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INTRODUCTION TO THE PROJECT DOCUMENTS FOR
CAMPUS VIEW II CONDOMINIUMS

The following is a summary of some of the provisions of the Project Documents for the Campus View II condominiums ("the Project") faculty/staff housing project located on the Malibu campus of Pepperdine University. The term "Project Documents" includes the (i) Declaration of Covenants, Conditions and Restrictions and Reservation of Easements (the "CC&Rs") for the Project; (ii) By-laws; (iii) Articles of Incorporation; (iv) Rules and Regulations, Architectural Guidelines and Maintenance Guidelines approved for the Project; (v) Association Ground Lease; (vi) recorded Tract Map for the Project (and modifications and adjustments thereto); and (vii) Condominium Plan recorded for the Project. The Project Documents contain, among other things, information regarding the legal status of the Project, limitations on ownership and transfer of the Condominium Units, and restrictions regarding use of the Condominium Units and Association Property located in the Project. The California Coastal Commission and the County of Los Angeles have also imposed certain restrictions on the ownership and sale of each Condominium Unit. Such restrictions are reflected in the CC&Rs and Ground Lease. Capitalized terms that are not defined herein are defined in the CC&Rs and have the same meaning as given in the CC&Rs.

This introduction is intended only as a tool to give you a general idea of the structure of the Project. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF THE PROJECT DOCUMENTS. THEREFORE, ANYTHING CONTAINED IN THE PROJECT DOCUMENTS WILL BE CONTROLLING OVER ANY REPRESENTATIONS CONTAINED HEREIN. ANYONE WISHING TO BUY A CONDOMINIUM UNIT SHOULD CAREFULLY READ ALL OF THE PROJECT DOCUMENTS.

1. Ownership. The Project consists of 56 separate Condominium Units plus the Association Property. The Association Property is leased to the Association and shall include open space landscaped areas, some parking, perimeter walls, fences, roads, walkways, pool and spa, recreational facilities and the structural portions of the buildings within which the Condominium Units are located. The Condominium Units themselves consist of the interior living space within the condominium building as described on a recorded condominium plan. Certain portions of the Project (e.g., balconies, porches, patios, etc.) may be part of the Association Property, but are designated for the exclusive use of an Owner.

Each Owner receives a fee interest in his/her specific Condominium Unit and an undivided fractional fee interest in the Common Area (defined and depicted in the Condominium Plan) both of which will terminate and revert back to the University upon the occurrence of

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certain events, including but not limited to termination of the Association Ground Lease. The Association Ground Lease terminates on June 30, 2102. The University owns the Association Property, but the Owners have a right to use the Association Property as members of the Association.

2. Qualified Owners. The University determines the qualifications for ownership and use of the Condominium Units, and, with limited exceptions provided in the CC&Rs and/or Association Ground Lease, ownership by persons who are not current or retired University employees meeting specific qualifications is effectively prohibited. Therefore, sales and resales of the Condominium Units are limited to only eligible members of the University community.

The primary purpose of the Project is to enhance the value-centered goals of the University through the encouragement of non-classroom contact among members of the University community. Therefore, the University will maintain priorities among various categories of faculty and staff, and will prioritized among applicants based on recruiting needs, perceived contribution to the purposes of the Project, and other criteria in the University's discretion. Employees interested in being considered for a Condominium Unit should submit a letter of interest to the Provost's office. Persons with highest priority will be given first opportunity to purchase the Condominium Units, both on initial sale and upon resale.

3. Restrictions Upon Financing. The University has established certain restrictions upon an Owner's ability to obtain financing to be secured by the Owner's interest in his/her Condominium Unit. This includes without limitation purchase money financing, refinancing and home equity financing. The University has established the Pepperdine University Home Loan Program ("PUHLP") under which a University designated institutional lender (currently Bank of America) (the "Authorized Lender") offers several different financing programs for prospective purchasers and Owners of on campus housing. The terms and conditions of available financing under the PUHLP are subject to change from time to time. The University does not intend to permit any outside financing to be secured by an Owner's interest in his/her Condominium Unit other than as may be approved by the University under its PUHLP. In the event that an Owner of a Campus View II condominium obtains outside financing secured by all or a portion of the Owner's interest in his/her Condominium Unit from any source other than the PUHLP, such act shall be deemed a material default of the Purchase Agreement, as well as a violation of the CC&Rs, and shall constitute an irrevocable offer to sell the Condominium Unit to the University pursuant to applicable provisions in the CC&Rs.

