

LANCER EDUCATIONAL HOUSING, LLC

CONTINUING DISCLOSURE ANNUAL REPORT

JUNE 30, 2024

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INTRODUCTION

Lancer Educational Housing, LLC (Lancer) was formed in 2007 for the purpose of receiving, holding, and administering housing-related property for the direct benefit of California Baptist University (the “University”), which addresses a critical component of the University’s mission. The sole corporate member of Lancer is Lancer Educational Housing Corporation (the “Corporate Member”), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Lancer, with a portion of the proceeds of the California Statewide Communities Development Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2007A and California Statewide Community Communities Development Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2007B (together, the “Series 2007 Bonds”), purchased the six separate student residential facilities (the “2007 Existing Facilities”) comprising 1,166 beds (at the time of purchase) located on the campus of the University in Riverside, California together with a lease of the land underlying such 2007 Existing Facilities.

At the time of the issuance of the Series 2007 Bonds, Lancer expected to construct or acquire additional housing. Upon evaluating its options for acquiring or constructing housing, Lancer concluded that the acquisition of Tower Hall (formerly known as Royal Rose) and The Village (formerly known as the Rose Garden Village Apartments) apartment complexes (the “2010 Student Housing Project”) from the University was advantageous to addressing the housing needs of the University and its students, following the original intent of creating Lancer Educational Housing, LLC, which was to hold most, if not all, of the housing for the University’s students. The use of the Tower Hall apartment complex was previously restricted pursuant to a HUD restriction which subsequently was released, making the housing available for occupancy by University students. During the first quarter of 2010, upon closing of the California Statewide Communities Development Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2010A and California Statewide Communities Development Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2010B (together, the “Series 2010 Bonds”), Lancer acquired the 121 unit The Village and the 94 unit Tower Hall apartment complexes from the University, which are located adjacent to the University’s campus, with a portion of the proceeds of approximately \$14 million in revenue bonds issued on its behalf by California Statewide Communities Development Authority.

In 2016, Lancer used the proceeds of the California Statewide Communities Development Authority Revenue Refunding Bonds (Lancer Educational Housing Project), Series 2016A (the “Series 2016 Bonds”) to acquire, construct, improve, renovate, furnish and equip certain housing facilities for faculty, staff and students of the University, including related administrative facilities, site improvements and parking, including but not limited to (1) a 32-unit apartment complex known as College Park Apartments (“College Park”) located at 8230 Magnolia Avenue in the City of Riverside, California (the “City”); (2) student housing facilities known as The Point located at 3622 Adams Street on the University’s main campus, the address of which is 8432 Magnolia Avenue, Riverside, California (the “Campus”); (3) student housing facilities known as The Colony located at 3675 and 3697 Monroe Street on the Campus; and (4) other improvements to existing housing facilities located on the Campus (collectively, the “2016 Student Housing Project”). Lancer purchased The Point from the University and The Colony from the Colony Student Housing LLC, and leased the real property underlying each of the buildings from the University pursuant to the Lease (as hereinafter defined).

The University sold The Point to Lancer as part of the 2016 Student Housing Project. The Point consists of 216 beds housed in a 2-story apartment complex consisting of 8 buildings for a total of approximately 74,850 square feet, has approximately 156 parking spaces and is located on approximately 2.64 acres of land. The University acquired The Point in December 2013. Since that time the University

had invested about \$8.2 million in improvements to the property. The building that is located at the east end of the complex, known as Building A, was renovated to be used as offices for the University.

The Colony Student Housing LLC (“CSH”) sold The Colony to Lancer as part of the 2016 Student Housing Project. The Colony consists of 304 units, 1,022 beds, about 460 parking spaces and was located on approximately 15.6 acres of land. This complex was acquired in December 2010 by the Parkside Village Apartments LLC and was then sold to CSH in June 2012 to provide better financing. CSH purchased The Colony for \$31,617,756 and the sale was funded through California Bank and Trust (the “Bank”) with \$29,500,000 of tax exempt bonds purchased by the Bank (the “Colony Bonds”) and \$3,500,000 derived from a commercial line of credit from the Bank (the “Colony Line of Credit”). The University was reimbursed for funds that it previously invested in the Colony-Owned Student Housing in the amount of \$11,500,000 from the proceeds of the sale. The Colony secured the payment of the Colony Bonds and Colony Line of Credit pursuant to a first deed of trust on the Colony-Owned Student Housing. After the sale of The Colony, CSH began the process of dissolution which was finalized on August 23, 2017.

In the summer of 2017, Lancer completed the first of two phases of improvements to College Park. The first phase of improvements included new flooring, paint, hardware, IT infrastructure and MEP maintenance and repair as needed. Improvements to the exterior of the building included minor stucco repairs, painting and new building signage. There were also site improvements made including constructing a courtyard area, landscaping, installing fencing, upgrading site lighting and installing security cameras. In the summer of 2018 Lancer began the second phase of improvements to College Park. This phase included demolishing existing garages and carports, constructing a new parking lot, restriping the existing parking lot, and upgrading parking lot lighting and security. The second phase was completed in August 2018. The whole project, totaling approximately \$2.4 million, was funded using \$2 million from Lancer’s Series 2016 bond proceeds and the remainder from Lancer’s surplus cash.

In the summer of 2017, Lancer also completed improvements to The Village and University Place. These improvements included new kitchen and bathroom cabinets and fixtures, new flooring, paint, replacements and/or repairs to HVAC systems, and new furniture. In The Village, several units were restructured which resulted in adding approximately 90 available beds for housing students. The project, totaling approximately \$15.4 million, was funded using \$10 million from the Lancer’s Series 2016 bond proceeds as well as surplus cash accumulated by Lancer and Lancer’s R&R Fund.

