

Escrow No. _____

Order No. _____

JOINT PURCHASE AGREEMENT

THIS AGREEMENT IS A LEGALLY BINDING CONTRACT WHEN SIGNED BY BOTH PARTIES. READ IT CAREFULLY. IF YOU HAVE ANY QUESTIONS ABOUT YOUR RIGHTS OR OBLIGATIONS UNDER THIS CONTRACT, YOU SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING IT.

THIS JOINT PURCHASE AGREEMENT (the “**Agreement**”) is made by and between the Buyer and Seller indicated below and shall be effective as of Seller’s Acceptance Date set forth on Seller’s signature page of this Agreement (the “**Effective Date**”).

RECITALS

PROPERTY: Unit No. _____ (interchangeably the “**Condominium Unit**” or the “**Property**”) of the Campus View II Condominiums project (the “**Project**”), as more particularly described in Addendum A attached hereto and incorporated herein by reference.

ADDRESS: _____, Malibu, CA 90265.

BUYER: _____ and

BUYER: _____ (collectively “**Buyer**”).

VESTING: _____

THE MANNER OF TAKING TITLE MAY HAVE SIGNIFICANT LEGAL AND/OR TAX CONSEQUENCES. BUYER IS ENCOURAGED TO DISCUSS THIS SUBJECT WITH BUYER’S LEGAL AND/OR TAX ADVISOR. If the vesting of title will be different from that which is indicated herein, Buyer shall notify Seller or Escrow Holder in writing not more than ten (10) days after the execution of this Agreement by Buyer.

SELLER: PEPPERDINE UNIVERSITY (“**Seller**”)
24255 Pacific Coast Highway
Malibu, CA 90263

PURCHASE PRICE:	FINANCING:
TOTAL: \$ _____ (“ Purchase Price ”)	Deposit (min.\$500): \$ _____ Additional Cash: \$ _____ 1st Installment Note: \$ _____ 2nd Installment Note: \$ _____ Other Consideration: \$ _____
	TOTAL: \$ _____

<p>Check One: _____ In House Escrow (See Paragraph 2.4)</p> <p>ESCROW HOLDER: Pepperdine University Real Estate Operations 24255 Pacific Coast Hwy. Malibu, CA 90263 (310) 506-4109 Telephone (310) 506-7421 Facsimile</p>	<p>_____ Outside Escrow Company (See Paragraph 2.4)</p> <p>ESCROW HOLDER:</p>
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AGREEMENT

1. Incorporation of Recitals.

The foregoing Recitals are hereby incorporated in full into this Agreement.

2. Introductory Provisions.

2.1 Property. Upon acceptance by Seller, Seller agrees to sell and Buyer agrees to buy, on the terms and conditions set forth herein, the airspace condominium constituting the Property, more particularly described in Addendum A attached hereto and incorporated herein by reference.

2.2 Association Ground Lease. Buyer agrees and understands that as an Owner of the Property, Buyer will be a member of the Campus View II Maintenance Association (the "Association"). The Association has entered into a long term Ground Lease with Seller (the "Association Ground Lease," a true and correct copy of which is attached hereto as Addendum B and incorporated herein by reference) whereby the Association has leased the Land upon which the Project is located and all of the Condominium Buildings, recreational facilities, walls, fences, walkways and other improvements located on or at the Project (the "Association Property"). Pursuant to easements and reservations set forth in the CC&Rs, and Buyer's membership in the Association, Buyer is entitled to the use and enjoyment of the Association Property, subject to all of the terms, conditions and restrictions set forth in the Project Documents (as defined below).

2.3 Purchase Price. The amount of the Purchase Price and Financing shall be as set forth in the Recitals.

2.4 Close Date. Buyer acknowledges that, as an accommodation to Buyer, Seller provides an in house sale processing service for Buyer's purchase transaction and charges a processing fee, and that Seller is not a licensed escrow company. Buyer may at Buyer's option, elect to have an outside licensed escrow company reasonably acceptable to Seller process this transaction all at Buyer's expense (including any escrow fees and other charges that are normally chargeable to Seller); provided, however, that Buyer shall notify Seller in writing of such election within three (3) days of Buyer's execution of this Agreement. In the event Buyer elects to have an outside escrow company process this transaction, but fails to timely notify Seller of this election, Seller shall be entitled to collect from Buyer at the Close of Escrow (defined below) Seller's sale processing fee for this transaction and any costs or expenses incurred by Seller in connection with its processing of this transaction prior to the time that Seller received notice of Buyer's election. Whether this transaction is processed on an in house basis with Seller, or an outside escrow company is used at Buyer's election, the processing of this transaction shall be referred to as an "**escrow**" and the entity processing the transaction shall

be referred to herein as the “**Escrow Holder.**” The close of escrow (the “**Close Date**” or “**Close of Escrow**”) shall occur on _____, unless a sooner Close Date is agreed to by the parties in writing .

2.5 Common Interest Development. Buyer and Seller acknowledge that the Property is located within a “common interest development” as defined in California Civil Code 1351(c), the purchase of the Property by Buyer shall be subject to the terms and provisions of the “Common Interest Addendum” (Addendum C) attached hereto and incorporated herein by reference.

2.6 Definition of Certain Terms. The following terms used in this Agreement are defined as follows:

2.6.1 “Acceptance Date” shall mean and refer to the day that Seller accepts Buyer’s offer to purchase the Property. Such acceptance shall be evidenced by the execution of this Agreement by two (2) duly authorized officer(s) of Seller.

2.6.2 “Loan Documents” shall mean and refer to all financing documents delivered to Buyer in connection with Buyer’s purchase money financing obtained under Seller’s Home Loan Program (as defined below), including, but not limited to, Buyer’s First Installment Note and Deed of Trust.

2.6.3 “Project Documents” shall mean and refer to the documents which affect the Property, including but not limited to the following, as applicable: the recorded Tract Map for the Project (and modifications and adjustments thereto); any Condominium Plan recorded for the Project; the Association Ground Lease as defined in Paragraph 2.2 above, the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Campus View II (and all amendments, supplements, and annexations thereto) (the “CC&Rs”) recorded on the Property; the Articles of Incorporation and By-Laws; any Architectural Guidelines, Maintenance Guidelines and Rules and Regulations for such homeowners’ association; and all disclosure statements given to Buyer by Seller.

2.6.4 “Purchase Package” shall mean and refer to this Agreement (including all Addenda attached hereto), and all of the Project Documents.

2.6.5 “Seller’s Home Loan Program” shall mean and refer to the purchase money financing arrangements and options available to Buyer under the loan program for Campus View II Condominiums (New Sales) offered by University Credit Union, as approved by Seller.

2.6.6 “Seller’s Authorized Lender” shall mean and refer to University Credit Union with respect to all sales of Campus View II Condominiums.

3. Purchase and Sale Provisions.

3.1 Offer and Acceptance. Buyer's signature hereon constitutes an offer to purchase the Property from Seller. This Agreement shall not be binding on either party until acceptance hereof by Seller's authorized signatures and such acceptance is communicated to Buyer. Seller reserves the right to refuse to accept Buyer’s offer for any reason whatsoever, at Seller’s sole and absolute discretion. If Seller accepts Buyer’s offer, Seller’s acceptance shall be evidenced by the execution of this Agreement by two duly authorized officers of Seller. Buyer acknowledges that Seller’s representatives are not authorized officers of Seller and do not have the legal capacity to accept Buyer’s offer, and that the receipt (and cashing) of Buyer’s purchase deposit by Seller’s representatives does not constitute an acceptance of Buyer’s offer by Seller. If Seller fails or refuses to accept

Buyer's offer for any reason, all funds deposited by Buyer shall be promptly refunded to Buyer. If Seller accepts Buyer's offer, the date of such acceptance constitutes the "**Seller Acceptance Date**" and shall be deemed the "**Effective Date**" of this Agreement. Buyer acknowledges that Buyer is fully informed about and voluntarily consents to this Agreement (and all other documents comprising the Purchase Package), and Buyer agrees that the provisions of this Agreement (and all other documents comprising the Purchase Package) are reasonable and reflect the intention of the parties regarding the Property.

3.2 Non-Contingent Purchase. Buyer acknowledges and agrees that the purchase of the Property by Buyer as contemplated by this Agreement is not contingent upon the prior sale of other property owned by Buyer, and that Buyer shall be in default under the provisions of this Agreement for failure to close on or before the Close Date (as defined herein) because of Buyer's inability to sell any such property.

3.3 Addenda. The Addenda listed below which are concurrently or hereafter executed by Seller and Buyer are incorporated herein by this reference and shall amend and supplement this Agreement as provided therein:

Addendum A - Property Description

Addendum B - Association Ground Lease

Addendum C - Common Interest Development Addendum

Addendum D - Intentionally Omitted

Addendum E - Eligibility Requirements Addendum

3.4 Purchase Price and Payment Terms. The Purchase Price shall be paid at the Close of Escrow as provided in the Recitals. The Purchase Price does not include Buyer's closing costs, loan fees, escrow fees, title insurance policy fees, or any other costs and expenses not noted in the Recitals. The balance of cash due to Seller upon Close shall be paid by Cashier's Check payable to Escrow Holder or as directed in writing by Escrow Holder. Seller acknowledges receipt from Buyer of the Deposit set forth in the Recitals above made payable to Escrow Holder.

4. Restricted Financing. Buyer acknowledges and agrees that all first trust deed, secondary, home equity line financing and any other financing that is secured by Buyer's interest in the Property is restricted to financing available to Buyer from the Authorized Lender appointed by Seller pursuant to the Pepperdine University Home Loan Program ("PUHLP"), as the same may be amended from time to time. Paragraphs 4.0, 4.1 and 4.2 shall survive the Close of Escrow.

4.1 Purchase Money Financing. Unless Buyer pays all cash for the Property, this Agreement is subject to Buyer qualifying for purchase money financing offered by University Credit Union, the Authorized Lender appointed by Seller pursuant to the PUHLP. Seller, in its sole discretion reasonably exercised, shall determine whether Buyer qualifies for such financing. Buyer agrees to pay Seller's Document Preparation Fee at the Close, not to exceed \$250.00, and to pay all other costs for the Loan(s) shown on Buyer's Good Faith Estimate(s) prepared by Seller and/or Seller's Authorized Lender in connection with said financing including, but not limited to, a Lender's Title Policy. Terms of financing shall be as agreed to by Buyer, Seller and Seller's Authorized Lender, as set forth in separate Loan Documents to be delivered to Buyer by Seller's Authorized Lender or Seller no later than five (5) days following the Effective Date. The Installment Note for the First Trust Deed shall be in the principal amount provided in the Recitals above. Such Note shall be secured by a first lien on the Property using a First Deed of Trust. If Second Trust Deed Financing is indicated in the

Recitals above, a Second Installment Note secured by a Second Deed of Trust shall be in the principal amount shown, payable on terms and conditions agreed to by Seller and Buyer. Notwithstanding any provision contained in the CC&Rs and/or Association Ground Lease to the contrary, Buyer agrees and understands that Buyer is prohibited from seeking purchase money financing from any source not authorized by the PUHLP.

Buyer acknowledges and accepts that as an inducement for Seller's Authorized Lender to participate in the PUHLP, Seller has agreed to provide to the Authorized Lender as additional security for Buyer's purchase money financing a guarantee of Buyer's performance of Buyer's obligations under the First Installment Note exercisable by Seller's Authorized Lender in the event of a default by Buyer under the First Installment Note. Buyer further acknowledges and agrees that in the event of Buyer's default, the First Installment Note and First Deed of Trust may be assigned to Seller and Seller shall be entitled to legally enforce said instruments. Seller, at its sole option, may modify or substitute new or additional security to Seller's Authorized Lender at any time and from time to time provided that, such modified or substituted security shall not adversely affect in any way Buyer's right, title, or interest in or to the Property or his use or enjoyment thereof, and shall not adversely affect the priority of such First Deed of Trust. Buyer agrees to execute any and all instruments necessary to accomplish any such permitted modification or substitution at no cost to Buyer. Additionally, no modification or substitution shall limit or otherwise adversely affect the rights of the Buyer under the Installment Notes and Deeds of Trust. If Buyer seeks any purchase money financing under the PUHLP, Buyer shall, within five (5) days of signing this Agreement submit to Seller a Loan Application and accompanying information as Seller may reasonably require to evaluate the request for financing, which information shall be maintained confidential by Seller.

4.2 Future Financing. Buyer further agrees that Buyer will not seek outside financing from other sources related to any future refinancing, secondary financing or home equity line financing that is secured by the Property without the prior written approval of Seller. Buyer acknowledges that Seller may withhold such approval in its sole discretion and that Buyer has been advised prior to entering this Agreement that Seller does not presently intend to permit in any manner any outside financing to be secured by Buyer's interest in the Property other than as may be approved by Seller under the PUHLP, as the same may be amended from time to time. In the event that Buyer obtains outside financing secured by all or a portion of Buyer's interest in the Property from any source other than the PUHLP, such act shall be deemed a material default of this Agreement, as well as a violation of the CC&Rs, and shall constitute an irrevocable offer to sell the Property to Seller pursuant to Section 1(b) of Article XIV of the CC&Rs.

5.0 CC&Rs, Association Ground Lease and Associated Legal Documents. As set forth more fully in the Common Interest Development Addendum (Addendum C) attached hereto and incorporated herein by reference, Buyer's rights and duties regarding the Property are affected by all of the Project Documents, including without limitation the CC&Rs recorded December 29, 2004 as Instrument No. 04-3374715 in official Records of Los Angeles County, California, as amended by First Amendment to Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Campus View II, recorded January 27, 2005, as Instrument No. 05-0197926, in the Official Records of Los Angeles County, California, (ii) Association Ground Lease, (iii) Articles of Incorporation, (iv) Bylaws, and (v) Rules and Regulations, of the Campus View II Maintenance Association, and by this Purchase Agreement. Buyer acknowledges receipt of each of the foregoing documents and understands, among other matters, that upon the occurrence of certain events Buyer shall be required to sell the Condominium Unit at a Resale Price determined therein, and that there are certain restrictions upon Buyer's ownership and use of the Condominium Unit. **All of these documents contain important restrictions and limitations on Buyer's rights, and should be read very carefully before signing this Purchase Agreement.**

5.1 Resale Price Restriction. Buyer further acknowledges that the Resale Price is not guaranteed to result in a profit to Buyer upon his resale of the Condominium Unit (whether such resale is voluntary or involuntary) and that Buyer may, in fact, resell the Condominium Unit at a loss depending upon the timing of such resale.

5.2 Retirement. Buyer further acknowledges and agrees that Buyer's qualification to continue to own and occupy the Property after Buyer's retirement from employment by Pepperdine University is limited and restricted by the provisions of the Project Documents including, among other things, Articles XIII and XIV of the CC&Rs, and as set forth in the "Post Retirement Ownership of Campus View II Condominium" (Addendum D) attached hereto and incorporated herein by reference.

6.0 Seller's Duties.

6.1 Buyer Inspection. Buyer and Seller or Seller's representative shall meet for an orientation and inspection of the Property at a mutually agreeable time approximately five (5) business days prior to the Close Date. Buyer and Seller shall prepare a joint inspection correction list of all items that are damaged or defective ("Disclosure of Move-In Condition") that shall be completed and submitted by Buyer to Seller for Seller's review and approval no later than thirty (30) days after the Close Date. Any corrective work agreed to be performed by Seller, if any, as a result of such joint inspection shall not delay the Close Date. If Seller does not correct, fix or replace any items listed by Buyer on the mutually approved Disclosure of Move-In Condition form, Buyer shall not be obligated to pay for such correction/fix/replacement upon resale of the Property to Seller unless Buyer's use of such item has caused further damage, destruction or unreasonable wear and tear.

6.2 Delivery of Grant Deed. Seller shall deliver to Escrow Holder on or before the Close Date a duly executed Grant Deed in recordable form sufficient to convey good title to the Property to Buyer.

7.0 Buyer's Duties.

7.1 Diligently Pursue Loan(s). If Buyer is financing any portion of the purchase price, Buyer shall use "best efforts" to qualify for and obtain financing under the PUHLP as follows:

- (a) Within five (5) days of the Effective Date, Buyer shall submit to Seller a completed loan application and all other information required by Seller or Seller's Authorized Lender to process the application, together with a document preparation fee of \$250.00 to Seller. Buyer agrees to promptly and fully respond to any request by Seller or Seller's Authorized Lender for more information or documents within three (3) days of receipt of such request; and
- (b) No later than ten (10) days prior to the Close Date, obtain unconditional loan approval ("Final Loan Approval").

In the event Buyer fails to use "best efforts" to qualify for and obtain financing as described above or takes any voluntary act to prevent loan approval, Buyer shall be in default hereunder, and Seller may terminate this Agreement and cancel escrow in accordance with Paragraph 14.1(a) below. If Buyer has used "best efforts" to qualify for and obtain financing as required herein and is not otherwise in default under this Agreement, but Buyer is unable to qualify for financing within the time periods set forth in this Paragraph, Seller may terminate this Agreement and cancel escrow in accordance with Paragraph 14.1(b) below.

By executing this Agreement, Buyer gives Seller or Seller's designated agent permission to obtain a credit report on Buyer. Additionally, Buyer hereby authorizes Seller to disclose to Seller's Authorized Lender information about Buyer known to Seller and to obtain information from Seller's Authorized Lender regarding Buyer's loan, and further authorizes Seller's Authorized Lender to disclose to Seller all information about Buyer known to such Lender. Such information may include exchanging copies of completed applications and other documents given by Buyer. Buyer shall execute such further forms of written authorization for Seller to obtain information regarding Buyer's loan with Seller's Authorized Lender as such Lender may reasonably request.

