GROUND LEASE AGREEMENT

By and Between

THE BOARD OF REGENTS
OF
THE TEXAS A&M UNIVERSITY SYSTEM, Lessor

for the Use and Benefit of

TEXAS A&M INTERNATIONAL UNIVERSITY

and

TEXAS CAMPUS PROPERTIES (LAREDO), L.C., Lessee
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GROUND LEASE AGREEMENT

This Ground Lease Agreement (this "Lease") is made and entered into as of the ___ day of _____________, 1996, by and between THE BOARD OF REGENTS, THE TEXAS A&M UNIVERSITY SYSTEM, ("TAMUS"), for the benefit of Texas A&M International University, and TEXAS CAMPUS PROPERTIES (LAREDO), L.C. ("TCPL").

WHEREAS, Sections 85.25 and 87.102 of the Texas Education Code provides TAMUS has exclusive management and control of the lands set aside and appropriated to, or acquired by TAMUS; and

WHEREAS, in order to assist in the development of student housing and related facilities at Texas A&M International University (the "University"), TAMUS has determined a portion of the University property should be leased to TCPL for the purpose of developing, constructing, and operating student housing facilities; and

WHEREAS, TAMUS, subject to Board of Regent approval, and TCPL have agreed to enter into a Lease whereby TAMUS will lease a tract of land on the University's campus to TCPL, and TCPL will develop, construct, operate, and lease improvements on such land for use by students of the University and such other Persons as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements which follow, the parties hereby agree, subject to approval by the Board of Regents of The Texas A&M University System, as follows:

ARTICLE ONE

LEASE OF PROPERTY - TERMS OF LEASE

Section 1.01. LEASE OF PREMISES. TAMUS lets, demises, and rents exclusively unto TCPL, and TCPL rents and leases from TAMUS, real property (the "Land") more particularly described in EXHIBIT "A", together with the Facilities and all improvements, alterations, additions, attached fixtures located on the Land, Facility Equipment, and all servitudes, licenses, easements, hereditaments and appurtenances now or belonging to the Land and the right of access to and use of the streets, roads, electric, gas, water and sewer facilities now or hereafter adjoining the Land.

Section 1.02. ACCEPTANCE. TCPL, by execution of this Lease, accepts the leasehold estate subject only to the title exceptions described in EXHIBIT "B" (hereafter sometimes designated "Permitted Exceptions"). To have and hold the Premises, together with all and singular the rights, privileges, and appurtenances thereto attaching or anywise belonging, exclusively unto TCPL, its successors and assigns, for the term set forth in Section 1.03, subject to the covenants, agreements,
Section 1.03. TERM. This Lease is in full force and effect for a term ("Term") commencing on September 1, 1996 and ending at midnight on August 31, 2035; provided that in no event shall this Lease extend beyond the full and final repayment of all indebtedness incurred to finance or refinance the Facilities and all other costs incident to the payment of such indebtedness and the satisfaction of obligations related thereto; provided further, that in the event of a Foreclosure of a Permitted Mortgage, or in the event TAMUS and a Permitted Mortgagee enter into a new lease in accordance with Section 5.03.F, this Lease shall not terminate or expire until the Permitted Mortgagee or other purchaser at such Foreclosure has received Net Cash Flow and proceeds from the sale or financing of the Facilities in an amount equal to the Total Imputed Debt (as such term is defined in Section 5.03.G). The parties acknowledge that the indebtedness being incurred to finance or refinance the Facilities is being amortized on a 25 year schedule and shall be repaid on or before August 31, 2021.

Section 1.04. PEACEFUL POSSESSION. TAMUS covenants that TCPL, by paying Base Rent, on or before September 1, 1996, and performing all of the covenants and agreements of this Lease to be performed by TCPL, may peaceably have, hold, occupy, use, and enjoy the Premises during the Term, and may exercise all of its rights.

ARTICLE TWO

DEFINITIONS

Section 2.01. DEFINITIONS. As may be set forth in this Lease, the listed terms have the following meanings:

"Academic Year" - commencing on September 1 of each calendar year and ending on August 31 of the following calendar year.

"Affiliate" - with respect to a designated Person, any other Person who, directly or indirectly, controls by, or is under common control with such designated Person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through ownership of voting securities or by contract or otherwise.

"Annual Budget" - The Manager will prepare and submit to the Committee for approval an Annual Budget for each Academic Year setting forth (a) estimated receipts (including Occupancy Rentals to be charged for occupancy within the Facilities) and expenditures (including capital and operating expenses, debt service, estimated insurance premiums, and other expenditures) for the Facilities, and (b) Reserve amounts to be set aside during the period. The Annual Budget must reflect
Net Cash Flow Before Debt Service and Reserves at least equal to 1.3 times the highest annual debt service requirement.

"Annual Expenditures" - with respect to any Academic Year, all amounts (a) paid during such Academic Year for operating expenses related to the Premises including, but not limited to, Base Rent; all real estate taxes (whether on the Facilities, the Facility Equipment, TCPL'S leasehold estate or TAMUS' Interest); and sales, personal property, rental, occupancy, use, gross receipts, and excise taxes, (b) paid during such Academic Year for capital expenditures for the Premises, (c) paid during such Academic Year for principal, interest, reserves and make-whole amounts to any Permitted Mortgagee, (d) used to pay advances by (or indemnification payments owed to) any Permitted Mortgagee pursuant to the Permitted Mortgage and related to the Facilities (e) used to pay reasonable costs and fees as agreed to by both TAMUS and TCPL which may be imposed by a non-profit corporation acting on behalf of a Governmental Authority, (f) used to pay costs of the Committee, (g) used to pay management fees payable to the Manager.

"Applicable Laws" - all present and future statutes, regulations, ordinances, resolutions and orders of any Governmental Authority.

"Assigned Occupants" - students who are assigned by the University to occupy the Facilities.

"Award" - any payment or other compensation received or receivable as a consequence of a Taking from or on behalf of any Governmental Authority or any other Person vested with power of eminent domain.

"Base Rent" - total ground lease payment in the amount of $4,000.00, due and payable on the date of full execution of this Lease, representing Base Rent of $100.00 per year (or portion thereof) for the full term of this Ground Lease. No portion of the Base Rent shall be refundable under any circumstances.

"Business Day" - a day excluding Saturday, Sunday and any Holiday observed by The Texas A&M University System.

"Capital Maintenance Reserve Fund" - the fund created for the purpose of making capital expenditures and paying extraordinary maintenance and repair costs (such costs and expenditures to be determined by Generally Accepted Accounting Principles) related to the Facilities and Facility Equipment.

"Campus" - the campus of the University located at Laredo, Texas.

"Commencement Date" - November 15, 1996.

"Commencement of Construction" - the date on which a construction contractor designated

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by TCPL takes possession of the Land and begins to mobilize equipment and personnel to initiate excavation or foundation work for the Facilities.

