Date Filed: 12/16/2022

**CONTINUING DISCLOSURE REPORT**
**for the nine months ended September 30, 2022**

LIFESPACE
COMMUNITIES

## OBLIGATED GROUP

**Abbey Delray**
**Abbey Delray South**
**Beacon Hill**
**Claridge Court**
**Friendship Village of Bloomington**
**Friendship Village of South Hills**
**Harbour's Edge**
**Oak Trace**
**Querencia**
**The Waterford**
**Village on the Green**

**The information contained herein is being filed by the Corporation for the purposes of complying with the Corporation's obligations under SEC Rule 15c2-12. The information contained herein is as of the date of this report.**

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LIFESPACE COMMUNITIES

November 10, 2022

US Bank
Bridgette Tolbert
Corporate Trust Dept.
Mail Code EX-FL-WWSJ
225 Water Street, Suite 700
Jacksonville, FL 32202

RE: Certificate in accordance with Section 415 (a) (ii) of the Master Trust Indenture dated November 1, 2010

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements for:

Lifespace Communities Obligated Group

Are complete, correct and fairly present the financial conditions and results of operations for the nine months ended September 30, 2022, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
0FBD63BFF8124CA...

Nick Harshfield

Cc: Bankers Trust, Kristy Olesen

**Lifespace Communities, Inc.**
**Obligated Group**
**Management's Discussion and Analysis**

## Overview:

Lifespace Communities, Inc. ("Lifespace" or the "Corporation") is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities ("CCRCs).

The Corporation owned eleven CCRCs in six states that made up the Obligated Group. On August 1, 2021, the Corporation sold Grand Lodge at the Preserve ("Grand Lodge") located in Lincoln, Nebraska.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia ("Querencia") located in Austin, Texas. On August 31, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group.

The Obligated Group consists of the above communities. The financial information and covenants presented herein set forth the information for these communities. Prior period information has been restated to include Querencia and reclass Grand Lodge activity to discontinued operations.

The Corporation is the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere ("Edgemere") located in Dallas, Texas and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way ("The Stayton") located in Ft. Worth, Texas. On July 1, 2021, Lifespace acquired Newcastle Place, LLC ("Newcastle Place") located in Mequon, Wisconsin. On July 19, 2022, Lifespace acquired Meadow Lake located in Tyler, Texas, Wesley Court located in Abilene, Texas and The Craig located in Amarillo, Texas. Edgemere, The Stayton, Newcastle Place, Meadow Lake, Wesley Court and The Craig are separately financed and are not part of the Obligated Group.

The corporation was sole member of Deerfield Retirement Community, Inc. ("Deerfield") a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge. Deerfield was separately financed and not part of the Obligated Group. While outside the Obligated Group, the Obligated Group had previously guaranteed certain outstanding long-term indebtedness of Deerfield. These guarantees were discharged in connection with the sale of Deerfield and the Obligated Group has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

After the disposition of Grand Lodge and Deerfield, and including Edgemere, Meadow Lake, Newcastle Place, The Craig, The Stayton, and Wesley Court, the Corporation and its affiliates operate 17 CCRCs in seven states from corporate offices located in West Des Moines, Iowa and Addison, Texas. References to the "Communities" herein are to the 11 CCRCs owned and operated by the Corporation that make up the Obligated Group.

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

Summary of Units Operated per Community

| | Independent Living Apartments | Villas, Carriage or Town Homes | Assisted Living | Health Center Private Room | Health Center Semi-Private Room | Memory Support | Total | CMS 5-Star Rating * |
|---|---|---|---|---|---|---|---|---|
| Abbey Delray | 299 | 28 | 48 | 30 | 70 | 30 | 505 | 4 |
| Abbey Delray South | 240 | 44 | | 28 | 46 | | 358 | 5 |
| Beacon Hill | 372 | | | 26 | 84 | | 482 | 5 |
| Claridge Court (1) | 127 | | | 17 | 28 | | 172 | 5 |
| Friendship Village of Bloomington (2) | 368 | 12 | 42 | 66 | | 32 | 520 | 4 |
| Friendship Village of South Hills (3) | 270 | 18 | 50 | 35 | 54 | 32 | 459 | 3 |
| Harbour's Edge | 266 | | | 50 | 4 | | 320 | 5 |
| Oak Trace | 216 | 16 | 66 | 84 | 20 | 28 | 430 | 5 |
| Querencia | 157 | 10 | 40 | 38 | 4 | 23 | 272 | 4 |
| The Waterford (4) | 247 | 18 | | 30 | 30 | | 325 | 3 |
| Village on the Green | 204 | 58 | 36 | 40 | 8 | 18 | 364 | 5 |
| Total | 2,766 | 204 | 282 | 444 | 348 | 163 | 4,207 | |

* The CMS 5-Star ratings are as of October 2022.

Change in units from December 31, 2021

(1) Claridge Court combined smaller apartments which reduced inventory by one in the second quarter 2022.

(2) Friendship Village of Bloomington has combined smaller apartments which reduced inventory by one in the first quarter and two more in second quarter 2022. The new health center opened in third quarter 2022 with private rooms.

(3) Friendship Village of South Hills has combined smaller apartments which reduced inventory by three in the third quarter 2022.

(4) The Waterford has combined smaller apartments which reduced inventory by one and demolished seven villas as a result of the redevelopment efforts in the third quarter 2022.

