MONTHLY REPORT
for the two months ended February 29, 2024

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE
COMMUNITIES

March 29, 2024

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), 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 two months ended February 29, 2024, 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, 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.

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.

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.

On February 6, 2024, The Stayton and BOKF, N.A. entered into a Second Amended Forbearance Agreement that extends the forbearance period. Further, in the Second Amendment to Forbearance Agreement BOKF, N.A. agreed to provide The Stayton with cash held by BOKF, N.A. in a debt service reserve fund in order to continue its operations provided that such amounts are within an agreed upon budget.

Pursuant to the Forbearance Agreement, The Stayton retained Houlihan Lokey as investment banker to market The Stayton and its assets. On February 8, 2024, The Stayton and Lifespace, with the consent of BOKF, N.A., entered into a Member Substitution Agreement (the "MSA") with Buckner Retirement Services, Inc. ("Buckner") pursuant to which Buckner agreed to become the sole member of The Stayton subject to a competitive overbid process by which The Stayton would seek a higher or superior offers. On March 5, 2024, The Stayton concluded the overbid process and determined that the Buckner bid was the highest and best bid received. The Buckner MSA transaction is expected to close over the next several months.

As of the date of filing this report, The Stayton has one hot lead and several warm leads. The Stayton's plan for 2024 is to continue to host events that revolve around a combination of education and lifestyles. A well-attended downsizing event was held in March and two wine pairing events are scheduled for April. 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		
	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 February 2024.

Average Occupancy

	Fiscal Year Ended December 31,			Two Months ended February 29,	
	2021	2022	2023	2023	2024
Independent Living	90.1%	90.4%	88.2%	90.8%	85.0%
Assisted Living	91.9%	88.3%	86.2%	91.5%	66.2%
Memory Support	96.4%	90.4%	87.1%	90.0%	80.7%
Health Center	77.9%	92.3%	88.7%	93.3%	92.7%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Two Months ended February 29,	
	2021	2022	2023	2023	2024
Beginning Independent Living Occupied	172	170	172	172	160
IL Move-Ins	15	15	6	1	-
Transfers to the Health Center	(9)	(8)	(6)	(2)	-
IL Move-Outs and Death	(8)	(5)	(12)	(1)	(1)
Ending Independent Living Occupied	170	172	160	170	159
Ending Occupancy Percentage	90.4%	91.5%	85.1%	90.4%	84.6%

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 two months ended February 28, 2023 and February 29, 2024 are shown below:

	Fiscal Year Ended December 31,			Two Months ended February 29,	
	2021	2022	2023	2023	2024
Lifecare	20.0%	21.9%	14.5%	18.2%	18.5%
Medicare	30.4%	24.1%	41.5%	41.6%	46.2%
Non-Life Care Resident	49.6%	54.0%	44.0%	40.2%	35.3%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of February 29 (Unaudited)
(Thousands of $)

	2024	**2023**
Assets		
Current Assets:		
Cash and Cash Equivalents	$1,959	$246
Accounts Receivable	664	771
Inventories	43	43
Prepaid Insurance & Other	393	354
Assets whose use is limited	18,923	17,764
Total Current Assets	21,982	19,178
Property and equipment, at cost:		
Land and improvements	5,009	5,009
Buildings and improvements	104,717	104,257
Furniture and equipment	3,112	2,475
	112,838	111,741
Less accum. deprec.	(17,305)	(13,241)
Net property and equipment	95,533	98,500
Net deferred assets	164	162
Net intangible assets	5,513	6,786
TOTAL ASSETS	$123,192	$124,626

The Stayton
Balance Sheets
As of February 29 (Unaudited)
(Thousands of $)