The University manages the 2007 Existing Facilities, the 2010 Student Housing Project, and the 2016 Student Housing Project (collectively known as the “Existing Facilities”) pursuant to the Management Agreement and agrees to provide financial support for the payment of operating expenses and certain repair and replacement reserves pursuant to the Management Agreement and Contingent Operating Expense Agreement. The Existing Facilities are subject to a lease of the land underlying such Existing Facilities (the “Lease”).

The University owns and operates student residential facilities consisting of 16 modular housing buildings containing 143 beds (“The Cottages”). The University also owns 68 single family residences currently used primarily for graduate student housing.

2019 Student Housing Project

Lancer used the proceeds of the Series 2019 Bonds to acquire, construct, improve, renovate, furnish and equip the 2019 Student Housing Project. The 2019 Student Housing Project generally consists of the acquisition, construction, improvement, renovation, furnishing and equipping of certain housing facilities for students, faculty and staff of the University by Lancer, including related administrative and support facilities, site improvements, and parking, including but not limited to (1) a student residential complex

comprising approximately 538 beds and related administrative and support facilities, site improvements, and parking (the “Magnolia Crossing Project”) that were constructed, improved and equipped on, or adjacent to, the main campus of the University, the primary address of which is 8432 Magnolia Avenue, Riverside California 92504, and which includes properties located at 3823, 3833 and 3853 Bel Air Street and property with the address 8775 Magnolia Avenue, Riverside, California 92503 (the “Campus”), and (2) other improvements to and equipment of The Colony and other existing housing facilities and related facilities located on or adjacent to the Campus (collectively, clauses (1) and (2) referred to herein as the “2019 Student Housing Project”). Lancer anticipated that various of the other improvements to and equipment of existing housing facilities and related facilities located on or adjacent to the Campus would occur on and be incorporated as part of the Existing Facilities and would include items such as removing balconies, replacing sliding doors with windows, repairing or replacing exterior siding and fascia, repainting the exteriors, re-plumbing, upgrading bathtub/shower surrounds, and making landscape and hardscape improvements.

The University currently owns the land upon which the Magnolia Crossing Project was constructed. Lancer paid for the costs of constructing, improving, renovating, furnishing, and equipping the Magnolia Crossing Project and leases the real property underlying the buildings from the University pursuant to the Lease.

The total cost of the Magnolia Crossing Project was expected to be approximately \$45,125,000, of which approximately \$43,175,000 was to be paid from the proceeds of the Series 2019 Bonds and approximately \$1,950,000 paid from Lancer’s operational budget funds. A total of \$45,123,808 was spent in the design and construction of the 2019 Student Housing project.

The Magnolia Crossing Project was substantially completed in July 2020 and was opened to students for move-ins in time for the beginning of the Fall 2020 semester.

The total cost of improvements to The Colony and other existing facilities were \$5,176,922, paid entirely from the proceeds of the Series 2019 Bonds. All proceeds were spent as of June 2022. Balconies on the second floor of The Colony were removed and sliding glass doors on both floors were replaced with windows, chimneys were removed, some of the roofs and facia were replaced and fencing was added. Proceeds were also used to renovate the bathrooms located in Simmons Hall and improve the HVAC, fire alarm systems and roofing for Smith and Simmons Halls. Improvements were also made in Tower Hall to upgrade the fire alarm system, install heating/cooling units and update plumbing as needed.

Additional spending was made out of Lancer’s budget to finish installing heating/cooling units and updating plumbing throughout Tower Hall in Summer 2022 and Summer 2023. In total, there was approximately \$1,335,000 of improvements made to Tower Hall.

The University manages the Existing Facilities and the Magnolia Crossing Project (the Existing Facilities and the Magnolia Crossing Project are collectively referred to herein as the “Facilities”) pursuant to the Management Agreement and agrees to provide financial support for the payment of operating expenses and certain repair and replacement reserves pursuant to the Management Agreement and Contingent Operating Expense Agreement in the event that project revenues are insufficient to reimburse the University for these costs.

Pursuant to the Lease, Lancer may offer units within the Facilities for lease to any person who is a student of the University, faculty or staff members of the University, any person participating in University educational programs, any visiting lecturer, facilities personnel, or any other person that enhances the educational benefits of students or program participants. To the extent necessary to provide Lancer sufficient revenue to meet the debt service requirements on the Bonds, the University agrees under the

Lease that it will aid in the marketing of the Facilities to its students by directing students to live in the Facilities before recommending or directing students to University-owned residences other than the Facilities, and will undertake other efforts as may be practicable that contribute to the Facilities remaining occupied at such a level. All students residing in Lancer owned student housing are subject to the University's Residential Life Policy.

GOVERNANCE

The Corporate Member's Board of Directors is comprised of five members, each serving a term of three years. The University has the power to appoint two of the five members of the Corporate Member's Board of Directors and the rest are selected by a majority vote of the Board of Directors at the annual meeting. The following biographies describe Principals and At Large Members the Board of Directors.

Principals:

Ronald L. Ellis, Ph.D., University President. Ronald L. Ellis, has served as President of the University since 1994. He previously served as Executive Vice President for Campbellsville College in Campbellsville, Kentucky as well as in various administrative positions at Louisiana College and Baylor University and has taught junior high school history. He received his Ph.D. in Higher Education Administration from Texas A&M University, a master's degree in education at Baylor University, and holds a bachelor's degree in education from Houston Baptist University.

