this report, The Stayton has one hot lead and two warm leads. Throughout 2023 The Stayton continues to host a combination of educational and lifestyles events. In September, The Stayton hosted a series of private painting parties led by a resident ambassador and artist. The Stayton sales team continues to host a monthly social event for current residents to promote friends and family referrals and has scheduled smaller closing events for subgroups in the database beginning in October.

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 August 2023.

Average Occupancy

	Fiscal Year Ended December 31,			Eight Months ended August 31,	
	2020	2021	2022	2022	2023
Independent Living	92.9%	90.1%	90.4%	90.2%	89.4%
Assisted Living	96.3%	91.9%	88.3%	85.4%	89.2%
Memory Support	92.4%	96.4%	90.4%	91.2%	88.3%
Health Center	78.2%	77.9%	92.3%	91.5%	88.9%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Eight Months ended August 31,	
	2020	2021	2022	2022	2023
Beginning Independent Living Occupied	181	172	170	170	172
IL Move-Ins	6	15	15	12	4
Transfers to the Health Center	(5)	(9)	(8)	(6)	(4)
IL Move-Outs and Death	(10)	(8)	(5)	(5)	(8)
Ending Independent Living Occupied	172	170	172	171	164
Ending Occupancy Percentage	91.5%	90.4%	91.5%	91.0%	87.2%

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 eight months ended August 31, 2022 and 2023 are shown below:

	Fiscal Year Ended December 31,			Eight Months ended August 31,	
	2020	2021	2022	2022	2023
Lifecare	27.5%	20.0%	21.9%	23.2%	14.4%
Medicare	33.8%	30.4%	24.1%	21.6%	41.3%
Non-Life Care Resident	38.7%	49.6%	54.0%	55.2%	44.3%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of August 31 (Unaudited)
(Thousands of $)

	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	$634	$997
Accounts Receivable	639	516
Inventories	43	39
Prepaid Insurance & Other	364	317
Assets whose use is limited	17,983	15,512
Total Current Assets	19,663	17,381
Property and equipment, at cost:		
Land and improvements	5,009	4,947
Buildings and improvements	104,634	103,656
Furniture and equipment	2,929	2,227
	112,572	110,830
Less accum. deprec.	(15,416)	(11,304)
Net property and equipment	97,156	99,526
Net goodwill	-	33,454
Net deferred assets	169	141
Net intangible assets	6,150	7,422
TOTAL ASSETS	$123,138	$157,924

The Stayton
Balance Sheets
As of August 31 (Unaudited)
(Thousands of $)

	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$732	$1,181
Related Party	1,940	914
	2,672	2,095
Accrued liabilities:		
Employee compensation expense	664	379
Interest	8,069	1,614
Other	227	78
	8,960	2,071
Entrance fee refunds	1,055	1,245
Long-term debt due within one year	112,261	112,261
Obligation under cap lease due within one yr	15	1
Total current liabilities	124,963	117,673
Entrance fee deposits	9,529	-
Long-term Intercompany Notes Payable	851	851
Obligation under cap lease due after one year	140	59
Deferred entrance fees	5,115	8,446
Refundable entrance and membership fees	76,486	81,024
Future Service Obligation	2,856	6,090
Total liabilities	219,940	214,143
Net assets without donor restrictions	(96,802)	(56,219)
TOTAL LIABILITIES AND NET ASSETS	$123,138	$157,924

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Eight Months Ended August 31 (Unaudited)
(Thousands of $)

	2023	2022
Revenues		
Independent living fees	$8,307	$7,582
Entrance fees earned	713	332
Skilled nursing, assisted living and memory support fees	7,674	6,753
Investment income (expense)	246	(226)
Other	-	75
	16,940	14,516
Expenses		
Operating expenses:		
Salaries and benefits	6,416	5,651
General and administrative	7,568	4,281
Plant operations	1,234	1,010
Housekeeping	96	82
Dietary	1,695	1,559
Medical and other resident care	496	552
Depreciation	2,804	2,459
Amortization	2,357	8,316
Interest	4,303	4,303
(Gain) Loss on disposal of fixed assets	-	(42)
	26,969	28,171
Deficit of revenues over expenses	(10,029)	(13,655)
Contributions from (to) Lifespace Communities, Inc.	1,805	(41)
Changes in net assets	(8,224)	(13,696)
Net assets at beginning of year	(88,578)	(42,523)
Net assets at end of the period	($96,802)	($56,219)