7.2 Verification of Buyer's Funds. Within three (3) days after the Effective Date, Buyer shall supply Seller with all information requested by Seller to verify that cash funds are readily available to Buyer as necessary to complete the purchase of the Property. Buyer acknowledges that for purposes of this Agreement, stocks, bonds, and other securities do not constitute readily available cash funds. If Buyer fails to supply Seller with the requested information within three (3) days as required herein, Buyer shall be in default hereunder and Seller may terminate this Agreement and cancel escrow in accordance with Paragraph 14.1(a) below.

7.3 Execution of Documents and Deposit of Funds Necessary to Close Escrow. Not less than five (5) business days prior to the Close Date, Buyer shall execute all documents necessary to close escrow (including, but not limited to, the Loan Documents) and deposit same into escrow. Not less than three (3) business days prior to the Close Date, Buyer shall deposit into escrow, in immediately available funds (i.e., wired funds or a cashier's check drawn on a California banking institution), all amounts which are to be paid to Seller, Escrow Holder or third parties (including Buyer's closing costs, prepaid expenses and impounds (if applicable)). Not less than twenty-four (24) hours prior to the Close Date, Buyer's home loan funds shall be deposited in immediately available funds into escrow, together with any information needed to close escrow.

7.4 Soils/Geology. A soils and geological report for the subdivision in which the Property is located is on file with the County in which the Property is located. Buyer agrees not to alter the grading and any drainage devices on the Property and/or Project in a manner that would increase the intrusion of moisture into the soils of the Association Property, or into or onto the Condominium Buildings and other improvements constructed thereon. This Paragraph 7.4 shall survive the Close Date.

8. Title Insurance. Buyer authorizes Escrow Holder and/or Seller to order search of title by a title company chosen by Seller immediately upon receipt of this Agreement and the Statement of Identity signed by Buyer. This Agreement is subject to Buyer's approval of a Preliminary Title Report for the Property. Failure to notify Seller in writing within ten (10) days of receipt of the Preliminary Title Report of Buyer's disapproval of the Preliminary Title Report shall be deemed approval thereof. Buyer shall pay the costs of a Preliminary Title Report and CLTA Joint Protection Policy of Title Insurance with a liability to Buyer in the amount of the Purchase Price and with a liability to Seller and/or Seller's Authorized Lender in the amount of purchase money financing provided to Buyer. This title insurance policy shall be subject only to:

- (1) General and Special Real Property Taxes for the current fiscal year, a lien not delinquent, including special district levies, if any, payment of which is included therein and collected therewith.
- (2) Covenants, conditions, restrictions, reservations, easements, right-of-way, and other matters of record, if any, including but not limited to, all the provisions of that certain Declaration of Covenants, Conditions, and Restrictions for "Campus View II Condominiums" recorded on December 29, 2004 as Instrument No. 04-3374715 in Official Records of Los Angeles County, California, and any amendments thereto.

- (3) A Condominium Plan for the Project, and any amendments thereto.
- (4) Any Conditions and/or Restrictions pertaining to the development, maintenance, possession, occupancy and/or use of the Property and/or Project, imposed by the various governmental agencies with jurisdiction over the Project including, but not limited to, the California Coastal Commission and the County of Los Angeles, and any amendments thereto.
- (5) Deed(s) of Trust in favor of Seller and/or Seller's Authorized Lender (as applicable) to be executed by the Buyer herein securing Installment Note(s) in the principal amount provided above, payable on the terms and conditions agreed to by Buyer, Seller and/or Seller's Authorized Lender.
- (6) Any other deeds of trust and other matters executed or otherwise approved in writing by Buyer and Seller.
- (7) Any other exceptions shown on the Preliminary Title Report that are approved in writing by Buyer and Seller.

9. Prorations. The following items shall be prorated at Close:

- (1) Real property taxes pertaining to the Property.
- (2) Campus View II Maintenance Association monthly assessment applicable to the Property.
- (3) Interest on the Installment Note.

10. Closing Costs.

10.1 Buyer's Obligations. Upon Close of Escrow, Buyer shall pay for all closing costs including, but not limited to, Documentary Transfer Taxes; Escrow Fees (Buyer's and Seller's if an outside escrow company is used); Seller's Document Preparation Fees (not to exceed \$250); costs of CLTA Joint Protection Title Insurance Policy, and Preliminary Title Report; Loan Processing Fees; Tax Service Fee; Document Recording Fees; and other miscellaneous costs of closing the transaction.

10.2 Seller's Obligations. Upon Close of Escrow, Seller shall pay all prorated property taxes and homeowner association assessments properly chargeable to Seller.

11. Buyer's Responsibilities and Covenants.

11.1 Buyer's Review of Purchase Package. Buyer's signature on this Purchase Agreement constitutes Buyer's acknowledgment that Buyer has received, read, and approved the Purchase Package, including but not limited to, the following documents relating to Campus View II Condominiums:

- (a) This Purchase Agreement;
- (b) Association Ground Lease;

- (c) Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements for Campus View II (CC&Rs);
- (d) Articles of Incorporation for Campus View II Maintenance Association;
- (e) Bylaws of Campus View II Maintenance Association;
- (f) Rules and Regulations for Campus View II Condominiums;
- (g) Form of Grant Deed;
- (h) Form of Installment Note and Deed of Trust;
- (i) Preliminary Report of Title for the Property; and
- (j) All Addenda attached to this Agreement as set forth in Paragraph 3.3.

11.2 No Assignment. Buyer expressly covenants not to assign, sell, or in any manner transfer this Agreement, or any right, title, or interest, therein or thereunder, without the prior written consent of Seller. No assignment, sale, or transfer of the Agreement or any such rights without Seller's prior written consent shall be valid, nor shall it be recognized by Seller or by any other person for any purpose without consent by Seller.

11.3 Homeowner Association Assessments. Buyer acknowledges and agrees that the Property to be conveyed and leased to him is subject to assessment by the Campus View II Maintenance Association.

11.4 Binding Effect of Project Documents. Buyer acknowledges and agrees that the provisions of the CC&Rs, Association Ground Lease, Articles of Incorporation, Bylaws, Rules and Regulations of Campus View II Maintenance Association and any and all rules, regulations, agreements, or other documents establishing in whole or in part the plan for use, enjoyment, maintenance, and preservation of the Campus View II Condominiums shall be binding upon Buyer and every other occupant of the Condominium Unit purchased by Buyer, as well as purchasers acquiring title by judicial or non-judicial foreclosure or by deed in lieu thereof under any mortgage or deed of trust.

11.5 Principal Residence. Buyer intends to use the Condominium Unit as his or her principal residence.

11.6 Restrictions and Limitations Upon Ownership, Use and Occupancy. Buyer represents and warrants that Buyer shall purchase, own and occupy the Property in accordance with and subject to all of the restrictions and limitations on ownership, use and occupancy of Campus View II Condominiums as set forth in the Project Documents, including, but not limited to, the provisions set forth in Articles XIII and XIV of the CC&Rs (which said provisions of such Articles are contained in Addendum E entitled "Eligibility Requirements" attached hereto and incorporated herein by reference). In the event of any conflict between the Eligibility Requirements set forth in Addendum E and those set forth in Articles XIII and XIV of the CC&Rs, the provisions of the CC&Rs shall control. Buyer further represents and warrants that Buyer is currently eligible to purchase the Property in accordance with all of such restrictions and limitations. This Paragraph 11.6 shall survive the Close of Escrow.

11.7 Pre-Close Access to Property; Works of Improvement and Indemnification. In the event that Buyer desires access to the Condominium Unit for themselves or their family members, guests, consultants,

contractors and other invitees in advance of the Close Date for purposes of inspection, planning, storage of materials, or any other purpose, Buyer agrees as follows: (i) Buyer and Buyer's family members, guests, consultants, contractors, and other invitees shall comply, during any entry onto the Property, with all written and oral rules established by Seller relating to entry onto the other Property and must follow all directions given by Seller or any representative of Seller, including, but not limited to, staying out of restricted areas or leaving the Property, (ii) Buyer and Buyer's family members, guests, consultants, contractors and other invitees shall not access the Condominium Unit without the written permission of Seller's Department of Real Estate Operations; (iii) entry onto the Property is at the sole and exclusive risk of Buyer, and Buyer assumes all risks of injuries (including death) to any person and/or damage to any property arising from or in any way related to any entry onto the Property by Buyer and Buyer's family members, guests, consultants, contractors, and invitees; (iv) no works of improvement of any kind (including without limitation wiring, painting, cleaning) and no modification shall be performed in or on the Condominium Unit prior to the Close Date without the prior written agreement of Seller; (v) should Seller agree that Buyer may make works of improvements or modifications to the Condominium Unit such improvements, modifications, etc., shall belong to Seller without any obligation to Buyer in the event that Buyer does not purchase the Condominium Unit as a result of the fault of Buyer; (vi) in the event that any improvements, modifications, etc. are commenced and/or completed, prior to the Close Date and Buyer does not purchase the Condominium Unit as a result of the fault of Buyer, Buyer agrees that Buyer shall be financially responsible and shall immediately pay for all costs incurred in connection with the installation and/or removal of such works of improvements, modifications, etc. (whether billed to Buyer or Seller), including costs of restoration of the Condominium Unit to its original condition, upon demand of Seller; (vii) any contractors and their employees engaged by Buyer to make improvements to the Condominium Unit prior to or after the Close shall be properly insured with worker's compensation insurance and shall, prior to commencing work, provide Seller with a Certificate of Insurance showing Seller as an additional insured for comprehensive general liability in an amount not less than \$500,000; (viii) no access for any work or storage shall be permitted until the Buyer has deposited at least \$500 (or more if warranted in the judgment of Seller) toward the purchase of the Condominium Unit, which deposit shall be subject to offset for any obligations of the Buyer hereunder; (ix) Buyer waives and releases any and all claims of any kind or nature arising from or in any way related to any entry onto the Property by Buyer and Buyer's family members, guests, consultants, contractors and other invitees which may be asserted against Seller, and each of Seller's employees, officers, directors, regents, contractors, subcontractors, vendors, agents, representatives, consultants, insurers, attorneys, successors and assigns and their respective employees, officers, directors, shareholders, contractors, subcontractors, vendors, agents, representatives, consultants and their respective successors and assigns (collectively the "Releasees"); (x) Buyer agrees to indemnify, defend with counsel approved by Seller, and hold the Releasees free and harmless from and against any and all damages, injuries, accidents and other casualties (including death), claims, losses, costs and expenses (including attorney's fees) and any other liability of any kind or character whatsoever, arising from or in any way related to any pre-Close entry onto the Property by Buyer and Buyer's family members, guests, consultants and/or other invitees; (xi) Buyer acknowledges that Seller strongly discourages Buyer from taking children onto the Property prior to the Close Date, however, if Buyer elects to take children onto the Property, Buyer agrees to indemnify, defend with counsel approved by Seller and hold the Releasees free and harmless from and against any and all damages, injuries, accidents and other casualties (including death), claims, losses, costs and expenses (including attorneys' fees) and any other liability of any kind or character whatsoever, arising from or in any way related to any injury (including death) to such child; and (xii) Buyer agrees to execute any waiver and indemnification for entry agreement which may be required by Seller from time to time, which shall supplement the provisions of this Paragraph 11.7.

11.8 Inspection of Property and Purchase "As Is." Buyer acknowledges that the Property has been inspected by Buyer, or by Buyer's duly authorized agent. Buyer acknowledges and represents that the execution of this Purchase Agreement and other instruments referred to herein by Buyer has been made as a result of such inspection and not upon any representation made by Seller or any agent of Seller, and that Seller

will not be bound by any change, alteration, modification, stipulation, representation, inducement or promise of any kind not specifically set forth herein or in other written documents executed by authorized agents of the University. Upon consummation of the purchase of the Property, Buyer agrees that he shall have fully satisfied himself as to the condition of the Condominium Unit (including all soils and geological conditions) and all facilities or other matters affecting the use of, and access to, the subject Property, it being understood that the Condominium Unit shall be purchased strictly "AS IS" without any expressed or implied representations or warranties from Seller or its representatives, except any applicable statutory warranties, or contractor or vendor warranties passed on to Buyer upon his purchase of the Property.

12. Destruction of Property. If the Property is destroyed or materially damaged (other than by Buyer's act or omission or the act or omission of third parties performing work at the Property on behalf of or at the request of Buyer) prior to the Close Date, and has not been restored or rebuilt prior to Close Date, then, on written demand by Seller or Buyer, all of Buyer's deposits shall be returned to Buyer in full within fifteen (15) days after the date of such demand, and the parties shall have no further rights or obligations under this Agreement except Buyer's obligation to return documents or to indemnify Seller as provided herein.

13. Seller's Failure to Convey Good Title. In the event that the sale of the Condominium Unit does not occur due to Seller's failure or inability to convey title thereto in the condition provided hereinabove, and the Buyer is unwilling to accept such title to the Property without any agreed diminution in the Purchase Price, then Buyer as its sole and exclusive remedy may cancel this Purchase Agreement and receive prompt return of all monies deposited.

14. Termination.

14.1 Termination by Seller.

(a) Upon Buyer's Default. If Buyer fails to complete the purchase of the Property by reason of any default of Buyer under this Agreement (including, without limitation, Buyer's failure to use best efforts to obtain financing as more particularly described in Paragraph 7.1 above), Seller may terminate this Agreement and cancel escrow by giving written notice of such termination ("Termination Notice") to Escrow Holder and Buyer by registered or certified mail, return receipt requested or by personal service. The Termination Notice shall contain a statement that Seller has determined that Buyer is in default hereunder, that Seller is terminating this Agreement and canceling the escrow, that Seller is electing to retain liquidated damages in accordance with the provisions of Paragraph 15 below, and shall otherwise comply with the requirements of Paragraph 15 below.

(b) Upon Failure of Condition. Provided Buyer is not in default under this Agreement, if Seller, in its sole discretion, determines that Buyer will not be able to close escrow due to a failure of condition to the Close of Escrow (including, without limitation, Buyer's inability to obtain financing under the PUHLP), Seller may terminate this Agreement and cancel the escrow by giving a Termination Notice to Escrow Holder and Buyer. If Seller elects to so terminate this Agreement, all of Buyer's deposits shall be refunded to Buyer within fifteen (15) days of such notice without deduction except disbursements made or payable therefrom to third parties in accordance with Paragraph 15.D below and the parties shall have no further rights or obligations with respect to the Property under this Agreement.

14.2 Termination by Buyer. If the Close of Escrow has not occurred by the Close Date through no fault of Buyer, then Buyer may terminate this Agreement and cancel the escrow by giving written notice to Seller and Escrow Holder by registered or certified mail, return receipt requested, except that the Close Date shall be extended for any periods mutually agreed upon in writing by Buyer and Seller. If Buyer elects to

terminate this Agreement, Buyer's deposits shall be refunded in full to Buyer within fifteen (15) days of such notice, escrow shall be canceled at Seller's expense, and the parties shall have no further rights or obligations with respect to the Property under this Agreement, except as to Buyer's obligations to return documents or to indemnify Seller as provided herein.

15. LIQUIDATED DAMAGES.

15.1 BUYER DEFAULT. BUYER AND SELLER HEREBY ACKNOWLEDGE AND AGREE THAT IN THE EVENT BUYER SHALL DEFAULT IN THE PERFORMANCE OF ANY OF BUYER'S OBLIGATIONS UNDER THIS AGREEMENT, IT WOULD BE EXTREMELY DIFFICULT AND IMPRACTICAL TO ASCERTAIN AS OF THE DATE HEREOF THE ACTUAL DAMAGES WHICH WILL BE SUFFERED BY SELLER BY REASON OF SUCH DEFAULT. ACCORDINGLY, BUYER AND SELLER HEREBY AGREE THAT, SUBJECT TO THE PROVISIONS OF SUBPARAGRAPH 15.2 BELOW, IF BUYER DEFAULTS IN THE PERFORMANCE OF ITS OBLIGATIONS AND SELLER ELECTS TO TERMINATE THIS CONTRACT AND CANCEL ANY ESCROW ESTABLISHED HEREUNDER, SELLER MAY INSTRUCT ESCROW HOLDER, AS MORE PARTICULARLY SET FORTH HEREINBELOW, TO RETAIN AN AMOUNT NOT TO EXCEED THREE PERCENT (3%) OF THE TOTAL PURCHASE PRICE, OR THE AMOUNT OF THE EARNEST MONEY DEPOSIT, WHICHEVER IS LESS, WHICH AMOUNT SHALL CONSTITUTE REASONABLE LIQUIDATED DAMAGES PAYABLE TO SELLER, PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1675 et. seq., AND TO DELIVER TO BUYER THE EXCESS FUNDS, IF ANY, OUT OF BUYER'S DEPOSITS (LESS THE ACTUAL COSTS OF THE ITEMS AND SERVICES SPECIFIED IN SUBPARAGRAPHS 17.3 AND 17.4 BELOW). UNLESS SELLER IS ENTITLED TO RETAIN MORE MONEY IN ACCORDANCE WITH SECTION 1675 OF THE CALIFORNIA CIVIL CODE, SUCH AMOUNT NOTED HEREIN SHALL BE DEEMED TO CONSTITUTE A REASONABLE ESTIMATE OF SELLER'S DAMAGES UNDER SECTIONS 1671 et seq. OF THE CALIFORNIA CIVIL CODE, AND SHALL BE DEEMED LIQUIDATED DAMAGES.

IN CONSIDERATION FOR THE FOREGOING, SELLER HEREBY AGREES THAT THE LIQUIDATED DAMAGES SO RETAINED SHALL BE SELLER'S EXCLUSIVE REMEDY ON ACCOUNT OF BUYER'S DEFAULT, AND SELLER WAIVES ALL OTHER RIGHTS AND REMEDIES IT MIGHT OTHERWISE HAVE AT LAW OR IN EQUITY, INCLUDING THE RIGHT TO SPECIFIC PERFORMANCE.