Mark Howe, M.B.A., University Senior Vice President for Finance and Administration. Mark Howe has served as the University's Vice President for Finance and Administration and Chief Financial Officer since 2001. He is the former vice president of Silicon Space, Inc., in San Diego, California, and also served this organization as vice president of finance and strategy as well as its chief financial officer. Mr. Howe previously held upper management positions for organizations including USWeb/CKS, Metrix Communications, International Leasing Corporation, and National University in San Diego. He received his M.B.A. and bachelor's degrees from National University.

At Large Members:

Rick Miller

Place of Residence: Thompson Station, Tennessee

Education: University of Idaho

Occupation: Retired, Former Superintendent, Santa Ana Unified School District

University Affiliation: Friend of the University

Matthew Albee

Place of Residence: Riverside, California

Education: California Baptist University

Occupation: Law Enforcement & Business Owner

University Affiliation: Alumni and friend of the University

David Peery

Place of Residence: Riverside, California

Education: California Baptist University

Occupation: President, Steven Walker Communities and Kingsfield Development

University Affiliation: Alumni and friend of the University

UNIVERSITY RESIDENTIAL LIFE POLICY

The University seeks to express its educational philosophy in many ways, but especially in and through the residential experiences of its students.

The University generally requires traditional, single undergraduate students less than twenty-one (21) years of age, or students who receive institutional aid in excess of \$13,500 per academic year, to live on campus. Exceptions are made for those living with parents, legal guardian, or approved relatives, upon verification of residency. In Fall 2024 approximately 99% of the traditional undergraduate students enrolled at the University will receive some form of student financial assistance and approximately 79% of students will receive more than \$13,500 in institutional aid.

Students who are in pursuit of a first undergraduate degree program are given priority during the housing assignment process.

FINANCIAL INFORMATION

The audited financial statements of Lancer are prepared in accordance with generally accepted accounting principles. Audited financial statements for the fiscal year ended June 30, 2024 have been posted by the trustee. The financial statements have been audited by CliftonLarsonAllen LLP, independent certified public accountants. Lancer prepared calculations prescribed in the financial covenants associated with the Series 2016 Bonds and Series 2019 Bonds. Lancer is in compliance with those covenants as of the end of its last fiscal year. Those calculations are provided at the end of this document in Attachment 1.

Management's Discussion of Financial Performance

Over the past five years, Lancer has experienced marked improvement in the overall financial condition of the organization. During the past five years, revenues have grown 45%, expenses have increased by 57%, and unrestricted net assets have increased 16% from \$18,161,306 to \$21,119,518.

The University is permitted to charge a management fee to manage and operate Lancer's facilities. The projections assume a management fee of 7.50% of revenue per year.

Lancer maintains 12-month business interruption insurance.

Lancer believes the Facilities are exempt from property taxation under state law because they are buildings, land and equipment used exclusively for educational purposes by a nonprofit institution of higher education.

Revenues are generated from student housing fees for residents housed during the fall, spring and summer semesters. Student occupancy for Fall 2024 was approximately 46% of the University's traditional undergraduate enrollment.

The University leases spaces in Lancer Arms, Adams Villas and The Point for administrative and academic purposes as well as a grab-and-go food venue in Magnolia Crossing. Total Lancer occupancy, including office rentals and the food venue, for Fall 2024 was approximately 87% of The Facilities' capacity.

The following table shows the projected cash flows for Lancer Educational Housing, LLC by month for the 2024-2025 fiscal year.

LANCER EDUCATIONAL HOUSING, LLC
Revenue and Expense Projections
2024-2025

	July	August	September	October	November	December	January	February	March	April	May	June	2024-2025 Total
Revenue													
Student Housing Fees	\$ 135,888	\$ 183,566	\$ 2,915,881	\$ 2,915,881	\$ 2,915,881	\$ 2,915,881	\$ 2,666,296	\$ 2,666,295	\$ 2,666,294	\$ 2,666,295	\$ 103,366	\$ 103,365	\$ 22,854,889
Lease Income - Related Party	-	-	736,654	-	-	-	736,654	-	-	-	736,654	-	2,209,962
Interest Income	41,667	41,667	41,666	41,667	41,667	41,666	41,667	41,667	41,666	41,667	41,667	41,666	500,000
Total Projected Revenue	177,555	225,233	3,694,201	2,957,548	2,957,548	2,957,547	3,444,617	2,707,962	2,707,960	2,707,962	881,687	145,031	25,564,851
Expenses													
Student Housing and General Activities:													
Contracted Services - Compensation & Benefits	38,781	156,873	255,680	253,691	250,709	169,598	182,623	209,405	208,179	207,328	138,339	(6,710)	2,064,496
Contracted Services - Other	198,255	255,778	370,514	47,634	127,045	139,885	212,327	148,470	150,787	130,719	149,774	477,252	2,408,440
Repair and Maintenance	109,449	550,845	225,780	89,334	123,998	20,167	123,619	145,538	29,114	105,310	186,023	561,196	2,270,373
Depreciation	494,360	494,360	494,360	494,360	494,360	494,360	494,360	494,360	494,360	494,360	494,360	494,357	5,932,317
Utilities	149,647	176,556	216,561	254,956	273,970	237,025	229,237	133,058	186,047	183,581	281,780	176,682	2,499,100
Insurance Expense	-	73,577	66,314	66,314	66,359	66,314	66,314	66,314	66,314	66,314	-	49,866	654,000
Interest Expense/Debt Service	14,000	14,000	14,000	14,000	14,000	3,509,450	14,000	14,000	14,000	14,000	14,000	3,509,450	7,158,900
Other Operating Expense	6,251	3,056	51,555	759	10,811	103	4,801	12	2,248	8,477	30,211	1,696	119,980
Management Fee - Related Party	10,192	13,767	273,940	218,691	218,691	218,691	255,221	199,972	199,972	199,972	63,002	7,752	1,879,863
Net cash flows from investing activities	1,020,935	1,738,812	1,968,704	1,439,739	1,579,943	4,855,593	1,582,502	1,411,129	1,351,021	1,410,061	1,357,489	5,271,541	24,987,469
Change in Unrestricted Net Assets	(843,380)	(1,513,579)	1,725,497	1,517,809	1,377,605	(1,898,046)	1,862,115	1,296,833	1,356,939	1,297,901	(475,802)	(5,126,510)	577,382
Beginning Unrestricted Net Assets	21,119,518	20,276,138	18,762,559	20,488,056	22,005,865	23,383,470	21,485,424	23,347,539	24,644,372	26,001,311	27,299,212	26,823,410	21,119,518
Ending Unrestricted Net Assets	\$ 20,276,138	\$ 18,762,559	\$ 20,488,056	\$ 22,005,865	\$ 23,383,470	\$ 21,485,424	\$ 23,347,539	\$ 24,644,372	\$ 26,001,311	\$ 27,299,212	\$ 26,823,410	\$ 21,696,900	\$ 21,696,900

