

MONTHLY REPORT
for the month ended January 31, 2024

THE
STAYTON
— AT MUSEUM WAY —

A Lifespace Community

February 29, 2024

BOK Financial
George Kubin
Senior Vice President Regional Manager
Corporate Trust
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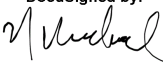
RE: Certificate in accordance with Master Trust Indenture Section 4.15(b), Section 4.20 and Section 4.22

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, 2024, subject to the year-end audit adjustments.

LIFESPAC E COMMUNITIES, 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, 2021 and going forward through December 31, 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.

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 LSA. Pursuant to the First Amendment to LSA, 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 LSA.

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

In April 2023, The Stayton drew on the 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 is currently being extended week to week.

In October 2023, The Stayton drew on the LSA in the amount of \$1,400,000. It was funded from the Lifespace Obligated Group as part of the \$3 million unfunded commitment outlined in the LSA. These draws represent the remaining amount available to draw from the Lifespace Obligated Group, and as such, the unfunded commitment has been fully drawn.

In December 2023, The Stayton drew on the LSA funded commitment in the amount of \$1,300,000.

In January 2024, The Stayton drew the rest of the LSA funded commitment in the amount of \$800,000.

As of the date of filing this report, The Stayton has one hot lead and two warm leads. The Stayton's plan for 2024 is to continue to host events that revolve around a combination of education and lifestyles. Two leadership luncheons have been held since the beginning of the year along with a chocolatier lifestyles event for Valentine's Day. The sales team continues to host a monthly social event for current residents to promote friends and family referrals.

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	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 January 2024.

Average Occupancy

	Fiscal Year Ended December 31,			Month ended January 31,	
	2021	2022	2023	2023	2024
Independent Living	90.1%	90.4%	88.2%	91.2%	85.1%
Assisted Living	91.9%	88.3%	86.2%	92.6%	65.9%
Memory Support	96.4%	90.4%	87.1%	86.2%	81.5%
Health Center	77.9%	92.3%	88.7%	94.2%	94.6%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Month ended January 31,	
	2021	2022	2023	2023	2024
Beginning Independent Living Occupied	172	170	172	172	160
IL Move-Ins	15	15	6	-	-
Transfers to the Health Center	(9)	(8)	(6)	(1)	-
IL Move-Outs and Death	(8)	(5)	(12)	(1)	-
Ending Independent Living Occupied	170	172	160	170	160
Ending Occupancy Percentage	90.4%	91.5%	85.1%	90.4%	85.1%

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, 2021 through 2023 and the month ended January 31, 2023 and 2024 are shown below:

	Fiscal Year Ended December 31,			Month ended January 31,	
	2021	2022	2023	2023	2024
Lifecare	20.0%	21.9%	14.5%	18.5%	17.2%
Medicare	30.4%	24.1%	41.5%	38.6%	46.7%
Non-Life Care Resident	49.6%	54.0%	44.0%	42.9%	36.1%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2024	2023
Assets		
Current Assets:		
Cash and Cash Equivalents	\$1,729	\$553
Accounts Receivable	131	674
Inventories	43	43
Prepaid Insurance & Other	410	351
Assets whose use is limited	18,890	17,197
Total Current Assets	21,203	18,818
Property and equipment, at cost:		
Land and improvements	5,009	5,009
Buildings and improvements	104,688	104,161
Furniture and equipment	3,112	2,475
	112,809	111,645
Less accum. deprec.	(16,975)	(12,932)
Net property and equipment	95,834	98,713
Net deferred assets	164	153
Net intangible assets	5,619	6,892
TOTAL ASSETS	\$122,820	\$124,576

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

	2024	2023
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	\$661	\$643
Related Party	1,856	1,222
	2,517	1,865
Accrued liabilities:		
Employee compensation expense	698	645
Interest	10,758	4,303
Other	21	118
	11,477	5,066
Entrance fee refunds	690	1,055
Long-term debt due within one year	112,261	112,261
Obligation under cap lease due within one yr	16	17
Total current liabilities	126,961	120,264
Entrance fee deposits	10,505	8,944
Long-term Intercompany Notes Payable	851	851
Obligation under cap lease due after one year	60	150
Deferred entrance fees	4,336	5,899
Refundable entrance and membership fees	78,854	75,031
Future Service Obligation	121	2,856
Total liabilities	221,688	213,995
Net assets without donor restrictions	(98,868)	(89,419)
TOTAL LIABILITIES AND NET ASSETS	\$122,820	\$124,576