15.2 REMITTANCE PROCEDURE. LIQUIDATED DAMAGES SHALL BE REMITTED TO SELLER IN ACCORDANCE WITH THE FOLLOWING PROCEDURES:

A. SELLER'S TERMINATION NOTICE. SELLER SHALL GIVE WRITTEN NOTICE ("TERMINATION NOTICE") IN THE MANNER PRESCRIBED BY SECTION 116.340 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE TO ESCROW HOLDER AND TO BUYER OF SELLER'S DETERMINATION THAT BUYER IS IN DEFAULT UNDER THIS AGREEMENT AND INSTRUCTING ESCROW HOLDER TO CANCEL THE ESCROW AND REMIT TO SELLER AS LIQUIDATED DAMAGES ALL OR A PORTION OF BUYER'S DEPOSITS AS PROVIDED ABOVE. SELLER'S TERMINATION NOTICE TO BUYER SHALL INFORM BUYER THAT IF BUYER GIVES AN "OBJECTION NOTICE" TO ESCROW (AS PROVIDED IN PARAGRAPH 15.2.B BELOW), UNLESS BUYER'S OBJECTION NOTICE CLEARLY STATES THAT BUYER OBJECTS TO SELLER'S TERMINATION OF THIS AGREEMENT AND THAT BUYER INTENDS TO DILIGENTLY PURSUE THE PURCHASE OF THE PROPERTY, ANY OTHER OBJECTION NOTICE WILL

BE DEEMED TO OBJECT SOLELY TO THE AMOUNT OF LIQUIDATED DAMAGES CLAIMED BY SELLER AND THE PARTIES SHALL HAVE NO FURTHER RIGHTS OR OBLIGATIONS WITH RESPECT TO THE PROPERTY UNDER THIS AGREEMENT.

B. BUYER'S OBJECTION NOTICE. BUYER SHALL HAVE A PERIOD OF TWENTY (20) DAYS FROM THE DATE OF RECEIPT OF SELLER'S TERMINATION NOTICE IN WHICH TO GIVE A WRITTEN OBJECTION NOTICE TO ESCROW HOLDER (WITH A COPY TO SELLER) ("BUYER'S OBJECTION NOTICE") THAT BUYER OBJECTS EITHER: (i) TO SELLER'S TERMINATION OF THIS AGREEMENT; OR (ii) TO THE AMOUNT OF LIQUIDATED DAMAGES TO BE REMITTED TO SELLER. UNLESS BUYER'S OBJECTION NOTICE CLEARLY STATES THAT BUYER OBJECTS TO SELLER'S TERMINATION OF THIS AGREEMENT AND THAT BUYER INTENDS TO DILIGENTLY PURSUE THE PURCHASE OF THE PROPERTY, BUYER SHALL BE DEEMED TO OBJECT SOLELY TO THE AMOUNT OF LIQUIDATED DAMAGES CLAIMED BY SELLER AND THE PARTIES SHALL HAVE NO FURTHER RIGHTS OR OBLIGATIONS WITH RESPECT TO THE PROPERTY UNDER THIS AGREEMENT.

C. ESCROW HOLDER'S OBLIGATIONS IF TIMELY OBJECTION NOTICE IS NOT RECEIVED. IF ESCROW HOLDER DOES NOT RECEIVE AN OBJECTION NOTICE FROM BUYER WITHIN SAID TWENTY (20) DAY PERIOD, AT THE EXPIRATION OF SUCH PERIOD, BUYER SHALL BE DEEMED TO AGREE THAT BUYER IS IN DEFAULT UNDER THIS AGREEMENT AND THAT THE AMOUNT OF LIQUIDATED DAMAGES DEMANDED BY SELLER IS REASONABLE UNDER THE CIRCUMSTANCES. ESCROW HOLDER SHALL: (i) REMIT TO SELLER THE AMOUNT OF BUYER'S DEPOSITS DEMANDED BY SELLER, (LESS DISBURSEMENTS MADE OR PAYABLE THEREFROM TO THIRD PARTIES IN ACCORDANCE WITH PARAGRAPHS 17.3 AND 17.4 BELOW); (ii) REMIT THE BALANCE OF BUYER'S DEPOSITS, IF ANY, TO BUYER; AND (iii) CANCEL ESCROW. FURTHERMORE, SO LONG AS SELLER'S TERMINATION NOTICE WAS GIVEN TO BUYER IN THE MANNER PRESCRIBED IN PARAGRAPH 15.A ABOVE, BUYER SHALL BE DEEMED TO HAVE WAIVED ANY AND ALL CAUSES OF ACTION BUYER MAY HAVE UNDER THIS AGREEMENT AGAINST SELLER AND ESCROW HOLDER.

D. ESCROW HOLDER'S OBLIGATIONS IF TIMELY OBJECTION NOTICE IS RECEIVED. IF ESCROW HOLDER RECEIVES AN OBJECTION NOTICE FROM BUYER WITHIN SAID TWENTY (20) DAY PERIOD, ESCROW HOLDER SHALL IMMEDIATELY NOTIFY SELLER IN WRITING OF BUYER'S CONFLICTING NOTICE, THE CONTROVERSY CREATED BY THE CONFLICTING NOTICES BY SELLER AND BUYER, AND THE DISPOSITION OF BUYER'S DEPOSITS SHALL BE RESOLVED EITHER BY (i) A COURT OF PROPER JURISDICTION OR (ii) ARBITRATION, IF BUYER AND SELLER SO AGREE.

SELLER AGREES TO INDEMNIFY AND HOLD ESCROW HOLDER (IF AN OUTSIDE ESCROW COMPANY IS USED) HARMLESS FROM ANY CLAIM BY BUYER ARISING OUT OF ANY DISTRIBUTION MADE BY ESCROW HOLDER IN ACCORDANCE WITH THE PROVISIONS OF THIS PARAGRAPH 15 AS THE RESULT OF BUYER'S FAILURE TO GIVE AN OBJECTION NOTICE OR OTHER WAIVER BY BUYER OF THE RIGHT TO A DETERMINATION OF DEFAULT AS PROVIDED HEREIN.

FOR PURPOSES OF THIS PARAGRAPH 15, BUYER'S DEPOSITS SHALL MEAN AND REFER TO BUYER'S PURCHASE DEPOSIT AND ALL OTHER MONIES DEPOSITED BY BUYER (INCLUDING ANY FUNDS DEPOSITED ON BUYER'S BEHALF BY THIRD PARTIES) WITH SELLER OR ESCROW HOLDER IN CONNECTION WITH THE PURCHASE OF THE PROPERTY.

BUYER AND SELLER EACH ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THIS PARAGRAPH 15 AND BY PLACING THEIR INITIALS BELOW, AGREE TO BE BOUND THEREBY.

SELLER'S INITIALS [_____] [_____] BUYER'S INITIALS [_____] [_____]]

16. Delivery of Possession. Except as provided in this Agreement, possession of the Property shall be delivered to Buyer upon confirmation by Seller that the Grant Deed has been recorded in the Office of the County Recorder of the County in which the Property is located.

17. Close of Escrow.

17.1 Opening of Escrow. Escrow shall be deemed opened with Escrow Holder upon Seller's delivery to Escrow of a fully executed copy of this Agreement. This Agreement, together with Escrow Holder's standard form printed general escrow provisions (only if an outside escrow company is used) shall constitute the complete escrow instructions to Escrow Holder. In the event of a conflict between Escrow Holder's standard form printed general escrow provisions and this Agreement, this Agreement shall control.

17.2 Conditions to Close of Escrow. Upon the performance of each of their respective obligations stated in this Agreement that are to be performed prior to the Close Date and in addition to all other conditions stated in this Agreement, escrow shall not close and funds shall not be released until all of the following conditions are satisfied:

(a) Buyer Obtaining a New Loan. If it is necessary for Buyer to obtain financing to purchase the Property as indicated in the Recitals above, Buyer has obtained new financing under the PUHLP in an amount sufficient to purchase the Property, at the prevailing interest rate(s) and subject to such loan terms, charges and fees offered or required by Seller's Authorized Lender as of the Close Date.

(b) Payment of the Total Purchase Price. Buyer has deposited or caused to be deposited into escrow, in immediately available funds, all amounts which are to be paid to Seller, Escrow Holder and/or third parties in connection with the purchase of the Property (including, but not limited to, all of Buyer's deposits, the Loan Amount indicated in the Recitals above, if applicable, and Buyer's costs, prepaid expenses and impounds, if any).

(c) Title Insurance. Escrow Holder has received written advice from the Title Company that it will issue a CLTA Joint Protection Policy of Title Insurance with a liability to Buyer in the amount of the Purchase Price, and with a liability to Seller's Authorized Lender in the amount of purchase money financing it provided to Buyer (if applicable), and to Seller in the amount of any secondary financing provided by Seller (if applicable) in the amount of such secondary financing, insuring that title to the Property is vested in Buyer (as provided in Paragraph 8 above), subject to the matters referenced in Paragraph 8 above.

(d) **Recordation of Grant Deed.** The Grant Deed, executed and acknowledged by Seller, describing the Property and showing title to Buyer's fee and undivided percentage leasehold interest in the Property vested in Buyer as provided in the Recitals above, is recorded in the office of the County Recorder of Los Angeles County.

(e) **Recordation of Deeds of Trust.** If Buyer is financing the purchase of the Property, any and all deeds of trust fully executed by Buyer in a form supplied by Seller's Authorized Lender and/or Seller are recorded in the office of the County Recorder of Los Angeles.

17.3 Closing Costs, Prepaid Expenses and Impounds. Buyer agrees to deposit into escrow not less than three (3) business days prior to the Close Date, in immediately available funds, and to pay at the Close of Escrow, the actual costs of the following: (i) all escrow fees and related charges of Escrow Holder, including, without limitation, Escrow Holder's document preparation fees, messenger expenses, express mail charges, bank wire charges and any other costs incurred by Escrow Holder necessary to complete this transaction; (ii) a prorated portion of all real property taxes, special taxes and assessments for the applicable fiscal year; (iii) a prorated portion of any homeowner association assessments applicable to the Condominium Unit; (iv) any homeowner association transfer fees; (v) all prepaid expenses, including, without limitation, extended coverage fire and hazard insurance, if any; (f) all fees for recording the Grant Deed conveying (and leasing) the Property to Buyer; (vi) all charges set forth in Seller's Authorized Lender instructions, including, without limitation, such Authorized Lender's joint protection Title Policy and all costs of any extended coverage, prepaid interest, credit report fee, tax service fee, loan origination fee, processing fee, funding fee, initial mortgage insurance premium, if required, initial impounds, if required, all Los Angeles County recording fees for Seller's Authorized Lender's deed of trust, and notary fees; (vii) any documentary transfer tax levied by Los Angeles County upon the transfer of title to the Property to Buyer; and (viii) all other expenses, impounds and closing costs not expressly payable by Seller under the terms of this Agreement. Seller shall also pay at the Close of Escrow prorated homeowner association fees and property tax assessed against the Property.

17.4 Property Tax Prorations. All prorations or adjustments to be made herein shall be made as of the Close Date on the basis of a thirty (30) day calendar month. Escrow Holder shall prorate property taxes on the best figures available from the Los Angeles County Tax Collector. The parties acknowledge that the entire Property may not be separately assessed from other lot/units within the Project and, in such event, tax figures shall be computed on the proportionate basis each lot/unit bears to the total Project. The parties further acknowledge that during the period of July 1st until the annual tax bills are issued, taxes may be estimated by Seller in accordance with the most recently ascertainable tax bill or assessment and Escrow Holder is authorized to use the figures so provided by Seller without further approval and prorate accordingly, including credit to Seller if prepaid. The Property will be subject to reassessment following the Close Date by the Los Angeles County Tax Assessor and such reassessments occurring subsequent to the Close Date will result in a supplemental tax bill and Buyer is solely responsible for the payment of such supplemental tax bill if such property taxes are allocable to a time period that follows the Close Date. Neither Seller nor Escrow Holder has any obligation for the payment of such supplemental tax bill.

17.5 No Withholding. Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor (i.e. seller) is a foreign person. Similarly, Sections 18805 and 26131 of the California Revenue and Taxation Code provide that a transferee of a California real property interest must withhold tax if funds from the transferee are to be disbursed either to a transferor with a last known address outside of the State of California or to the financial intermediary of the transferor, if the transferor is a non-resident of California. To inform Buyer that withholding of tax is not required in connection with this transaction, Seller certifies that (i) Seller is not a foreign corporation, foreign partnership, foreign trust

or foreign estate; and (ii) Seller's last known and current street address and its principal place of business are both within the State of California. Buyer and Seller acknowledge that Escrow Holder has hereby provided notice of these provisions and, in light of the representations of Seller made herein, that Escrow Holder will take no action regarding the withholding.

17.6 General Escrow Provisions.

17.6.1 Authorization to Furnish Copies. Escrow Holder shall furnish a copy of this Agreement, any amendments hereto, closing statements and/or other documents deposited into escrow to Seller, Buyer, Seller's Authorized Lender and/or Buyer's attorney, upon request of Seller, Buyer, Seller's Authorized Lender or Buyer's attorney, as applicable.

17.6.2 Outside Escrow; Conflicting Instructions; Action in Interpleader. Subject to the provisions of Paragraph 15, should Escrow Holder (if Escrow Holder is an outside escrow company) receive or become aware of any conflicting demands or claims with respect to the escrow or rights of any of the parties hereto before or after the Close of Escrow, Escrow Holder shall have the right to discontinue any or all further acts on Escrow Holder's part until the conflict is resolved to Escrow Holder's satisfaction. Moreover, Escrow Holder shall have the absolute right at Escrow Holder's election to file an action in interpleader or to join any arbitration and to require the parties to answer and litigate (or arbitrate if the parties so choose) their several claims and rights among themselves, and Escrow Holder is authorized to deposit with the clerk of the court or the arbitrator, all documents and funds held in escrow. In the event such action or arbitration is filed, the parties jointly (but not severally) agree to pay Escrow Holder's reasonable cancellation charges and the costs, including reasonable attorney's fees, as fixed by the court or arbitrator.

17.6.3 Supplemental Instructions. Any amended, supplemental or additional instructions given in connection with the escrow pursuant to this Agreement must be in writing signed by Buyer and Seller and delivered to Escrow Holder. Escrow Holder may refuse, without liability, to act on any such supplemental instructions delivered after the Close Date.

18. General Provisions.

18.1 Severability. In the event any portion of this Agreement shall be declared by any court or tribunal of competent jurisdiction to be invalid, illegal or unenforceable, such portion shall be deemed severed from this Agreement, and the remaining parts of this Agreement shall remain in full force and effect.

18.2 Brokers and Finders. The parties represent and warrant that they have not engaged, nor dealt with any brokers or finders in connection with this transaction. Seller shall not have any obligation to pay any fees, commissions or other amounts to any broker, sales agent or finder unless expressly set forth in writing and signed by Seller at the time this Agreement is signed by Buyer. Each party agrees to indemnify, defend and hold harmless the other from and against any and all claims, costs, expenses, losses, damages, and other liability (including attorneys' fees) arising from any broker, sales agent or finder, licensed or otherwise, asserting a claim through, under or by reason of the conduct of the indemnifying party in connection with this transaction.

18.3 Time Is Of the Essence. Time is of the essence of each and every term of this Agreement.

18.4 No Waiver. The waiver by Seller of any term or provision of this Agreement shall not be construed as a waiver of the same or any other term or provision of this Agreement, or any subsequent performance required under this Agreement.

18.5 Notices. With the exception of Seller's Termination Notice required under Paragraph 15.2 above, all other notices, instructions, demands and other communications given hereunder shall be set forth in writing and shall be personally served or delivered by United States Mail, registered or certified, return receipt requested, postage prepaid, addressed to the respective party's and/or Escrow Holder's designated address set forth on the signature page of this Agreement. All such written notices, instructions, demands and other communications shall be deemed delivered upon personal delivery or three (3) days after deposit in the United States Mail. If Escrow Holder has attempted to deliver a notice and Buyer and/or Seller refuses to accept same, such party shall be deemed to have received such notice.

18.6 Successors and Assigns. In view of the credit qualifications and other matters uniquely personal to Buyer, including, but not limited to, Buyer's eligibility to purchase, lease and own the Property and Buyer's unique placement on the priority list of eligible persons maintained by Seller, this Agreement and the rights of Buyer hereunder may not be assigned, sold, transferred or hypothecated by Buyer voluntarily, involuntarily, or by operation law without Buyer's first having obtained Seller's written consent, which may be withheld in Seller's sole discretion. This Agreement and the rights, duties and obligations of the parties shall be binding upon and shall inure to the benefit of the successors and assigns of Seller and, subject to the preceding sentence, to the heirs, executors, administrators, successors and permitted assigns of Buyer.

18.7 Counterparts. This Agreement may be signed in one or more counterparts, each of which independently shall have the same effect as if it were the original, and all of which together shall constitute one and the same Agreement.

18.8 Survival. All obligations referred to herein to be performed at a time or times after the Close of Escrow, all provisions hereof relating to a time after the Close of Escrow, and all representations and acknowledgments contained herein, shall survive the Close of Escrow and the delivery of Seller's grant deed.

18.9 Miscellaneous. The term "party" or "parties" shall mean Buyer and/or Seller, as the context may require. The term "escrow" shall mean the escrow created under this Agreement whether this purchase and sale transaction is processed on an in house basis or by an outside escrow company. The term "days" shall mean calendar days, unless otherwise indicated to mean business days. The use herein of (i) the neuter or male gender includes the masculine and the feminine as appropriate and (ii) the singular number includes the plural as appropriate. Captions in this Agreement are inserted for convenience of reference only and do not define, describe or limit the scope or intent of this Agreement or any of the terms hereof. Any box checked or otherwise marked to indicate its applicability to a particular provision shall designate that such provision is incorporated into this Agreement. This Agreement shall be construed and any ambiguities contained herein shall be resolved equally as between the parties, and not against the party responsible for the preparation of this Agreement. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of California (without respect to principles of conflicts of law), and the Parties hereby submit to jurisdiction of the State of California and venue in the County of Los Angeles in any legal proceeding necessary to interpret or enforce this Agreement or any part of it.