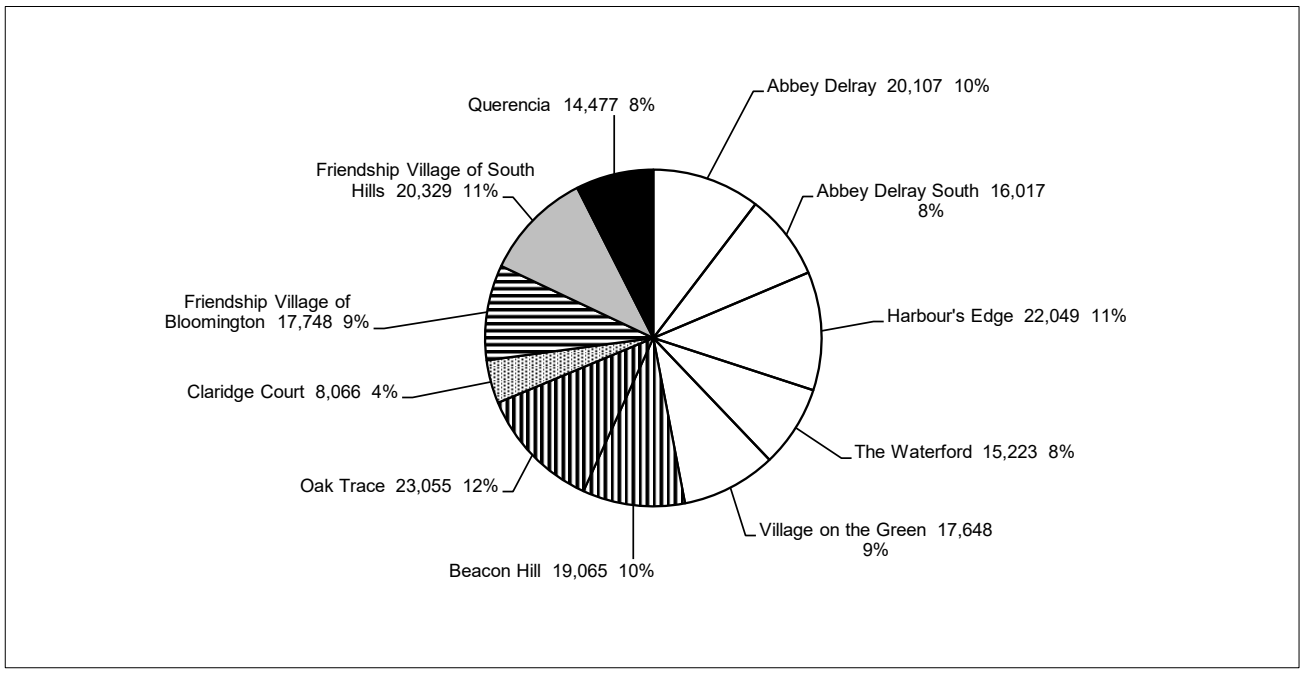
**Lifespace Communities, Inc.**
**Average Occupancy of the Communities**

| Community | 2019 Living Units | 2019 Health Center | 2019 ALUs | 2019 Memory Support | 2020 Living Units | 2020 Health Center | 2020 ALUs | 2020 Memory Support | 2021 Living Units | 2021 Health Center | 2021 ALUs | 2021 Memory Support | Twelve months ended September 30, 2022 Living Units | Twelve months ended September 30, 2022 Health Center | Twelve months ended September 30, 2022 ALUs | Twelve months ended September 30, 2022 Memory Support |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Abbey Delray, FL (a) | 71.6% | 88.1% | 85.7% | N/A | 67.6% | 92.5% | 59.8% | 36.0% | 60.1% | 92.4% | 74.1% | 60.6% | 59.1% | 92.2% | 87.3% | 75.7% |
| Abbey Delray South, FL | 80.6% | 82.9% | N/A | N/A | 76.0% | 73.4% | NA | NA | 66.3% | 75.5% | NA | NA | 66.2% | 90.6% | NA | NA |
| Beacon Hill, IL | 94.1% | 92.7% | N/A | N/A | 92.4% | 91.5% | NA | NA | 87.0% | 89.6% | NA | NA | 82.9% | 87.9% | NA | NA |
| Claridge Court, KS | 89.2% | 89.6% | N/A | N/A | 87.3% | 82.0% | NA | NA | 81.2% | 89.3% | NA | NA | 82.8% | 95.1% | NA | NA |
| Friendship Village of Bloomington, MN (b) | 96.3% | 85.6% | 86.8% | N/A | 93.3% | 82.0% | 89.5% | NA | 81.2% | 79.6% | 55.2% | 91.6% | 76.1% | 86.7% | 83.3% | 91.9% |
| Friendship Village of South Hills, PA (c) | 95.5% | 94.4% | 12.5% | 20.0% | 87.6% | 81.2% | 44.7% | 63.8% | 81.3% | 76.6% | 75.4% | 90.0% | 79.5% | 78.4% | 94.0% | 97.5% |
| Grand Lodge, NE (d) | 92.7% | N/A | 90.0% | N/A | 86.2% | NA | 80.1% | NA | 85.2% | NA | 85.4% | NA | NA | NA | NA | NA |
| Harbour's Edge, FL | 89.8% | 91.7% | N/A | N/A | 86.8% | 92.4% | NA | NA | 83.3% | 92.3% | NA | NA | 87.5% | 93.7% | NA | NA |
| Oak Trace, IL (e) | 88.6% | 78.9% | 72.1% | 43.8% | 83.6% | 92.8% | 83.2% | 57.5% | 86.2% | 93.4% | 64.8% | 88.1% | 84.8% | 94.4% | 78.8% | 96.8% |
| Querencia, TX (f) | 98.8% | 92.4% | 99.5% | 97.4% | 98.0% | 82.9% | 96.1% | 83.3% | 97.9% | 81.3% | 96.0% | 90.1% | 96.6% | 92.9% | 96.3% | 88.3% |
| The Waterford, FL | 90.0% | 96.3% | N/A | N/A | 86.8% | 86.2% | NA | NA | 79.5% | 83.3% | NA | NA | 77.4% | 87.8% | NA | NA |
| Village on the Green, FL (g) | 83.9% | 93.3% | N/A | N/A | 82.4% | 80.0% | NA | NA | 72.2% | 78.2% | 46.2% | 72.6% | 70.4% | 91.7% | 88.9% | 95.0% |
| Obligated Group | 88.3% | 88.8% | 79.5% | 59.1% | 85.0% | 85.8% | 75.2% | 59.6% | 78.7% | 85.0% | 69.7% | 82.8% | 77.2% | 89.7% | 87.4% | 90.7% |