As an incentive for the Authorized Lender to participate in the PUHLP, the University has agreed to provide to its Authorized Lender additional security for each Owner's financing in the form of a Stand

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By Letter of Credit or a guarantee to be exercised by the Authorized Lender in the event of a default by an Owner under his/her First Installment Note and Deed of Trust. In the event of an Owner's default, the First Installment Note and First Deed of Trust will be assigned by the Authorized Lender to the University and the University will be entitled to legally enforce said instruments. The University, at its sole option, may modify or substitute new or additional security to its Authorized Lender at any time so long as the modified or substituted security shall not adversely affect in any way an Owner's right, title, or interest in or to his/her Condominium Unit or his/her use or enjoyment thereof, and shall not adversely affect the priority of the First Deed of Trust. Each Owner agrees to execute any and all instruments necessary to accomplish any such permitted modification or substitution at no cost to such Owner. Additionally, no modification or substitution shall limit or otherwise adversely affect the rights of any Owner under the Installment Notes and Deeds of Trust.

4. Restrictions Upon Occupancy, Possession and Use. With limited exceptions provided in the CC&Rs and/or Association Ground Lease, no person may occupy a Condominium Unit unless he or she is (i) a qualified person under University policy, (ii) a person living with such qualified person and who is related by blood, marriage, guardianship, etc., or a full-time Pepperdine student, or a full-time employee of the University, (iii) certain surviving spouses of qualified persons, or (iv) certain retired faculty and staff who have been given the contractual right to retire in his/her Condominium Unit upon satisfaction of certain conditions as set forth in their Purchase Agreement for the Condominium Unit and in the CC&Rs.

5. Subsequent Disqualification. Any Owner who becomes disqualified (e.g., leaves the employ of the University) must notify the Campus View II Maintenance Corporation (the "Association") and the University (Vice Chancellor's Office) promptly and within a specified period must either sell his/her Condominium Unit to another qualified person (subject to the right of first refusal of the University and Association) or to the University or Association. If title to a Condominium Unit is transferred by gift or death or to a spouse in a marital settlement proceeding, the transferee must provide evidence to the University and Association that the transferee is a qualified person. If the transferee is not a qualified person, the transferee must sell the Condominium Unit as provided above.

6. Right of First Refusal. If an Owner desires to sell his/her Condominium Unit and has received a bona fide purchase offer from a qualified buyer with the highest priority, he must so notify both the University and Association. The University has the right to accept the offer within 10 business days. If the University does not accept the offer, then the Association has the right to accept the offer within 5 business days thereafter. If neither the University nor the Association accepts the offer within the time allowed, the Owner may

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sell his/her Condominium Unit to the prospective qualified purchaser at the indexed price described below.

7. Restrictions Upon Resale. The Condominium Units may be sold by an Owner only to the University, the Association, or a qualified person as defined by University policy, unless no such qualified party is willing to purchase at the price determined by the CC&Rs and/or Ground Lease. All successive owners are subject to the same restrictions on use, possession, and resale. The price upon resale is limited to the lower of the fair market value or an amount determined by reference to the initial base purchase price increased by an index (a four-year moving average of median single family dwelling prices in Ventura and Los Angeles Counties as published by the California Association of Realtors, weighted at 50%, and a four year moving average of a certain faculty salary index for four-year private institutions of higher learning nationwide as published by American Association of University Professors, weighted at 50%, but the total index not to exceed a cumulative, compounded average of 6% per year), plus any upgrade or capital improvement credits given, less depreciation (subject to a 10% cap on the resale price as determined by the University in its sole discretion). This pricing index is subject to change from time to time in the University's discretion to maintain affordability of the Condominium Units. The purpose of these price restrictions is to give the Owners benefit of some equity appreciation, while attempting to maintain the prices at levels affordable by employees of the University. **There is no guarantee, however, that any Owner will obtain the benefit of equity appreciation or that the Owner is protected from loss of equity value. Whether an Owner obtains the benefit of equity appreciation or experiences a loss of equity value depends upon a combination of factors including the timing of the Owner's resale of his/her Condominium Unit and market conditions (for both real estate and faculty salaries) existing at the time of resale.**