Notes:

- 1) Revenue and expenses were budgeted to generate about \$980K in unrestricted net assets.
- 2) The projected Student Housing Fee revenue is based on the Fall 24 semester which came in at approximately 87% of The Facilities' capacity. Based on the reduced number of residents, revenue is projected to be approximately 98% of budget.
- 3) Expenses as presented above are reflective of the 2024-2025 budget as projected savings are not yet known.
- 4) The current projections indicate that all Lancer covenants will be met for the 2024-25 Fiscal Year.

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MARKETING EFFORTS

Housing is marketed to students each spring when sign-ups for the upcoming school year take place. The University directs students to live in Lancer's existing facilities and continues to market all of the available housing options to its students throughout the year. The Residence Life office makes Lancer-owned student housing units a priority over non-Lancer-owned units in its planning each year for where to place student residents.

FACILITIES

Listed below is a description of the Facilities.

Existing Facilities

Smith Hall

Smith Hall is a three-story dormitory constructed in 1968 with a total of 79 dwelling units including one resident director's unit and one assistant director's unit, which each contain one bedroom and one bathroom and are located in the central section of the building. The total building area is 33,864 square feet and the structure is configured into two wings of residential units on each floor, with a central lobby and study area on each floor. All of the dorm rooms are designed for two occupants.

Simmons Hall

Simmons Hall is a three-story dormitory, located south-west of Smith Hall and also was constructed in 1968. It features the same floor plans for each of the building wings as Smith Hall, and identical interior and exterior finishes. However, Simmons Hall includes two additional two-story wings, and provides a total gross building area of 47,832 square feet. The dormitory features a total of 135 units, including one resident director's unit and one assistant director's unit (each containing one bedroom and one bathroom). All of the dorm rooms are designed for two occupants.

Lancer Arms

The Lancer Arms apartment complex consists of four separate two-story buildings, located at the southern side of campus. These buildings are identified as 8447, 8449, 8451, and 8471 Diana Avenue. The unit configuration of each of these buildings features "stacked flat" units, i.e., no town-homes.

8471 and 8447 Diana: These two apartment buildings were each built in 1964 and feature sloped tile roofing. Each of these two buildings have an identical floor plan, and each is divided into 12 one bedroom/one bathroom units and 8 two bedroom/one bathroom units, for a total of 20 units in each of these two structures. The total gross building area is 31,600 square feet.

8449 and 8451 Diana: These two buildings were each built in 1974 and have flat composition roofing with tile mansards and painted stucco exterior. The unit mix consists of 1 studio unit of 462 square feet, 6 one bedroom units of 669 square feet, 20 two bedroom/one bathroom units of 912 square feet, and 1 three bedroom/two bathroom unit of 1,310 square feet, for a total of 28 units in each of these two structures. The total gross building area is 49,200 square feet. The north building was renovated to be used for offices for CBU administrative purposes. CBU pays the per student bed revenue for 99 beds to Lancer for each of the three semesters each year.

University Place

These apartments consist of two apartment complexes known as UP100 (8350 Magnolia Avenue) and UP200 (8374 Magnolia Avenue).

8350 Magnolia Avenue: This apartment complex consists of nine separate buildings which were built in 1978, two of which are single-story and seven are two-story. There are a total of 57 units, which include 8 studio apartments of approximately 300 square feet each, 42 one-bedroom units of 600 square feet each, 6 two-bedroom units at 837 square feet each, and 1 Resident Assistant office of 837 square feet. The gross building area is 35,048 square feet.

8374 Magnolia Avenue: The complex consists of six two-story buildings configured along a long, narrow central courtyard. The property was built in 1977 with stucco exterior and sloped, composition shingle roofing. There are a total of 42 units, including 18 junior one-bedroom apartments at approximately 495 square feet each, 20 two-bedroom/two-bathroom town homes at approximately 1,086 square feet each, 1 studio unit at approximately 350 square feet, 2 Resident Director apartments at approximately 1,086 square feet each, and 1 Resident Director office. The total gross building area is 35,222 square feet.