"Committee" - policy and oversight committee composed of three representatives appointed by TAMUS and three representatives appointed by TCPL, as referenced in Section 10.02.

"Completion Date" - August 1, 1997.

"Construction Contract" - the executed contract between TCPL and a general contractor for construction of the Facilities.

"Contingent Payment" or "Contingent Payment Obligation" - the amount to be paid by the University in accordance with Section 14.05.

"Coordinating Board" - The Texas Higher Education Coordinating Board.

"Date of Opening" - the date on which the Facilities or any portion of the Facilities are opened for occupancy by the Assigned Occupants.

"Day" or "Days" - calendar days.

"Event of Default" - any matter identified as an event of default under Section 12.01.

"Expiration Date" - the date upon which the term of this Lease expires in accordance with Section 1.03.

"Facilities" - all improvements to be constructed on the Land, including the buildings and related facilities for use as student housing, in accordance with the Plans and Specifications. The facilities, at a minimum will include: Eighty-four (84) units (12 efficiencies, 24-2 bed, 2 bath, 48-4 bed, 2 bath); 224 parking spaces; perimeter fencing with pedestrian card (access); swimming pool; sand volleyball court; picnic areas with gas grills; and at least a 3,000 square foot Commons Building with a TV/Social Lounge, Management Offices, Maintenance Shop, and Laundry.

"Facility Equipment" - the kitchen appliances, furniture, furnishings, equipment, machinery, and other personal property used in connection with the operation of the Premises which are not permanently affixed to the Facilities, but are provided at no additional expense to the Assigned Occupants or TAMUS, as specified in the Plans and Specifications.

"Facility Management Agreement" - the Management Agreement to be approved by the Committee and to be executed between TCPL and the Manager relating to the operation and management of the Premises.
"Force Majeure" - any (a) act of God, adverse and inclement weather, fire, explosion, flood, act of a public enemy, war, blockade, insurrection, riot, or civil disturbance; (b) labor dispute, strike, work slowdown, or work stoppage; (c) order or judgment of any Governmental Authority, if not the result of willful or negligent action of TCPL; (d) adoption of or change in any Applicable Laws after the date of execution of this Lease; (e) any actions by TAMUS which may cause delay; or (f) any other similar cause or similar event beyond the reasonable control of TCPL.

"Foreclosure" - a foreclosure of a Permitted Mortgage or conveyance in lieu of foreclosure of a Permitted Mortgage.

"Governmental Authority" - any and all entities, courts, boards, agencies, commissions, offices, divisions, subdivisions, departments, bodies or authorities of any nature whatsoever of any governmental unit (federal, state, county, district, municipality, city or otherwise) whether now or hereafter in existence, other than TAMUS or the University.

"Gross Rentals" - with respect to any Academic Year, all Occupancy Rentals actually received by Manager during such Academic Year on account of or as a result of the occupancy of the Facilities by occupants. Gross Rentals will not include any amounts received from occupant to cover any sale, use, transaction, privilege, excise or gross receipts tax imposed by any Governmental Authority for or attributable to the Occupancy Rentals paid by such occupants.

"Gross Revenues" - with respect to any Academic Year, all gross receipts from the Premises actually received by Manager (excluding security deposits, proceeds from insurance or condemnation), computed on a cash basis and otherwise in a manner reasonably acceptable to TAMUS, including but not limited to, all occupancy rentals, parking revenues, laundry and vending machine revenues, and interest earned on tenants' security deposits.

"Hazardous Material" - (a) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6091 et. seq.), as amended from time to time, and regulations promulgated thereunder; (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 6091 et. seq.), as amended from time to time, and regulations promulgated thereunder; (c) polychlorinated biphenyls; (d) underground storage tanks, whether empty, filled or partially filled with any substance, (e) any substance the presence of which on the Land is prohibited by any governmental requirements; and (f) any other substance which by any governmental requirements requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, or disposal.

"Holiday" - any day which is a legal holiday in the State of Texas or a day on which banking institutions in the State of Texas are authorized or required by law to close.
"Housing Contract" - the lease agreement between the Manager and each occupant of the Facilities.

"Independent Architect" - the architect, engineer, or consultant selected and retained by Permitted Mortgagee with the Approval of TAMUS to inspect the Facilities on behalf of TAMUS during construction of the Facilities.

"Manager" - Texas Campus Lifestyles Management (Laredo), L.L.C., or its Affiliate or another Person approved by the Committee.

"Mortgage" - means any mortgage, deed of trust, security agreement or other document granting a lien upon or security interest or other interest in any of TCPL's rights or interests in or under this Lease or the Premises or the Facility Equipment or any rents or profits therefrom, including Gross Revenues, Gross Rentals or Net Cash Flow, or any other property or rights thereto as security for any financing or refinancing of the Facilities.

"Mortgagee" - means any Person or entity granted a lien on or security interest or other interest in property or rights pursuant to a Mortgage, including without limitation any Person or entity acquiring rights in the Premises pursuant to a Foreclosure, and any successors and assigns of the foregoing.

"Net Cash Flow" - With respect to any Academic Year, all Gross Revenues remaining after deducting and paying all Annual Expenditures at the end of each Academic Year.

"Net Cash Flow Before Debt Service and Reserves" - Gross Revenues less Operating Expenses.

"Occupancy Rentals" - all rentals and fees paid by occupants pursuant to the payment provisions of any Housing Contracts or other leases between such occupants and TCPL.

"Offer"/"Offeror" - for purposes of this agreement, the term offer refers to a written bona fide proposal from a third party, the offeror, to purchase from TCPL the leasehold estate in the Premises.

"On-Campus Occupants" - those students associated with the University who desire, or are required by a University housing policy, to occupy any housing on the Campus.

"Operating Expenses" - Expenses incurred during an Academic Year related to operation, maintenance and repair of the Facilities and the Facility Equipment excluding payments of principal of (but not interest on) the Permitted Mortgage, payments to reserve accounts required by the Permitted Mortgage and make-whole payments to a Permitted Mortgagee.
"Permitted Assignee" - (a) any Permitted Mortgagee, any purchaser at a Foreclosure, any Affiliate of a Permitted Mortgagee, or any other Person selected by a Permitted Mortgagee (or its successors or assigns, subsequent to a Foreclosure of a Permitted Mortgage); or (b) any Affiliate of TCPL.

"Permitted Mortgage" and "Permitted Mortgagee" - shall have the meaning specified in Article V of this Ground Lease.

"Person" - an individual; a trust; an estate; a Governmental Authority; or a partnership, joint venture, corporation, company, firm or any other entity whatsoever.

"Plans and Specifications" - the plans and specifications for the construction of the Facilities prepared by TCPL'S architect and engineers and approved by TAMUS, and as such plans and specifications may be amended from time to time as permitted in Section 6.01.

"Premises" - the Land and Facilities.

"Proposal" - Response submitted on May 16, 1994 to the Request for Proposal entitled "Request for Proposal for On-Campus Housing at Texas A&M International University," which was issued by the University in 1994, as amended by TCPL and approved by TAMUS.