(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021. The new apartments opened in July 2021.
(c) The new assisted living and memory support opened in November 2019.
(d) Grand Lodge was disposed as of August 1, 2021.
(e) The new health center, assisted living and memory support opened in June 2019.
(f) Querencia joined the Lifespace Obligated Group as of August 31, 2021 in conjunction of the Series 2021 financing. Lifespace affiliated with Querencia on June 20, 2019. Occupancy prior to this date is not reflected above.
(g) The new assisted living opened in March 2021. The memory support and new independent villas opened in April 2021. The replacement health center opened in May 2021.

| | Nine months ended September 30, 2021 Living Units | Nine months ended September 30, 2021 Health Center | Nine months ended September 30, 2021 ALUs | Nine months ended September 30, 2021 Memory Support | Nine months ended September 30, 2022 Living Units | Nine months ended September 30, 2022 Health Center | Nine months ended September 30, 2022 ALUs | Nine months ended September 30, 2022 Memory Support |
|---|---|---|---|---|---|---|---|---|
| Abbey Delray, FL | 60.5% | 92.8% | 72.9% | 57.9% | 59.2% | 92.6% | 91.1% | 77.8% |
| Abbey Delray South, FL | 66.8% | 69.9% | NA | NA | 66.6% | 90.0% | NA | NA |
| Beacon Hill, IL | 87.4% | 89.4% | NA | NA | 81.8% | 87.2% | NA | NA |
| Claridge Court, KS | 81.3% | 87.8% | NA | NA | 83.4% | 95.7% | NA | NA |
| Friendship Village of Bloomington, MN | 82.8% | 78.5% | 52.3% | 91.7% | 76.9% | 87.9% | 89.1% | 91.9% |
| Friendship Village of South Hills, PA | 81.8% | 79.6% | 69.9% | 87.7% | 79.4% | 82.0% | 94.9% | 97.8% |
| Harbour's Edge, FL | 83.3% | 91.7% | NA | NA | 89.0% | 93.6% | NA | NA |
| Oak Trace, IL | 86.3% | 92.7% | 63.7% | 86.3% | 84.4% | 94.1% | 82.6% | 98.1% |
| Querencia, TX | 98.0% | 80.2% | 95.6% | 89.4% | 96.2% | 95.5% | 95.9% | 86.9% |
| The Waterford, FL | 79.9% | 82.7% | NA | NA | 78.1% | 89.0% | NA | NA |
| Village on the Green, FL | 72.8% | 72.2% | 36.2% | 65.4% | 70.6% | 92.4% | 95.6% | 97.6% |
| Obligated Group | 79.1% | 84.1% | 66.4% | 80.8% | 77.4% | 90.3% | 90.7% | 91.4% |

**Comparative Analysis of Gross Revenues**
**Nine Months Ended September 30, 2022**
**($ in Thousands)**




Gross revenues include independent living fees, skilled nursing, assisted living fee and memory support fees, entrance fees earned, and investment income.

**Skilled Nursing Payer Mix and Occupancy**

| | Year-ended | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| Payer | 2019 | 2020 | 2021 | 2021 | 2022 |
| Lifecare | 15.1% | 13.9% | 11.6% | 11.8% | 11.7% |
| Private Pay | 25.9% | 24.5% | 24.0% | 23.8% | 27.0% |
| Medicare | 42.6% | 44.6% | 48.2% | 47.9% | 45.3% |
| Medicaid | 10.9% | 10.1% | 8.5% | 8.9% | 6.6% |
| Other | 5.6% | 6.9% | 7.8% | 7.6% | 9.4% |
| Total Patient Mix | 100% | 100% | 100% | 100% | 100% |
| Year-To-Date Average Service Units Available | 807 | 818 | 809 | 815 | 792 |
| Year-To-Date Average Occupancy Percentage | 88.8% | 85.8% | 85.0% | 84.1% | 90.3% |