Adams Villas

This apartment complex consists of one two-story apartment building constructed in 1971. The unit mix consists of 6 one-bedroom/one-bathroom units of 700 square feet and 11 two-bedroom/two-bathroom units of 1,100 square feet for a total gross building area of 16,798 square feet. The building was renovated during the summer of 2014 into an expansion of the College of Nursing complex. The University pays the per student bed revenue for 56 beds to Lancer for each of the three semesters each year.

Magnolia Hacienda

This apartment complex, which is known as UP300 within University Place, consists of three two-story apartment buildings constructed in 1971 consisting of 50 units. The unit mix consists of 24 one-bedroom/one-bathroom units of 619 square feet, 16 two-bedroom/one-and-a-half-bathroom units of 915 square feet, and 8 two-bedroom/one-bathroom units of 915 square feet, 1 Resident Assistant office and 1 Resident Director office totaling 370 square feet. Total gross building area is 37,186 square feet.

Tower Hall

This apartment complex consists of two two-story and one three-story apartment buildings constructed in 1983 consisting of 94 units. The unit mix consists of 93 one-bedroom/one-bathroom units of 564 square feet and 1 two-bedroom/one-bathroom unit of 869 square feet used as the Resident Director's apartment. Total gross building area is 52,760 square feet.

The Village

This apartment complex consists of five one-story apartment buildings constructed in 1962 consisting of 121 units. The unit mix originally consisted of 45 studio units of 367 square feet, 50 one-bedroom/one-bathroom units of 483 square feet, 18 one-bedroom/one-bathroom deluxe units of 667 square feet and 8 two-bedroom/one-bathroom units of 662 square feet. Total gross building area is 67,500 square feet. In the summer of 2017, as part of the 2016 Student Housing Project, major renovations were done to this facility. The building now consists of 60 units. The unit mix consists of 9 studio units of 367 square feet, 6 one-bedroom/one-bathroom units of 483 square feet, 5 three-bedroom suites of 1,468 square feet, 5 mini suites of 1,101 square feet, 9 deluxe suites of 1,334 square feet, 19 two-bedroom suites of 966 square

feet, 4 four-bedroom suites of 1,324 square feet, 1 Resident Assistant office of 966 square feet, 1 Resident Director office of 367 square feet and 1 Resident Director apartment of 966 square feet. Total bed count was increased from 204 to 296.

College Park

This apartment complex consists of four two-story apartment buildings constructed in 2005 consisting of 32-units. The unit mix consists of 32 two-bedroom/two-bathroom units of 930 square feet. Total gross building area is approximately 29,760 square feet. The site is 1.4 acres and includes 84 parking spaces.

The Colony

This apartment complex consists of thirty-eight two-story apartment buildings constructed in 1984 consisting of 304-units. The unit mix consists of 80 one-bedroom/one-bathroom units of 800 square feet, 80 two-bedroom/one-bathroom units of 800 square feet and 144 two-bedroom/two-bathroom units of 964 square feet. Total gross building area is approximately 268,000 square feet. The site is 15.6 acres with approximately 460 parking spaces.

The Point

This apartment complex consists of seven two-story apartment buildings constructed in 1972 originally consisting of 88-units. One building consisting of 6 units was converted into an office building during the summer of 2015. The remaining 82 units are used for student housing. The unit mix consists of 36 one-bedroom/one-bathroom units of 693 square feet, 34 two-bedroom/one-bathroom units of 840 and 863 square feet, and 12 two-bedroom/two-bathroom units of 924 square feet. Total gross building area is approximately 74,850 square feet. The site is 2.64 acres with approximately 156 parking spaces.

Magnolia Crossing

This building is a 161,415 square feet, four-story complex constructed in 2020 consisting of 1 two-bedroom/two-bathroom unit of 975 square feet, 4 two-bedroom/two-bathroom units of 988 square feet, 4 two-bedroom/two-bathroom units of 1,029 square feet, 80 three-bedroom/three-bathroom units of 1,267 square feet and 4 three-bedroom/three-bathroom units of 1,309 square feet. Each unit is fully furnished and complete with a living room, full kitchen and dining area. Amenities include a central laundry room, a grab-n-go food store, study spaces, community rooms and residence life offices. There are approximately 360 parking spaces for residents of the building.

Existing Appraisals

Prior lenders to the University and third parties requested the preparation of the appraisals (the “Existing Facility Appraisals”) set forth below. The Existing Facilities Appraisals are based on significant limiting conditions and assumptions and are not current. Lancer makes no representation as to the market value of the Existing Facilities or the accuracy or completeness of the appraisals.

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Summary of Appraisals of Existing Facilities

<u>Facility Name</u>	<u>Address</u>	<u>Appraisal Value Date</u>	<u>Appraisal Value</u>
Smith and Simmons Halls ⁽¹⁾	8252, 8555 Diana Avenue	2/1/2007	\$ 15,600,000
Lancer Arms Apartments ⁽¹⁾	8447, 8449, 8451, 8471 Diana Avenue	2/1/2007	5,835,000
University Place Apartments ⁽¹⁾	8374, 8350 Magnolia Avenue	2/1/2007	5,920,000
Magnolia Hacienda ⁽²⁾	8386-8398 Magnolia Avenue	3/15/2006	5,740,000
Adams Villas Apartments ⁽¹⁾	3780 Adams Street	12/3/2004	1,925,000
Tower Hall (Royal Rose)	3720 Adams Street	7/5/2005	7,650,000
The Village @ CBU (Rose Garden)	3668 Adams Street	7/5/2005	8,350,000
The Colony	3675, 3697 Monroe Street	5/31/2012	32,800,000
The Point (San Carlos) ⁽³⁾	3622 Adams Street	12/4/2013	7,200,000
College Park	8230 Magnolia Avenue	8/12/2016	6,350,000
Total Existing Facilities			\$ 97,370,000

⁽¹⁾ Individual values based on cost approach for buildings and comparable sales for land.

