CONTINUING DISCLOSURE REPORT
for the six months ended June 30, 2021

LIFESPACE
COMMUNITIES

OBLIGATED GROUP

Abbey Delray
Abbey Delray South
Beacon Hill
Claridge Court
Friendship Village of Bloomington
Friendship Village of South Hills
Grand Lodge
Harbour's Edge
Oak Trace
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.

LIFESPACE
COMMUNITIES

August 10, 2021

US Bank
Belinda Doyle
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 six months ended June 30, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
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Nick Harshfield

Cc: Bankers Trust, Kristy Olesen
Cc: UMB Bank, Minda Barr and Beth Hock

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

Overview:

The legal and operating structure for Lifespace Communities, Inc. (“Lifespace” or the “Corporation”), is described in the December 31, 2020 annual report.

As of June 30, 2021 Lifespace is the sole member of Deerfield Retirement Community, Inc. (“Deerfield”) located in Des Moines, Iowa; Northwest Senior Housing Corporation, d/b/a Edgemere (“Edgemere”) located in Dallas, Texas; Barton Creek Senior Living Center, Inc., d/b/a Querencia at Barton Creek (“Querencia”) located in Austin, Texas; and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“The Stayton”) located in Ft. Worth, Texas. Deerfield, Edgemere, Querencia and The Stayton are separately financed and are not part of the Obligated Group.

Including Deerfield, Edgemere, Querencia and The Stayton at June 30, 2021, the Corporation operates 15 Life Plan Communities in eight states from corporate offices located in Des Moines, Iowa and Addison, Texas. References to the “Communities” herein are the 11 Life Plan Communities owned or leased and operated by the Corporation that make up the Obligated Group.

On July 1, 2021, Lifespace acquired Newcastle Place, LLC located in Mequon, Wisconsin. Newcastle Place is not a member of the Obligated Group, and there are no current plans to add Newcastle Place to the Obligated Group.

On August 1, 2021, Grand Lodge at the Preserve, located in Lincoln, Nebraska, was sold to a third party, and is no longer part of the Obligated Group.

On August 1, 2021, Deerfield Retirement Community, Inc. (“*Deerfield*”) was sold to the same third party as Grand Lodge. While outside of the Obligated Group, Lifespace had previously guaranteed certain outstanding long-term indebtedness of Deerfield. Said guarantees were discharged in connection with the sale of Deerfield and the Corporation has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

Calendar year-end financial information for December 31, 2020 and prior is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

This interim report should be read together with the annual report that includes audited year-end financial statements and their combined results.

Operational Charts and Financials:

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	314	28	48	30	70	30	520	4
Abbey Delray South	240	44		12	78		374	4
Beacon Hill	374			26	84		484	5
Claridge Court (3)	128			17	28		173	5
Friendship Village of Bloomington (1)	281	12	42	36	30	32	433	5
Friendship Village of South Hills	273	18	50	35	54	32	462	5
Grand Lodge	109		10				119	N/A
Harbour's Edge	266			50	4		320	5
Oak Trace	219	15	66	54	50	28	432	5
The Waterford	248	25		30	30		333	3 **
Village on the Green (2)	204	58	36	40	8	18	364	5
Total	2,656	200	252	330	436	140	4,014	

* The CMS 5-Star ratings are as of July 30, 2021.

** Lifespace expects these ratings to go up when the next survey results are released.

Change in units from December 31, 2020

(1) As a result of redevelopment efforts at Friendship Village of Bloomington, 42 assisted living and 32 memory support were added in first quarter 2021.

(2) As a result of redevelopment efforts at Village on the Green, 36 assisted living were added in first quarter 2021. In second quarter 2021, 20 independent villas ,18 memory supports and the 48 replacement of health center rooms were added.

(3) Claridge Court combined two independent living apartments in the second quarter 2021.

Lifespace Communities, Inc.