**Lifespace Communities, Inc.**
**Obligated Group Balance Sheets**
**As of September 30 (Unaudited)**
**(Thousands of $)**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $25,850 | $19,278 |
| Investments | 121,250 | 140,330 |
| Accounts Receivable | 13,191 | 10,320 |
| Inventories | 796 | 1,216 |
| Prepaid Insurance & Other | 6,243 | 2,921 |
| Assets whose use is limited | 74,717 | 145,077 |
| Total Current Assets | 242,047 | 319,142 |
| Assets whose use is limited | 78,726 | 83,521 |
| Property and equipment, at cost: | | |
| Land and improvements | 71,172 | 68,865 |
| Buildings and improvements | 1,188,305 | 1,092,205 |
| Furniture and equipment | 86,611 | 79,901 |
| | 1,346,088 | 1,240,971 |
| Less accum. deprec. | (572,406) | (517,308) |
| Net property and equipment | 773,682 | 723,663 |
| Net goodwill | 37,253 | 43,348 |
| Net deferred assets | 2,341 | 1,424 |
| Net intangible assets | 9,737 | 11,207 |
| TOTAL ASSETS | $1,143,786 | $1,182,305 |

**Lifespace Communities, Inc.**
**Obligated Group Balance Sheets**
**As of September 30 (Unaudited)**
**(Thousands of $)**

| | 2022 | 2021 |
|---|---|---|
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Accounts payable: | | |
| Trade | $11,728 | $9,312 |
| Intercompany | 2,472 | 2,552 |
| | 14,200 | 11,864 |
| Accrued liabilities: | | |
| Employee compensation expense | 13,553 | 10,042 |
| Interest | 9,146 | 8,311 |
| Property taxes | 4,835 | 2,918 |
| Other | 3,624 | 3,569 |
| | 31,158 | 24,840 |
| Entrance fee refunds | 9,019 | 600 |
| Reserve for health center refunds | 29,689 | 28,332 |
| Long-term debt due within one year | 22,175 | 11,360 |
| Obligation under cap lease due within one yr | 696 | 790 |
| Total current liabilities | 106,937 | 77,786 |
| Entrance fee deposits | 5,542 | 8,373 |
| Wait list deposits | 1,284 | 1,446 |
| Long-term debt due after one year | 560,884 | 582,804 |
| Obligation under cap lease due after one year | 116 | 694 |
| Deferred entrance fees | 179,604 | 156,163 |
| Refundable entrance and membership fees | 534,512 | 495,179 |
| Total liabilities | 1,388,879 | 1,322,445 |
| Net assets without donor restrictions | (245,093) | (140,140) |
| TOTAL LIABILITIES AND NET ASSETS | $1,143,786 | $1,182,305 |

**Lifespace Communities, Inc.**
**Obligated Group Statements of Operations and Changes in Unrestricted Assets**
**For the Nine Months Ended September 30 (Unaudited)**
**(Thousands of $)**

| | 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Independent Living Fees | $103,255 | 96,418 |
| Entrance fees earned/cancellation penalties | 24,574 | 21,417 |
| Skilled nursing, assisted living and memory support fees | 96,584 | 85,159 |
| Investment Income (Expense) | (30,705) | 12,030 |
| Other | 75 | 1,114 |
| | 193,783 | 216,138 |
| **Expenses** | | |
| Operating expenses: | | |
| Salaries and benefits | 109,595 | 89,010 |
| General and administrative | 51,541 | 47,833 |
| Plant operations | 13,965 | 12,829 |
| Housekeeping | 856 | 991 |
| Dietary | 18,744 | 15,224 |
| Medical and other resident care | 10,464 | 9,348 |
| Depreciation | 39,217 | 36,123 |
| Amortization | 9,125 | 9,005 |
| Interest | 14,098 | 13,146 |
| Loss on disposal of fixed assets | 5 | 19 |
| Loss on extinguishment of debt | - | 214 |
| | 267,610 | 233,742 |
| (Deficit) Excess of revenues over expenses from continuing operations | (73,827) | (17,604) |
| Discontinued operations | | |
| Gain from operations of discontinued operations | - | 430 |
| Gain on sale of Property and Equipment | - | 11,993 |
| Loss on sale of Related Pary Investments | - | (14,648) |
| Total Discontinued Operations | - | (2,225) |
| Contributions to Lifespace Communities, Inc. | (17,022) | (18,595) |
| Changes in net assets | (90,849) | (38,424) |
| Net assets at beginning of year | (154,244) | (101,716) |
| Net assets at end of the period | ($245,093) | ($140,140) |