8. Sublease, Residential Use. Under limited circumstances, an Owner may sublet a Condominium Unit to a qualified person, or if prior written consents of the University and the Board are obtained, to a person who would not otherwise be qualified. Such subletting is permitted under certain limited circumstances (e.g., the Owner is on temporary leave of absence from the University for a period up to a maximum of one year). In the case of an Owner who is required as part of his/her job to reside in University-provided housing, such term may be extended for successive terms not to exceed one year each. Rent from subletting in excess of a specified amount must be paid to the University. In the event a qualified purchaser cannot be found for one or more Condominium Units, the University may lease such Condominium Units to full-time students. The University has designated two Condominium Units in the Project for permanent ownership by the University that are commonly referred to as the "Drescher Units." It is the intent of the University to allow the Drescher Units to be used for temporary and/or long term lodging/rental/lease purposes by persons

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who may not otherwise be qualified to own a Condominium Unit at the Project; provided, however, that such use shall otherwise at all times comply with the remaining provisions of the Project Documents.

Except for such permitted subleasing, the Condominium Unit must be used for residential purposes by the Owner as his/her principal residence with only very limited business activities compatible with a residential use.

9. Upgrades and Capital Improvements. Certain upgrade and capital improvement credits will be made available to the Owners pursuant to an upgrade and capital improvement policy established by the University in its sole and absolute discretion, including changes thereto and improvements thereof. The maximum credit allowed (after depreciation has been applied) is 10% of the resale price of the Condominium Unit. While one of the purposes of the policies is to encourage upkeep and upgrading of the Condominium Units, the University must, on the other hand, apply limits to the amount and type of credits to be given in order to maintain affordability of the Condominium Units. **Therefore, credits will not necessarily be given for every capital improvement or upgrade made by an Owner.** Additionally, each approved upgrade and capital improvement will be assigned a standard depreciation schedule that does not necessarily apply 100% credit for the purchase price or cost of the upgrade or capital improvement. No credit will be given for the value of any labor or time expended by an Owner associated with installing, building or making an upgrade or capital improvement. The new policy guidelines are designed to more accurately reflect the value that an Owner would receive upon resale of his/her Condominium Unit if the Owner made the same upgrade or capital improvement to a home that was to be sold on the open market, subject to standard depreciation. All upgrades and capital improvements must be pre-approved in writing by the University. The upgrade and capital improvement policy and guidelines may be changed from time to time by the University. **No credit will be given to any upgrade or capital improvement made without the prior written approval of the University. Additionally, no credit will be given to any upgrade or capital improvement paid for with insurance proceeds.**

10. Maintenance. Each Owner is obligated to maintain the interior of his/her Condominium Unit, as well as the second story balcony decks and other Exclusive Use Association Property areas, according to a "high standard of habitability and maintenance," as set forth in the CC&Rs or as provided by the University. Periodic resurfacing of the balcony decks will be paid for by the Association, but only if the Owner has otherwise maintained the balcony deck according to this standard. Otherwise, the Owner will be responsible to pay for resurfacing of the balcony deck and all other repair costs incurred to bring the balcony deck to this standard. The University will publish written procedures and guidelines for implementation and enforcement of the Owner's obligation to maintain their Condominium Unit and Exclusive Use

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Association Property areas according to a high standard of habitability and maintenance. The indexed resale price applied to each resale of a Condominium Unit assumes that the Condominium Unit being sold meets the foregoing standard of maintenance. **If, upon resale, an Owner's Condominium Unit does not meet this standard, the University may withhold an allowance from proceeds otherwise due to the Owner at the close of escrow, for purpose of bringing the Condominium Unit to a condition that meets this standard, all as more fully set forth in Article XIV of the CC&Rs.**

11. Homeowner Association. Each qualified owner is a Member of the Campus View II Maintenance Corporation ("Association"). The Association operates, manages and controls the Project on behalf of the Owners according to the Project Documents. Each qualified Owner/Member is entitled to one vote for each Condominium Unit owned (i.e., one vote per Condominium Unit regardless of the number of qualified Owners who own the Condominium Unit) on all matters submitted to the vote of the Association's membership. Subject to the initial appointment of the Association's Board members, the Board of Directors (the "Board") shall be perpetually composed of 4 homeowner members and one University representative. With the exception of the University representative Board member, all other Board members will be elected by the Members. The Board will operate the Association on a day-to-day basis. Except in a limited number of situations where a vote of the Membership is required, the Board will act on behalf of the Association and the Owners in all matters.

