

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.

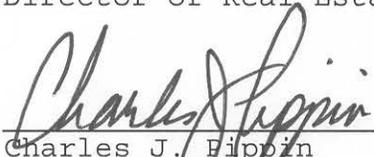
[Signature Page To Follow]

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

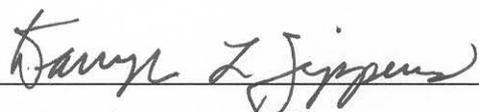
By: 
Its: Secretary / Treasurer

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