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

	2024	2023
Revenues		
Independent living fees	\$950	\$1,086
Entrance fees earned	61	98
Skilled nursing, assisted living and memory support fees	882	1,016
Investment income (expense)	33	44
	1,926	2,244
Expenses		
Operating expenses:		
Salaries and benefits	1,029	863
General and administrative	1,096	1,461
Plant operations	169	152
Housekeeping	8	7
Dietary	234	190
Medical and other resident care	48	48
Depreciation	332	314
Amortization	316	340
Interest	538	538
	3,770	3,913
Deficit of revenues over expenses	(1,844)	(1,669)
Contributions from (to) Lifespace Communities, Inc.	800	828
Changes in net assets	(1,044)	(841)
Net assets at beginning of year	(97,824)	(88,578)
Net assets at end of the period	(\$98,868)	(\$89,419)

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

Operating activities	2024	2023
Changes in unrestricted net assets	(\$1,044)	(\$841)
Adjustments to reconcile changes in net assets to net cash (used) provided in operating activities:		
Entrance fees earned	(61)	(98)
Depreciation and Amortization	648	654
Change in unrealized appreciation of investments	-	(36)
Net purchases of trading investments	192	(61)
Contributions to Lifespace Communities, Inc.	(800)	(828)
Change in entrance fee deposits	-	53
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	135	(11)
Accounts payables and accrued liabilities	457	406
Net cash used in operating activities	<u>(473)</u>	<u>(762)</u>
Investing activities		
Purchases of property and equipment	(25)	-
Financing activities		
Contributions to Lifespace Communities, Inc.	800	828
Payments on Leases	(1)	(2)
Net cash provided in financing activities	<u>799</u>	<u>826</u>
Net change in cash and cash equivalents	301	64
Cash and cash equivalents at beginning of year	1,428	489
Cash and cash equivalents at end of period	<u><u>\$1,729</u></u>	<u><u>\$553</u></u>

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

Month Ended January 31, 2024 versus Month Ended January 31, 2023:

The average year-to-date independent living occupancy through January 31, 2024, was 160.0 independent living homes (85.1% of the 188 available homes). The average year-to-date occupancy through January 31, 2023 was 171.4 independent living homes (91.2% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to \$950,000 for the month ended January 31, 2024, a 12.5% decrease from \$1,086,000 for the same revenue sources for the same period in 2023. The decrease is driven by lower occupancy.

Revenues from the health center, assisted living, and memory support fees were \$882,000 for the month ended January 31, 2024 compared to \$1,016,000 for the same period in 2023, a decrease of 13.2%. The decrease is driven by lower occupancy.

Total operating expenses, excluding depreciation and interest expense, were \$2,584,000 for the month ended January 31, 2024, a decrease of \$137,000 or 5.0% from comparable expenses of \$2,721,000 for the same period in 2023. Salaries and benefits increased \$166,000 or 19.2% for the one-month period, as compared to the same period in 2023, mainly due to merit increases and a one-time payout. General and administrative expenses decreased \$365,000 or 25.0% mainly due to lower financing related costs.

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

Month Ended January 31, 2024 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	\$950	\$936	\$14
Skilled nursing, assisted living and memory support fees	882	916	(34)
	1,832	1,852	(20)
Expenses			
Operating expenses:			
Salaries and benefits	1,029	973	(56)
General and administrative	1,096	1,152	56
Plant operations	169	157	(12)
Housekeeping	8	13	5
Dietary	234	246	12
Medical and other resident care	48	40	(8)
	2,584	2,581	(3)
Net operating margin	(752)	(729)	(23)
Net entrance fees	-	-	-
Capital expenditures	25	626	601

Net operating margin is unfavorable to budget by \$23,000.

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.