⁽²⁾ Income approach.

⁽³⁾ Values based on appraisal performed prior to renovations.

HOUSING RATES

The following table shows historic and current data for the rental rates for students who have resided or currently reside on the University's campus, in single student housing:

Single Student Housing (by location, per semester)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Fall or Spring Semester - Undergraduate					
Tier 1 - Shared Occupancy ⁽¹⁾	\$3,550	\$3,710	\$3,860	\$3,955	\$4,115
Tier 1 - Single Occupancy ⁽¹⁾	\$5,325	\$5,565	\$5,790	\$5,935	\$6,170
Tier 2 - Shared Occupancy ⁽²⁾	\$3,420	\$3,575	\$3,720	\$3,815	\$3,970
Tier 2 - Single Occupancy ⁽²⁾	\$5,130	\$5,360	\$5,580	\$5,720	\$5,950
Tier 3 - Shared Occupancy ⁽³⁾	\$3,355	\$3,505	\$3,645	\$3,735	\$3,885
Tier 3 - Single Occupancy ⁽³⁾	\$5,035	\$5,260	\$5,470	\$5,605	\$5,830
Summer Semester - Undergraduate					
Tier 1 - Shared Occupancy ⁽¹⁾	\$2,665	\$2,785	\$2,895	\$2,965	\$3,085
Tier 1 - Single Occupancy ⁽¹⁾	\$4,000	\$4,180	\$4,345	\$4,455	\$4,635
Tier 2 - Shared Occupancy ⁽²⁾	\$2,565	\$2,680	\$2,785	\$2,855	\$2,970
Tier 2 - Single Occupancy ⁽²⁾	\$3,850	\$4,025	\$4,180	\$4,285	\$4,455
Tier 3 - Shared Occupancy ⁽³⁾	\$2,515	\$2,630	\$2,735	\$2,805	\$2,915
Tier 3 - Single Occupancy ⁽³⁾	\$3,775	\$3,945	\$4,100	\$4,205	\$4,375
Fall, Spring or Summer Semester - Graduate					
Tier 2 - Shared Occupancy ⁽⁴⁾	\$3,135	\$3,275	\$3,410	\$3,595	\$3,955
Tier 2 - Single Occupancy ⁽⁴⁾	\$4,700	\$4,910	\$5,110	\$5,390	\$5,930
Fall or Spring Semester - Resident Assistant					
Tier 1 - Occupancy ⁽⁵⁾	n/a	n/a	n/a	n/a	\$3,500
Tier 2 - Occupancy ⁽⁵⁾	n/a	n/a	n/a	n/a	\$3,500
Tier 3 - Occupancy ⁽⁵⁾	n/a	n/a	n/a	n/a	\$3,500

- (1) Tier 1 Facilities: Magnolia Crossing
- (2) Tier 2 Facilities: College Park, The Cottages, Lancer Arms, The Colony, The Point, The Village, Tower Hall, University Houses, University Place
- (3) Tier 3 Facilities: Simmons Hall, Smith Hall
- (4) Tier 2 Facilities: University Houses, College Park
- (5) Prior to 2024-25 Resident Assistants were charged the same rates as traditional undergraduate students

OCCUPANCY

The tables below show the occupancy of the existing Facilities and non-Lancer facilities for the periods since Lancer acquired them through fall 2024-25.

Lancer Educational Housing, LLC Facilities Occupancy

	<u>2019 LOM Optimal</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21 (8)</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
University Place	250	246	251	256	133	246	239	228	221
Adams Villas (1)	56	56	56	56	56	56	56	56	56
Magnolia Hacienda	140	139	146	156	95	132	134	136	132
Lancer Arms (2)	168	166	199	205	104	159	157	158	150
Lancer Arms Offices (2)	99	99	99	99	99	99	99	99	99
Smith Hall	155	154	154	146	53	108	122	145	145
Simmons Hall	262	232	259	246	110	183	189	216	251
Tower Hall (3)	270	261	266	259	170	242	221	231	238
The Village (4)	286	253	294	305	166	222	217	203	202
The Point (5)	216	215	216	215	150	200	196	194	193
The Point Offices (5)	26	26	26	26	26	26	26	26	26
The Colony (5)	1,022	987	1,023	1,031	470	978	975	931	962
College Park (7)	120	115	119	119	46	112	113	108	55
Magnolia Crossing	520	n/a	n/a	n/a	253	476	456	409	402
Mag Crossing – Food Venue (6)	0	n/a	n/a	n/a	4	4	4	4	4
Total Facilities Beds	3,590	2,949	3,108	3,119	1,935	3,243	3,204	3,144	3,136

- (1) In the summer of 2014, the University renovated all 17 units of the Adams Villas apartments to be an expansion for the College of Nursing. The University will pay rent to Lancer on these units equal to full student capacity per unit at the current housing rate of \$3,970 for fall, spring and summer (56 beds @ \$3,970 x 3 semesters = \$666,960).
- (2) Originally Lancer Arms, a 96-unit apartment complex, was used for single traditional undergraduate students with an optimal occupancy of 298 students.