**Lifespace Communities, Inc.**
**Obligated Group Statements of Cash Flow**
**For the Nine Months Ended September 30 (Unaudited)**
**(Thousands of $)**

| | 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Changes in unrestricted net assets | ($90,849) | ($38,424) |
| Adjustments to reconcile changes in net asset to net cash provided (used) in operating activities: | | |
| Reconciling items included in disontinued ops | - | (15,555) |
| Entrance fees earned | (24,574) | (21,417) |
| Proceeds from nonrefundable entrance fees and deposits | 40,048 | 32,787 |
| Refunds of entrance fees | (854) | (3,272) |
| Depreciation and Amortization | 48,342 | 45,128 |
| Amortization of Financing Costs | 469 | 312 |
| Net accretion of original issue premium/discounts | (1,504) | (949) |
| Change in unrealized appreciation of investments | 34,677 | (858) |
| Net sales of trading investments | 51,197 | (61,006) |
| Contributions to Lifespace Communities, Inc. | 17,022 | 18,595 |
| Loss on disposal of property and equipment | 5 | 19 |
| Change in wait lists and deposits | (263) | (3,923) |
| Loss on extinguishment of debt | - | 214 |
| Gain on sale of Property and Equipment | - | (11,993) |
| Loss on sale of Related Pary Investments | - | 14,648 |
| Changes in operating assets and liabilities: | | |
| Accounts receivables, inventories, and prepaid insurance and other | (2,401) | (334) |
| Accounts payables and accrued liabilities | 356 | 1,278 |
| Net cash provided (used) in operating activities | 71,671 | (44,750) |
| **Investing activities** | | |
| Purchases of property and equipment | (71,753) | (53,628) |
| **Financing activities** | | |
| Financing cost incurred | (50) | (2,727) |
| Repayment of long-term debt | (4,552) | (18,825) |
| Proceeds from line of credit | 8,658 | 1,406 |
| Proceeds from Series 2021 financing | - | 132,520 |
| Extinguishment of Prior Debt | - | (39,642) |
| Proceeds on disposal of a community | - | 23,000 |
| Contributions to Lifespace Communities, Inc. | (17,022) | (18,595) |
| Payments on Finance Leases | (270) | (241) |
| Proceeds from refundable entrance fees and deposits | 65,109 | 59,356 |
| Refunds of entrance fees | (46,363) | (35,789) |
| Net cash provided in financing activities | 5,510 | 100,463 |
| Net increase in cash and cash equivalents | 5,428 | 2,085 |
| Cash and cash equivalents at beginning of year | 20,422 | 17,193 |
| Cash and cash equivalents at end of period | $25,850 | $19,278 |

During the nine months ended September 30, 2021, Grand Lodge provided $710 to the Obligated Group's net operating cash flows, paid $394 in respect of investing activities and paid $80 in respect of financing activities.

**Nine Months Ended September 30, 2022 versus Nine Months Ended September 30, 2021:**

The average year-to-date independent living occupancy through September 30, 2022, was 2,305 independent living homes (77.4% of the 2,977 average available homes). The average year-to-date occupancy, excluding Grand Lodge which is disclosed as a discontinued operations, through September 30, 2021 was 2,316 independent living homes (79.1% of the 2,927 average available homes). The increase in average available homes from September 30, 2021 to the same period in 2022 is due to opening independent living apartments at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. In addition, offsetting the additions were five communities that combined smaller apartments and one community demolishing townhomes to support future redevelopment efforts.

Revenues from independent living monthly fees and related charges amounted to $103,255,000 in 2022, a 7.1% increase over the $96,418,000 from the same revenue sources in 2021. Monthly fees increased in the range of 3.8% to 6.0% on January 1, 2022 and again on August 1, 2022, with a range of 2.5% to 6.2%.

Revenues from the health center, assisted living, and memory support fees were $96,584,000 in 2022 compared to $85,159,000 in 2021, an increase of 13.4%. This increase is the result of the monthly fee increases effective January 1, 2022, the mid-year monthly fee increase effective August 1, 2022, and the occupancies related to the completion and openings of the redevelopment projects. The Friendship Village of Bloomington redevelopment project opened in February of 2021. This added assisted living and memory support rooms while eliminating boarding care. The Village on the Green redevelopment project opened at the end of March of 2021. This added assisted living rooms. In addition, Village on the Green opened memory support in April of 2021 and the replacement health center in May of 2021. The monthly fee increases that started January 1, 2022 range from 2.7% to 6.1% and the mid-year monthly fee increases were 5.0%.

As of September 30, 2021, the Obligated Group received a total of $1,114,000 compared to $75,000 for the same period in 2022. In 2021, the funds of $1,035,000 were received from the Department of Health and Human Services in infection quality control payments and relief under the CARES Act's Public Health and Social Services Relief Fund. Additional stimulus funds of $79,000 were received from third party payors that paid in accordance with the contract with Commonwealth of Pennsylvania's Department of Human Services. As of September 30, 2022, the State of Texas paid out stimulus funds of $75,000. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $205,165,000 in 2022, an increase of $29,930,000 or 17.1% from comparable expenses of $175,235,000 in 2021. Salaries and benefits increased $20,585,000 or 23.1% due primarily to wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021 and for all remaining team members that took effect January 1, 2022. In addition, there was another wage increase for the same initial group of culinary, nursing, and housekeeping team members that took effect August 1, 2022. This last increase was offset with the mid-year monthly fee increase mentioned previously. General and administrative expense

increased $3,708,000 or 7.8% due primarily to additional legal reserves for prior year claims and higher real estate taxes. Plant expense increased $1,136,000 or 8.9% due primarily to higher costs in consulting and outsourcing services, repairs and maintenance, security services and equipment, and utilities. Dietary costs increased $3,520,000 or 23.1% due primarily to higher raw food costs. Medical and other resident care increased $1,116,000 or 11.9%, due primarily to increased occupancy, the opening of the redevelopment projects at Friendship Village of Bloomington and Village on the Green and agency costs. Agency costs were $5,376,000 as of September 30, 2022 compared to $4,594,000 in the same period of 2021, an increase of $782,000.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

COVID-19 is impacting each of the communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. Lifespace has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. Where cases have been identified, there have also been additional compensation plans for team members put in place.