18.10 Attorney's Fees. In the event of any litigation or arbitration involving the parties to this Agreement to enforce any provision of this Agreement, to enforce any remedy available upon default under this Agreement, or seeking a declaration of the rights of Buyer and Seller or either party under this Agreement, the prevailing party shall be entitled to recover from the other such attorneys' fees and costs as may be reasonably incurred, including the costs of reasonable investigation, preparation and professional or expert consultation incurred by reason of such litigation or arbitration. All other attorneys' fees and costs relating to this Agreement and the transactions contemplated hereby shall be borne by the party incurring the same.

18.11 No Recordation. Neither this Agreement, nor any reference thereto, nor any short form or memorandum thereof shall be recorded in the office of the County Records of Los Angeles County, or any other office of said County, or in any other County.

18.12 Mediation. Save and except for disputes arising regarding Seller's right to retain liquidated damages which may be arbitrated as provided in Paragraph 15 above, Buyer and Seller agree to mediate in good faith any other dispute(s) or claim(s) arising between them out of the Agreement or any resulting agreement or transaction before resorting to arbitration or court action. The parties further agree to use the mediation services of a mutually agreed upon experienced professional mediator, preferably a member of the Society of Professionals in Dispute Resolution or the Southern California Mediation Association. Mediation fees, if any, shall be divided equally between Buyer and Seller. If any party commences an action based on a dispute or claim to which this Paragraph 18.12 applies without first attempting to resolve the matter through mediation, then that party shall not be entitled to recover attorneys' fees, notwithstanding the attorney's fee provision contained in Paragraph 18.10 of this Agreement and even if such damages would otherwise be available to that party in any such action.

18.13 Acknowledgment of Receipt of Copies. Each party signing this Agreement has read all of the terms and provisions of this Agreement and the Addenda listed in Paragraph 3.3 above, and accepts and agrees to be bound by such terms and provisions and Addenda. Each party acknowledges receipt of copies of all such pages and Addenda.

18.14 Notice of Access to Data Base Regarding the Location of Sex Offenders. Notice : Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice as www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community or residence and ZIP code in which he or she resides. Seller is not required to check this website. If Buyer wants further information, Seller recommends that Buyer obtain information from this website prior to the Close of Escrow.

18.15 Natural Hazard Disclosure Statement. Seller has delivered to Buyer concurrently with this Agreement, and Buyer hereby acknowledges receipt of, a copy of the Natural Hazards Disclosure Statement applicable to the Property entitled "Disclosure of Natural Hazards Upon Transfer of Residential Property."

18.16 Authority of Seller Representatives. Buyer acknowledges and agrees that Seller's representatives (including, but not limited to, its employees in its Department of Real Estate Operations) do not have the authority to interpret, change or modify the terms of this Agreement or any of the Project Documents. Additionally, no representation, promise or warranty, whether oral or in writing, made by any such representative shall be binding on Seller, unless set forth in writing and signed by two authorized officers of Seller.

18.17 Per Diem Damages. If Buyer is unable or unwilling to close escrow in accordance with this Agreement by the Close Date, through no fault of Seller, Seller may waive such default and keep this Agreement in effect, provided that Buyer makes the payments described below. Upon demand by Seller, Buyer shall pay to Seller, in advance, outside of escrow the amount of "carrying costs" (i.e., interest, real property taxes and insurance), not to exceed an amount equal to one hundred fifty dollars (\$150.00) per day. Such payment shall be prorated at the time escrow closes and is not part of the Purchase Price. Nothing herein shall obligate Seller to continue waiving such default by Buyer to timely close escrow and Seller may at any time

declare Buyer in default for any continued delay by Buyer in closing escrow and proceed with any and all other remedies provided in this Agreement and by law.

18.18 Entire Agreement. This Agreement (including all Addenda and other documents incorporated by reference into this Agreement) contains the entire agreement between the parties and the entire escrow between Escrow Holder and the parties hereto. All prior statements and representations, if any, whether oral or written, are hereby superseded by this Agreement. The terms of this Agreement may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. Buyer and Seller further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any arbitration or other legal proceedings, if any, involving this Agreement. No addition or modification of any terms of this Agreement shall be effective unless set forth in writing and signed by Buyer and by two authorized officers of Seller.

18.19 Two Signatures Required for Seller. Notwithstanding anything in this Agreement to the contrary, Buyer acknowledges that the signatures of two authorized officers of Seller signing for Seller are required to bind Seller; one Seller signature will not bind Seller to this Agreement.

[Signature Page To Follow]

ACKNOWLEDGMENT OF RECEIPT OF BUYER'S "PURCHASE DEPOSIT"

Date: _____
_____ (Signature of Seller Representative)

IN WITNESS WHEREOF, this Agreement shall be effective and binding on the parties as of the Seller's Acceptance Date set forth below.

BUYER'S OFFER TO PURCHASE

DATE: _____, 20____

"BUYER"

BUYER'S PHONE NOS.

(Signature) (Home) (____)_____ (Work)(____)_____

(Signature) (Home) (____)_____ (Work)(____)_____

(Signature) (Home) (____)_____ (Work)(____)_____

(Buyer's Fax No.) _____ (Buyer's Email Address)_____

BUYER'S DESIGNATED ADDRESS

(Street Address Only, No P.O. Boxes)

(City, State and Zip Code)

SELLER'S ACCEPTANCE OF BUYER'S OFFER TO PURCHASE

"SELLER"

Pepperdine University, a California nonprofit corporation

By: _____

Name:

Its: Executive Director of Real Estate

By: _____

Name:

Its: Senior Vice President and Chief Investment Officer

Seller's Acceptance Date: _____, 200_____

"ESCROW HOLDER"

By: _____

(Authorized Representative)

_____, 200_____

(Date Agreement Received in Escrow)

SELLER'S DESIGNATED ADDRESS: Pepperdine University

Attention: Real Estate Operations

24255 Pacific Coast Hwy.

Malibu, CA 90263

Phone: (310) 506-4109

Fax: (310) 506-7421

with a copy to:

Marc Goodman

General Counsel

Pepperdine University

24255 Pacific Coast Hwy.

Malibu, CA 90263

Phone: (310) 506-4607

Fax: (310) 506-4748

ESCROW HOLDER'S DESIGNATED ADDRESS:

Exhibit "A"

Legal Description

Parcel 1. An Undivided Interest in the Common Area:

A one/fifty-sixth (1/56th) undivided fractional fee interest in and to all of the property located in the unincorporated territory of the County of Los Angeles, State of California, described as Module "A" on that certain Condominium Plan recorded on December 29, 2004, as Instrument No. 04-3374714, in the Official Records of Los Angeles County, California ("Condominium Plan").

Parcel 2. The Condominium Unit:

Unit [REDACTED], of Lot 1 of Tract 49767, recorded on December 1, 2004, in Book 1298, Pages 1 to 27, inclusive, of Maps in the office of the Recorder of Los Angeles County, State of California, which is depicted and described on the Condominium Plan and as defined in the "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Campus View II" recorded on December 29, 2004, as Instrument No. 04-3374715, together with any amendments, modification, or re-recordations thereto, as may occur from time to time, in the Official Records of Los Angeles County, California (collectively referred to as the "Declaration").

CAMPUS VIEW II

GROUND LEASE OF ASSOCIATION PROPERTY

THIS GROUND LEASE IS A LEGALLY BINDING CONTRACT WHEN SIGNED BY BOTH PARTIES. READ IT CAREFULLY. IF YOU HAVE ANY QUESTIONS ABOUT YOUR RIGHTS OR OBLIGATIONS UNDER THIS GROUND LEASE, YOU SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING IT.

THIS GROUND LEASE AGREEMENT (the "Agreement" or "Lease") is made by and between Pepperdine University, a California non profit corporation ("Lessor") and Campus View II Maintenance Corporation, a California nonprofit mutual benefit corporation ("Lessee" or "Association") and shall be effective as of the date shown next to Lessor's signature on Lessor's signature page of this Agreement (the "Effective Date"). Lessor and Lessee are referred to herein at times in the singular as "Party" and collectively as the "Parties."

R E C I T A L S

A. Lessor is the owner of certain real property situated in an unincorporated area of Malibu in the County of Los Angeles, State of California, more particularly described on Exhibit "A" attached hereto and incorporated by reference (said real property together with all structures and improvements now or hereafter located thereon, being referred to herein as the "Property" or the "Project," and said real property exclusive of any structures or other improvements thereon being referred to herein as the "Land").

B. The Property is improved, or is in the process of being improved, with residential structures, including individual enclosed two-car garages for each unit and related appurtenances and amenities (the "Project Improvements"). The Property is subject to and governed by the Declaration of Covenants, Conditions & Restrictions and Reservation of Easements for Campus View II" which was recorded on December 29, 2004, as Instrument No. 04-3374715, Official Records of the Los Angeles County Recorder, State of California, as may be amended or supplemented from time to time being referred to herein as the "CC&Rs". Diagrammatic floor plans of the residential structures now situated or in the process of being constructed upon the Property, showing each unit contained in such structures, and the location and dimensions of the same, were recorded on December 29, 2004, as Instrument No. 04-3374714, Official Records of the Los Angeles County Recorder, State of California. Said diagrammatic floor plans are hereinafter referred to as the "Condominium Plan" and are by this reference incorporated herein as if set forth in full.

C. Lessee is responsible for administering and enforcing the covenants set forth in the CC&Rs.

D. If completed as planned, the Project will consist of fifty-six (56) condominium "Units," "Association Property," and "Common

Area" (all as defined and/or depicted in the CC&Rs and Condominium Plan).

E. By entering into this Agreement, Lessor desires to lease to the Association all portions of the Land and Project Improvements, other than the Condominium Units comprising the Association Property of the Project.

LEASE AGREEMENT

NOW, THEREFORE, with reference to the aforementioned facts and in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

1. Incorporation of Recitals. The foregoing Recitals are hereby incorporated in full into this Agreement.

2. Property Leased.

2.1 Leased Premises. For and in consideration of the payment of rents, taxes and other charges and the performance of all of the covenants and conditions of this Lease by Lessee, Lessor hereby leases to Lessee and Lessee hires and leases from Lessor those certain interests in the Property comprised of all of the following (collectively referred to as the "Leased Premises"):

(a) All of the Land and Project Improvements comprising the Property, other than the Condominium Units (as described and/or depicted in the CC&Rs and Condominium Plan).

(b) A non-exclusive easement for ingress and egress, public utilities and incidental purposes over and through private driveways and fire-lanes as shown on Tract 37842 which map has also been recorded as Tract 40497, and Tract 37843, which map has also been recorded as Tract 40498, and Tract 39936, and over and through those roads, private streets, private driveways and fire-lanes on the Malibu Campus of Pepperdine University, as shown on the Map for Tract No. 33464 as per map recorded on August 26, 1977, in Book 882, pages 42 through 48, inclusive, of Maps of the County Recorder of the County of Los Angeles, and designated thereon as President's Drive, Old Reservoir Road (subsequently renamed Baxter Drive), John Tyler Drive, Huntsinger Circle and Seaver Drive but subject to all easements and dedications shown on said Map for Tract No. 33464 and other matters of record.

(c) Non-exclusive easements for ingress, egress, access, maintenance, repair, drainage, encroachment, support or other purposes, in and to the Project, all as described and/or depicted in the CC&Rs.

2.2 Encumbrances. The leasehold interests created hereunder are subject to all of the following:

(a) The covenants, conditions, restrictions, easements, reservations, rights, uses, limitations, liens, charges and all other terms and provisions set forth in the CC&Rs, as the same may be amended, modified, and/or rerecorded from time to time.

(b) Current ad valorem real property taxes and assessments, including improvement bonds or similar assessments, if any, of any governmental authority, applicable to said leasehold interest.

(c) All other covenants, conditions, restrictions, limitations, reservations, licenses, rights, rights of way, dedications, offers of dedication, easements, equitable servitudes, and other property rights of record, apparent or ascertainable by inspecting the Property.

(d) The rights and interests of Lessor and all Condominium Unit Owners in and to the Association Property as set forth in the CC&Rs, and any other instruments of record.

(e) All zoning ordinances and regulations and any other laws, ordinances or governmental regulations restricting or regulating the use, occupancy or enjoyment of the Property.

(f) Any other matters created, permitted or approved by Lessee.

3. Term of Lease. The leasehold estate created hereunder shall be for a term commencing on the date Effective Date and ending on June 30, 2102, subject to earlier termination as hereinafter provided.

4. Rent. Lessee agrees to pay to Lessor rent ("Ground Lease Rent") in the initial amount of one dollar (\$1.00) per year, subject to adjustment from time to time as provided below, payable in advance on the first day of each and every year during the term of this Lease; provided, however, that the Ground Lease Rent for the first year of this Lease shall be due and payable upon the execution of the Lease. The rent payable hereunder shall be subject to adjustment by the Lessor, at Lessor's discretion, based on and in direct proportion to the change in the Consumer Price Index of Urban Wage Earners and Clerical Workers (Revised Series), Los Angeles-Long Beach-Anaheim Average (1982=100) that has occurred since January 1, 2004, provided that in no event shall the rent hereunder be so increased more than 12% for any one year. All rent payable hereunder shall be paid without setoff, deduction, abatement (except as provided in Sections 13 and 27 hereinbelow), suspension or apportionment, and the obligations of Lessee hereunder shall not be released, discharged or otherwise affected by damage or destruction or condemnation of the property in which Lessee has an interest by virtue of this Lease, or termination of this Lease for any reason other than default of Lessor, or any other occurrence whatsoever, whether or not similar to the foregoing. All rent hereunder and late charges thereon shall be payable in lawful money of the United States of America.

5. Monthly Utilities Service Charge. In addition to Ground Lease Rent, Lessee agrees to pay to Lessor the cost of utilities and services furnished by Lessor to Lessee from time to time for the Leased Premises. In the event any such utilities and/or services are not provided solely or exclusively to the Project, that portion of such utilities and/or services which is properly allocable to the Project shall be determined in Lessor's sole discretion reasonably exercised. The services and utilities presently furnished by Lessor to the area in which the Project is located and subject to reimbursement as noted herein, are as follows:

- (i) electric power for the street lights and maintenance thereof;
- (ii) reclaimed water irrigation maintenance;
- (iii) sanitary sewer system, including maintenance thereof and payment of sewage disposal charges to the County of Los Angeles or other public agency;
- (iv) engineering and administrative expenses of Lessor in connection with the foregoing;

provided, however, that Lessor's responsibility for operation, maintenance, and replacement of all physical facilities described above shall not extend to any costs of construction, installation or maintenance incurred by Lessor prior to the date of this Lease. At the request of Lessee (as defined in the CC&Rs and subject to all applicable provisions of the CC&Rs), Lessor may, but shall not be obligated to, agree to provide additional services to the Project and to Lessee, and shall be paid for as mutually agreed between Lessor and Lessee, subject to all applicable provisions of the CC&Rs. At such time as any of the services listed above may be provided by a governmental body or regulated public utility or other supplier, or undertaken by Lessee, such service shall be deemed excluded from those referred to above, the cost of providing the remaining services shall be adjusted appropriately and Lessor shall have no further responsibility to furnish such excluded services. In addition, the monthly service charge shall also include Lessor's costs incurred and to be incurred in taking the actions allowed by Paragraph 16 hereof, in an amount determined in accordance with the provisions thereof. If at any time during the term of this Lease, Lessor shall furnish services in addition to the foregoing or if any or all of the foregoing services shall be furnished by a person other than Lessor and without cost or expense to Lessor, Lessor shall forthwith make an appropriate adjustment to said monthly service charge. Lessor shall notify Lessee promptly in the event of any change in said monthly service charge. In the absence of fraud or gross error, Lessor's determinations from time to time of the amount of said monthly service charge shall be binding upon Lessee. Lessee shall have reasonable access to the books of Lessor pertaining to such costs and expenses in order to verify the accuracy thereof. The monthly service charge shall be payable in advance on the first day of each and every month during the term hereof, commencing on the first day of the first month following the commencement of the term hereof. Lessee,

at its sole cost and expense, shall be solely responsible for the collection from Condominium Unit Owners of the monthly utilities service charge pursuant to the applicable provisions of the CC&Rs; however, Lessee's failure to collect all or any portion of such monthly utilities service charge from Condominium Unit Owners shall not relieve or discharge Lessee from its obligation to pay to Lessor the monthly utilities service charge provided in this Lease.

6. Covenants, Conditions and Restrictions. Lessor and Lessee acknowledge and agree that the Leased Premises constitute "Association Property" within the meaning of the CC&Rs and that this Lease is made and accepted subject to all the provisions contained in the CC&Rs, as from time to time amended, and any other instrument of record as of the date of this Lease, all of which are hereby incorporated herein by this reference with the same effect as though fully set forth herein. Lessee covenants and agrees that it will abide by all the terms and provisions of the CC&Rs, as from time to time amended, and any such other instrument, and will do and perform all the acts and things to be done and performed by Lessee thereunder.

7. Taxes and Assessments Obligations.

7.1 Lessee's Obligations. In addition to the rent and other amounts payable hereunder, Lessee agrees to pay (i) all taxes and assessments (including betterment assessments and improvement bonds of governmental authorities and political subdivisions) which are assessed or levied against all or any portion of the property leased herein to Lessee, all interests therein and all improvements, fixtures and personalty thereon whether belonging to Lessor or Lessee (excepting therefrom the Condominium Units); and (ii) any occupancy or similar tax or assessment imposed by any state, county or local governmental authority upon Lessee's leasehold interests created hereunder or any rental payments made by the Lessee hereunder. All such payments shall be made by the Lessee promptly when due and in all events prior to delinquency, and in the event of the failure of the Lessee to make any such payments when due, the Lessee shall pay all fines, penalties, interest and other costs imposed by reason of Lessee's failure to make such prompt and punctual payment. The fact that all or any portion of the Lessee's interest in Leased Premises may not be separately assessed, but combined with the interests therein of Unit Owners of the Project, and that one or more of the Unit Owners may fail to pay his proportionate share of such taxes and/or assessments, shall not relieve or discharge Lessee from its duty and obligation to pay such taxes and assessments as hereinabove provided.