12. Duties of the Association. The Association acting through its elected Board or by direct vote of its Members has the following primary duties and obligations:

(a) Maintenance. Each Owner will be responsible for maintaining and repairing his/her Condominium Unit, storage area, balcony deck, patio and all equipment/wiring/utility lines that service solely the Owner's Condominium Unit (except as provided in the CC&Rs, an Owner is responsible for only the daily routine maintenance of the patio and balcony deck areas). The Association is responsible to maintain and repair all other portions of the Association Property, except the roads, street lights, and irrigation lines that are maintained by the University. Enforcement of the use restrictions and the operation, control and protection of the Association Property, including the balcony decks, patios and other Exclusive Use Association Property, is vested in the Association. Prior written approval of both the Association and the University must be obtained for any alteration to or construction in the Association Property, including all Exclusive Use Association Property Areas. The Association may enter any part of the Project and may do any acts required to perform necessary maintenance and repair, or to enforce the CC&Rs and/or Rules and Regulations, or to perform obligations of the

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Owners under the Project Documents if the Owners do not perform them within a reasonable time after written notice, or to perform any of the Association's other duties. If the Association or any Owner fails to perform their respective maintenance responsibilities or otherwise breaches the CC&Rs, the University may perform the necessary work at the expense of the Owner and/or the Association, entering any part of the Project in order to do so.

The Association also pays for all services provided to the Project to the extent such services are not separately charged to individual Condominium Units, including, but not limited to, utilities, sanitation services, security, landscaping, etc. The University also provides reclaimed water irrigation for the Project. Due to regulatory requirements, maintenance and replacement of the irrigation lines is subject to the strict control of the University. No Owner should tamper with the irrigation lines servicing the Project at any time, but should instead contact the appropriate University personnel for any repairs or modifications needed.

Subject to approval of the Board, the Association and the University may enter into a maintenance contract whereby the University, for an agreed fee, provides maintenance for all or a portion of the Association Property.

(b) Insurance. The Association is responsible for obtaining public liability insurance and property damage, earthquake, fire and extended coverage insurance covering the Project, including each Condominium Unit. Owners are responsible for obtaining their own personal property insurance, condominium dwellers insurance (including coverage for upgrades and capital improvements that may not be covered by the Association's policies of insurance), and such liability coverage not provided by the Association. The insurance carrier of the Association may change from time to time.

(c) Rules. The Board, acting on behalf of the Association, may enact rules necessary or desirable to preserve the benefits of the Project, including rules governing the use of the Association Property (inclusive of Exclusive Use Association Property areas), and the charging of fees for the use of the Association Property (to the extent that the Association Property is made available on a temporary basis for the exclusive use of one or more Owners for a private function, subject in all cases to the rights of other Owners to use the Association Property on a reasonable basis). Such rules may govern without limitation the use, appearance, repair and maintenance of the Condominium Units, balcony decks, patios and the presence, prohibition, or control of animals, radios, televisions, musical instruments or other matters affecting the quality of the living environment. Rules or

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regulations approved by the Board must be consistent with all applicable provisions of the CC&Rs, Bylaws, and policies adopted by the University related to the same subject. The Board is also empowered to enforce such rules and regulations and to take such actions as are reasonably necessary to correct infractions, including the levying of assessments, late fees and penalties, after giving the Owner an opportunity to be heard.

(d) Manager. The Association, through its Board, may employ the services of a Manager, and may delegate to such person or entity such powers and duties as are appropriate to the management of the Project.

13. Funds and Assessments. The Association has the responsibility for maintaining an operating fund and reserves collected from the Members in the form of assessments. The CC&Rs set forth the policy and procedure for implementing the Project's assessment process. A summary of the types of assessments follow:

(a) Regular Assessments. The Board is required annually to estimate the expenses (such as management, Association Property maintenance and operation, and insurance) to be incurred by the Association during the next fiscal year. If the initial estimates should prove to be inadequate for any reason, the Association may levy further assessments to make up the deficiency. The maximum increase in Regular Assessments that the Board is authorized to make without a Membership vote is 20%. The Regular Assessments may not be decreased without a vote of the Membership and approval of the University. Unpaid Regular Assessments may become a lien against an Owner's Condominium Unit enforceable by a sale in accordance with the provisions of Sections 2924 et seq. of the California Civil Code.