"Rent" - Base Rent plus 50% of Net Cash Flow, payable in accordance with the terms and conditions of this Lease.

"Semester/Semesters" - As determined from time to time by the University: (a) "Fall Semester" means the fall academic term of the University commencing during the month of August and ending during the month of December, (b) "Spring Semester" means the spring academic term of the University commencing during the month of January and ending during the month of May, and (c) "Summer Session" means the summer academic term of the University commencing during the month of June and ending during the month of August. The Fall Semester, Spring Semester, and Summer Session are collectively referred to herein as "Semesters" and individually referred to herein as a "Semester".

"Taking" - the actual or constructive condemnation, or the actual or constructive acquisition by condemnation, eminent domain or similar proceeding by or at the direction of any Governmental Authority or other Person with the power of eminent domain.

"TAMUS' Interest" - the fee title to the Land.

"TAMUS Representative" - one or more of the Persons designated and authorized in writing from time to time by TAMUS to represent TAMUS in exercising TAMUS' rights and performing TAMUS' obligations under this Lease.
"TCPL" - Texas Campus Properties (Laredo), L.C., its successors or assigns (which, if not a Permitted Assignee, must be approved by TAMUS).

"University" - Texas A&M International University.

ARTICLE THREE

RENT

Section 3.01. BASE RENT. On or before the date of full execution of this Lease, TCPL shall pay $4,000.00 as Base Rent to TAMUS.

Section 3.02. NET CASH FLOW. TCPL shall pay to TAMUS, for the Academic Year commencing in 1996 and each Academic Year thereafter during the Term, fifty percent (50%) of the Net Cash Flow from project cash flows. This sum will be paid to TAMUS no later than sixty (60) days after the close of each Academic Year. If Gross Revenues are less than Annual Expenditures in an Academic Year, the amount of the deficit will not be carried forward in determining Net Cash Flow for the next Academic Year; provided, however, that compliance with the requirements of the financing documents with regard to the use and replenishment of reserve accounts will not be considered a violation of this Section. Prior to payment to TAMUS of its 50% of the Net Cash Flow under this Section, the University shall be first reimbursed from Net Cash Flow for all Contingent Payment Obligations theretofore paid and the Manager shall then be paid from Net Cash Flow all management fees theretofore subordinated and not previously reimbursed.

ARTICLE FOUR

USE OF PREMISES

Section 4.01. PURPOSE OF LEASE. TCPL enters into this Lease for the purpose of developing, constructing and maintaining the Facilities in accordance with the Proposal, as amended, and approved Plans and Specifications. Except as otherwise provided, the Premises are to be used for purposes related to such housing activities, as approved by the TAMUS Representative.

Section 4.02. BENEFIT OF TAMUS AND THE UNIVERSITY. TCPL will operate the Premises for the benefit of TAMUS and the University. The Premises will be operated for a purpose related to the performance of the duties and functions of the University.

Section 4.03. EXCLUSIVE DATA AND VOICE COMMUNICATION SYSTEMS. The University agrees to provide the Facilities with data and voice communication systems comparable to the data and voice communications systems provided to other housing facilities located on the Campus. The Manager will contract on behalf of the Project, at the expense of the Project exclusively with the University for such data communication and computer systems services. The charges to occupants in the Facilities for such services will be comparable to prevailing market rates.
for other local multi-family properties. If the University fails to commit in writing to detailed plans acceptable to TCPL to provide data and voice communication systems within sixty (60) days after the execution of this Lease, at rates available to the Manager directly from the providers of telephone services, cable television services and computer system services, then the Manager will be permitted to acquire such systems from another source.

ARTICLE FIVE

ENCUMBRANCES

Section 5.01. MORTGAGE OF LEASEHOLD. At any time and from time to time, TCPL may mortgage, grant a lien upon, and a security interest in (and assign as collateral) TCPL'S leasehold estate in the Premises and the Facility Equipment and TCPL'S other rights hereunder to a Permitted Mortgagee (as defined in this Section 5.01) without the prior consent of TAMUS by the creation or execution of contractual liens, deeds of trust, mortgages, assignments of similar instruments (individually, a "Permitted Mortgage" and collectively, the "Permitted Mortgages"), provided (a) the debt secured by any Permitted Mortgage is used for the operation, maintenance, repair, construction, or replacement of the Premises or the Facility Equipment, (b) the debt secured by any Permitted Mortgage is used for the payment of sums due under this lease or otherwise owed to TAMUS, or (c) the debt secured by any Permitted Mortgage is used by TCPL to repay the debt secured by prior Permitted Mortgages and other amounts advanced by (or indemnification payments owed to) the Permitted Mortgagee pursuant to the Permitted Mortgage and related to the Facilities or the Facility Equipment. TAMUS recognizes and agrees that the mortgages or deeds of trust described in Exhibit "C" shall constitute Permitted Mortgages. TAMUS also recognizes and agrees that Permitted Mortgagees shall include the beneficiaries (and such beneficiaries' successors and assigns) under the Permitted Mortgages described in Exhibit "C" and any purchaser at a Foreclosure of any such Permitted Mortgage, and shall be deemed to include Texas Commerce Bank National Association. Except as specified in the preceding sentence, the term "Permitted Mortgagee" as used in this Lease shall mean a holder or beneficiary of a Permitted Mortgage. Prior to the completion of the construction of the Facilities, TCPL agrees that it shall not enter into a Permitted Mortgage to secure a debt, the interest on which would be excludable from gross income under the Internal Revenue Code of 1986, as amended.

Section 5.02. PERMITTED MORTGAGE PROVISIONS. Every Permitted Mortgagee to whom TCPL shall grant a mortgage, pledge, lien or other encumbrance upon TCPL'S leasehold estate hereunder must expressly agree in the loan documents that, subject to the rights of the Permitted Mortgagees provided by this Lease, (i) such mortgage, pledge, lien or other encumbrance upon TCPL'S leasehold estate hereunder is second, inferior and subordinate to the rights of TAMUS in and to the Land, the Facilities and the Facility Equipment pursuant to the terms of this Lease; (ii) the Permitted Mortgagee shall not exercise any of its remedies hereunder, for any default or defaults of TCPL under such loan documents or in connection with such loan, without first advising TAMUS in the manner provided in Section 19.03 hereof; (iii) such Permitted Mortgagee will accept a cure by
TAMUS of any such default under such loan documents which is capable of being cured, except that TAMUS shall not be required to cure any such default and TAMUS shall have a cure period which shall commence upon notice to TAMUS of such default and shall be equal in length to the applicable cure period, if any, as provided to TCPL in such loan documents; and (iv) all payments so made and all things so done or performed by TAMUS shall be as effective to prevent an acceleration of the maturity of the indebtedness, the foreclosure of any liens securing payment thereof or the exercise of any other remedies by such Permitted Mortgagee upon default by TCPL thereunder as the same would have been if paid, done or performed by TCPL instead of by TAMUS. TAMUS shall not be or become liable to any such Permitted Mortgagee as a result of the right and option to cure any such default or defaults by TCPL.