During the summer of 2015, approximately \$1.2 million of improvements were made to the three buildings that are being used to house students. These improvements were funded through a combination of Lancer repair and replacement funds and University budget dollars.

The University renovated 28 of these apartments to be used as space for University administrative offices. The University pays rent to Lancer on these units equal to full student capacity per unit at the current housing rate of \$3,970 for fall, spring and summer (99 beds @ \$3,970 x 3 semesters = \$1,179,090).

- (3) Tower Hall was previously HUD restricted for affordable senior housing up until January 2009 and therefore was not used for student housing. However, since that time the University converted these units into student housing as the senior citizens vacated. As of May 2015, Tower Hall had been completely converted to student housing. Improvements of approximately \$1.4 million in the summer of 2014 and \$500,000 in the summer of 2015 were made to upgrade the facility for use by students. These improvements were funded by University budget dollars.

- (4) The Village was originally senior citizen housing. The University converted these units into student housing as the senior citizens vacated. As of July 2015, The Village had been completely converted to student housing. Additional renovations were done on the facility in the summer of 2017 as part of the 2016 Student Housing Project which increased the bed count from 204 to 296 beds.
- (5) As part of the Series 2016 Housing Project the University sold The Point improvements to Lancer. The Point includes Building A which was renovated to be used as space for University administrative offices. The University pays rent to Lancer on these units equal to full student capacity per unit at the current housing rate of \$3,970 for fall, spring and summer (26 beds @ \$3,970 x 3 semesters = \$309,660).
- As part of the Series 2016 Housing Project CSH sold The Colony improvements to Lancer.
As part of the Series 2016 Housing Project the University sold College Park apartments to Lancer.
- (6) Adjacent to the lobby of Magnolia Crossing is a grab-and-go food venue, named The Market, for student residents. The venue is maintained and operated by the University.
- (7) In the fall of 2024 College Park was transitioned from traditional undergraduate housing to traditional graduate housing to meet the growing occupancy needs of students. These graduate residents are housed one student per bedroom.
- (8) In response to the COVID-19 pandemic, the number of beds for Fall 2020 was reduced to a maximum of 2 occupants per room.

CBU Facilities Occupancy

	<u>2019 LOM Optimal</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21 (2)</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
The Cottages	179	182	195	195	0	129	132	126	124
Houses (1)		0	119	119	46	144	146	156	156
Apartment Rentals (1)		0	6	6	0	0	0	0	0
Total CBU Facilities Beds	179	182	320	320	46	273	278	282	280

- (1) In the fall of 2018 the demand for on-campus housing was more than Lancer had the capacity for. In order to accommodate for the demand, Lancer first added additional beds to its existing facilities where possible, with the intention that the oversubscription of these facilities would be temporary. The University then converted some of its houses from faculty/staff use to student use and also rented unit(s) from a third party apartment complex located adjacent to campus. The number of students housed in non-Lancer facilities will vary year to year as it is dependent upon the need. For the fall of 2019, the University added even more beds to existing facilities and converted more houses to student use in order to accommodate the growth. With the addition of Magnolia Crossing in the fall of 2020, the apartment rentals were no longer necessary and the CBU Houses started being occupied by traditional graduate students.
- (2) In response to the COVID-19 pandemic, The Cottages were left vacant for 2020-21 and were used to quarantine students if needed.

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The table below shows the percentage of occupancy of each individual student residential facility for the Existing Facilities for the 2023-2024 fiscal year.

	2019 LOM Optimal	Fall	Fall	Spring	Spring	Summer	Summer
	Occupancy	Actual	Percentage	Actual	Percentage	Actual	Percentage
University Place	250	228	91%	204	82%	108	43%
Adams Villas - Offices	56	56	100%	56	100%	56	100%
Magnolia Hacienda	140	136	97%	133	95%	68	49%
Lancer Arms - Students	168	158		136		0	
Lancer Arms - Offices	99	99		99		99	
Total Lancer Arms	267	257	96%	235	88%	99	37%
Smith Hall	155	145	94%	142	92%	0	0%
Simmons Hall	262	216	82%	198	76%	0	0%
Tower Hall (RR)	270	231	86%	210	78%	0	0%
The Village	286	203	71%	190	66%	0	0%
Colony	1022	931	91%	869	85%	0	0%
College Park	120	108	90%	93	78%	0	0%
The Point – Students	216	194		179		0	
The Point – Offices	26	26		26		26	
Total The Point	242	220	91%	205	85%	26	11%
Magnolia Crossing	520	409		353		0	
Magnolia Crossing – Food Venue	-	4		4		4	
Total Magnolia Crossing	520	413	79%	357	69%	4	1%
	3590	3144	88%	2892	81%	361	10%

The following table shows the occupancy of Lancer’s facilities by month for the 2023-2024 fiscal year.