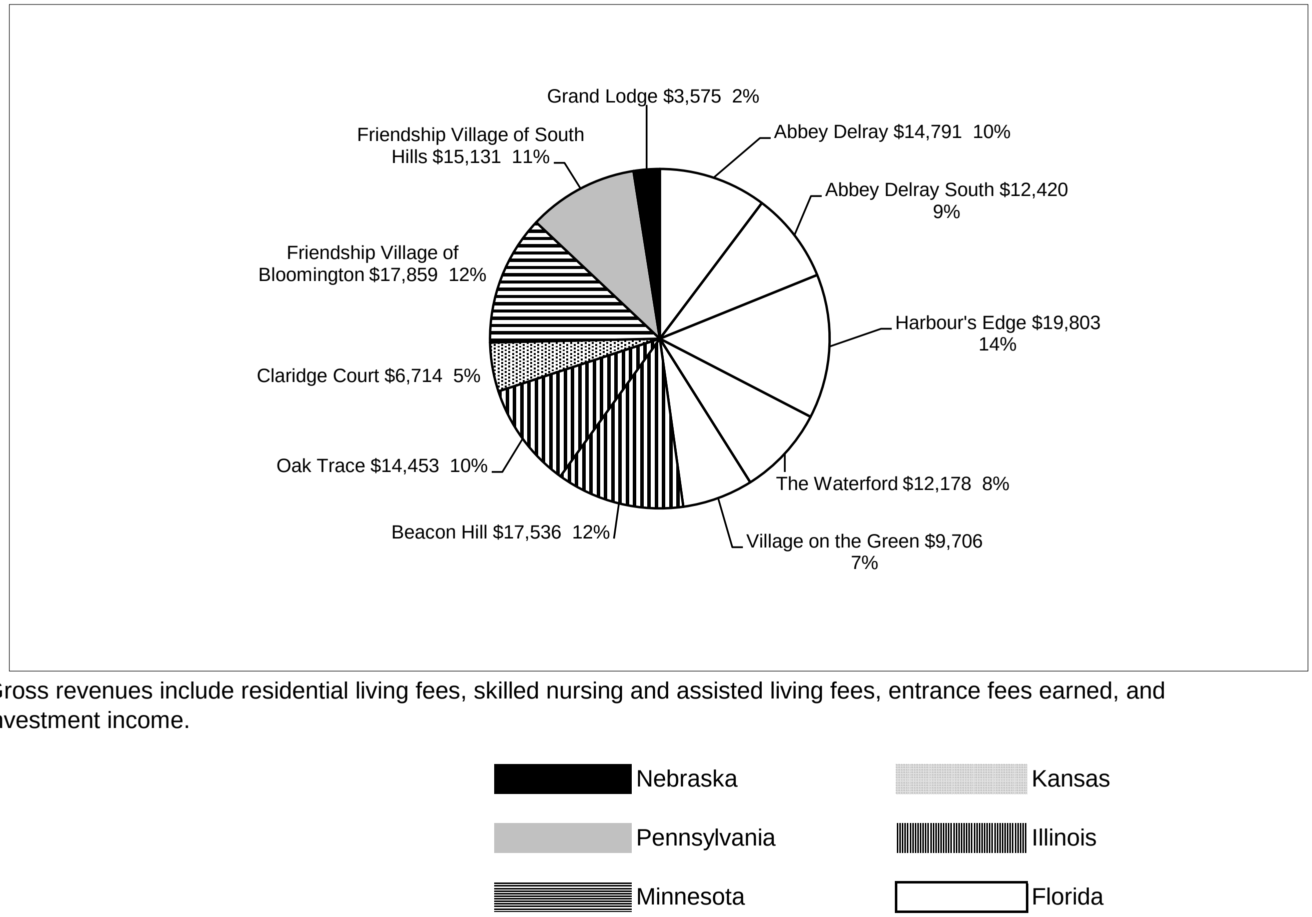
Average Occupancy of the Communities

Community	2018 Living Units	2018 Health Center	2018 ALUs	2019 Living Units	2019 Health Center	2019 ALUs	2019 Memory Support	2020 Living Units	2020 Health Center	2020 ALUs	2020 Memory Support	Twelve months ended June 30, 2021 Living Units	Twelve months ended June 30, 2021 Health Center	Twelve months ended June 30, 2021 ALUs	Twelve months ended June 30, 2021 Memory Support
Abbey Delray, FL (a)	72.8%	91.2%	85.7%	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	58.9%	36.0%	62.8%	92.7%	69.3%	48.1%
Abbey Delray South, FL	85.6%	88.7%	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	70.4%	68.4%	NA	NA
Beacon Hill, IL	94.4%	93.4%	N/A	94.1%	92.7%	N/A	N/A	92.4%	91.5%	NA	NA	89.3%	90.6%	NA	NA
Claridge Court, KS	90.0%	87.6%	N/A	89.2%	89.6%	N/A	N/A	87.3%	82.0%	NA	NA	83.9%	82.2%	NA	NA
Friendship Village of Bloomington, MN (b)	98.0%	89.4%	88.7%	96.3%	85.6%	86.8%	N/A	93.3%	82.0%	89.5%	NA	89.1%	79.7%	69.0%	89.6%
Friendship Village of South Hills, PA (c)	95.5%	95.8%	N/A	95.5%	94.4%	12.5%	20.0%	87.6%	81.2%	44.7%	63.8%	84.1%	78.9%	56.5%	79.9%
Grand Lodge, NE	92.7%	N/A	100.0%	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA	85.3%	NA	77.7%	NA
Harbour's Edge, FL	91.4%	93.3%	N/A	89.8%	91.7%	N/A	N/A	86.8%	92.4%	NA	NA	83.9%	92.8%	NA	NA
Oak Trace, IL (d)	91.2%	63.5%	66.0%	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%	85.4%	92.4%	69.9%	70.4%
The Waterford, FL	87.1%	94.0%	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	82.8%	81.4%	NA	NA
Village on the Green, FL (e)	86.1%	88.5%	N/A	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA	78.6%	69.3%	20.8%	58.9%