The number of COVID-19 positive results across the Obligated Group has ranged from zero to 207 at any single community on a given day. As of the date of this disclosure, there are 11 positive resident cases.

## Nine Months Ended September 30, 2022 Actual versus Budget

The Lifespace Board of Directors annually approves the budget that results in an accepted net operating margin, net entrance fees and capital expenditures. The chart below shows line item comparisons to the board approved net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

| (in thousands) | Actual | Budget | Favorable/ (Unfavorable) |
|---|---|---|---|
| **Revenues** | | | |
| Independent Living Fees | $103,255 | $101,441 | $1,814 |
| Skilled nursing, assisted living and memory support fees | 96,584 | 91,172 | 5,412 |
| Other | 75 | 286 | (211) |
| | 199,914 | 192,899 | 7,015 |
| | | | |
| **Expenses** | | | |
| Operating expenses: | | | |
| Salaries and benefits | 109,595 | 108,224 | (1,371) |
| General and administrative | 51,541 | 48,566 | (2,975) |
| Plant operations | 13,965 | 12,930 | (1,035) |
| Housekeeping | 856 | 1,005 | 149 |
| Dietary | 18,744 | 16,529 | (2,215) |
| Medical and other resident care | 10,464 | 5,015 | (5,449) |
| | 205,165 | 192,269 | (12,896) |
| | | | |
| Net operating margin | (5,251) | 630 | (5,881) |
| | | | |
| Net entrance fees, including initial entrance fees | 57,940 | 31,436 | 26,504 |
| Capital expenditures, financed with bond proceeds | 35,681 | 70,183 | 34,502 |
| Capital expenditures, routine and community projects | 36,072 | 47,140 | 11,068 |
| | | | |

Net operating margin is unfavorable to budget by $5,881,000.

Independent living fees are favorable to budget by $1,814,000, which is related occupancy, a mid-year monthly fee increase and processing fees. The year to date average occupancy budgeted for the nine months ended September 30, 2022 was 76.1% while actual was 77.4%. As mentioned earlier, a mid-year monthly fee increase was implemented August 1, 2022 which ranged from 2.5% to 6.2% and was not budgeted. The processing fees were higher than budgeted due to closings. Budgeted closings for the nine months ended September 30, 2022 were 206 closings compared to the actual closings of 238.

Skilled nursing, assisted living and memory support fees are favorable to budget by $5,412,000 due primarily to higher occupancy than budgeted and a mid-year fee increase that was

not budgeted. The health center budgeted an average year to date occupancy of 87.6% and has actual occupancy of 90.3%. Assisted Living budgeted an average year to date occupancy of 86.0% and has actual occupancy of 90.7%. Memory Support budgeted an average year to date occupancy of 89.2% and has actual occupancy of 91.4%. The mid-year increase was 5% and effective August 1, 2022.

Salaries and benefits are $1,371,000, or 1.3%, unfavorable to budget due primarily to wage increases that took effect on August 1, 2022 for culinary, nursing and housekeeping team members. This increase in wage was offset by the monthly fee mid-year increases however was not budgeted.

General and administrative expense is unfavorable to budget by $2,975,000, or 6.1%, due primarily to continued COVID costs and additional reserves related to prior years that were not budgeted.

Plant operations expense is unfavorable to budget by $1,035,000, or 8.0%, due primarily to higher consulting and outsourcing services, security services and equipment, utilities, garbage and hazardous waste disposal, and repair and maintenance than budgeted.

Dietary expense is unfavorable to budget by $2,215,000, or 13.4%, due primarily to higher raw food costs than budgeted.

Medical and other resident care expense is unfavorable to budget by $5,449,000, or 108.7%, due primarily to higher use of agency than budgeted. Year to date agency costs for 2022 are $5,376,000, of which $23,000 was budgeted.

Net entrance fees are favorable to budget by $26,504,000. As mentioned earlier, the budget for the nine months ended September 30, 2022 had 206 closings compared to the actual closings of 238. Net entrance fees were budgeted to have more in refunds at the beginning of the year for closings that happened in the previous year than occurred.

Capital expenditures financed with bond proceeds are approximately $34,502,000 less than budgeted. This is the result of timing. Approximately $11,608,000 less was spent on routine capital expenditures than budgeted.

**Ratios:**

The Net Operating Margin Ratio decreased from 4.1% at September 30, 2021 to (2.6%) at September 30, 2022. The Net Operating Margin, Adjusted Ratio remained the same at 16.2% at September 30, 2021 and 2022. The annual debt service coverage ratio decreased from 2.2 at September 30, 2021 to 2.1 at September 30, 2022. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the increase in net entrance fees excluding the initial entrance fees. However, that increase is offset by the decrease in net operating margin. Further details on net entrance fees is stated in the Liquidity and Capital Requirements section below.

Investment income decreased when comparing the nine months ended September 30, 2022 to the same period in 2021. Excluding the unrealized gain/loss, investment income represents a decrease of $7,200,000, which impacts the debt service coverage ratio in a negative manner. However, that decrease is offset by the increase in entrance fees. The following chart shows the components of investment income in thousands of dollars.