7.2 Exclusions. Nothing contained herein shall require Lessee to pay any franchise, corporate, estate, inheritance, succession, capital levy or transfer tax of the Lessor, or any net income, profit or revenue tax of the Lessor; nor any other tax which has been assessed or is properly applicable to the interest of any Unit Owner.

7.3 Contestability. In connection with any and all taxes and assessments that Lessee has agreed to pay by the terms hereof, Lessee

may, if he shall so desire, contest the validity of any such tax or assessment, or seek to obtain a lowering of the assessed valuation of the Leased Premises, or any portion thereof, for the purpose of reducing any such tax or assessment. In such event, at the request of the Lessor, the Lessor at its own cost and expense may contest or litigate the amount and/or validity of such tax or assessment in cooperation with the Lessee and Lessee will execute any document which may be necessary and proper for such proceedings. By vote of two thirds (2/3) of the voting power of Lessee, Lessee may elect to assume control of such litigation, in which event Lessee shall be responsible for all necessary and proper costs and expenses of such litigation, including reasonable attorney's fees. If required by Lessor, however, Lessee shall post a bond or other security acceptable to Lessor, which acceptance shall not be unreasonably withheld, to insure the payment by Lessee of such tax and all interest and penalties that may be assessed or imposed thereon. Any refund of taxes and/or applicable charges shall be the property of the Lessee to the extent to which it may be based upon any payment of taxes or assessments paid by the Lessee.

8. Utilities. During the term of this Lease, the Lessee shall pay all charges for water (including operation and maintenance of any pressure enhancer facilities serving the Project), gas, electricity, sewage disposal, telephone service, and all other utilities and services of whatever type or nature, supplied to the Leased Premises. The fact that Condominium Unit Owners may fail to pay any assessments that may be levied by Lessee upon such Unit Owners under and pursuant to the CC&Rs for the purpose of paying utility charges furnished to the Project or any portion thereof shall not relieve Lessee of its duty and obligation hereinabove set forth.

9. Use. The use of the Leased Premises shall be subject to and governed by the CC&Rs together with the Bylaws, any and all rules and regulations for the Project approved by Lessor and Lessee's Board of Directors.

10. Maintenance. Lessee and/or any and all successor lessees and assignees shall at all times comply with the provisions of the CC&Rs regarding the inspection, landscaping, irrigation, maintenance, repair and/or replacement (as appropriate) of the Leased Premises. In the event Lessee fails to perform the obligations required of it in the CC&Rs, Lessor shall have and may exercise the rights and remedies set forth in the CC&Rs, as well as any and all other rights and remedies that exist at law or in equity.

11. Default. Lessee's failure to satisfy and perform, at any time during the term of this Lease, any of its obligations to the Lessor under the CC&Rs, including without limiting the generality of the foregoing, the obligations to pay taxes and assessments on the Association Property, to pay for utilities furnished to the Association Property, to keep and maintain the Association Property in good condition and repair, to maintain in force, hazard, earthquake, and public liability insurance as provided in the CC&Rs or as may be reasonably required by Lessor, to collect and maintain adequate reserves for the regular repair and replacement of the

Association Property and Project Improvements, to pay any taxes or special assessments against any property held by Lessee and to refurbish, rebuild or replace any Project Improvements which are damaged or destroyed by fire or other casualty, shall be deemed to constitute a default by Lessee under this Lease. Lessor shall have a right of action for specific performance to require Lessee to take such actions as are necessary or desirable to allow or require Lessee to do or perform any act or thing provided to be done or performed by Lessee under this Lease, and shall have a right of action for damages for failure of Lessee to take any such actions.

12. Improvements; Alterations. No structure or addition to or alteration of the exterior of any building or structure constructed upon the Leased Premises, including without limitation the installation of any equipment, apparatus, fixture, appliance or other item on the roof, exterior wall or other exterior portion of any building or other structure, shall be commenced by or at the request of Lessee or any Owner unless and until the plans and specifications covering the proposed structure, addition or alteration shall have been first submitted to and approved by Lessor.

13. Damage or Destruction of Improvements. If, during the leasehold term created hereunder, structures or other improvements, if any, situated upon the Leased Premises or any portion thereof are damaged or destroyed by fire or other casualty, this Lease shall not terminate but rent shall abate until all damaged portion or portions shall be rebuilt in accordance with the terms and procedures set forth in the CC&Rs.

14. Liens and Claims. Lessee shall not suffer or cause to be enforced against Lessor or the Property, or any improvements thereon, or any part thereof, any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal as herein provided, or otherwise arising (except liens, claims or demands suffered by or arising from the actions of Lessor), and Lessee shall pay all such liens, claims and demands before any action is brought to enforce the same against the Property, and Lessee agrees to hold Lessor and the Property free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including, but not limited to, reasonable attorneys' fees and court costs incurred by Lessor in connection therewith. Lessee shall give Lessor written notice not less than ten (10) days in advance of the commencement of any construction, alteration, addition, improvement or repair exceeding \$1,000.00 in value so that Lessor may post and maintain on the property notice of Lessor's non-responsibility or such other notices as may be necessary to protect Lessor against liability for all such liens or otherwise.

15. Liabilities. Lessor shall not be liable for any loss, damage or injury of any kind whatsoever, caused by any use of the Property whatsoever, or by any defect in any building, structure or other improvement constructed thereon, or arising from any failure on the part of Lessee or any of its members to maintain the Leased Premises in a safe condition, or by any nuisance made or suffered on the

Property or any improvements thereto, or by any act or omission of Lessee, or of any member of Lessee, or of Lessee's employee(s), contractor(s), guest(s), agent(s) or invitee(s), or arising from any other cause whatsoever, and Lessee hereby waives all claims and demands against Lessor for any such loss, damage or injury and hereby agrees to indemnify and save Lessor free and harmless from liability for any such loss, damage or injury to property and/or of persons, and from all costs, expenses and other charges (including, but not limited to, attorneys' fees) arising therefrom and in connection therewith. Lessee agrees to obtain liability insurance covering such risks and in amounts, all as required by the CC&Rs and/or as may otherwise be reasonably required by Lessor.

16. Performance By Lessor. Should Lessee fail or refuse to do or perform any act or thing herein or in the CC&Rs provided to be done or performed, including but not limited to paying any tax, assessment or other charge upon the Leased Premises when due and payable as provided herein or in the CC&Rs, or any lien or claim arising out of the construction, repair, restoration, maintenance and use of the Property and the structures and improvements thereon, or any other claim, charge or demand which Lessee has agreed to pay under the covenants of this Lease or under the CC&Rs, and if such failure or refusal shall continue for a period of ten (10) days, or such longer time as is reasonably required, after written notice from Lessor specifying the nature of the act or thing to be done or performed, then Lessor may, at its option and without obligation or liability for failure to do so, do or perform or cause to be done or performed such act or thing or such other acts or things as it deems necessary to achieve compliance with the terms hereof, or of the CC&Rs (entering upon the Leased Premises for such purposes, if Lessor shall so elect), including but not limited to, paying any such tax, assessment, lien, claim, charge or demand, or settling or discharging such action therefor or judgment thereon. Lessor shall not be or be held liable or in any way responsible for any loss, inconvenience, annoyance or damage resulting to Lessee or the invitees, guests, licensees, contractors, or employees thereof, except insofar as such loss, inconvenience, annoyance or damage arises solely from Lessor's failure to perform its obligations under this Lease or from any willful or grossly negligent act on the part of Lessor. All costs, expenses and other sums incurred or paid by Lessor in connection with the performance by Lessor of any such act or thing that Lessee has failed to perform shall be repaid to Lessor in accordance with the provisions of this Agreement and/or the CC&Rs, as applicable, together with interest thereon at the highest contract rate then permitted under the most favorable applicable law from the date of payment by Lessor until repaid, and any default in such repayment shall constitute a breach of the covenants and conditions of this Lease. Any act or thing done by Lessor pursuant to the provisions of this Paragraph shall not be or be construed as a waiver by Lessor of any such default by Lessee, or as a waiver of any covenant, term or condition contained herein or in the CC&Rs or of the performance thereof.

17. Assignment and Subletting.

17.1 Lessee shall not, without the prior written permission of Lessor, voluntarily or involuntarily, assign or transfer this Lease or the leasehold estate created hereunder, or any part or portion of the term hereby created, or any interest therein (including any deed of trust given to secure any form of financing). Any purported assignment or transfer made without the prior written approval of Lessor shall be null and void and of no effect.

17.2 This Lease shall be binding upon and shall inure to the benefit of and shall apply to the successors and assigns of Lessor and the permitted successors, assigns and sublessees of Lessee, and all references in this Lease to "Lessee" shall be deemed to refer to and include such successors, assigns and sublessees of Lessee without specific mention of such successors or assigns.

18. Encumbrances.

18.1 Lessee shall not, without the prior written permission of Lessor, voluntarily or involuntarily, assign, pledge or otherwise transfer all or a portion of Lessee's interest in this Lease and/or the Project to any third party, including but not limited to, any trustee under a deed of trust or a mortgagee under a mortgage (herein collectively called a "trust deed"). Any such assignment, pledge or transfer of all or any portion of Lessee's interest in this Lease made without the prior written approval of Lessor shall be null and void and of no effect.

18.2 Unauthorized Transfers. Without any limitation of the foregoing, in the event that Lessee assigns, pledges or otherwise transfers all or a portion of Lessee's interest in this Lease and/or the Project to a trustee under a trust deed without the prior written approval of Lessor ("Unauthorized Encumbrancer"), such assignment or transfer shall be subject to the following conditions:

(a) Said trust deed and said assignment and all rights acquired thereunder shall be subject to the CC&Rs and the terms and conditions of this Lease;

(b) In the event of any conflict between the provisions of this Lease and the provisions of any such trust deed or assignment made to an Unauthorized Encumbrancer, the provisions of this Lease shall control;

(c) In the event of any conflict between the provisions of the CC&Rs and the provisions of any such trust deed or assignment made to an Unauthorized Encumbrancer, the provisions of the CC&Rs shall control;

(d) In the event of any conflict between the provisions of this Lease and the CC&Rs, the provisions of the CC&Rs shall control.

(e) The Unauthorized Encumbrancer or Lessee shall give notice to Lessor in writing of any such transfer within thirty (30) days after such transfer, together with a true and complete copy of such deed of trust and assignment, as recorded, if any, and of the executed note secured thereby, together with the name and address and loan number of the holder thereof. Failure on the part of Lessee to give such notice and/or to deliver a copy of the deed of trust and assignment, as recorded, shall constitute a material default of this Lease.

(f) Concurrently with the recording of the trust deed or assignment covering the Leased Premises, Lessee, at Lessee's expense, shall cause to be recorded in the office of the Recorder of Los Angeles County, California, a written request of Lessor (Lessor agreeing to execute and acknowledge such a request) for a copy of any notice of default and of any notice of sale under the trust deed as provided by the statutes of the State of California relating thereto. Failure on the part of Lessee to record such Request for Notice shall constitute a material default of this Lease.

(g) In addition to all other legal remedies available to Lessor under this Lease and under California law, Lessor shall be entitled to cure on behalf of Lessee any default by Lessee under any deed of trust or other assignment secured by Lessee's interest in the Leased Premises and the encumbrancer or holder (whether authorized or unauthorized by Lessor) thereof shall accept any payment or other performance of obligations by Lessor in all respects as equivalent payment or other performance by Lessee under said deed of trust or other obligations. Lessor shall be entitled to bid and be a purchaser at any judicial or non-judicial foreclosure sale under said deed of trust or assignment and no deed in lieu of foreclosure shall be effective unless Lessor shall have received thirty (30) days prior written notice of the intention of the holder of said deed of trust to cause the same to be executed and delivered and Lessor shall be offered the opportunity to acquire the Leased Premises (or portion thereof) covered by said proposed deed in lieu of foreclosure upon the same terms and conditions being offered by the proposed grantee under said deed in lieu of foreclosure. As to any judicial or non-judicial foreclosure sale (or sale under deed in lieu of foreclosure as aforesaid) Lessor shall be entitled to a credit bid to the extent of any rent and other charges accrued and unpaid under this Lease as of the time of such sale, provided, however, that such credit bid shall be subordinate to any first deed of trust.

19. Place of Payments and Notices. All rents and other sums payable by Lessee to Lessor hereunder shall be paid to Lessor at its business office at 24255 Pacific Coast Highway, Malibu, California. Whenever either party hereto desires to give written notice to the other respecting this Lease, such notice, if not personally delivered to Lessor, or to Lessee, shall be sent by certified or registered mail, with full postage prepaid, and directed to either party as follows:

Lessor: Pepperdine University
24255 Pacific Coast Highway
Malibu, CA 90263
Attention: General Counsel

Lessee: The address for the Association

or such other address for either party as such party may hereafter designate in writing and deliver to the other party as provided hereinabove. The service of any such written notice shall be deemed complete at the time of such personal delivery or three (3) days after the mailing thereof as hereinabove provided; PROVIDED, HOWEVER, in the event of a mail strike or other interruption or discontinuance of normal mail delivery, service shall not be deemed complete until actual receipt of such notice by personal delivery or otherwise. Should Lessee consist of more than one person, the personal delivery or mailing of such notice to any one of such persons shall constitute complete service upon all such persons. Any notice provided in Paragraph 18 hereof to be given by Lessor to any encumbrancer of Lessee shall be served in the same manner as hereinabove provided in this paragraph and shall be delivered to the encumbrancer or directed to its address as last shown on the records of Lessor.

20. Receiver and Insolvency. Either (a) the appointment of a receiver, custodian or trustee to take possession of all or substantially all of the assets of Lessee, who is not removed within thirty (30) days of such appointment, except for a receiver appointed at the instance of Lessor to take possession of Lessee's interest in the Project and to collect rents or profits derived therefrom, or (b) a general assignment of Lessee for the benefit of creditors, or (c) any action taken or suffered by Lessee under any reorganization, insolvency or bankruptcy law or proceeding involving Lessee as the debtor, which is not dismissed within thirty (30) days after commencement thereof, shall constitute a material breach of this Lease. No assignment of this Lease or any part thereof or any right or interest therein involuntarily or by operation of law shall be effective or valid, and any such attempted assignment shall constitute a material breach of this Lease.

21. Remedies Upon Default. Should Lessee default in the payment of any installment of rent, tax, assessment, lien, claim, expense or other charge provided in this Lease to be paid by Lessee at the time and in the manner herein provided, or should Lessee default in the performance of any other covenant, condition or restriction provided in this Lease to be kept or performed by Lessee, or otherwise be in default under or in breach of this Lease, and if such default or breach shall continue incurred for a period of thirty (30) days from and after service upon Lessee of written notice thereof by Lessor, then Lessor at its election (subject to the rights of the encumbrancer, if any, as provided in Paragraph 18 hereof and in the CC&Rs), shall have the following remedies:

21.1 Without barring later election of any other remedy, Lessor without taking possession of Lessee's interest in the Project may require strict performance of all covenants and obligations hereof as

the same shall respectively accrue and shall have the right of action therefor;

21.2 Foreclose judicially or by power of sale as provided by law under any deed of trust, security agreement and/or other security instrument if any, given by Lessee to Lessor to secure the payment of rent and any other charges payable by Lessee under this Lease. If such foreclosure proceeding results in a foreclosure sale, the proceeds of such sale shall be used (i) to pay all costs and expenses of such foreclosure proceedings, including without limitation reasonable attorneys fees and court costs, if any, then (ii) to discharge all amounts owed by Lessee to Lessor, including without limitation all rent and other amounts, including late payment charges and interest, payable under this Lease; and (iii) remainder shall be payable to Lessee, or as otherwise provided by law.

All rights, options and remedies of Lessor contained in this Lease shall be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver by Lessor of a breach of any of the terms, covenants or conditions of this Lease by Lessee shall be a waiver of any succeeding or preceding breach of the same or any other term, covenant or condition.

22. Streets and Roads. Lessor hereby reserves the right at any time during the term hereof to close to travel any of its lands, adjacent to or in the vicinity of the Project, including without limitation any portion of the Malibu Campus of Lessor, to erect and maintain gates and other control devices at any point thereon, to regulate or prevent traffic of every or any kind thereon, to prescribe the methods of use thereof, and to maintain complete dominion over the same, including the right to prescribe the kind or kinds of vehicles that may travel the same or any designated part thereof; provided, however, that at all times during the term hereof Lessor shall provide Lessee and Lessee's guests and invitees with reasonable paved access to the Project and to Leased Premises subject only to interruptions caused by necessary maintenance operations or by matters beyond Lessor's control, and reasonable security operations. The Lessee shall have the right, but not the obligation to maintain and repair the paved access to the Project and Leased Premises.

23. Rights Reserved by Lessor. Lessor expressly reserves all rights in and with respect to the Leased Premises hereby leased not inconsistent with Lessee's use of the Leased Premises as in this Lease provided, including without limitation all rights of "Declarant" arising pursuant to the provisions of the CC&Rs. Without in any way limiting the generality of the foregoing, Lessor reserves the right to enter and to permit the County of Los Angeles and other governmental bodies, public utilities and other persons to enter upon the Property for the purposes of installing, using, operating, maintaining, renewing, relocating and replacing such underground, or other, water, oil, gas, steam, storm sewer, sanitary sewer and other pipelines and telephone, electric, power, cable television, and other lines, conduits and transmission equipment and facilities as Lessor

may deem desirable in connection with the development or use of the Property or any other property in the neighborhood thereof, whether owned by Lessor or not, all of which pipelines, lines, conduits and transmission equipment and facilities shall be buried to a sufficient depth, or otherwise placed, so as not to interfere with the use or stability of any of the Project Improvements. Lessor shall indemnify and reimburse Lessee for any loss or damage actually incurred or sustained by Lessee as a direct result of the exercise by Lessor of any of Lessor's rights reserved in this Paragraph, but, unless Lessee shall actually incur or sustain any such loss or damage, Lessee shall not be entitled to any compensation whatsoever by reason of Lessor's exercise of any such right.