Capital expenditures are favorable to budget by \$601,000 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 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 LSA provided by Lifespace. Beginning at June 30, 2023, The Stayton has not been 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, 2023.

Liquidity and Capital Requirements – Month Ended January 31, 2024 versus Month Ended January 31, 2023:

There were no cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, in 2023 and 2022. 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 January 31, 2024, the balance was \$10,632,000.

Daily operating expenses for the month ended January 31, 2024 decreased to \$101,000 from \$105,000 for the month ended January 31, 2023, a change of 4.2%. The overall unrestricted cash position increased from \$553,000 at January 31, 2023 to \$1,729,000 at January 31, 2024, a change of 212.7%.

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

	<u>Unfunded Commitment</u>	<u>Funded Commitment</u>	<u>Total Commitment</u>
	\$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)
October 2023	(1,400,000)	-	(1,400,000)
December 2023	-	(1,300,000)	(1,300,000)
January 2024	-	(800,000)	(800,000)
Total remaining	\$-0-	\$-0-	\$-0-

Capital expenditures for the community for the month ended January 31, 2024 were \$25,000, while depreciation expense for the same period was \$332,000. There were no capital expenditures for the community for the month ended January 31, 2023, while depreciation expense for the same period was \$314,000.

The Stayton Management's Discussion and Analysis

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	Month Ended January 31 (Unaudited)		Year Ended December 31		
	2024	2023	(Unaudited) 2023	(Audited) 2022	(Audited) 2021
Excess (deficit) of revenues over expenses	(1,844)	(1,669)	(13,692)	(46,440)	(15,312)
Less:					
Entrance fees earned	(61)	(98)	(1,264)	(1,436)	(1,630)
Add:					
Depreciation	332	314	4,133	3,766	3,741
Amortization	316	340	4,621	10,229	10,344
Interest Expense	538	538	6,455	6,455	6,455
Unrealized (gain) loss on securities	-	(36)	(46)	473	(159)
Realized loss on sale of assets	-	-	-	(42)	2
Loss on impairment	-	-	-	31,543	-
Change in future service obligation	-	-	(2,735)	(3,234)	666
Entrance fee proceeds (less refunds)	-	-	-	(2,344)	674
Income available for debt service	(719)	(611)	(2,528)	(1,030)	4,781
Annual debt service payment	6,455	6,455	6,455	6,455	6,455
Annual debt service coverage (b)(c)	(1.3)	(1.1)	(0.4)	(0.2)	0.7
Annual debt service coverage covenant (d)	1.2	1.2	1.2	1.2	1.1
Days Cash on Hand					
Unrestricted cash and investments	1,729	553	1,506	489	4,287
Liquidity support agreement (e)	-	4,500	800	5,400	6,000
	1,729	5,053	2,306	5,889	10,287
Department operating expenses plus interest	3,122	3,259	33,016	27,635	22,605
Daily expenses	101	105	90	76	62
Days of unrestricted cash and investment, excl. LSA	17	5	17	6	69
Days of unrestricted cash & investments on hand (a)(b)(c)	17	48	25	78	166
Days of unrestricted cash & investments on hand covenant	120	120	120	120	120
Occupancy					
Actual occupancy as of period end (a)	85.1%	90.4%	85.1%	91.5%	90.4%
Occupancy covenant	88.0%	88.0%	88.0%	88.0%	88.0%
Other Ratios					
Net operating margin (b)(c)	-41.0%	-29.4%	-12.1%	4.6%	19.4%
Net operating margin, adjusted (b)(c)	-41.0%	-29.4%	-12.1%	-6.7%	22.0%
Adjusted debt to capitalization (b)(c)	633.2%	390.6%	589.0%	378.3%	145.6%

(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 liquidity support pay out occurred in October 2022 for \$600,000, January 2023 for \$900,000, April 2023 for \$1,000,000, October 2023 for \$1,400,000, December 2023 for \$1,300,000 and January 2024 for \$800,000.

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	Refund Queue Ending Balance	Entrance Fee Turnover
End of 2023		(18,121,401)	-
January	-	(277,965)	-
YTD 2024			-
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 January 31, 2024, 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.