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Interest and Dividend Income | $2,224 | $3,270 |
| Realized Gain/(Loss) | 1,748 | 7,902 |
| Unrealized Gain/(Loss) | (34,677) | 858 |
| Total | ($30,705) | $12,030 |

The Adjusted Debt to Capitalization increased from 97.4% at September 30, 2021 to 112.7% at September 30, 2022. Both periods are above the benchmark of 54.0%.

**Liquidity and Capital Requirements – Nine Months Ended September 30, 2022 versus Nine Months Ended September 30, 2021:**

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds and including initial entrance fees, were $57,940,000 for the nine months ended September 30, 2022 compared to $53,082,000 for the same period in 2021. The number of closings increased to 238 in the nine months ended September 30, 2022 from 219 reoccupancies in the nine months ended September 30, 2021. There were initial entrance fees at two communities of $12,963,000 in the nine months ended September 30, 2022 and $26,668,000 for the same period in 2021.

Daily operating expenses for 2022 increased to $801,000 from $688,000 in 2021, an increase of 16.5%, due primarily to market wage adjustments implemented during the fourth quarter of 2021. The overall unrestricted cash position decreased from $193,680,000 at September 30, 2021 to $178,901,000 at September 30, 2022, a change of 7.6%. The Days Cash on Hand Ratio decreased from 282 days at September 30, 2021 to 223 days at September 30, 2022. The reduction in unrestricted cash and investments was due primarily to $34.7 million of unrealized investment losses, resulting in a decline of 43 days cash on hand.

Capital expenditures for the communities for the nine months ended September 30, 2022 were $71,753,000, while depreciation expense for the same period was $39,217,000. The remaining redevelopment projects mentioned below account for $25,861,000 of this year-to-date 2022 expenditure balance. In addition, various community projects were funded by the Series 2021 financing in the amount of $9,820,000 for the nine months ended September 30, 2022. Capital expenditures for the communities for the nine months ended September 30, 2021 were $53,628,000, while depreciation expense for the same period was $36,123,000. As stated below, the five redevelopment projects account for $32,360,000 of this year-to-date 2021 expenditure balance.

To evaluate the financial aspect of the needed re-investment in the communities, management targets capital expenditures as a percentage of depreciation in the range of 70% to

130%. This ratio is monitored on a 5-year historical view and a 10-year forecast period to assist with the annual capital expenditure decisions. The 5-year historical ratio for the Obligated Group at December 31, 2021 is 167% which is higher than the range as a result of the redevelopment projects. The redevelopment projects are mostly funded with long-term debt and internal cash. Routine capital projects are expected to be funded from internal cash flows.

On August 1, 2021 Lifespace sold Grand Lodge to a third party. The proceeds from this sale were used to pay outstanding bonds of $13,956,000.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018, and 2019 of which the proceeds support five redevelopment construction projects. On August 31, 2021, Lifespace completed the fourth and final bond financing to assist in the completion of five redevelopment projects. Lifespace received proceeds from issuing $120.4 million of Series 2021 bonds. The bonds sold at a premium generating $132.5 million of proceeds. The proceeds from these bonds will pay redevelopment costs of $85.0 million at Friendship Village of Bloomington and Oak Trace, fund cost of issuance of $2.4 million and funded interest of $5.9 million. In addition, several communities are receiving proceeds to assist with community projects. The Series 2010 bonds were refinanced with the issuance of the Series 2021 financing.

Initial entrance fees collected at two of the redevelopment communities have been used to pay down the Series 2019A-2 debt issuance. As of December 15, 2021, the principal amount of $26,850,000 has been fully retired.

Lifespace has secured a line of credit with a bank for $25 million to support the redevelopment efforts. The line of credit is to be used for the redevelopment projects when bond project funds are depleted and prior to the issuance of additional bonds as described below. The terms and covenants of the line of credit follow the master trust indenture. As of September 30, 2022, $15.1 million has been drawn on this line of credit for four communities.

Two of the communities are in the process of significant construction at September 30, 2022. There were five construction projects of which three construction projects were completed and opened in 2020 and one in 2021. All five of the communities with improvements used and are using proceeds of the Series 2016, Series 2018, Series 2019, and Series 2021 Bonds. As with any construction project, the timing of expenditures and the project budget can change through the passage of time or as the project advances in development. The monthly Redevelopment Project Status Report filed on EMMA provides additional details regarding the construction projects.

The Board previously approved a project at The Waterford which is being redesigned to better suit the local market. A revised concept and capital budget will be reviewed by the Lifespace Board in 2022. The line of credit has been used to fund pre-construction of approximately $12.9 million for the Waterford.

Management continuously reviews and prioritizes the needs at each of the Communities to determine what is needed to enhance the Community, fill service gaps, stay competitive in the market place and grow. There is no guarantee that the Lifespace will complete all the projects

listed above, that the scope will not be materially altered or that additional Communities will not be added.

On September 13, 2022, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at 'BBB' with a stable outlook.

In conjunction with the acquisition of The Stayton in June 2019, Lifespace provided a Liquidity Support Agreement ("LSA") to the Stayton trustee. Pursuant to the LSA, Lifespace made a deposit of $3,000,0000 to be held by the Stayton trustee in a liquidity support account. This was funded from sources other than the Obligated Group. Lifespace has an unfunded commitment in the amount of up to $3,000,000 which may be drawn upon in accordance with the LSA. This $3,000,000 would likely come from the Obligated Group. In October 2022, the Obligated Group funded The Stayton with $600,000 as part of the unfunded commitment amount in the LSA.