The Stayton
Statements of Cash Flow
For the Eight Months Ended August 31 (Unaudited)
(Thousands of $)

Operating activities	**2023**	**2022**
Changes in unrestricted net assets	($8,224)	($13,696)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Entrance fees earned	(713)	(332)
Proceeds from nonrefundable entrance fees and deposits	-	1,429
Depreciation and Amortization	5,161	10,775
Change in unrealized appreciation of investments	(46)	484
Net purchases of trading investments	(837)	(2,481)
Contributions to Lifespace Communities, Inc.	(1,805)	41
(Gain) Loss on disposal of property and equipment	-	(42)
Change in entrance fee deposits	638	(105)
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	-	28
Accounts payables and accrued liabilities	5,092	1,285
Net cash used in operating activities	(734)	(2,614)
Investing activities		
Purchases of property and equipment	(912)	(1,747)
Financing activities		
Proceeds from Intercompany Note	-	851
Contributions to Lifespace Communities, Inc.	1,805	(41)
Payments on Leases	(14)	-
Proceeds from refundable entrance fees and deposits	-	6,129
Refunds of entrance fees	-	(2,591)
Net cash provided in financing activities	1,791	4,348
Net increase (decrease) in cash and cash equivalents	145	(13)
Cash and cash equivalents at beginning of year	489	1,010
Cash and cash equivalents at end of period	$634	$997

Eight Months Ended August 31, 2023 versus Eight Months Ended August 31, 2022:

The average year-to-date independent living occupancy through August 31, 2023, was 168.1 independent living homes (89.7% of the 188 available homes). The average year-to-date occupancy through August 31, 2022 was 169.6 independent living homes (90.2% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $8,307,000 for the eight months ended August 31, 2023, a 9.6% increase from $7,582,000 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 and less apartment discounts.

Revenues from the health center, assisted living, and memory support fees were $7,674,000 for the eight months ended August 31, 2023 compared to $6,753,000 for the same period in 2022, an increase of 13.6%. The increase is driven by monthly fee increases of 7.9% that were effective January 1, 2023, the increase in assisted living occupancy when comparing periods and the payor mix within the health center.

Total operating expenses, excluding depreciation and interest expense, were $17,505,000 for the eight months ended August 31, 2023, an increase of $4,370,000 or 33.3% from comparable expenses of $13,135,000 for the same period in 2022. Salaries and benefits increased $765,000 or 13.5% for the eight-month period, as compared to the same period in 2022, mainly due to merit increases and marketing adjustments effective August 1 for nursing and culinary direct care positions. General and administrative expenses increased $3,287,000 or 76.8% mainly due to financing related costs. Plant operations expenses increased $224,000 or 22.2% mainly due to utilities and transportation services.

Eight Months Ended August 31, 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	$8,307	$7,960	$347
Skilled nursing, assisted living and memory support fees	7,674	7,206	468
	15,981	15,166	815
Expenses			
Operating expenses:			
Salaries and benefits	6,416	6,831	415
General and administrative	7,568	4,363	(3,205)
Plant operations	1,234	1,067	(167)
Housekeeping	96	159	63
Dietary	1,695	1,832	137
Medical and other resident care	496	204	(292)
	17,505	14,456	(3,049)
Net operating margin	(1,524)	710	(2,234)
Net entrance fees	-	(1,089)	1,089
Capital expenditures	912	7,991	7,079

Net operating margin is unfavorable to budget by $2,234,000.