Section 5.03. MORTGAGEE PROTECTIVE PROVISIONS. TAMUS hereby agrees to the following for the benefit of any Permitted Mortgagee, provided that written notice of such Permitted Mortgagee's name and mailing address is either set forth in Section 19.03 hereof or given to TAMUS and TCPL:

A. TAMUS shall not terminate this Lease (or TCPL'S rights hereunder) for any Event of Default without first advising such Permitted Mortgagee, in writing, of such Event of Default and permitting such Permitted Mortgagee to cure such Event of Default on behalf of TCPL within sixty (60) days after TAMUS has given notice to such Permitted Mortgagee; provided that if, during such sixty (60) day period, Permitted Mortgagee takes action to cure such Event of Default but is unable, by reason of the nature of the remedial action involved, to cure such Event of Default within such period, TAMUS shall not terminate this Lease for so long as Permitted Mortgagee continues in good faith with due diligence and without unnecessary delays to cure such Event of Default. Further, if any Event of Default is not cured within such sixty (60) day period, or such longer period as provided in the immediately preceding sentence, or any extension thereof agreed to by TAMUS, and (1) the Permitted Mortgagee shall have given the notices necessary to commence Foreclosure of the liens of its Permitted Mortgagee prior to the expiration of such sixty (60) day period (unless the Permitted Mortgagee is enjoined or stayed from giving such notices or exercising its right of Foreclosure, in which event such sixty (60) day period shall be extended by the period of such injunction or stay), and (2) the purchaser at the Foreclosure fully cures any Event of Default reasonably susceptible of being cured by the purchaser at the Foreclosure within sixty (60) days after such Foreclosure, then TAMUS will not terminate this Lease (or TCPL'S rights hereunder) because of the occurrence of such Event of Default provided that Foreclosure is diligently prosecuted. TAMUS shall accept amounts paid or actions taken by or on behalf of any Permitted Mortgagee to cure any Event of Default. Nothing under this Section 5.03.A shall be construed to obligate a Permitted Mortgagee to either cure any Event of Default or cause a Foreclose of the liens and security interests under its Permitted Mortgage as a consequence of an Event of Default, regardless of whether such Event of Default is subsequently cured. If the Permitted Mortgagee or the purchaser at Foreclosure cures all defaults reasonably susceptible of being cured by such Permitted Mortgagee or purchaser, then all other defaults shall no longer be deemed to be defaults hereunder.
B. Those Events of Default, which by their very nature, may not be cured by the Permitted Mortgagee (as, for example, the bankruptcy of TCPL) shall not constitute grounds of enforcement of rights, recourse, or remedies hereunder by TAMUS including termination of this Lease, if a Permitted Mortgagee either before or after a Foreclosure of its Permitted Mortgage (1) makes all payments and performs all obligations hereunder capable of being performed by the Permitted Mortgagee and (2) thereafter continues to comply with those provisions of this Lease with which, by their very nature, the Permitted Mortgagee may comply. Notwithstanding anything to the contrary contained in this Lease, the Permitted Mortgagee shall not be responsible for or obligated to cure any Event of Default of TCPL for which the Permitted Mortgagee was not provided written notice within 90 days following the occurrence of such Event of Default.

C. If a Permitted Mortgagee enforces the rights and remedies pursuant to the terms of its Permitted Mortgage (including Foreclosure of any liens or security interests encumbering the estates and rights of TCPL under this Lease) such enforcement shall not constitute an Event of Default by TCPL hereunder.

D. In the event a Permitted Mortgagee should cause a Foreclosure of the liens and security interests of its Permitted Mortgage and should, as a result of such Foreclosure, succeed to the rights of TCPL hereunder, then such Permitted Mortgagee shall be subject to all the terms and conditions of this Lease and shall be entitled to all rights and benefits of this Lease; provided, however that (1) such Permitted Mortgagee shall not be liable for any act or omission of TCPL; (2) such Permitted Mortgagee shall not be subject to any offsets or defenses which TAMUS has or might have against TCPL; (3) such Permitted Mortgagee shall not be bound by any amendment, modification, alteration, approval, consent, surrender, or waiver under the terms of this Lease made without the prior written consent of such Permitted Mortgagee; (4) such Permitted Mortgagee's obligations to pay fifty percent (50%) of the Net Cash Flow to TAMUS under Section 3.02 and/or to the University under Sections 14.05 and 14.06 shall be limited as set out in Section 5.03.G; and (5) upon the written request of such Permitted Mortgagee, TAMUS shall reaffirm, in writing, the validity of this Lease, and that this Lease is in full force and effect. TAMUS acknowledges and agrees for itself and its successors and assigns that this Lease does not constitute a waiver by any such Permitted Mortgagee of any of its rights under any Permitted Mortgage or in any way releases TCPL from its obligations to comply with the terms, provisions, conditions, representations, warranties, agreements or clauses of such Permitted Mortgage or any other such security interest.

E. TAMUS will not agree to a modification, alteration, amendment or the release or surrender of this Lease without the prior written consent of any Permitted Mortgagees.

F. In the event of the termination of this Lease prior to the Expiration Date, except by a Taking pursuant to Article 15 hereof, TAMUS will serve upon any Permitted Mortgagees written notice that this Lease has been terminated together with a statement of any and all sums which would have at that time been due under the Lease but for such termination and of all other Events of Default, if any, under this Lease then known to TAMUS whereupon the Permitted Mortgagee
holding the most senior Permitted Mortgage shall have the option to obtain a new lease of the Premises by giving notice to TAMUS to such effect within sixty (60) days after receipt by such Permitted Mortgagee of notice of such termination, such new lease shall be (1) effective as of the date of termination of this Lease, (2) for the remainder of the Term, and (3) at the same Rent and upon all of the agreements, terms, covenants and conditions hereof (subject, however, to any limitations on the payment of Net Cash Flow under Section 3.02 applicable pursuant to Section 5.03.G.). Upon the execution of such new lease, the lessee named therein shall pay any and all sums which at the time of the execution thereof would be due under this Lease but for such termination and shall pay TAMUS all unpaid expenditures, including principal, interest and reserve payments made by TAMUS, reasonable attorney's fees, court costs and disbursements incurred by TAMUS in connection with the Event of Default and such termination, the recovery of possession of the Premises and the preparation, execution and delivery of such new lease and other amounts paid by, or advanced by TAMUS which are related to the Facilities or the Facility Equipment.