(b) Special Assessments. The Board may levy Special Assessments against the Membership or individual Owners to defray the costs of any action or undertaking on behalf of the Association or any Owner, not to exceed 5% of the budgeted gross expenses of the Association for that fiscal year unless a statutory exception to the 5% cap applies. Unpaid Special Assessments may become a lien against an Owner's Condominium Unit enforceable by a sale in accordance with the provisions of Sections 2924 et seq. of the California Civil Code.

(c) Compliance Assessments. The Board may assess Compliance Assessments against individual Owners representing costs incurred by the Association to (i) repair any damage to the Association Property and facilities for which an Owner is responsible, (ii) bring an Owner into compliance with the Project Documents, (iii) recover any amount due to the Association based upon disciplinary proceedings against an Owner, and/or (iv) reimburse the

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Association for administrative costs attributable to an Owner as provided herein. Subject to certain statutory exceptions, Compliance Assessments may not be characterized or treated as an assessment that may become a lien against the Owner's Condominium enforceable by a sale in accordance with the provisions of Sections 2924 et seq. of the California Civil Code. The statutory exceptions include Compliance Assessments that are assessed against an Owner consisting of a reasonable late payment penalty for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and costs reasonably incurred (including attorney's fees) in its efforts to collect delinquent Assessments, or imposed for costs incurred by the Association in the repair of damage to the Association Property and facilities.

(d) Use Fees. Owners may be required to pay use fees for the private use of recreational facilities.

(e) Reserves. The Association shall levy assessments to establish reserves for repairs and replacements of the Association Property, capital improvements and facilities. These assessments are normally collected as a component of the Regular Assessments, but may, in some cases, be collected in the form of a Special Assessment.

(f) Reconstruction. As needed, the Association shall maintain a reconstruction fund into which will be paid all moneys collected as proceeds from property insurance and any reconstruction assessments.

(g) Ground Lease Rent. Ground Lease Rent for the Association will be part of the Assessments to cover any services University provides to the Association or Project under the Ground Lease between the University and the Association.

14. Damage or Destruction. If the Project is damaged by fire or other casualty, the insurance proceeds after payment of lienholders entitled thereto will be paid to the Association and University as trustees for the Owners. The Association and University will then be required to make arrangements for the repair of the damaged area. The Association will be required to maintain casualty insurance in the amount of the full replacement value of the improvements, but if necessary, the Association will levy a Special Assessment in order to pay for the costs of any rebuilding or repair not covered by the insurance. Upon the written consent of at least 67% of the Owners, the obligation to reconstruct can be waived, in which event the Association will be obligated to sell to the University, at a price agreed upon, all rights and titles of the Association and of all the Owners of the Project whereupon the Association will be terminated.

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15. Amendment of the CC&Rs. The CC&Rs may generally be amended upon the written consent of the University and 67% of the Owners or, in some cases, a larger percentage. In certain cases, the consent of governmental agencies must be obtained before an amendment can be made.

16. Notice Regarding Property Taxes. Owner acknowledges and agrees that: (a) University does not and cannot control the actions of the Los Angeles County Assessor's Office; and (b) University makes no representations, warranties, promises or guarantees concerning the current or future assessed value of any Condominium Unit or the Association Property. In the past, the Assessor's Office has considered the serious restrictions placed upon Condominium Unit ownership in assessing the value of University's campus housing. However, from time to time, the Assessor's Office seeks to increase the assessed values. Although the University works with the Assessor's Office in an effort to keep the assessments reasonable, the University ultimately has no ability to control the Assessor's Office. Each Owner is responsible for any real property taxes assessed against his/her Condominium Unit and/or the Association Property. Additionally, each Owner is responsible for any income taxes assessed against such Owner as a result of his/her use, ownership, sale and/or other transfer of his/her Condominium Unit.

NOTE: PLEASE READ THE CC&RS, BY-LAWS, RULES AND REGULATIONS AND THE GROUND LEASE CAREFULLY. THIS INTRODUCTION IS A SUMMARY ONLY AND ANY INCONSISTENCIES SHALL BE CONTROLLED BY THE OFFICIAL DOCUMENTS.