	2024	**2023**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$783	$818
Related Party	1,918	903
	2,701	1,721
Accrued liabilities:		
Employee compensation expense	751	657
Interest	11,296	4,841
Other	30	103
	12,077	5,601
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	15	15
Total current liabilities	127,744	120,653
Entrance fee deposits	10,505	9,484
Long-term Intercompany Notes Payable	851	851
Obligation under cap lease due after one year	60	150
Deferred entrance fees	4,577	5,853
Refundable entrance and membership fees	78,936	75,032
Future Service Obligation	121	2,856
Total liabilities	222,794	214,879
Net assets without donor restrictions	(99,602)	(90,253)
TOTAL LIABILITIES AND NET ASSETS	$123,192	$124,626

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Two Months Ended February 29 (Unaudited)
(Thousands of $)

	2024	2023
Revenues		
Independent living fees	$1,955	$2,141
Entrance fees earned	116	143
Skilled nursing, assisted living and memory support fees	1,733	1,961
Investment income (expense)	67	72
	3,871	4,317
Expenses		
Operating expenses:		
Salaries and benefits	1,888	1,611
General and administrative	1,523	2,268
Plant operations	346	317
Housekeeping	16	16
Dietary	466	406
Medical and other resident care	108	67
Depreciation	661	629
Amortization	632	430
Interest	1,076	1,076
	6,716	6,820
Deficit of revenues over expenses	(2,845)	(2,503)
Contributions from (to) Lifespace Communities, Inc.	800	828
Changes in net assets	(2,045)	(1,675)
Net assets at beginning of year	(97,557)	(88,578)
Net assets at end of the period	($99,602)	($90,253)

The Stayton
Statements of Cash Flow
For the Two Months Ended February 29 (Unaudited)
(Thousands of $)

Operating activities	**2024**	**2023**
Changes in unrestricted net assets	($2,045)	($1,675)
Adjustments to reconcile changes in net assets to net cash (used) provided in operating activities:		
Entrance fees earned	(116)	(143)
Depreciation and Amortization	1,293	1,059
Change in unrealized appreciation of investments	-	(46)
Net purchases of trading investments	159	(618)
Contributions to Lifespace Communities, Inc.	(800)	(828)
Change in entrance fee deposits	-	593
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	55	(111)
Accounts payables and accrued liabilities	1,241	782
Net cash used in operating activities	(213)	(987)
Investing activities		
Purchases of property and equipment	(53)	(81)
Financing activities		
Contributions to Lifespace Communities, Inc.	800	828
Payments on Leases	(3)	(3)
Net cash provided in financing activities	797	825
Net change in cash and cash equivalents	531	(243)
Cash and cash equivalents at beginning of year	1,428	489
Cash and cash equivalents at end of period	$1,959	$246

Two Months Ended February 29, 2024 versus Two Months Ended February 28, 2023:

The average year-to-date independent living occupancy through February 29, 2024, was 159.9 independent living homes (85.0% of the 188 available homes). The average year-to-date occupancy through February 28, 2023 was 170.6 independent living homes (90.8% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $1,955,000 for the two months ended February 29, 2024, compared to $2,141,000 for the same revenue sources for the same period in 2023, a 8.7% decrease. The decrease is driven by lower occupancy when comparing periods. The decrease in occupancy was offset by the monthly fee increase of 5.0% effective February 1, 2024.

Revenues from the health center, assisted living, and memory support fees were $1,733,000 for the two months ended February 29, 2024, compared to $1,961,000 for the same revenue sources for the same period in 2023, a decrease of 11.6%. The decrease is driven by lower occupancy. The decrease in occupancy was offset by the fee increases of 7.0% in the health center and 4.5% in assisted living and memory support effective February 1, 2024.

Total operating expenses, excluding depreciation and interest expense, were $4,347,000 for the two months ended February 29, 2024, a decrease of $338,000 or 7.2% from comparable expenses of $4,685,000 for the same period in 2023. Salaries and benefits increased $277,000 or 17.2% for the two-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 $745,000 or 32.8% mainly due to lower financing related costs.