24. Late Payment Charge. In addition to and without limiting the generality of any other provision of this Lease, a late payment charge in the amount of 5% of the delinquent payment will be assessed with respect to any rent payment, monthly service charge, or other amount payable hereunder which is not paid within ten (10) days after the due date thereof. In addition to such late payment charge, any such late payment shall bear interest at the maximum contract rate then permitted by the most favorable applicable law. The parties acknowledge and agree that because of uncertainty in the future as to Lessor's cost of borrowing operating funds, the difficulty of predicting Lessor's cost of handling and collecting delinquent accounts and other factors, it is extremely difficult and impracticable to determine in advance Lessor's costs and expenses relating to any particular delinquent account and that 5% of the delinquent amount is a reasonable and not disproportionate estimate of such actual costs and expenses to be incurred by Lessor for each such delinquent payment in addition to the loss of use of the funds represented by such delinquent payment.

25. Representations. Lessee agrees that he or she has examined the Property and the Leased Premises and that the same is delivered to it in good order and condition and that no representations as to said property and any improvements constructed or to be constructed thereon have been made to Lessee by Lessor or by any person or agent acting for Lessor.

26. Holding Over. This Lease shall terminate and become null and void without further notice upon the expiration of said term. Any holding over shall not constitute a renewal hereof or give Lessee any rights hereunder or in or to the Property or the Leased Premises covered hereby, it being understood and agreed that this Lease cannot be renewed, extended or in any manner modified except in writing signed by all parties hereto.

27. Eminent Domain. In the event the Property or any portion thereof shall be appropriated under the power of eminent domain by any public or quasi-public authority, then upon payment of any award or compensation arising from such appropriation, there shall be such division thereof as determined by the Court in said eminent domain proceeding as the interests of the parties and any encumbrancers may appear. In the event there is not a court order, the compensation arising from such taking shall be divided as provided for in the

CC&Rs. This Lease shall continue as to that portion of the Property not taken if such remaining portion is susceptible of a reasonable residential use by Lessee as contemplated by this Agreement. If such remaining portion is not susceptible of such a reasonable use by Lessee, then Lessee may terminate this Lease within thirty (30) days next following such taking by giving Lessor written notice of termination. If Lessor and Lessee are unable, within thirty (30) days after any such taking which does not so result in a termination of this Lease, to agree upon an abatement of rent payable during the term here of, the rental hereunder shall be reduced in the same proportion as the value of the Property taken, as determined in such eminent domain proceedings, bears to the value of the entire Property, and such value of the entire Property shall be determined by appraisal, the cost of which shall be shared equally by Lessor and Lessee.

28. Non-merger. In the event Lessor by any means shall acquire Lessee's estate hereunder, whether by purchase, foreclosure or other assignment, such leasehold estate shall not merge with Lessor's fee title unless and until Lessor records a document in the Official Records of Los Angeles County merging such estate.

29. Fixtures. Lessor and Lessee agree that the following things are and shall be fixtures and real property, and are and shall be a part of the Leased Premises, and upon the termination or expiration of this Lease all right, title and interest of Lessee therein shall revert to Lessor: all fixtures, affixed appliances, material, equipment, utility apparatus, affixed hardware, lighting fixtures, and other things now or hereafter affixed, temporarily or permanently, to or installed in or a part of the Leased Premises, the specific enumerations herein not excluding the general, whether the same be placed thereon by Lessee or Lessor, and all renewals, replacements, improvements, repairs, alterations, modifications and additions thereto; excluding from the foregoing, however, non-affixed appliances and furnishings serving solely said Leased Premises which latter items shall be and remain the personal property of Lessee.

30. Insurance. Lessee shall, at its sole cost and expense, procure and maintain at all times throughout the term of this Lease, all of the insurance coverage required by (a) the CC&Rs, (b) California law, and (c) as may otherwise be reasonably required by Lessor, including without limitation insurance coverage against loss by fire, hazards included within the term "extended coverage" and any other hazards including without limitation earthquakes and floods; public liability insurance; worker's compensation insurance, and directors' and officers' liability and fidelity bonds.

31. Construction and Effect. The paragraph headings herein are used only for the purpose of convenience and shall not be deemed to limit the subject of the paragraphs hereof or to be considered in the construction thereof. Each and all of the obligations, covenants, conditions and restrictions of this Lease shall be deemed as running with the land and shall inure to the benefit of and be binding upon and enforceable against, as the case may require, the successors and assigns of Lessor, and subject to the restrictions of Paragraphs 17

and 18 hereof, the executors, legal representatives, encumbrancers, assignees, successors and subtenants of Lessee. In this Lease, the masculine gender includes the feminine and neuter, and the singular number includes the plural whenever the context so requires. Any capitalized term not defined herein shall mean and refer to the definition given for such capitalized term in the CC&Rs. The terms, conditions and provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity of any such term, covenant, condition or provision, or portion thereof, shall not affect the validity or enforceability of any other term, covenant, condition or provision. The term "party" or "parties" shall mean Lessee and/or Lessor, as the context may require. The term "days" shall mean calendar days, unless otherwise indicated to mean business days. This Lease shall be construed and any ambiguities contained herein shall be resolved equally as between the parties, and not against the party responsible for the preparation of this Lease.

32. Special Restrictions Upon Possession, Occupancy. Possession, occupancy and use of the Leased Premises shall be limited as set forth in the CC&Rs, as may be amended from time to time. Articles XIII and XIV of the CC&Rs, as the same may be amended from time to time, are hereby specifically incorporated by reference into this Lease and made a part hereof.

33. Limitations on Transfer. Transfer and/or acquisition of Lessee's leasehold interest in the Leased Premises shall be subject to the limitations, restrictions and obligations that are set forth in Articles XIII and XIV of the CC&Rs, as may be amended from time to time.

34. General Provisions.

34.1 Brokers and Finders. The parties represent and warrant that they have not engaged, nor dealt with any brokers or finders in connection with this transaction. Lessor shall not have any obligation to pay any fees, commissions or other amounts to any broker, sales agent or finder unless expressly set forth in writing and signed by Lessor at the time this Agreement is signed by Lessee. Each party agrees to indemnify, defend and hold harmless the other from and against any and all claims, costs, expenses, losses, damages, and other liability (including attorneys' fees) arising from any broker, sales agent or finder, licensed or otherwise, asserting a claim through, under or by reason of the conduct of the indemnifying party in connection with this transaction.

34.2 Time Is Of the Essence. Time is of the essence of each and every term of this Lease.

34.3 No Waiver. The waiver by Lessor of any term or provision of this Lease shall not be construed as a waiver of the same or any other term or provision of this Lease, or any subsequent performance required under this Lease.

34.4 Successors and Assigns. This Lease and the rights of Lessee hereunder may not be assigned, sold, transferred or

hypothecated by Lessee voluntarily, involuntarily, or by operation of law without Lessee's first having obtained Lessor's written consent, which may be withheld in Lessor's sole discretion. This Lease and the rights, duties and obligations of the parties shall be binding upon and shall inure to the benefit of the successors and assigns of Lessor and, subject to the preceding sentence, to the successors and permitted assigns of Lessee.

34.5 Counterparts. This Lease may be signed in one or more counterparts, each of which independently shall have the same effect as if it were the original, and all of which together shall constitute one and the same Lease.

34.6 Governing Law and Venue. This Lease shall be governed, construed and interpreted in accordance with the laws of the State of California (without respect to principles of conflicts of law), and the Parties hereby submit to jurisdiction of the State of California and venue in the County of Los Angeles in any legal proceeding necessary to interpret or enforce this Lease or any part of it.

34.7 Attorney's Fees. In the event of any litigation or arbitration involving the parties to this Lease to enforce any provision of this Lease, to enforce any remedy available upon default under this Lease, or seeking a declaration of the rights of Lessee and Lessor or either party under this Lease, the prevailing party shall be entitled to recover from the other such attorneys' fees and costs as may be reasonably incurred, including the costs of reasonable investigation, preparation and professional or expert consultation incurred by reason of such litigation or arbitration. All other attorneys' fees and costs relating to this Lease and the transactions contemplated hereby shall be borne by the party incurring the same.

34.8 Recordation of Short Form Lease Memorandum. This Lease shall not be recorded in the office of the County Records of Los Angeles County, or any other office of said County, or in any other County; provided, however, that a short form memorandum of this Lease approved in writing by Lessor may be recorded by Lessor, in the sole discretion of Lessor, in the County Records of Los Angeles County.

34.9 Mediation. Lessee and Lessor agree to mediate in good faith any dispute(s) or claim(s) arising between them out of the Lease or any resulting Lease or transaction before resorting to arbitration or court action. The parties further agree to use the mediation services of a mutually agreed upon experienced professional mediator. Mediation fees, if any, shall be divided equally between Lessee and Lessor. If any party commences an action based on a dispute or claim to which this Paragraph 34.9 applies without first attempting to resolve the matter through mediation, then that party shall not be entitled to recover attorneys' fees, notwithstanding the attorney's fee provision contained in this Lease and even if such damages would otherwise be available to that party in any such action.

34.10 Acknowledgment of Review and Receipt of Copies. Lessee represents and warrants that prior to signing this Lease, Lessee has read all of the terms and provisions of this Lease, the Exhibit(s) attached hereto and incorporated herein by this reference, and the CC&Rs, and accepts and agrees to be bound by all of the terms and provisions contained therein. Lessee acknowledges receipt of copies of all pages of the Lease, its Exhibit(s) and the CC&Rs.

34.11 Authority of Lessor Representatives. Lessee acknowledges and agrees that Lessor's representatives including without limitation its employees in its Department of Real Estate Operations do not have the authority to interpret, change or modify the terms of this Lease. Additionally, no representation, promise or warranty, whether oral or in writing, made by any such representative shall be binding on Lessor, unless set forth in writing and signed by two authorized officers of Lessor.

34.12 Entire Lease. This Lease contains the entire Lease between the parties. All prior statements and representations, if any, whether oral or written, are hereby superseded by this Lease. The terms of this Lease may not be contradicted by evidence of any prior Lease or contemporaneous oral Lease. Lessee and Lessor further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any arbitration or other legal proceedings, if any, involving this Lease. No addition or modification of any terms of this Lease shall be effective unless set forth in writing and signed by Lessee and by two authorized officers of Lessor.

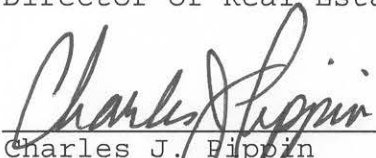
[Signature Page To Follow]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year set forth next to their signature lines below.

Date: February 2nd, 2005

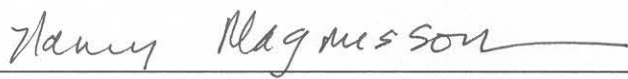
Lessor: PEPPERDINE UNIVERSITY,
a California non-profit corporation

By: 
Dennis A. Torres
Director of Real Estate

By: 
Charles J. Pippin
Vice President for Finance
and Administration

Date: February 2nd, 2005

Lessee:
CAMPUS VIEW II MAINTENANCE ASSOCIATION,
a California nonprofit mutual benefit corporation

By: 
Its: Vice President

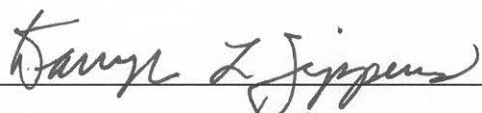
By: 
Its: Secretary / Treasurer

EXHIBIT "A"

LEGAL DESCRIPTION

Lots 1, 10, 11 and 12 of Tract 49767, as shown on a Map recorded in Book 1298, Pages 1 to 27, inclusive, of Maps, Records of Los Angeles County, California, excepting therefrom the Condominium Units and Common Area described on the Condominium Plan recorded as Instrument No. 04-3374714.

CAMPUS VIEW II GROUND LEASE
BY AND BETWEEN PEPPERDINE UNIVERSITY
AND
CAMPUS VIEW II MAINTENANCE ASSOCIATION

Escrow No. _____

Order No. _____

ADDENDUM C

COMMON INTEREST DEVELOPMENT ADDENDUM

PROJECT: Campus View II Condominiums **UNIT NO.** _____ **TRACT NO.** 49767

BUYER(S) NAME: _____
(Print Buyer(s) Last Name)

THIS COMMON INTEREST DEVELOPMENT ADDENDUM is made this _____ day of _____, 200____, by and between PEPPERDINE UNIVERSITY, a California nonprofit corporation (“Seller”), and the undersigned buyer(s) (“Buyer”), and modifies and supplements that certain Joint Purchase Agreement and Escrow Instructions dated _____, 200____, by and between Seller and Buyer (the “Agreement”) regarding the purchase by the Buyer of the Property described in the Agreement.

The Property is located in a “common interest development” as defined in California Civil Code Section 1351(c)). The Association is commonly known as Campus View II Maintenance Corporation (the “Association”) and the Property is subject to the following “Project Documents”:

- The Articles of Incorporation and Bylaws of the Association
- A Condominium Plan
- A Declaration of Covenants, Conditions and Restrictions and Reservation of Easements
- Rules and Regulations of the Association
- Association Ground Lease

1. **MEMBERSHIP IN THE ASSOCIATION.** Buyer understands and agrees that upon recordation of the Grant Deed conveying the Property to Buyer, Buyer shall automatically become a “Member” of the Association referenced above. Buyer shall be deemed to have agreed to and shall be entitled to exercise all of the rights (including, but not limited to, voting rights in such Association), and shall be obligated to perform all of the obligations (including, but not limited to, the payment of Assessments) of a Member, all as more particularly set forth in the applicable Project Documents referenced above.

2. **APPROVAL OF PROJECT DOCUMENTS.** Buyer acknowledges having received from Seller or Escrow Holder a copy of each of the applicable Project Documents, a statement from the Association setting forth any delinquent assessments and related charges levied by such Association pertaining to the Property; and a current financial statement and related statements for the Association, if available.

3. **ASSOCIATION DUES.** Buyer acknowledges that by reason of Buyer’s membership in the Association commencing as of the close of escrow, Buyer is obligated to pay the Assessments levied by the Association commencing as of the close of escrow. The estimated amount of the current monthly installment of regular Assessments is \$_____. Escrow Holder shall prorate the monthly installment of Regular Assessments between Buyer and Seller as of the close of escrow based upon the latest information available to Escrow Holder.

Escrow No. _____

Order No. _____

4. **ASSOCIATION PROPERTY.** Upon each of Seller's conveyances of a Condominium in the Project to a Buyer, such Buyer shall receive (i) an exclusive fee interest in the space and improvements within a the specific Condominium Unit ("Unit") purchased by Buyer; and (ii) an undivided fee ownership interest (held in common with all other Owners of Condominium Units in the Project) in a defined strip of airspace above the Unit (as defined in the Condominium Plan for the Project). As a Condominium Owner, Buyer shall also receive a membership in the Campus View II Maintenance Corporation. The Association has entered into a ninety-nine (99) year Ground Lease with Seller whereby the Association will own a leasehold interest in the Condominium Buildings, the land upon which the Condominium Project is located, and all of the other improvements located within and on the Project exclusive of any Units (collectively, the "Association Property"). The Association's leasehold interest in the Association Property as described herein, has been conveyed to the Association subject to all of the terms and conditions of the Association Ground Lease and all of the Project Documents.

5. **BUYER'S RIGHT TO USE THE ASSOCIATION PROPERTY.** Buyer, by virtue of being a Member of the Association will, following the close of escrow and subject to any limitations provided in the Declaration and other Project Documents referenced above, have the right to use the Association Property and other amenities and facilities of such Association.

6. **MISCELLANEOUS.**

6.1 **Time.** Time is of the essence of this Addendum.

6.2 **Capitalized Terms.** Various capitalized terms used in this Addendum are defined in the Agreement and/or Declaration referenced above and shall have the same meaning as set forth therein, unless otherwise indicated herein.

6.3 **Entire Agreement.** This Addendum contains the entire Agreement between the parties concerning the Property being located with a "common interest development" as defined in Civil Code Section 1351(c). All prior discussions, negotiations and agreements, if any, whether oral or written, are hereby superseded by this Addendum. No addition or modification of this Addendum shall be effective unless set forth in writing and signed by Buyer and two authorized officers of Seller.

All Buyers must execute this Addendum to be binding.

IN WITNESS WHEREOF, the parties have executed this Addendum and make it effective as of the date of Seller's acceptance indicated below.

Escrow No. _____

Order No. _____

“SELLER”

“BUYER”

**PEPPERDINE UNIVERSITY, a California
nonprofit corporation**

By: _____
Charles J. Pippin
Senior Vice President and Chief Investment Officer

By: _____
Dennis A. Torres
Executive Director of Real Estate

Seller’s Acceptance Date:
_____, 200__

(Signature)

(Print Name)

(Signature)

(Print Name)

Date: _____, 200__

Escrow No. _____

Order No. _____

ADDENDUM "E"

ELIGIBILITY REQUIREMENTS

PROJECT: Campus View II Condominiums **UNIT NO.** _____ **TRACT NO.** _____

BUYER(S) NAME(S): _____
(Print Buyer(s) Name)

THIS "ELIGIBILITY REQUIREMENTS" ADDENDUM is made this _____ day of _____, 20__, by and between PEPPERDINE UNIVERSITY, a California nonprofit corporation ("Seller"), and the undersigned buyer(s) ("Buyer"), and modifies and supplements that certain Joint Purchase Agreement and Escrow Instructions dated _____, 20 __, by and between Seller and Buyer (the "Agreement") regarding the purchase by the Buyer of the Property described in the Agreement.