G. Notwithstanding anything to the contrary contained herein, the Permitted Mortgagee or any other Person succeeding to the interests of TCPL hereunder through a Foreclosure or by entering into a new lease with TAMUS under Section 5.03.F shall not be obligated to pay Net Cash Flow under Section 3.02 from the effective date of Foreclosure until the Permitted Mortgagee or other such Person has received Net Cash Flow and proceeds from the sale and financing of the Facilities in an amount equal to the Total Imputed Debt. As referenced herein the "Total Imputed Debt" shall mean the total unpaid principal, interest and reserve payment due and unpaid to the date of Foreclosure, reasonable foreclosure costs and reasonable legal fees secured by the Permitted Mortgage and other amounts which are related to the Facilities or the Facility Equipment advanced by (or indemnification payments owed to) any Permitted Mortgagee pursuant to the Permitted Mortgage, together with interest accrued on such amounts (until such amounts are repaid out of Net Cash Flow or sale and finance proceeds) at the per annum rate of interest on the indebtedness secured by the Permitted Mortgage. For purposes of this Lease, the amount bid or credited by any Permitted Mortgagee or other Person at a Foreclosure shall not be deducted from the indebtedness owed under the Permitted Mortgage in determining "Total Imputed Debt". The term "Total Imputed Debt" specifically does not include any future revenue stream accruing to the Manager under the Facility Management Agreement. If the Permitted Mortgagee or other Person succeeds to the interests of TCPL hereunder through a Foreclosure following a "Foreclosure and TAMUS Default Occurrence", the Total Imputed Debt shall include any make-whole amounts secured by the Permitted Mortgagee. For purposes of this Lease, the term "Foreclosure and TAMUS Default Occurrence" shall mean a Foreclosure resulting from one or more defaults under the Permitted Mortgage so long as at least one such default shall have occurred by reason of a default by TAMUS hereunder which shall not have been waived in writing by such Permitted Mortgagee. All sums received by the Permitted Mortgagee hereunder to be applied to the Total Imputed Debt shall be applied first to reduce the sums representing unpaid interest, then to sums representing the outstanding amounts of principal owing.

H. All notices required to be given hereunder by TAMUS to TCPL shall also be given concurrently to each Permitted Mortgagee, at the address designated in writing to TAMUS, or as
set forth in Section 18.03.

I. The Permitted Mortgagee or any other Person succeeding to the interests of TCPL hereunder through a Foreclosure shall be subject to all of the terms and conditions of this Lease except as otherwise expressly provided for in this Lease.

J. The liability of the Permitted Mortgagee under the Lease shall be limited to the period during which the Permitted Mortgagee may own the interest of TCPL hereunder. Upon the Permitted Mortgagee's assignment or transfer of its rights and interests in and to the Lease to a third party, the Permitted Mortgagee shall have no further liability for any obligations arising after such transfer date, which liability shall be borne by the assignee or transferee.

ARTICLE SIX

CONSTRUCTION

Section 6.01. CONSTRUCTION COSTS. TCPL will cause the Facilities to be constructed on the Land and will cause the site to be developed at no cost to TAMUS. Water, sewer, electricity and natural gas utilities will be extended to the boundary of the Premises by TAMUS at its sole cost and expense.

A. TCPL will furnish, or will cause to be furnished, all supervision, tools, labor and materials necessary for the construction of the Facilities, pay all permit and license fees, and construct and complete the Facilities in a workmanlike manner in accordance with this Lease, the Plans and Specifications, and all other documents executed pursuant to this Lease. TCPL will submit the Plans and Specifications to the State Department of Licensing and Regulation and the State Fire Marshal's Office for any approvals which may be required for residential apartment housing; provided, however, the receipt of any such approvals will not be a condition to the commencement of construction of the Facilities. TPCL agrees it will comply with all requirements of the foregoing state agencies as and when required.

B. Subject to the provisions of Section 6.01.D. below, TCPL will have sole control over the selection of construction professionals, construction design, means and methods and the final decision regarding construction and operation of the Facilities. All construction, alteration, renovation or additions to the Premises undertaken by the TCPL will conform with all applicable codes, rules and regulations, including any amendments. TCPL may contest any code(s) through proper procedures.

C. Changes in work and materials are subject to review and approval by the Independent Architect and the TAMUS Representative; however, minor changes not affecting the general character of the Facilities may be made in the Plans and Specifications at any time without the
approval of the Independent Architect or the TAMUS Representative. TCPL will notify the Independent Architect and the TAMUS Representative of any changes in work or materials requiring the Independent Architect's and TAMUS Representative's approval. If either fail to respond within ten (10) business days after receipt of TCPL's notice, the Independent Architect or the TAMUS Representative, as the case may be, will be deemed to have approved the change(s). Approval by the TAMUS Representative will not imply approval for fitness.

Such approval of TAMUS shall not be construed as an approval or endorsement of the completeness or accuracy of such plans and specifications. It is further agreed any remedy needed to correct errors rests solely with TCPL.

D. After completion of the Facilities, at least sixty (60) days prior to undertaking any material structural alteration, renovation, or remodeling of the Facilities TCPL must submit plans for such renovation or remodeling to the TAMUS Representative. The TAMUS Representative will either approve such alteration, such approval not being unreasonably withheld or delayed, or disapprove such alteration within thirty (30) days after receipt from TCPL. If the TAMUS Representative fails to respond in writing within the thirty (30) day period, it will be deemed approval has been given for any such alteration, renovation, or remodeling.

E. Subject to Force Majeure and timely commencement of construction, TCPL covenants TCPL will substantially complete construction of the residential buildings comprising the Facilities on or before the Completion Date. Subject to the provisions of this paragraph, if any unit in the Facilities is not ready and available for occupancy on the Completion Date, and such unit has been rented by TCPL to an Assigned Occupant, TCPL will provide, at no cost to TAMUS, each such Assigned Occupant with substitute living quarters, together with transportation to and from the Campus, until the Facilities are ready and available for occupancy. TCPL's failure to substantially complete the construction of all of the Facilities by the Completion Date will not be an Event of Default. The obligation of TCPL to provide substitute living quarters will result in the Assigned Occupant's Housing Contract remaining in full force and effect and such Assigned Occupant must pay Occupancy Rentals under his or her Housing Contract to TCPL during the time TCPL is providing the Assigned Occupant with substitute living quarters. The Contingent Payment Obligation of the University, under Section 14.05, will take effect upon the completion of all residential buildings comprising the Facilities.

F. Fifteen (15) business days after submission by TCPL of Plans and Specifications consistent with the Proposal, the TAMUS Representative, in coordination with Facilities Planning and Construction of The Texas A&M University System, will review and, subject to any modifications agreed to by TAMUS and TCPL, approve the Plans and Specifications.

G. Prior to Commencement of Construction, TCPL shall deliver to the TAMUS Representative, (1) a copy of the signed contract ("Construction Contract") between TCPL and the general contractor for the construction of the Facilities, and (2) a copy of the payment and performance bonds in an amount equal to the contract price set forth in the Construction Contract.
H. TCPL shall, upon written request of the TAMUS Representative, make, in such detail as may reasonably be required, and forward to the TAMUS Representative, written reports concerning progress of the construction. During such period, the construction work will be subject to inspection by the Independent Architect and by the TAMUS Representative in order to verify reports of construction, determine compliance with safety, fire, and building codes, determine compliance with approved construction plans, or such other inspections as may be necessary in the reasonable opinion of the TAMUS Representative.