Two Months Ended February 29, 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	$1,955	$1,912	$43
Skilled nursing, assisted living and memory support fees	1,733	1,798	(65)
	3,688	3,710	(22)
Expenses			
Operating expenses:			
Salaries and benefits	1,888	1,875	(13)
General and administrative	1,523	2,303	780
Plant operations	346	314	(32)
Housekeeping	16	26	10
Dietary	466	485	19
Medical and other resident care	108	78	(30)
	4,347	5,081	734
Net operating margin	(659)	(1,371)	712
Net entrance fees	-	-	-
Capital expenditures	53	1,251	1,198

Net operating margin is favorable to budget by $712,000.

General and administrative costs are favorable to budget by $780,000 or 33.9% due primarily 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.

Capital expenditures are favorable to budget by $1,198,000 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 2024 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 – Two Months Ended February 29, 2024 versus Two Months Ended February 28, 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 February 29, 2024, the balance was $10,632,000.

Daily operating expenses for the two months ended February 29, 2024 decreased to $90,000 from $98,000 for the two months ended February 28, 2023, a change of 7.4%. The overall unrestricted cash position increased from $246,000 at February 28, 2023 to $1,959,000 at February 29, 2024, a change of 696.3%.

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	$6,000,000
October 2022	(600,000)	-	(600,000)
January 2023	-	(900,000)	(900,000)
April 2023	(1,000,000)	-	(1,000,000)
October 2023	(1,400,000)	-	(1,400,000)
December 2023	-	(1,300,000)	(1,300,000)
January 2024	-	(800,000)	(800,000)
Total remaining	**$-0-**	**$-0-**	**$-0-**

Capital expenditures for the community for the two months ended February 29, 2024 were $53,000, while depreciation expense for the same period was $661,000. Capital expenditures for the community for the two months ended February 28, 2023 were $81,000, while depreciation expense for the same period was $629,000.

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 $)

	Two Months Ended February 29 (Unaudited)		Year Ended December 31 (Unaudited)	(Audited)	
Historical Debt Service Coverage	**2024**	**2023**	**2023**	**2022**	**2021**
Excess (deficit) of revenues over expenses	(2,845)	(2,503)	(13,692)	(46,440)	(15,312)
Less:					
Entrance fees earned	(116)	(143)	(1,264)	(1,436)	(1,630)
Add:					
Depreciation	661	629	4,133	3,766	3,741
Amortization	632	430	4,621	10,229	10,344
Interest Expense	1,076	1,076	6,455	6,455	6,455
Unrealized (gain) loss on securities	-	(46)	(46)	473	(159)
Realized loss on sale of assets	-	-	-	(42)	2
Loss on impairment	-	-	-	31,543	-
Restructuring Fees	732	1,592	7,521	2,741	-
Change in future service obligation	-	-	(2,735)	(3,234)	666
Entrance fee proceeds (less refunds)	-	-	-	(2,344)	674
Entrance fee proceeds held in escrow (f)	-	-	-	-	-
Income available for debt service	140	1,035	4,993	1,711	4,781
Annual debt service payment	6,455	6,455	6,455	6,455	6,455
Annual debt service coverage (b)(c)	0.1	1.0	0.8	0.3	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	1,959	246	1,506	489	4,287
Liquidity support agreement (e)	-	4,500	800	5,400	6,000
	1,959	4,746	2,306	5,889	10,287
Department operating expenses plus interest	5,423	5,761	33,016	27,635	22,605
Daily expenses	90	98	90	76	62
Days of unrestricted cash and investment, excl. LSA	22	3	17	6	69
Days of unrestricted cash & investments on hand (a)(b)(c)	22	49	25	78	166
Days of unrestricted cash & investments on hand covenant	120	120	120	120	120
Occupancy					
Actual occupancy as of period end (a)	84.6%	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)	-17.9%	-14.2%	-12.1%	4.6%	19.4%
Net operating margin, adjusted (b)(c)	-17.9%	-14.2%	-12.1%	-6.7%	22.0%
Adjusted debt to capitalization (b)(c)	651.3%	402.9%	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)	(18,399,366)	-
February	-	(381,900)	(18,781,266)	-
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 February 29, 2024, there was one resident awaiting a refund 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.