In conjunction with the acquisition of Newcastle Place on July 1, 2021, Lifespace made an $8,000,000 equity contribution and provided a Liquidity Support Agreement for the Newcastle Place long-term indebtedness which is currently outstanding in the aggregate principal amount of approximately $5,000,000. At September 30, 2022 the Liquidity Support Agreement remains unfunded. Lifespace also holds approximately $8,000,000 million of subordinated bonds issued by Newcastle Place.

As stated within the EMMA notice filed July 28, 2022, effective July 19, 2022, an unfunded Liquidity Support Agreement has been entered into between Lifespace and UMB Bank, National Association (the "Bond Trustee"), as trustee under the Bond Trust Indenture dated as of July 1, 2022 between Tarrant County Cultural Education Facilities Finance Corporation (the "issuer") and the Bond Trustee related to Senior Series 2022 Bonds. The Liquidity Support Agreement provides for an aggregate maximum support amount of $7,412,300.

**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 Obligated Group's business and operating results, we further caution you that other factors may in the future prove to be important in affecting the Obligated Group'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.

**Lifespace Communities, Inc.**
**Obligated Group Selected Historical Financial Information**
**(Thousands of $)**

| | Nine Months Ended September 30 (Unaudited) | | Year Ended December 31 (Audited) | | |
|---|---|---|---|---|---|
| **Historical Debt Service Coverage** | **2022** | **2021** | **2021** | **2020** | **2019** |
| Excess (deficit) of revenues over expenses | (73,827) | (17,604) | (32,081) | (7,071) | (57) |
| Less: | | | | | |
| Entrance fees earned | (24,574) | (21,417) | (29,802) | (31,694) | (30,468) |
| Initial redevelopment entrance fee and/or redevelopment deposits | (12,963) | (26,668) | (41,862) | 1,290 | (7,653) |
| Add: | | | | | |
| Depreciation | 39,217 | 36,123 | 52,224 | 47,028 | 43,778 |
| Amortization | 9,125 | 9,005 | 12,225 | 15,873 | 6,609 |
| Interest Expense | 14,098 | 13,146 | 17,468 | 14,781 | 7,595 |
| Expenses paid by long-term debt issuances | 676 | 677 | 1,719 | 1,273 | 2,305 |
| Unrealized (gain) loss on securities | 34,677 | (858) | (14,953) | (3,298) | (15,243) |
| Realized loss on sale of assets | 5 | 19 | 12 | 616 | 2,923 |
| Loss on extinguishment of debt | - | 214 | 214 | - | - |
| Entrance fee proceeds (less refunds) | 57,940 | 53,082 | 96,292 | 15,215 | 48,353 |
| Income available for debt service | 44,374 | 45,719 | 61,456 | 54,013 | 58,142 |
| Annual debt service payment | 27,717 | 27,213 | 27,213 | 25,926 | 20,372 |
| Annual debt service coverage (b)(c)(d) | 2.1 | 2.2 | 2.3 | 2.1 | 2.9 |
| Maximum annual debt service payment | 34,748 | 34,748 | 34,748 | 32,614 | 31,917 |
| Maximum annual debt service coverage (d) | 1.7 | 1.8 | 1.8 | 1.7 | 1.8 |
| **Cash to Debt** | | | | | |
| Unrestricted cash and investments (a) | 178,901 | 193,680 | 214,073 | 212,456 | 194,906 |
| Debt service reserve fund | 32,172 | 34,353 | 34,245 | 37,847 | 37,867 |
| | 211,073 | 228,033 | 248,318 | 250,303 | 232,773 |
| Bonds outstanding long-term | 560,884 | 582,804 | 567,332 | 510,743 | 519,389 |
| Annual debt service | 27,717 | 27,213 | 27,213 | 25,926 | 20,372 |
| Maximum annual debt service | 34,748 | 34,748 | 34,748 | 32,614 | 31,917 |
| Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 |
| Ratio of total unrestricted cash & investments with debt service reserve to annual debt service | 7.6 | 8.4 | 9.1 | 9.7 | 11.4 |
| Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service | 6.1 | 6.6 | 7.1 | 7.7 | 7.3 |
| Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest | 218,587 | 187,704 | 259,866 | 236,958 | 219,134 |
| Daily expenses | 801 | 688 | 712 | 647 | 600 |
| Days of unrestricted cash & investments on hand (b)(c)(d) | 223 | 282 | 301 | 328 | 325 |
| **Other Ratios** | | | | | |
| Net operating margin (c)(d) | -2.6% | 4.1% | 0.8% | 7.5% | 2.1% |
| Net operating margin, adjusted (c)(d) | 16.2% | 16.2% | 18.8% | 13.4% | 17.5% |
| Adjusted debt to capitalization (c)(d) | 112.7% | 97.4% | 98.2% | 91.7% | 88.0% |

(a) The balances include the Cash & Cash Equivalents, Investments, and the Florida operating and renewal and replacement reserve funds.

(b) The financial ratios that are required by the financing documents.

(c) The financial ratios that are monitored monthly by Lifespace.

(d) 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%.