I. Before erecting or placing any sign upon the Premises, TCPL will submit the design and specifications of such sign to the TAMUS Representative for approval, such approval not being withheld if the signage is consistent with TAMUS' current signage policy or the signage design is part of the Plans and Specifications.

Section 6.02. PERSONAL PROPERTY. Subject to the leasehold estate in TCPL, all Facility Equipment will be the property of TAMUS. The parties agree the Facility Equipment will be provided to Assigned Occupants as part of the Occupancy Rental and there will not be additional rent paid by the occupants of the Facilities for the Facility Equipment. Notwithstanding anything contained to the contrary in this Lease, to the extent allowed by the Constitution and laws of the State of Texas, TAMUS shall not have and does hereby expressly waive and relinquish any lien or claim for lien against the Premises and, whether granted by constitution, statute, rule of law, or contract relating to the Facility Equipment, whether located in or about the Premises or otherwise, for any purpose whatsoever, including securing the payment of Rent.

Section 6.03. ACCESS. TCPL must permit the TAMUS' Representative or his agents, representatives, or employees to enter the Premises at reasonable times for the purposes of review and inspection to determine whether TCPL is in compliance with the terms of this Lease, or other reasonable purposes. Subject to the rights of TAMUS to observe and enforce its applicable rules and policies, TAMUS, its agents, representatives and employees will use best efforts to not disturb tenants of subleased space. Entry onto the Premises by TAMUS or TAMUS' agents, representatives, or employees will be at its sole risk and TCPL will not have any liability to TAMUS for any damage or injury to TAMUS, its agents, representatives, or employees resulting from entry onto the Premises.

Section 6.04. NO REPRESENTATIONS. Except for the express representations and warranties allowed by law from TAMUS, TCPL'S execution of this Lease will be conclusive evidence of TCPL'S acceptance of the Land in an "as is" condition.

Section 6.05. ACCESS FOR TCPL. TAMUS hereby grants to TCPL, its agents, employees, contractors, and to all occupants of the Facilities the right of ingress and egress over and upon all real property now or hereafter owned by TAMUS adjacent to the Premises in order that TCPL, its agents, employees, contractors, and all occupants of the Facilities may have reasonable access from a dedicated public right-of-way to and from the Premises of sufficient size and area to facilitate the use and occupancy of the Premises and reasonable pedestrian and vehicular access from

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and between such public right-of-way and the Premises over the sidewalks, streets and drives whether now existing or constructed in the future, located thereon. The right of ingress and egress granted hereby shall constitute a covenant running with the Premises and such other real property owned by TAMUS and shall expire upon the expiration of the Term of this Lease. The right of ingress and egress granted hereby shall in no way restrict TAMUS from imposing reasonable restrictions, rules, and regulations upon the sidewalks, streets and drives located upon real property owned by TAMUS. So long as reasonable ingress and egress is available as described above, TAMUS shall in no way be prohibited from exercising any of its rights to develop, control, lease, sell or encumber any of the real property owned by TAMUS (except as otherwise provided herein with respect to the Premises) and vehicular access from and between the Premises and any public right-of-way shall be restricted to the streets and drives intended for vehicular ingress and egress which are now or may hereafter be constructed on the real property owned by TAMUS and such vehicular ingress and egress shall be subject to the reasonable rules and restrictions generally imposed by TAMUS upon all vehicular traffic utilizing such private streets and drives.

Section 6.06. RIGHT OF FIRST REFUSAL. Subject to the performance by TCPL of its obligations under this Lease, TAMUS agrees to allow TCPL the right of first refusal to provide the next phase of student housing units to the University and TAMUS on substantially the same terms and conditions as those set forth in this Lease.

ARTICLE SEVEN

ASSIGNMENT, SUBLETTING AND TRANSFERS OF TCPL’S INTEREST

Section 7.01. ASSIGNMENT BY TCPL. TCPL, without the consent of TAMUS, may (i) sell or assign TCPL’S leasehold estate created by this Lease and any other rights of TCPL hereunder to any Permitted Assignee, or (ii) merge into or consolidate with any Permitted Assignee. Other than as set forth in the preceding sentence, TCPL is not authorized to sell or assign TCPL’S leasehold estate (other than to a Permitted Assignee) without the consent of TAMUS, such consent to not be unreasonably withheld or delayed, and any assignment made or given without first obtaining TAMUS' consent will be null and void. TAMUS hereby agrees that its decision to approve or disapprove a proposed assignee or purchaser of TCPL’S interest in the Premises in this Lease shall be based solely upon the financial and property management capabilities of such proposed assignee or purchaser.

Section 7.02. SUBLETTING. Except for subleases to occupants of the Facilities and as otherwise set forth in this Lease, TCPL is not authorized to sublet the leasehold estate without TAMUS' prior written consent.

Section 7.03. ASSIGNMENTS OR TRANSFERS OF TCPL’S INTEREST. Notwithstanding anything to the contrary in Section 7.01, any and all assignments, transfers, mortgages, deeds of trust, or liens placed or suffered by TCPL encumbering TCPL’S interest will

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be expressly subordinate to this Lease, to all obligations of TCPL hereunder, and to the right, title and interest of TAMUS created or arising hereunder. The obligations of TCPL under this Lease will terminate upon any conveyance, foreclosure or other transfer of TCPL's Interest.

Section 7.04. APPLICATION TO PERMITTED MORTGAGES. Nothing contained in this Article Seven shall be construed to apply to or otherwise limit the rights of TCPL to mortgage (or assign for collateral) its leasehold estate and other rights under this Lease to a Permitted Mortgagee, as to which Article Five shall govern.

ARTICLE EIGHT

MAINTENANCE AND REPAIR

Section 8.01. ON-SITE UTILITIES. During construction of the Facilities, TCPL will cause to be paid as a Project expense all charges, including any connection fees, for water, gas, electricity, sewer and any other utilities used on the Premises. Throughout the operation of the Facilities, the Manager shall cause these utilities to be paid, as a Project expense, in accordance with the terms of the Management Agreement.

Section 8.02. REPAIRS. TCPL agrees to keep and maintain, or cause to be kept and maintained, the Facilities in a good state of appearance and repair, with normal wear and tear, damage caused by casualty, condemnation, renovation and Force Majeure excepted. TAMUS will have the right, but not the obligation, at reasonable times to inspect the Premises.

Section 8.03. INSPECTION. TAMUS, at TAMUS' option will cause periodic inspections of the Premises to occur regarding the quality of maintenance by TCPL, and will notify TCPL in writing within thirty (30) days after each inspection of all items of repair or replacement deemed reasonably necessary to maintain the Premises in a presentable and satisfactory operating condition, with a copy to each Permitted Mortgagee. Upon receipt of said notices, TCPL must undertake reasonable corrective action within ninety (90) days.