Independent living fees revenue is favorable to budget by $347,000 or 4.4% primarily due to less apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees revenue is favorable to budget by $468,000 or 6.5% due primarily to occupancy in assisted living and the health center, less hardship discounts, less lifecare discounts, and the change in payor mix in the health center. The average year to date assisted living occupancy is 89.2% while the budget is 85.7%. The average year to date health center occupancy is 88.9% while the budget is 87.0%.

Salaries and benefits are $415,000, or 6.1%, 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 $3,205,000 or 73.5% due primarily to financing related costs.

Medical and other resident care costs are unfavorable to budget by $292,000 or 143.1% due primarily to use of agency that was not budgeted and transportation services.

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 $7,079,000 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 remaining amounts available from the $6.0 million liquidity support agreement provided by Lifespace. At June 30, 2023, The Stayton was not in compliance with the occupancy covenant. No action is required until there are two consecutive quarters below the 88% 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 June 30, 2022.

Liquidity and Capital Requirements – Eight Months Ended August 31, 2023 versus Eight Months Ended August 31, 2022:

There were no cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, in 2023 compared to ($2,014,000) 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 August 31, 2023, the balance was $9,667,000.

Daily operating expenses for the eight months ended August 31, 2023 increased to $90,000 from $72,000 for the eight months ended August 31, 2022, a change of 25.1%. The overall unrestricted cash position decreased from $997,000 at August 31, 2022 to $634,000 at August 31, 2023, a change of 36.4%.

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 eight months ended August 31, 2023 were $912,000, while depreciation expense for the same period was $2,804,000. Capital expenditures for the community for the eight months ended August 31, 2022 were $1,747,000, while depreciation expense for the same period was $2,459,000.

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 $)

	Eight Months Ended August 31 (Unaudited)		Year Ended December 31 (Audited)		
Historical Debt Service Coverage	**2023**	**2022**	**2022**	**2021**	**2020**
Excess (deficit) of revenues over expenses	(10,029)	(13,655)	(46,440)	(15,312)	(23,338)
Less:					
Entrance fees earned	(713)	(332)	(1,436)	(1,630)	(1,387)
Add:					
Depreciation	2,804	2,459	3,766	3,741	3,586
Amortization	2,357	8,316	10,229	10,344	14,093
Interest Expense	4,303	4,303	6,455	6,455	6,399
Unrealized (gain) loss on securities	(46)	484	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)	-	4,967	(2,344)	674	1,588
Entrance fee proceeds held in escrow (f)	-	(6,981)	-	-	-
Income available for debt service	(1,324)	(481)	(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)	(0.3)	(0.1)	(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	634	997	489	4,287	6,692
Liquidity support agreement (e)	3,500	6,000	5,400	6,000	6,000
	4,134	6,997	5,889	10,287	12,692
Department operating expenses plus interest	21,808	17,438	27,635	22,605	23,738
Daily expenses	90	72	76	62	65
Days of unrestricted cash and investment, excl. LSA	7	14	6	69	103
Days of unrestricted cash & investments on hand (a)(b)(c)	46	98	78	166	195
Days of unrestricted cash & investments on hand covenant	120	120	120	120	120
Occupancy					
Actual occupancy as of period end (a)	87.2%	91.0%	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)	-9.5%	8.8%	4.6%	19.4%	18.5%
Net operating margin, adjusted (b)(c)	-9.5%	32.2%	-6.7%	22.0%	24.1%
Adjusted debt to capitalization (b)(c)	545.6%	174.1%	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			(6,995,831)	-
January	-	(227,927)	(7,223,758)	-
February	-	(304,878)	(7,528,636)	-
March	-	-	(7,528,636)	-
April	-	(1,771,145)	(9,299,781)	-
May	-	(1,350,496)	(10,650,277)	-
June	-	(508,310)	(11,158,587)	-
July	-	-	(11,158,587)	-
August	-	-	(11,158,587)	-
YTD 2023				-
	Other Accounts Impacting Net Entrance Fees			
Net Entrance Fees				-

Note: Currently, 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 August 31, 2023, there are no residents awaiting refunds from the Escrow Account. Since the month of June 2023, $1.7 million in refunds were paid to residents that deposited into the Escrow Account, which are not reflected in the above table.