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Lancer Educational Housing, LLC 2023-2024 Facilities Occupancy

	<u>July 2023</u>	<u>August 2023</u>	<u>September 2023</u>	<u>October 2023</u>	<u>November 2023</u>	<u>December 2023</u>	<u>January 2024</u>	<u>February 2024</u>	<u>March 2024</u>	<u>April 2024</u>	<u>May 2024</u>	<u>June 2024</u>
University Place	121	121	228	228	228	228	204	204	204	204	108	108
Adams Villas Offices (1)	56	56	56	56	56	56	56	56	56	56	56	56
Magnolia Hacienda	3	3	136	136	136	136	133	133	133	133	68	68
Lancer Arms (2)	0	0	158	158	158	158	136	136	136	136	0	0
Lancer Arms Offices (2)	99	99	99	99	99	99	99	99	99	99	99	99
Smith Hall	0	0	145	145	145	145	142	142	142	142	0	0
Simmons Hall	0	0	216	216	216	216	198	198	198	198	0	0
Tower Hall	0	0	231	231	231	231	210	210	210	210	0	0
The Village	2	2	203	203	203	203	190	190	190	190	0	0
The Point (5)	0	0	194	194	194	194	179	179	179	179	0	0
The Point Offices (5)	26	26	26	26	26	26	26	26	26	26	26	26
College Park	0	0	108	108	108	108	93	93	93	93	0	0
The Colony (5)	0	0	931	931	931	931	869	869	869	869	0	0
Magnolia Crossing	0	0	409	409	409	409	353	353	353	353	0	0
Magnolia Crossing – Food Venue	4	4	4	4	4	4	4	4	4	4	4	4
Total Facilities Beds	311	311	3,144	3,144	3,144	3,144	2,892	2,892	2,892	2,892	361	361

ATTACHMENT 1 DEBT COVENANT COMPLIANCE

LEH LLC:

Additional Debt

Section 5.14⁽¹⁾

2024

PASS - No additional
debt issued in FY 23/24

Section 5.14 Additional Debt. The Borrower agrees that it shall not issue additional Debt in connection with Additional Projects unless (a) the Historical Debt Service Coverage Ratio of the Borrower equals or exceeds 1:20 to 1, (b) the Proforma Debt Service Coverage Ratio equals or exceeds 1:20 to 1, in each case as certified by the Borrower and the University to the Trustee; provided, however, that the foregoing test need not be met if the Owners of the Outstanding Bonds consent to the issuance of such additional Debt and (c) the Borrower certifies to the Trustee that it is not in default under this Agreement. If any such additional Debt shall be issued as Additional Bonds, the Borrower agrees to follow the provisions of Sections 3.13 and 3.14 of the Indenture. Any such additional Debt that is not issued as Additional Bonds shall be subordinate to the Bonds and any agreement executed in connection with such additional Debt shall provide that an event of default under such agreement shall not cause an Event of Default hereunder.

Fiscal Year ending, June 30,	Lancer Educational Housing LLC Historical Debt Service Coverage Ratio		
	2022	2023	2024
Debt Service Coverage Ratio			
Gross Revenues - Without Donor Restrictions	23,314,993	24,800,818	25,320,758
Total Expenses	(20,760,082)	(21,009,741)	(22,973,951)
Add			
Depreciation & Amortization (non cash)	5,435,505	5,642,385	5,920,997
Total Bond/Loan Debt Service (Interest Only)	7,316,900	7,208,550	7,106,900
Less			
R&R Contribution	(922,606)	(950,273)	(978,778)
Total Net Revenues	14,384,710	15,691,739	14,395,926
Interest Expense	7,316,900	7,208,550	7,106,900
Bond Principal Payments	2,605,000	2,855,000	3,050,000
Total Debt Service	9,921,900	10,063,550	10,156,900
Result w/ R&R >=1.2x	1.45	1.56	1.42
	PASS	PASS	PASS

Rate Covenant:

Section 5.16 Section 12.23 (Supplemental Loan Agreement)

	<u>2024</u>
Rent Rate = Revenue	\$ 25,320,758
Bond Debt Service	
Interest	7,106,900
Bond principal	3,050,000
	10,156,900
Result >= %150	249.3%
	PASS

Notes:

(1) This calculation is a condition to the issuance of additional debt and is therefore being provided for informational purposes only. Prior to the issuance of the 2019 Bonds LEH LLC provided its 3 year Historical Debt Service Coverage Ratio and 10 year Proforma Debt Service Coverage Ratio, all of which were equal to or exceeded the required ratio of 1:20 to 1. LEH LLC continues to monitor its ratios and will provide required proforma information in the future, prior to the issuance of any new debt.



CliftonLarsonAllen LLP
CLAconnect.com

Board of Directors
Lancer Educational Housing Corporation
c/o Mark Howe
8432 Magnolia Avenue
Riverside, California 92504

Re:

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY REVENUE BONDS
(LANCER EDUCATIONAL STUDENT HOUSING PROJECT) SERIES 2016 A and SERIES
2019 A (together, the "Bonds")

We have audited, in accordance with generally accepted auditing standards, the financial statements of Lancer Educational Housing Corporation (Corporation) as of June 30, 2024 and for the year then ended, and have issued our report thereon dated September 20, 2024.

In connection with our audit, nothing came to our attention that would lead us to believe that an Event of Default had occurred. In addition, we found that the Corporation was in compliance at June 30, 2024 with the Additional Debt and Rate Covenants as outlined in Section 5.14 and 5.16, respectively in the California Statewide Communities Development Authority Revenue Bond Series 2016 A and Series 2019 A (Lancer Educational Student Housing Project) Loan Agreements. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors, the management of the Corporation, the California Statewide Communities Development Authority, and for the Corporation to disclose pursuant to the Continuing Disclosure Agreement it has entered into in connection with the Bonds.

CliftonLarsonAllen LLP

Glendora, California
September 20, 2024