Section 8.04. ALTERATIONS. TCPL will have the right, from time to time, to make additions, alterations and changes (hereinafter sometimes referred to collectively as "Alterations") in or to the Facilities (such term, when used in this Section, includes any replacement or substitution thereof), and being subject to the following:

A. No structural Alterations of the original facade or exterior of the Facilities will be commenced without the written approval of the TAMUS Representative, and such approval will not be unreasonably withheld. If TAMUS fails to respond within sixty (60) days after receipt of notice of proposed Alterations, approval will be deemed given;
B. No Alteration can be made which would impair the structural soundness of the Facilities;

C. No Alterations may be undertaken until TCPL has procured and paid for, as far as may be required from time to time, all applicable permits, licenses, and authorizations of all Governmental Authorities having jurisdiction, and all required consents by Permitted Mortgagee. TAMUS will join, without expense to TAMUS, in the application for applicable permits, licenses or authorizations necessary and when requested by TCPL;

D. Alterations must be commenced and completed within a reasonable time (subject to Force Majeure) and in a good and workmanlike manner and in substantial compliance with all applicable permits, licenses, building laws, and with all other Applicable Laws, ordinances, orders, rules, regulations and requirements of Governmental Authorities;

E. Workers' compensation insurance must be maintained in force covering all Persons employed in connection with construction on the Premises with respect to whom death or bodily injury claims could be asserted against TAMUS, TCPL or the Premises;

F. TCPL will, upon demand by TAMUS, provide written proof or satisfactory written assurances to TAMUS that funds required to pay for the Alterations are or will be available to TCPL for such purpose; and

G. Notwithstanding anything in this Section to the contrary, TCPL shall have the right, without prior approval of TAMUS, to make repairs to the Premises which do not constitute alterations.

Section 8.05. DAMAGE TO IMPROVEMENTS. Subject to the other terms of this Lease, in the event any portion of the Facilities is damaged by fire or otherwise, regardless of the extent of such damage or destruction; within ninety (90) days following the date of such damage or destruction, TCPL, subject to the requirements of any Permitted Mortgage, shall commence repair, reconstruction or replacement of the damaged or destroyed facility and proceed with reasonable diligence to completion, so that the Facilities will, at no expense to TAMUS, be restored to substantially the same size, function and value as the Facilities existing prior to the damage. If insurance proceeds (after payment of all or any portion of such insurance proceeds for any amounts owed under any Permitted Mortgage) are insufficient, in the reasonable judgment of TCPL, to permit restoration in accordance with the terms of this Lease, or if payment of the insurance proceeds is contested or not settled promptly for any reason, then TAMUS shall grant an appropriate extension of time for commencing repairs to allow TCPL to obtain reasonable replacement financing or to obtain the insurance proceeds. If TCPL is, in good faith, unable to (i) obtain reasonable replacement financing to restore the Facilities to substantially the same size, function and value as the Facilities existing prior to the damage, or (ii) obtain the insurance proceeds, then TCPL may terminate this Lease by written notice to TAMUS. In the event of termination under this Section 8.05, then, subject
to Article V, this Lease shall terminate ten (10) days after the date of such notice. TAMUS may require TCPL to demolish the remaining Facilities, and to restore the Land to substantially the same condition as it existed on the date of this Ground Lease. TCPL may utilize any funds which are available for such purpose and otherwise shall bear any expense in excess of such funds. In the alternative, TAMUS may take possession of the Premises, in which event TCPL shall be relieved of all further obligations and responsibilities. All or any portion of the insurance proceeds payable as a consequence of a casualty affecting the Facilities shall be deposited with and disbursed by the Permitted Mortgagee (holding the Permitted Mortgage with the most senior lien priority) in accordance with such Permitted Mortgagee's loan documents or contractual agreements with TCPL.

ARTICLE NINE

CERTAIN LIENS PROHIBITED

Section 9.01. NO MECHANICS' LIENS. Except as permitted in Section 9.02, TCPL will not permit any mechanic's liens or other liens to be enforced against TAMUS' Interest nor against TCPL'S leasehold interest in the Premises by reason of a failure by TCPL to pay for any work, labor, services, or materials supplied or claimed to have been supplied to TCPL or to anyone holding the Premises or any part thereof through or under TCPL.

Section 9.02. RELEASE OF RECORDED LIENS. If any mechanic's or materialmen's liens are recorded against the Premises, TCPL shall cause the release of record or, in the alternative, if TCPL, in good faith, desires to contest the lien, TCPL may do so, but in such case TCPL agrees to indemnify and save TAMUS harmless from all liability for damages and in the event of a judgment of foreclosure on the lien(s), cause the lien(s) to be discharged and released prior to the execution of judgment. In the event TAMUS reasonably considers TAMUS' Interest endangered by such liens and notifies TCPL and each Permitted Mortgagee, and TCPL or any Permitted Mortgagee fails to provide adequate security for such liens, in the form of a surety bond, cash deposit or cash equivalent, or indemnity agreement reasonably satisfactory to TAMUS within thirty (30) days after notice, then TAMUS, at TAMUS' sole discretion, may discharge such liens and recover from TCPL immediately as net rent the amounts paid, with interest from the date paid by TAMUS until repaid by TCPL at ten percent (10%) per annum.

Section 9.03. RECORDATION OF RECITALS. This Ground Lease or a Memorandum of this Ground Lease will be filed in the Deed Records of Webb County, Texas, at the sole cost of TCPL in order that constructive notice will be given to any third party entering into a contract with TCPL for improvements to be located on the Land, or any other party claiming under said third party, that TAMUS has no liability for the satisfaction of any claims of any nature in any way arising out of a contract with TCPL.
ARTICLE TEN

OPERATION AND MANAGEMENT OF FACILITIES

Section 10.01.  MANAGEMENT AGREEMENTS.  TCPL will be responsible for the operation of the Premises.  TCPL will enter into a Facility Management Agreement, satisfactory to the Committee, with a Manager.  Texas Campus Lifestyles Management (Laredo), L.L.C. or its Affiliate is approved as the initial Manager of the Premises.  Each Facility Management Agreement must provide for operation of the Premises without cost or expense to TAMUS in conformity with all Applicable Law and with the rules, regulations, and policies of TAMUS applicable to all housing projects at the University.  TAMUS agrees to the selection of subsequent Managers in accordance with the procedures set out in Section 10.02.D.

Section 10.02.  POLICY COMMITTEE.