Obligated Group	89.2%	87.2%	80.0%	88.0%	88.7%	76.7%	38.1%	84.3%	85.9%	71.2%	53.3%	80.9%	83.5%	65.1%	68.7%

(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021.
(c) The new assisted living and memory support opened in November 2019.
(d) The new health center, assisted living and memory support opened in June 2019.
(e) 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.

	Six months ended June 30, 2020 Living Units	Six months ended June 30, 2020 Health Center	Six months ended June 30, 2020 ALUs	Six months ended June 30, 2020 Memory Support	Six months ended June 30, 2021 Living Units	Six months ended June 30, 2021 Health Center	Six months ended June 30, 2021 ALUs	Six months ended June 30, 2021 Memory Support
Abbey Delray, FL	70.8%	92.9%	48.6%	26.2%	61.0%	93.4%	71.4%	53.0%
Abbey Delray South, FL	78.6%	79.8%	NA	NA	67.4%	69.6%	NA	NA
Beacon Hill, IL	93.5%	92.0%	NA	NA	87.3%	90.2%	NA	NA
Claridge Court, KS	88.4%	85.3%	NA	NA	81.6%	85.7%	NA	NA
Friendship Village of Bloomington, MN	96.0%	84.0%	88.2%	NA	87.6%	79.4%	48.7%	89.6%
Friendship Village of South Hills, PA	89.8%	83.2%	39.2%	53.1%	82.7%	78.4%	62.9%	85.5%
Grand Lodge, NE	87.1%	NA	89.5%	NA	85.3%	NA	84.6%	NA
Harbour's Edge, FL	89.0%	92.9%	NA	NA	83.2%	93.8%	NA	NA
Oak Trace, IL	82.9%	93.1%	90.4%	56.0%	86.5%	92.4%	63.6%	82.0%
The Waterford, FL	89.2%	94.4%	NA	NA	81.2%	84.9%	NA	NA
Village on the Green, FL	82.5%	89.3%	NA	NA	74.7%	65.9%	20.8%	58.9%
Obligated Group	86.0%	88.8%	70.6%	46.8%	79.2%	84.0%	58.8%	75.8%

Comparative Analysis of Gross Revenues
Six Months Ended June 30, 2021
($ in Thousands)



Gross revenues include residential living fees, skilled nursing and assisted living fees, entrance fees earned, and investment income.