A. Conditions for Ownership of Campus View II Condominiums as set forth in CC&Rs. Buyer acknowledges and understands that the right to own a Campus View II Condominium is specifically limited to certain eligible full time employees of Pepperdine University, as determined by Pepperdine University in its sole discretion. Subject to specific conditions as more fully set forth in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Campus View II (the "CC&Rs"), as the same may be amended from time to time, the current limitations and restrictions applicable to the ownership, use and occupancy of Campus View II condominiums are as follows:

1. ELIGIBILITY RESTRICTION REQUIREMENTS (The following requirements and restrictions are set forth in the Declaration under Articles XIII and XIV. To the extent a conflict between this Addendum and the Declaration occurs, the Declaration shall control).

Section 1.1 Restrictions. Possession, occupancy and use of a Unit in the Project shall be limited to:

(a) Eligibility Criteria. Persons determined eligible in accordance with the policy and criteria of Pepperdine University (also referred to herein as "Declarant"). Each Owner acknowledges and understands that the Project is intended and dedicated to further the purposes of Pepperdine University by enhancing and encouraging the development of relationships among students, faculty, administrators and other members of the Pepperdine University community which transcend purely academic classroom activities and in furtherance of such purposes Declarant will, in its sole discretion: (i) restrict eligibility to certain faculty members, administrators, staff members and employees of Pepperdine University (ii) establish priorities among those deemed eligible and (iii) reserve and/or restrict certain designated Condominiums in the Project to certain persons or groups among those deemed eligible, such individual and group determinations to be made on the basis of factors relating to service to Pepperdine University. Upon determining or amending the above eligibility criteria, Declarant shall publicize and make such eligibility criteria available to the Association and to all persons deemed eligible under such criteria.

(b) Approved Sublessees. A person who is a sublessee under a sublease which has been approved by Declarant under Section 6 of Article XIV shall be a qualified person until the expiration or termination of the original term of his sublease unless an extension of his sublease has been approved in writing by Declarant, in which case said person shall be a qualified person until the expiration or termination of the approved extension period of the sublease. The term "sublease" is used in this Declaration interchangeably with the

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term "lease" to mean any leasing arrangement whereby an Owner of a Condominium rents or leases all or a portion of his Condominium to a third party.

(c) Approved Retirees. Any qualified Owner shall continue to be a qualified person notwithstanding his retirement from employment by Pepperdine University only if such qualified Owner meets all of the following qualifications at the time of his retirement: 1) a retired person over the age of sixty-two (62) who on the day of retirement is otherwise a qualified Owner; 2) with not less than twenty (20) years of service with Pepperdine University at the time of retirement; 3) who has owned and occupied as his principal residence a Campus View I Condominium and/or Campus View II Condominium for a combined period of at least five (5) years during the seven (7) years immediately preceding his retirement from employment with Pepperdine University; and 4) whose purchase agreement for his Condominium expressly provides that said Owner, at his option, may continue to own and reside in his Condominium as a qualified Owner following said Owner's retirement from employment by Pepperdine University.

(d) Surviving Spouse. The surviving spouse of a qualified Owner, but only if such deceased qualified Owner at the time of his death met all of the retirement eligibility requirements set forth in Section 1(c) above of this Article XIII. Such surviving spouse's eligibility to own a Condominium as a surviving spouse shall terminate upon remarriage (unless such marriage is to a qualified person), whereupon such surviving spouse shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions Section 1(b) of Article XIV.

(e) Others for Limited Time Periods. Persons described in Section 3 of this Article XIII, for the limited periods stated in said Section 3.

Section 1.2 Disqualified and Unqualified Owners. Any person meeting the qualifications set forth in Section 1 of this Article XIII shall be a "qualified" person or a "qualified" Owner, as the case may be; any other person is disqualified or unqualified and is herein referred to as a "disqualified" person or Owner, or an "unqualified" person or Owner, as the case may be. The terms "disqualified" and "unqualified" are used interchangeably in this Declaration.

(a) Event of Disqualification. A qualified person or qualified Owner shall become disqualified if an event occurs which prevents such person or Owner from continuing to meet such qualifications, and such event is hereby defined as an "event of disqualification;" provided, however, that a change in eligibility criteria in Section 1(a) above of this Article XIII during a period of occupancy or use by a person or Owner who is qualified immediately before such change shall not in itself be deemed an event of disqualification; and provided that a change of jobs within the continued employment of Pepperdine University shall not be deemed an event of disqualification even though the new job does not meet the then effective eligibility criteria, unless the employee had actual knowledge at the time he purchased his Condominium that a change of jobs within the continued employment of Pepperdine University could or would constitute a disqualifying event for such Owner.

Section 1.3 Possession or Occupancy. In order to achieve the intended purpose of the Project as stated in Section 1(a) of this Article XIII, the Condominiums are intended to be owned and occupied as primary residences by qualified persons, except as set forth below.

Escrow No. _____

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(a) Possession and Occupancy by Unqualified Persons. Any person who is not a qualified Owner may possess, occupy and use any Condominium, but only if: (1) such Condominium is owned and physically occupied by a qualified Owner as his principal residence, or a qualified person has rightful possession of, and is physically occupying, the Condominium under an unexpired sublease that has been approved by Declarant, and (2) such unqualified person is either: (i) related by blood, marriage, guardianship, or foster care to such qualified Owner or person, (ii) a full-time student at Pepperdine University during at least two trimesters of the academic year, (iii) employed as a domestic or nurse by such qualified Owner or person, or (iv) a full-time employee of Pepperdine University; provided, however, that a qualified Owner may sublease or sublet his Condominium with the prior written approval of Declarant to the persons and pursuant to the procedures set forth herein (e.g., Article XIV).

(b) Subsequent Disqualification.

(1) Owners. Any qualified Owner who, after the date on which he became an Owner, becomes disqualified and/or any unqualified Owner, shall promptly notify the Association and Declarant in writing of such disqualification and shall within four months (defined herein as 120 days) of the event of disqualification either (1) sell and transfer, pursuant to and subject to the requirements of Section 1(a) of Article XIV, such Owner's entire ownership interest in his Condominium, or (2) make an Offer to Declarant and Association, pursuant to Section 1(b) of Article XIV, to sell Owner's Condominium.

1) Disqualification Upon Death of Qualified Owner. If the disqualification is the result of the death of a qualified Owner, as to the surviving spouse only, the initial four-month period set forth in Sections 1(a) and 1(b) of Article XIV shall in each and every case in this Article XIII be replaced by one year from the date of the death of the qualified Owner; provided, however, that if the surviving spouse meets the eligibility criteria set forth in Section 1(d) of this Article XIII, such surviving spouse shall remain eligible to own a Condominium until remarriage as set forth in Section 1(d) of this Article XIII.

2) Failure to Comply. The disqualification of any Owner who fails to take one of the foregoing acts within such four-month period, shall not be deemed waived. Association or Declarant may at any time after the event of disqualification, give to the Owner a written notice that such Owner is disqualified and is subject to the provisions of Article XIII and Article XIV. If, within sixty (60) days after the giving of such notice by Declarant or Association or within four months after the event of disqualification, whichever date is later, the Owner does not sell such ownership interest to another qualified person pursuant to the provisions of Section 1(a) of Article XIV, then on such later date such Owner shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions of Section 1(b) of Article XIV. However, the making of such Offer or the giving of any notice hereinabove described shall not be a prerequisite to the enforcement of the provisions of this Article by Declarant or Association. Declarant, in its discretion reasonably exercised, may determine to extend the four-month period described above for up to an additional 120 days if said

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extension is requested in writing by the disqualified Owner more than thirty (30) days before the end of the initial four-month term. Such extension shall not be obligatory.

(2) Sublessees or Other Occupants. Any qualified person who is a sublessee, or otherwise is in possession, occupancy or use of, a Condominium under or through an Owner, and who thereafter becomes a disqualified person under the standards set forth in this Article XIII shall within ninety (90) days after the event of disqualification surrender possession of the Condominium, and, on the earlier of the date of surrender or on the ninetieth (90th) day after the event of disqualification, any such sublease, subletting or right of possession or occupancy shall automatically terminate without act or liability of the Owner, Association or Declarant.

(3) Beneficiaries. If an Owner shall transfer, assign or pass title, ownership, possession, occupancy or use of his Condominium by gift or death to any unqualified person or entity, or to his spouse in any marital settlement, proceeding, agreement or decree, then such beneficiary within four months of any such transfer, assignment or pass of title, shall: (i) provide to Declarant and the Association proof reasonably satisfactory to them that the beneficiary is a qualified person under this Article XIII, or (ii) sell the Condominium by following the procedures and requirements of Section 1(a) or 1(b) of Article XIV. If a beneficiary shall fail within the time allowed therefore to follow any one of the foregoing procedures, then Association or Declarant shall give to beneficiary notice of such failure to comply, whereupon such beneficiary shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions Section 1(b) of Article XIV, or if only possession, occupancy or use has been transferred to the beneficiary, the beneficiary shall immediately surrender possession, occupancy and use of the Condominium and any right of possession, occupancy or use shall automatically terminate without further act or liability of the Owner, Association or Declarant. However, the making of such irrevocable Offer or the giving of any notice hereinabove described shall not be a prerequisite to the enforcement of the provisions of this Article by Association, Declarant or any person. If, however, title, possession, occupancy or use is passed to a spouse as a result of the death of a qualified Owner, as to the surviving spouse only, the surviving spouse shall in each and every case be allowed a time period of one (1) year from the date of death of the qualified Owner to complete the sale of the Condominium and/or surrender possession, occupancy and use of such Condominium, unless such surviving spouse meets the retirement eligibility requirements set forth in Section 1(d) of this Article XIII, in which case such surviving spouse shall remain eligible to own a Condominium until remarriage as set forth in Section 1(d) of this Article XIII.

(4) Unqualified Owners. An Owner who is unqualified for any reason at the time he becomes an Owner (including without limitation, any Mortgagee, or Foreclosure Sale Purchaser [as defined herein]), shall within four months of the transfer of title to such unqualified Owner: (i) provide to Declarant and the Association proof reasonably satisfactory to them that the unqualified Owner is or has become a qualified Owner under this Article XIII, or (ii) sell the Condominium pursuant to the procedures and requirements of Section 1(a) or 1(b) of Article XIV. If an unqualified Owner shall fail within the

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time allowed to follow any one of the foregoing procedures, then Association or Declarant shall give to such unqualified Owner notice of such failure to comply, whereupon such unqualified Owner shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant and/or Association pursuant to the provisions of Section 1(b) of Article XIV. However, the making of such Offer or the giving of any notice hereinabove described shall not be a prerequisite to the enforcement of the provisions of this Article by any person, the Association, or Declarant. Declarant may, in its discretion, temporarily waive the lack of qualified status of any Owner and such unqualified Owner may continue to own, possess, occupy and/or use the Condominium, but only until Declarant notifies such unqualified Owner in writing that Declarant's temporary waiver has been revoked, in which event the preceding provisions of this Section 3 of Article XIII shall immediately apply. It is the intent of this Section 3 of Article XIII to prohibit ownership, possession, or occupancy of any Condominium by an unqualified person or entity and, to the extent an unqualified person or entity becomes an Owner of a Condominium (regardless of the means or procedure by which such unqualified Owner acquired title to the Condominium), to require that such Owner promptly sell the Condominium to a qualified person, Association or Declarant according to the provisions and procedures set forth in Articles XIII and XIV within the time parameters set forth in this Section 3 of Article XIII.

(5) Irrevocable Offers. Anytime an Owner is (i) disqualified upon purchase or acquisition of title to a Condominium, (ii) subsequently becomes disqualified following purchase or acquisition of title to a Condominium, or (iii) ceases to permanently occupy his Condominium as his principal residence, the Owner shall be deemed to have made an irrevocable Offer as of the date of disqualification or cessation of permanent occupancy to sell his Condominium to Declarant or Association pursuant to the provisions of Section 1(b) of Article XIV.

Section 1.4 Possession, Occupancy and Use. No person shall be deemed to possess, occupy or use a Condominium for purposes of this Article if he does not reside in the Condominium or otherwise physically occupy or use it from time to time. A qualified Owner's failure to occupy his Condominium as a principal residence shall be deemed an event of disqualification, unless he has subleased the Condominium pursuant to a sublease approved in writing by Declarant.

2. TRANSFER RESTRICTIONS.

Section 2.1 Limitations on Transfer. Transfer and/or acquisition of leasehold and fee interests in all of the Condominiums shall be subject to the following limitations, restrictions and obligations:

(a) Transfer Upon Bona Fide Offer from Third Party. In the event an Owner shall wish to sell and assign his interest in a Condominium and shall have received a bona fide offer consistent with the terms of subsection (c) hereof from a prospective qualified purchaser, Owner shall give both Declarant and the Association written notice of such bona fide offer, together with an executed copy of such bona fide offer. Such documents must be accompanied by written documents reasonably satisfactory to Declarant and the Association showing that the prospective purchaser is a qualified person under Article XIII. Any such notice given by the Owner shall constitute an irrevocable Offer to the Declarant and to the Association to sell Owner's Condominium to the accepting party on the terms set forth in subsection (c) hereof.

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(1) Acceptance by Declarant or Association. Declarant shall have the right to purchase the Condominium by giving a written acceptance notice to Owner, with a copy to the Association, within ten (10) business days after Declarant's actual receipt of a complete copy of such bona fide offer and documents. If within such ten (10) day period Declarant fails to give such acceptance notice to Owner and the Association, then the Association shall have the right to purchase the Condominium by giving a written acceptance notice to Owner with a copy to Declarant, within fifteen (15) business days after the Association's actual receipt of a complete copy of such bona fide offer and documents. Any such acceptance notice given by Declarant or Association shall constitute a binding acceptance of Owner's irrevocable Offer to sell on the terms set forth in subsection (c) hereof.

(2) Right of First Refusal by Qualified Persons. In the event neither Declarant nor Association accept an irrevocable Offer made by an Owner pursuant to this Section 1 within the time allowed, all qualified persons shall have the right of refusal to purchase a selling Owner's Condominium in the order of their priority as determined in the sole discretion of Declarant on the terms set forth in subsection (c) hereof; provided, however, that such right of refusal shall not preempt or otherwise limit the right of Declarant or Association to purchase as described hereinabove. Declarant shall establish and publish appropriate rules for timely exercise of such rights of refusal.

(3) Purchase by Qualified Person. In the event that neither Declarant nor Association accept an irrevocable Offer made by an Owner pursuant to this Section 1 within the time allowed, and that none of the qualified persons who have priority over the prospective qualified purchaser exercise their right of refusal to purchase the Condominium, Owner may sell his Condominium to such prospective qualified purchaser upon the terms set forth in subsection (c) hereof. The failure of Declarant and Association to accept such irrevocable Offer and the subsequent sale of such Condominium to such qualified purchaser shall not constitute a waiver of the restrictions set forth in Article XIII, and the use, possession and occupancy of such sold Condominium shall continue to be subject to, among other things, the provisions of said Article XIII, and all other provisions of this Declaration. The failure of or refusal by the Declarant or Association to exercise the rights given by this subsection with respect to one bona fide offer shall not constitute or be deemed to be a waiver of such rights in the event of any subsequent bona fide offer.

(b) Transfer Upon Offer to Declarant or Association. In the event an Owner desires or is required under Article XIII or this Article XIV to sell and assign his Condominium but such Owner does not have a bona fide offer to submit in accordance with the procedures set forth in Section 1(a) above, then such Owner shall make or shall be deemed to have made, as the case may be, an irrevocable Offer to Declarant and to Association to sell Owner's Condominium to the accepting party on the terms set forth in subsection (c) hereof.

(1) Acceptance by Declarant/Association. Declarant shall have the right to purchase the Condominium by giving an acceptance notice to Owner, with a copy to the Association within ten (10) business days after Declarant's receipt of Owner's written irrevocable Offer or within ten (10) business days after the Offer is deemed to have been made, as the case may be. If within such ten (10) business day period the Declarant fails to

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give such acceptance notice to Owner and the Association, then the Association shall have the right to purchase the Condominium by giving an acceptance notice to Owner within fifteen (15) business days after the Association's receipt of Owner's irrevocable Offer or within fifteen (15) business days after the Offer is deemed to have been made, as the case may be. Any such acceptance notice given by Declarant or Association shall constitute a binding acceptance of Owner's irrevocable Offer on the terms set forth in Section 1(c) hereof. In the event neither Declarant nor the Association timely accept an Offer required or deemed to have been made by an Owner as a result of an event of disqualification, the event of disqualification may be temporarily waived in writing by Declarant, and Owner shall not be required to sell and assign his Condominium until such temporary waiver is revoked in writing by Declarant or a subsequent event of disqualification occurs. Declarant may revoke such temporary waiver of a disqualified Owner at any time whether or not an additional event of disqualification has occurred. Upon a subsequent event of disqualification, or if Declarant revokes such temporary waiver, the disqualified Owner shall be subject to, and must follow the procedures set forth Article XIII and this Article XIV pertaining to the sale of Condominiums by disqualified or unqualified Owners.

The failure of or refusal by the Declarant or Association to exercise the rights given by this Section 1(b) with respect to one such irrevocable Offer shall not constitute or be deemed to be a waiver of such rights under Section 1 of this Article XIV in the event of any subsequent irrevocable Offer.