Skilled Nursing Payer Mix and Occupancy

	Year-ended			Six Months Ended June 30,	
Payer	2018	2019	2020	2020	2021
Lifecare	18.0%	16.6%	14.6%	12.5%	15.2%
Private Pay	22.0%	23.8%	23.0%	22.9%	23.2%
Medicare	43.7%	42.4%	44.5%	47.2%	44.0%
Medicaid	10.2%	11.3%	10.7%	9.8%	11.1%
Other	6.1%	5.9%	7.2%	7.6%	6.5%
Total Patient Mix	100%	100%	100%	100%	100%
Year-To-Date Average Service Units Available	799	786	776	776	776
Year-To-Date Average Occupancy Percentage	87.2%	88.7%	85.9%	88.8%	84.0%

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

	2021	**2020**
Assets		
Current Assets:		
Cash and Cash Equivalents	$14,363	$4,890
Investments	142,489	123,726
Accounts Receivable	12,684	13,430
Inventories	1,107	1,082
Prepaid Insurance & Other	2,841	2,944
Assets whose use is limited	34,550	115,409
Total Current Assets	208,034	261,481
Assets whose use is limited	80,970	83,655
Property and equipment, at cost:		
Land and improvements	63,220	61,006
Buildings and improvements	1,039,772	948,978
Furniture and equipment	79,864	71,403
	1,182,856	1,081,387
Less accum. deprec.	(516,061)	(470,015)
Net property and equipment	666,795	611,372
Net goodwill	39,617	44,900
Net deferred assets	1,244	1,027
Net intangible assets	2,755	2,755
TOTAL ASSETS	$999,415	$1,005,190

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

	2021	2020
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$10,411	$5,166
Intercompany	1,920	1,910
	12,331	7,076
Accrued liabilities:		
Employee compensation expense	7,617	10,411
Interest	2,753	2,593
Property taxes	3,232	3,327
Other	3,529	3,061
	17,131	19,392
Entrance fee refunds	1,778	4,425
Reserve for health center refunds	28,310	29,497
Long-term debt due within one year	6,709	8,504
Obligation under cap lease due within one yr	722	629
Total current liabilities	66,981	69,523
Entrance fee deposits	11,509	12,168
Wait list deposits	774	1,689
Long-term debt due after one year	467,862	470,693
Obligation under cap lease due after one year	793	988
Deferred entrance fees	147,935	150,899
Refundable entrance and membership fees	405,941	396,180
Total liabilities	1,101,795	1,102,140
Net assets without donor restrictions	(102,380)	(96,950)
TOTAL LIABILITIES AND NET ASSETS	$999,415	$1,005,190

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

	2021	2020
Revenues		
Independent Living Fees	$60,160	$62,225
Entrance fees earned/cancellation penalties	14,056	14,461
Skilled nursing, assisted living and memory support fees	51,644	47,370
Investment Income	17,316	3,537
Other	990	4,029
	144,166	131,622
Expenses		
Operating expenses:		
Salaries and benefits	54,804	56,720
General and administrative	29,713	24,455
Plant operations	7,715	6,928
Housekeeping	603	780
Dietary	9,370	11,682
Medical and other resident care	5,077	5,134
Depreciation	23,506	21,332
Amortization	2,713	2,735
Interest	7,502	6,414
Loss on disposal of fixed assets	45	178
	141,048	136,358
Excess of revenues over expenses	3,118	(4,736)
Contributions to Lifespace Communities, Inc.	(13,847)	(215)
Changes in net assets	(10,729)	(4,951)
Net assets at beginning of year	(91,651)	(91,999)
Net assets at end of the period	($102,380)	($96,950)

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

Operating activities	**2021**	**2020**
Changes in unrestricted net assets	($10,729)	($4,951)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(14,054)	(14,455)
Proceeds from nonrefundable entrance fees and deposits	18,252	7,990
Refunds of entrance fees	(2,736)	(2,216)
Depreciation and Amortization	26,219	24,067
Amortization of Financing Costs	358	208
Net accretion of original issue premium/discounts	(654)	(668)
Change in unrealized appreciation of investments	(9,415)	(581)
Net sales of trading investments	35,478	40,592
Contributions to Lifespace Communities, Inc.	13,847	215
Loss on disposal of property and equipment	45	178
Change in wait lists and deposits	(699)	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	1,806	(414)
Accounts payables and accrued liabilities	(9,016)	(5,555)
Net cash provided in operating activities	48,702	44,410
Investing activities		
Purchases of property and equipment	(33,055)	(40,304)
Financing activities		
Repayment of long-term debt	(4,249)	(4,748)
Proceeds from Line of Credit	1,684	2,912
Contributions to Lifespace Communities, Inc.	(13,847)	(215)
Payments on Finance Leases	(148)	(122)
Proceeds from refundable entrance fees and deposits	18,915	12,338
Refunds of entrance fees	(17,149)	(21,102)
Net cash used in financing activities	(14,792)	(10,937)
Net increase (decrease) in cash and cash equivalents	855	(6,831)
Cash and cash equivalents at beginning of year	13,508	11,721
Cash and cash equivalents at end of period	$14,363	$4,890

Six Months Ended June 30, 2021 versus Six Months Ended June 30, 2020:

The average year-to-date independent living occupancy at June 30, 2021, was 2,255 independent living homes (79.2% of the 2,847 average available homes). The average year-to-date occupancy at June 30, 2020 was 2,444 independent living homes (86.0% of the 2,841 average available homes). The increase in average available homes from June 30, 2021 to the same period in 2020 is due to opening independent living apartments at one community to support the redevelopment efforts discussed under Liquidity and Capital Requirements. There were two communities that combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to $60,160,000 in 2021, a 3.3% decrease over the $62,225,000 from the same revenue sources in 2020. Monthly fees increased in the range of 2.0% to 4.0% on January 1, 2021. The increase in monthly fees is offset by lower occupancy levels.

Revenues from the health center, assisted living, and memory support fees were $51,644,000 in 2021 compared to $47,370,000 in 2020, an increase of 9.0%. This increase is the result of the monthly fee increases effective January 1, 2021 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.

As of June 30, 2021, the Obligated Group received $985,000 in infection quality control payments from the Department of Health and Human Services and $5,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services. As of June 30, 2020, the Obligated Group received approximately $4,029,000 from the Department of Health and Human Services as a relief under the CARES Act's Public Health and Social Services Relief Fund. 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 $107,282,000 in 2021, an increase of $1,583,000 or 1.5% from comparable expenses of $105,699,000 in 2020. Salaries and benefits decreased $1,916,000 or 3.4% as a result of adjusting staffing to lower census. General and administrative expense increased $5,258,000 or 21.5% as a result of financial statement reclassifications. The reclassification moves general and administrative costs that were previously in the medical and other resident care expenses for higher levels of living into the general and administrative expenses. In addition, there was an increase in liability and property insurance, marketing costs and COVID-19 expenses. Plant expense increased $787,000 or 11.4% due to higher costs in cable television, repairs and maintenance, and utilities. Housekeeping costs and dietary decreased due to lower occupancy. Medical and other resident care decreased $57,000 or 1.1%. The financial reclassification mentioned earlier is impacting medical and other resident care. Offsetting that is higher expenses due to the opening of the redevelopment projects and the use of agency.

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 77 at any single community on a given day. As of the date of this disclosure, there are five positive resident cases.

Six Months Ended June 30, 2020 versus Six Months Ended June 30, 2019:

The average year-to-date independent living occupancy at June 30, 2020, was 2,444 independent living homes (86.0% of the 2,841 average available homes). The average year-to-date occupancy at June 30, 2019 was 2,526 independent living homes (88.6% of the 2,853 average available homes). The decrease in average available homes from June 30, 2019 to the same period in 2020 is due primarily to taking apartments out of service at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. There was one community that combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to $62,225,000 in 2020, a 0.5% decrease over the $62,520,000 from the same revenue sources in 2019. Monthly fees increased in the range of 3.5% to 4.0% on January 1, 2020. The increase in monthly fees is offset by lower occupancy levels and taking apartments out of service due to redevelopment.