(c) Terms of Transfer. If an Offer made pursuant to subsection (a) or (b) of this Section 1 is accepted, the terms of purchase and sale to Association or Declarant or any other purchaser permitted herein, as the case may be, shall be as follows: The purchase price shall be the value of the Condominium as determined under Section 3 of this Article XIV (the "Section 3 Price"). If sale is to the Association or Declarant, the closing of any such sale shall occur not less than 30 days nor more than 90 days from date of acceptance of Owner's Offer or as mutually agreed. Proceeds of the purchase price due to Owner shall be applied as follows:

(1) Prorated assessments to date of closing, shall be paid from the Owner and purchaser proceeds. All delinquent assessments, late fees and penalties assessed by the Association against the Owner shall be paid to the Association from the Owner proceeds prior to the closing.

(2) Amounts due to Owner's Mortgagees as their interests may appear, or by assumption of the mortgage(s), as desired and arranged by the Purchaser and as agreed to by the Mortgagee.

(3) Amounts due to Owner's lien holders as their interests may appear.

(4) Closing costs customarily charged to sellers including by way of example but not limitation, title insurance premiums, documentary transfer tax, association transfer fees, and escrow fees unless mutually agreed otherwise in writing.

(5) A reasonable repair and cleaning allowance (the "Repair Allowance") shall be withheld by Declarant in order to ensure that the Unit and its component parts conform to a "high standard of habitability and maintenance" if the repairs and cleaning are to be performed by Declarant after the close of

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escrow. Declarant is authorized to use any such funds withheld to ensure that the Unit and component parts conform to such standard, and to pay itself a surcharge not to exceed twenty-five percent (25%) of the total costs incurred to bring the Unit to such standard if Declarant arranges, administrates and/or oversees the work ("Repair Surcharge"). Declarant may from time to time publish written procedures and guidelines for implementation and enforcement of the Owner's obligation to maintain the Condominium in a "high standard of habitability and maintenance" throughout his ownership of the Condominium and to deliver the Condominium at the time of sale in a condition that meets such standard. When applying this standard, the age of the Unit and its component parts shall be taken into consideration. Such written procedures and guidelines shall include the following: (i) an obligation on the part of the Declarant and Owner to inspect the Unit (such inspection to be conducted jointly, if possible) prior to closing escrow to determine the need for repairs and cleaning for purposes of giving the seller an opportunity to do any required cleaning or repairs; (ii) a final inspection to determine that the Unit conforms to the "high standard of habitability and maintenance;" (iii) a provision that Declarant return to seller within a reasonable time any portion of the Repair Allowance withheld that exceeds the amount necessary to bring the Unit within conformance with the foregoing standard, plus the Repair Surcharge. The foregoing policy and Repair Allowance provisions shall not preclude the Declarant from pursuing any remedy under law to recover damages that exceed the amount withheld. Any defects documented at or prior to purchase of a Unit will not be required to be repaired by the subsequent Owner, unless the parties to the transaction agree otherwise in writing. All Owners shall have thirty (30) days from the close of escrow for their purchase of a Condominium to submit a list to Declarant of all verifiable defects existing at the time of their purchases, subject to approval of Declarant.

(6) Remainder to Owner.

Real property taxes and assessments are to be prorated to the date of the closing. The purchase, possession, occupancy and use of the Condominium shall be subject to all the terms and conditions herein.

Section 2.2 Exceptions to Limitations on Transfer. Except as provided below in subparagraphs 2(a) and (b), the provisions of Section 1(a) and (b) of this Article XIV shall not apply to a bank, insurance company, savings and loan association, credit union, pension trust, mortgage banker or other bona fide lender, mortgage insurer, or any guarantor or assignee of any of the foregoing (including Declarant), at the time it acquires its title to a Condominium in the Project as the result of owning a mortgage upon the Condominium Unit concerned, and this shall be so whether the title is acquired by deed from the mortgagor (or by his successor in title) or through foreclosure proceedings. The provisions of Section 1(a) and (b) of this Article XIV above shall also not apply, except as provided below in Section 2(a) and (b), to a purchaser (the "Foreclosure Sale Purchaser") when such purchaser acquires title to a Condominium at a duly advertised public sale with open bidding which is provided by law, such as, but not limited to, execution sale, foreclosure sale, judicial sale or tax sale (the "Public Sale"). However, all provisions of the Governing Documents, including but not limited to Section 1(a) and (b) of this Article XIV shall apply to a subsequent sale or transfer by the Foreclosure Sale Purchaser or by a bank, insurance company, savings and loan association, credit union, pension trust, mortgage banker or other lender, or mortgage insurer or any guarantor or assignee of the foregoing, which acquires title as provided above. Any

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Owner who obtains title to a Condominium, including a Foreclosure Sale Purchaser and/or any of its assignees or transferees, who is not a qualified Owner under Article XIII of this Declaration shall be subject to all of the provisions set forth in the Governing Documents, including, but not limited to, all provisions set forth in Articles XIII and XIV, relating to limitations and restrictions on ownership, transfer, pricing and resale of the Condominiums. Among other things, such unqualified Owner shall be obligated to sell the Condominium to a qualified Owner, the Declarant or the Association within one hundred and twenty (120) days of taking title to the Condominium pursuant to the provisions of Section 1(a) and (b) above at the indexed price set forth in Section 3 of this Article XIV.

(a) Public Sale. In addition, prior to any Public Sale of a Condominium, Declarant shall provide to the party conducting the Public Sale a written statement, upon which the party conducting the Public Sale shall be entitled to rely without further investigation, containing the value of the Condominium being sold at the Public Sale, as determined pursuant to Section 3 of this Article XIV (defined herein as the "Section 3 Price") and the purchase priority of all qualified persons listed with Declarant pursuant to procedures to be established from time to time by Declarant in its sole discretion.

If, and when, the bidding at the Public Sale reaches the Section 3 Price, the party conducting the Public Sale shall sell the Condominium to the highest priority qualified person shown on the above-described written statement of the Declarant who shall bid the Section 3 Price; provided, however, that if the Section 3 Price is less than the maximum amount which the foreclosing lender would be entitled to bid as a credit bid at the Public Sale ("maximum credit bid"), the bidding shall continue as long as bidding continues up to and until the maximum credit bid is reached, at which point the highest priority qualified bidder, as described above, if any, shall be entitled to purchase the Condominium. If no qualified person bids the Section 3 Price, or the maximum credit bid, as described above, the Condominium shall be sold to the first unqualified person who bids the Section 3 Price, or if greater than the Section 3 price, the maximum credit bid; provided, however, that such purchaser shall acquire title to said Condominium subject to all of the Protective Covenants contained in this Declaration, including, but not limited to the restrictions and limitations on ownership and transfer of such Condominium set forth in Articles XIII and XIV herein, and shall be required to sell the Condominium to a qualified Owner, Association or Declarant within one hundred and twenty (120) days of obtaining title, pursuant to subparagraphs 1(a) and 1(b) of Article XIV and as provided in Section 3 of Article XIII. In the event the bidding does not reach the Section 3 Price, but one or more qualified persons and an unqualified person bid the same highest amount then the party conducting the Public Sale shall deliver the property to the qualified person having the highest purchase priority.

(b) Certification of Compliance. Upon written request of any prospective transferor, purchaser, tenant or an existing or prospective mortgagee, transferee, or beneficiary of any Condominium, the Association and Declarant shall within fifteen (15) days thereof issue a written and acknowledged certificate in recordable form, evidencing, if such be the case:

(1) With respect to the proposed sale under this Article, that proper Offer was made by the selling Owner and that the Association and Declarant did not elect to exercise their right to purchase;

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(2) With respect to a transfer to a beneficiary, that proper notice was given by the beneficiary after his acquisition of title, and that the Association and Declarant did not elect to exercise their right to purchase; or

(3) That a deed in lieu of foreclosure was in fact given in lieu of foreclosure.

Section 2.3 Indexed Valuation of Condominium. The value of the Condominium shall be limited to the lesser of:

- (a) Actual market value; or
- (b) A value according to the following formula:

Base Price x Sales Index/Purchase Index = Adjusted Base Price (provided, however, that the Adjusted Base Price shall not exceed the Base Price by an amount that is more than six percent (6%) per annum, compounded annually, applicable to the period that begins when the Base Price is calculated and ends when the sales agreement is fully executed for the sale of the Condominium Unit from the faculty/staff member, as seller, to Pepperdine University, as buyer. For any period less than a full year, Pepperdine will prorate the rate of return monthly to the nearest full month prior to the date when the sales agreement is fully executed.

Adjusted Base Price + Approved Capital Improvements = Sales Price ("value of the Condominium")

(1) Definition of Base Price. The "Base Price" shall be the purchase price less amounts included in the purchase price that represent Approved Capital Improvements and Upgrades (as defined below).

(2) Definition of Sales Index. The Sales Index shall be the Price Adjustment Index (as defined below) calculated using the price data most recently received by Declarant as of the date the sales agreement is fully executed.

(3) Definition of Purchase Index. The Purchase Index shall be the Price Adjustment Index (as defined below) calculated using the price data most recently received by Declarant as of the date the purchase agreement is fully executed.

(4) Definition of Price Adjustment. The Price Adjustment Index shall be equal to the equally weighted (i.e., mean) average of (a) the "Housing Price Index," which, except as provided in clause (ii) below, is defined as the four-year rolling average of the combined mean average of the Median Sales Prices of Existing Homes in both the "Los Angeles Area" and the "Ventura Area" as published monthly by the Planning, Research and Economics Division of the California Association of Realtors (the "Median Sales Prices"); and (b) the four-year rolling average of the Faculty Salary Index for four-year private universities and colleges as published annually in the March edition of the Bulletin of the American Association of University Professors (the "Faculty Salary Index"). The Faculty Salary Index shall be converted by Declarant to a monthly index in order to average it on a comparable basis with the Housing Price Index.

In the event the California Association of Realtors fails to publish the Median Sales Prices for a particular month or consecutive months, the missing price(s) will be determined by prorating on a straight-line basis the difference between the

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price immediately prior to the missing price(s) and the price immediately following the missing price(s).

In the event that either of the indices used to calculate the Price Adjustment Index is hereafter discontinued, ceases to be published regularly, is materially modified or otherwise in the judgment of Declarant becomes inappropriate for the purpose stated herein, Declarant shall from time to time select another comparable regularly published index or indices or other statistical indicator that will serve to fulfill the below stated intent.

(5) Definition of Approved Capital Improvements and Upgrades. The term Approved Capital Improvements and Upgrades shall mean and refer to the aggregate of the depreciated value of each capital improvement made by the Owner that Declarant approved in writing as an Approved Capital Improvement or Upgrade, not to exceed ten percent (10%) of the sale price of the Unit. Declarant, in its sole discretion, shall determine whether or not an improvement qualifies as a capital improvement and shall also determine its depreciable life. All depreciation shall be calculated on a straight-line basis. Such improvements and upgrades shall not be considered "approved" unless Declarant in its sole discretion determines in writing that the proposed capital improvement or upgrade enhances the marketability of the Unit and qualifies for credit under the Capital Improvement and Upgrade schedule established and maintained by Declarant. The Capital Improvement and Upgrade schedule shall set limits and controls as to the type, timing and availability of Capital Improvements and Upgrades credits available for each Condominium Unit for purposes of maintaining affordability of the Units. Declarant may modify such schedule from time to time in its sole discretion. An Owner or prospective purchaser of a Unit may obtain a copy of the schedule from Declarant upon written request. In addition to all other approval requirements contained in the Declaration, for the purpose of determining whether an improvement or upgrade shall be an Approved Capital Improvement or Upgrade (for inclusion in the value of the Condominium), each capital improvement or upgrade intended to be made by an Owner must be approved in writing by the Declarant prior to the commencement of construction or installation of such Approved Capital Improvement or Upgrade upon not less than thirty (30) days advance notice to the Declarant.

Section 2.4 Pricing Adjustments By The Declarant. Declarant shall be permitted to adjust the price of any Unit it owns, to its detriment or benefit, for the purposes of aligning the Base Prices and current value of Approved Capital Improvements and Upgrades on similar Units and/or generally reducing the prices of the Units to make them more affordable.

Section 2.5 Intent. It is the purpose of this resale price restriction and the selection of the above designated Price Adjustment Index to allow the initial and subsequent Owners of the Condominiums in the Project to maintain relative parity as to changes in the value of their Condominiums with housing of similar type in geographically and demographically similar residential real estate markets and yet to retain resale prices, if possible, in a range of affordability for members of the Pepperdine University community. In no event shall a purchaser pay any money, transfer any asset, or provide any service to a seller that is not fairly valued, paid through escrow, and considered part of the value of the Condominium as set forth in this Article XIV.

Section 2.6 Subleasing of Units. Since it is the primary purpose of these Restrictions to establish a residential community occupied by

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certain eligible faculty members, administrators, staff members and employees of Pepperdine University whose primary residence is the Condominium Unit, subleasing the Condominium Unit is permitted only with the prior written approval of Declarant; provided, however, that the provisions of this Section VI of Article XIV shall not apply to Declarant's leasing or rental of either of the Drescher Units, so long as Declarant owns such Units.

(a) Circumstances and Conditions of Permitted Subleases. Subleases of Condominiums may be permitted by Declarant in its discretion reasonably exercised subject to the following circumstances and conditions:

(1) A Condominium may be subleased by a qualified Owner to a qualified person(s) for a maximum of one year (including extensions and any successive subleases) from the date of leave of absence or the date temporary duty at another location begins, or in any other circumstances, from the date in which said Owner ceases to occupy the Condominium as his principal place of residence.

(2) A Condominium may be subleased by a qualified Owner to a qualified person(s) for an initial and successive terms not to exceed one year each (including options to extend) who is/are required in their present positions (at the time of sublease or extension) to reside in Pepperdine University provided housing.

(3) A Condominium may be subleased by a qualified Owner to a qualified person(s) on a month-to-month basis during any period from the time the Condominium is initially offered to the Association or Declarant for purchase until the close of escrow on a sale to the Association or Declarant.

(4) A Condominium may be subleased by a qualified Owner to a qualified person(s) on terms different from those provided in (1), (2), and (3) above with the prior written consent of Declarant.

(5) A Condominium may be subleased for a period of one year or less by a qualified Owner to a person who otherwise would not be a qualified person only with the prior written consent of Declarant which said consent shall be subject to the provisions of Section 6(b) below.

(6) Declarant may sublease one or more units to full-time students at Pepperdine University.

(b) Consent of Declarant. In giving or withholding its consent to any sublease, Declarant's decision shall give due consideration to the policies reflected in the restrictions set forth in Article XIII hereof. Declarant shall not approve a sublease by a qualified Owner to an unqualified person unless: (i) the Owner satisfies the Declarant that the Owner's absence from the Project is not contemplated to be longer than one (1) year; (ii) the Owner provides satisfactory proof to Declarant that after reasonable notice no qualified person is available who is willing to sublease the Condominium for the same length of time; and (iii) the unqualified person who is the proposed sublessee is a student, employee, faculty or staff member of Pepperdine University. Nothing herein shall be construed to prevent Declarant from imposing different or additional requirements or prohibitions with respect to subleasing or subletting, or assignment or sale or other transfer of Owner's possession of occupancy or use of a Condominium. Any leases or subleases in violation of these provisions shall be null and void.

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(c) Sublease Profit Restriction. In no event shall the monthly rental under any sublease provided for in Subparagraphs (a)(1) through (6) of Section 6 above exceed one percent (1%) of the Section 3 Price of the Unit being subleased at anytime during the sublease period, including extensions. Any rent received under any sublease referred to hereinabove in excess of said one percent (1%) of such value shall be paid forthwith to Declarant.

(d) Submission of Sublease Documentation to Declarant. In the event any qualified Owner wishes to sublease his Condominium to a qualified person pursuant to Subparagraphs (a)(1) through (4) immediately above, the Owner shall first provide to Declarant proof reasonably satisfactory to them that the proposed sublessee is a qualified person under Article XIII. To be binding, leases for periods during which the qualified Owner is absent must be submitted to Declarant for approval in accordance with all the provisions of the restrictions set forth herein. The consent or denial of approval of such leases shall be granted or denied by Declarant within two weeks of receipt.

Section 2.7 Prohibited Transfers. In the event any Owner shall attempt to sell or assign or otherwise transfer, to any person other than a beneficiary, the Owner's Condominium without making the Offers described in Subparagraphs 1(a) and (b) of this Article XIV, and otherwise following the procedures set forth in this Article XIV, such attempted or purported sale, assignment or transfer shall be wholly null and void and shall confer no title or interest whatsoever upon the intended purchaser or transferee. In the event any Owner shall attempt to sublease or otherwise transfer a portion of his interest in or right to possession of his Condominium without following the appropriate procedure set forth herein, such sublease or other transfer of estate and right to possession shall be wholly null and void and shall confer no title or interest or right of possession or occupancy whatsoever upon the intended sublessee or transferee.

3. MISCELLANEOUS.

- (a) Time is of the essence in this Addendum.
- (b) Various capitalized terms used in this Addendum are defined in the Agreement and shall have the same meaning as set forth therein, unless otherwise indicated herein.
- (c) All Buyers must execute this Addendum to be binding.
- (d) Buyer and Seller each agree to hold Escrow Holder harmless from any claim, liability or obligation arising out of this Addendum.
- (e) In the event of any conflict between the Eligibility Restriction Requirements and Limitations on Transfer set forth in this Addendum "F" and those set forth in Articles XIII and XIV of the CC&Rs, the provisions of the CC&Rs shall control.

Signatures to follow

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IN WITNESS WHEREOF, the parties have executed this Addendum and make it effective as of the date of Seller's acceptance indicated below.

"SELLER"

"BUYER"

**PEPPERDINE UNIVERSITY, a California
nonprofit corporation**

By: _____

Senior Vice President and
Chief Investment Officer

(Signature)

(Print Name)

By: _____

Executive Director of Real Estate

(Signature)

(Print Name)

Seller's Acceptance

Date: _____, 20 _____

Date: _____, 20 _____