Revenues from the health center, assisted living, and memory support fees were $47,370,000 in 2020 compared to $39,813,000 in 2019, an increase of 19.0%. This increase is the result of the monthly fee increases effective January 1, 2020, increased occupancies in the Health Centers and the occupancies related to the completion and openings of the redevelopment projects. The Oak Trace phase I redevelopment project opened in June of 2019. This added assisted living and memory support rooms while decreasing the health center and catered living rooms available. Friendship Village of South Hills redevelopment project opened in November of 2019. This added assisted living and memory support rooms. Abby Delray opened in February of 2020. This added assisted living and memory support rooms.

Beginning in April 2020, the Obligated Group received approximately $4,029,000 from the Department of Health and Human Services as a relief under the CARES Act’s Public Health and Social Services Relief Fund.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $105,699,000 in 2020, an increase of $5,245,000 or 5.2% from comparable expenses of $100,454,000 in 2019. Salaries and benefits increased $4,134,000 or 7.9% as a result of annual merit and market adjustments, filling positions that are necessary as the redevelopment projects have opened for several communities and increased staffing for home health. General and administrative expense increased $884,000 or 3.8%. Plant operations decreased $120,000 or 1.7% as a result of lower cable television compared to the same period in 2019. Dietary costs increased $222,000 or 1.9%, which is in line with the budget. Medical and other resident care increased $108,000 or 2.1% due to increased occupancy in the higher levels of living of which led to increased agency and supplies expense.

Six Months Ended June 30, 2021 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	$60,160	$61,800	($1,640)
Skilled nursing, assisted living and memory support fees	51,644	49,128	2,516
Other	990	-	990
	112,794	110,928	1,866
Expenses			
Operating expenses:			
Salaries and benefits	54,804	58,529	3,725
General and administrative	29,713	28,731	(982)
Plant operations	7,715	7,608	(107)
Housekeeping	603	662	59
Dietary	9,370	9,848	478
Medical and other resident care	5,077	3,113	(1,964)
	107,282	108,491	1,209
Net operating margin	5,512	2,437	3,075
Net entrance fees, excluding initial entrance fees	15,716	7,027	8,689
Capital expenditures, financed with bond proceeds	22,058	37,715	15,657
Capital expenditures, routine	10,997	17,542	6,545

Net operating margin is favorable to budget by $3,075,000.

Independent living fees are unfavorable to budget by $1,640,000, which is primarily driven by fewer closings resulting in fewer processing fees. The budget for the six months ended June 30, 2021 had 140 closings compared to the actual closings of 106. In addition, there are more apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $2,516,000 due to higher home health usage than budgeted.

Other revenue is favorable to budget as a result of $985,000 in infection quality control payments from the Department of Health and Human Services and $5,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services. Receipt of these funds were not budgeted.

Salaries and benefits are $3,725,000, or 6.4%, favorable to budget due to staffing to lower occupancy levels and the COVID wages reclassed to other department expenses.

General and administrative expense is unfavorable to budget by $982,000, or 3.4%, as a result of timing as some of the expenses were incurred earlier than budgeted.

Plant operations expense is unfavorable to budget by $107,000, or 1.4%, as a result of higher repairs and maintenance than budgeted.

Housekeeping expense is favorable to budget by $59,000, or 8.9%, as a result of higher usage of supplies than budgeted.

Dietary expense is favorable to budget by $478,000, or 4.9%, as a result of COVID restrictions. As dining venues reopened in 2021 this expense will increase.

Medical and other resident care expense is unfavorable to budget by $1,964,000, or 63.1%, as a result of higher use of agency than budgeted.

Net entrance fees, excluding initial entrance fees, are favorable to budget by $8,689,000 due to late closings in June which will result in approximately $8 million in refunds in July. As mentioned earlier, the budget for the six months ended June 30, 2021 had 140 closings compared to the actual closings of 106. In addition, as of June 30, 2021 there was $1,104,000 in entrance fee deferrals given which has a negative impact on net entrance fees. Approximately $13,574,000 in refunds was paid in the six months ended June 30, 2021 where there was no corresponding entrance fee received. These refunds consist of approximately $4,399,000 paid in 2021 for prior year closings, approximately $5,811,000 in refunds for residents who passed away that were permanently assigned to higher levels of care (and the apartment had previously been resold), approximately $1,812,000 in refunds for satisfaction guarantees, and approximately $1,552,000 in refunds due according to the residency contract requirement (refunds are to be paid in a certain number of months which can sometime be before the apartment is resold).

Capital expenditures financed with bond proceeds are approximately $15,657,000 less than budgeted. This is the result of timing. Approximately $6,545,000 less was spent on routine capital expenditures than budgeted. This is the result of timing and fewer apartment turnovers.

Ratios:

The Net Operating Margin Ratio decreased from 7.0% at June 30, 2020 to 4.9% at June 30, 2021 which is below the benchmark of 6.5%. The lower occupancies in independent living and the health center are causing strain on the net operating margin. The Net Operating Margin, Adjusted Ratio increased from 5.1% at June 30, 2020 to 16.5% at June 30, 2021 which is below the benchmark of 22.5%. The annual debt service coverage ratio increased from 0.8 times at June 30, 2020 to 2.2 times at June 30, 2021, which is below the benchmark. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the increase in net entrance fees. Further details on net entrance fees is stated in the Liquidity and Capital Requirements section below.

Investment income increased when comparing the six months ended June 30, 2021 to the same period in 2020. Excluding the unrealized gain/loss, investment income represents an increase of $4,945,000, which impacts the debt service coverage ratio in a positive manner. The following chart shows the components of investment income in thousands of dollars.

	June 30, 2021	June 30, 2020
Interest and Dividend Income	$2,174	$2,622
Realized Gain/(Loss)	5,727	334
Unrealized Gain/(Loss)	9,415	581
Total	$17,316	$3,537

The Adjusted Debt to Capitalization increased from 89.9% at June 30, 2020 to 91.2% at June 30, 2021. Both periods are above the benchmark.

Liquidity and Capital Requirements – Six Months Ended June 30, 2021 versus Six Months Ended June 30, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $17,282,000 for the six months ended June 30, 2021 compared to ($2,990,000) for the same period in 2020. The number of reoccupancies increased to 106 in the six months ended June 30, 2021 from 67 reoccupancies in the six months ended June 30, 2020. As mentioned previously, in the six months ended June 30, 2021 approximately $13,574,000 in refunds had been issued with no corresponding entrance fee and $13,438,000 for the same period in 2020. In addition, entrance fees deferrals were given of $1,104,000 in the six months ended June 30, 2021 and $727,000 for the same period in 2020. The deferrals in both periods had a negative impact on net entrance fees.

Daily operating expenses for 2021 increased to $632,000 from $613,000 in 2020, an increase of 3.2%. The overall unrestricted cash position increased from $161,343,000 at June 30, 2020 to $190,965,000 at June 30, 2021, a change of 18.4%. The Days Cash on Hand Ratio increased from 263 days at June 30, 2020 to 302 days at June 30, 2021.

Capital expenditures for the communities for the six months ended June 30, 2021 were $33,055,000, while depreciation expense for the same period was $23,506,000. The five redevelopment projects mentioned below account for $22,058,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the six months ended June 30, 2020 were $40,304,000, while depreciation expense for the same period was $21,332,000. As stated below, the five redevelopment projects account for $28,590,000 of this year-to-date 2020 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, 2020 is 224% 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.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018 and 2019 of which the proceeds support the projects below. In addition, 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 June 30, 2021, $5.7 million has been drawn on this line of credit for two communities.

Three of the communities are in the process of significant construction at March 31, 2021. There were five construction projects of which two construction projects were completed and opened in 2020. All five of the communities with improvements used and are using proceeds of the Series 2016, Series 2018 and Series 2019 Bonds. On August 3, 2021 Lifespace issued a preliminary offering statement for additional proceeds to complete the project. 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 $4.5 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 August 3, 2021, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at ‘BBB’ with a stable outlook.

Lifespace has issued a guarantee on a portion of the Deerfield Retirement Community, Inc.’s outstanding bonds, which total $36,236,500. In 2021 total debt service on the guaranteed bonds is $2,777,000, of which $1,162,000 is due to Lifespace. As of June 30, 2021, the Obligated Group has not paid any amounts of the 2021 debt service payments for Deerfield. As this is a related party guarantee, the Deerfield debt is not included in the Obligated Group balance sheet but is included in the debt service coverage calculation. Inclusion of the Deerfield debt decreases the annual debt service coverage from 2.4 times to 2.2 times. As a result of this guarantee, the financial covenants required by the Deerfield bonds are the same as the Lifespace covenants. The guarantees were discharged in connection with the sale of Deerfield and the Corporation has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

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, if needed.

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 $)

	Six Months Ended June 30 (Unaudited)		Year Ended December 31 (Audited)		
Historical Debt Service Coverage	**2021**	**2020**	**2020**	**2019**	**2018**
Excess (deficit) of revenues over expenses	3,118	(4,736)	2,627	1,111	(12,321)
Less:					
Entrance fees earned	(14,054)	(14,455)	(30,754)	(29,664)	(32,400)
Initial redevelopment entrance fee deposits	(1,567)	697	1,290	(7,653)	(4,367)
Add:					
Depreciation	23,506	21,332	46,129	42,081	38,983
Amortization	2,713	2,735	5,553	5,443	116
Interest Expense	7,502	6,414	12,969	6,428	5,507
Expenses paid by long-term debt issuances	331	607	1,273	2,305	2,036
Unrealized (gain) loss on securities	(9,415)	(581)	(4,713)	(14,377)	15,104
Realized loss on sale of assets	45	178	597	2,917	941
Entrance fee proceeds (less refunds)	17,282	(2,990)	11,394	44,922	38,424
Income available for debt service	29,461	9,201	46,365	53,513	52,023
Annual debt service payment	26,197	22,309	22,309	17,934	13,870
Annual debt service coverage (b)(c)(d)(e)	2.2	0.8	2.1	3.0	3.8
Maximum annual debt service payment	28,816	28,997	28,997	29,479	25,138
Maximum annual debt service coverage (d)(e)	2.0	0.6	1.6	1.8	2.1
Cash to Debt					
Unrestricted cash and investments (a)	190,965	161,343	187,657	172,781	160,055
Debt service reserve fund	33,278	34,094	34,302	34,165	33,909
	224,243	195,437	221,959	206,946	193,964
Bonds outstanding long-term	467,862	470,693	467,443	474,699	373,993
Annual debt service	26,197	22,309	22,309	17,934	13,870
Maximum annual debt service	28,816	28,997	28,997	29,479	25,138
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.5	0.4	0.5	0.4	0.5
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	8.6	8.8	9.9	11.5	14.0
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.8	6.7	7.7	7.0	7.7
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	114,453	111,506	221,274	208,182	198,052
Daily expenses	632	613	605	570	543
Days of unrestricted cash & investments on hand (b)(c)(d)	302	263	310	303	295
Other Ratios					
Net operating margin (c)(d)(f)	4.9%	7.0%	7.4%	1.9%	2.7%
Net operating margin, adjusted (c)(d)(f)	16.5%	5.1%	12.3%	16.8%	16.8%
Adjusted debt to capitalization (c)(d)(f)	91.2%	89.9%	89.9%	87.6%	84.6%

(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%.

(e) At June 30, 2021, without the inclusion of the Deerfield 2021 guarantee payments of 1,697, ratios would be annual debt service coverage of 2.4 times and maximum annual debt service would 2.2 times.