A.  Issues such as approval of the Annual Budget, successors to the initial Manager, and approval of the policies and operating procedures governing the Assigned Occupants, will be under the jurisdiction of a Committee composed of three (3) representatives appointed by TAMUS and three (3) representatives appointed by TCPL (the "Committee").  TAMUS and TCPL may appoint an alternate for any member appointed to the Committee. The alternate will have the same powers of a Committee member in the event of absence or inability of a member of the Committee to serve.  TAMUS and TCPL must notify the other in writing with the name and address of the Persons appointed by each to the Committee. All Committee appointments are at the pleasure of the party making such appointment.  The Committee members of TAMUS and TCPL are entitled to deal with the Committee members appointed by the other until receipt of written notice of the appointment of a substitute or successor for a duly appointed Committee member. If the Committee is unable to reach a decision regarding the approval of the Person proposed by TCPL to succeed the initial Manager, TCPL shall propose at least two (2) other Persons which are not affiliates of TCPL to manage the Premises. The Committee will then select one (1) such Person to manage the Premises.

B.  The Committee shall meet at least twice each year at the Premises or such other location as may be approved by the Committee (unless such meeting is waived by all members) or upon the call of any three (3) members after five (5) Business Days' notice to all members by telephone or telecopy. An agenda for each meeting will be prepared in advance by TAMUS and TCPL after consultation. Four (4) members of the Committee shall constitute a quorum provided at least two (2) members present are appointed by TCPL and two (2) members present are appointed by TAMUS. A concurring vote of at least four (4) members of the Committee governs all actions. The Committee may act without a meeting if the action is approved in advance in writing by all members of the Committee. The Committee will cause written minutes to be prepared of all actions taken by the Committee and will deliver a copy thereof to each member of the Committee within seven (7) days following the close of each meeting.
C. After completion of construction of the Facilities, the Manager will operate the Facilities under Annual Budgets (individually, an "Annual Budget" and collectively, the "Annual Budgets") which will be prepared and submitted by the Manager to the Committee for approval not later than ninety (90) days prior to the commencement of each Academic Year. Occupancy Rentals shall not be increased by a percentage greater than the percentage of increase of Operating Expenses in the previous Academic Year. Each Annual Budget will be in such detail as the Committee may reasonably require. If at anytime during an Academic Year the amounts set forth in an Annual Budget require adjustment, the Manager must submit a revised annual budget to the Committee for approval in accordance with this Section 10.02.

D. If the Committee is unable to reach a decision regarding an Annual Budget (including the Occupancy Rentals), then TCPL will resolve the deadlock by casting the deciding vote. If the Committee is unable to reach a decision regarding the approval of the Person proposed by TCPL to succeed the initial Manager, then TAMUS will resolve the deadlock by casting the deciding vote. If the Committee is unable to agree on the policies and procedures governing the Assigned Occupants, then TAMUS will resolve the deadlock by casting the deciding vote. If any issue is resolved by a tie-breaking vote by TAMUS which precludes TCPL from performing its obligations under this Ground Lease, then TCPL may perform its obligations under this Ground Lease, notwithstanding the tie-breaking vote by the Committee.

E. The Committee may, by resolution, delegate its powers, but not its responsibilities, to employees of either TAMUS or TCPL or to any other Person.

Section 10.03. BOOKS AND RECORDS. The Manager shall keep, or cause to be kept, accurate, full and complete books and accounts of its assets and liabilities, operations, transactions and the financial condition of the Facilities. All financial statements will be accurate in all material respects, present fairly the financial position and results of the Facilities' operations and be prepared in accordance with generally accepted accounting principles or a cash basis at the option of the Manager. The books, accounts and records of the Facilities will be maintained at the principal office of TCPL.

Section 10.04. ADVERTISING. Prior to circulating any advertisements or other promotional material relating to the Facilities, the Manager must provide TAMUS Representative with copies for review and approval, which shall not be unreasonably withheld.

Section 10.05. ANNUAL AUDITS. The Manager shall cause annual audits to be conducted in accordance with the terms and conditions of the Facility Management Agreement.

Section 10.06. ADDITIONAL AUDITS. TAMUS may, at its option and at its own expense, and during customary business hours, conduct internal audits for the books, records and accounts of the Facilities. Such audits may be made on either a continuous or a periodic basis or both, and may be conducted by employees of TAMUS, or by independent auditors retained by
TAMUS. All such audits will be conducted without materially or unreasonably interrupting or interfering with the normal conduct of business affairs by TCPL. TAMUS agrees to keep the results of any such audits confidential, except as required by rules and regulations of TAMUS and by Applicable Law. If any audit by TAMUS reveals the Manager underpaid Rent in an amount greater than two percent (2%) per year, the Manager shall pay the cost of such audit.

ARTICLE ELEVEN

INSURANCE AND INDEMNIFICATION

Section 11.01. INDEMNIFICATION BY TCPL. Excluding the negligent or willful acts or omissions of TAMUS, its employees, agents or contractors, TCPL shall indemnify and save harmless TAMUS, its agents, officers, and employees, from and against any and all liability claims, demands, damages, expenses, fees, fines, penalties, suits, proceedings, actions, and causes of action of any and every kind and nature arising or growing out of or in any way connected with TCPL'S use, occupancy, management, operation or control of the Premises. This obligation to indemnify includes legal counsel whose fees must be reasonable and third-party investigation costs and all other reasonable costs, expenses, and liabilities arising from any claim or demand; however, TCPL and TAMUS shall use the same counsel if such counsel is approved by TAMUS and the Attorney General of Texas. Such approval by TAMUS will not be unreasonably withheld or delayed. If TAMUS or the Attorney General does not approve counsel, TAMUS may retain independent counsel at TAMUS' sole cost and expense. It is expressly understood and agreed TCPL is an independent contractor responsible to all parties with respect to acts or omissions and TAMUS is in no way responsible for such acts or omissions.

Section 11.02. TAMUS NOT LIABLE. TAMUS will not be liable for any damage to either Persons or property sustained by TCPL or other Persons caused by any act or omission of any occupant of the Facility, except to the extent such damage is caused by TAMUS' gross negligence or willful misconduct.

Section 11.03. INSURANCE. TCPL shall at all times maintain, with respect to the Premises, for the duration of this Lease and any extensions, insurance issued by a company or companies rated "A" or better by A.M. Best Company, Inc. and approved in writing by TAMUS (such approval shall not be unreasonably withheld) in the following types and amounts:
TYPE

(1) Comprehensive General (Public) Liability - coverage for the following:
   
   (a) Premises/Operations
   (b) Independent Contractors
   (c) Products/Completed Operations
   (d) Personal Injury
   (e) Contractual Liability
   (f) Explosion, collapse and underground property damage

(2) Property Insurance - for physical damage to the Premises including improvements to the Land.

(3) Builder's Risk Insurance all risk of physical loss during term of the construction contract and until the Facilities are substantially completed.

(4) 1-Year Business interruption or Rental Abatement Insurance, if obtainable by TCPL at reasonable cost.

Without limitation, any Mortgagee may be named as an additional insured on any insurance and as loss payee on any property insurance.

Section 11.04. TAMUS ADDITIONAL INSURED. TCPL agrees with respect to the above required insurance, TAMUS will:

A. Be named on the Property Insurance Policy and Comprehensive General Liability Policy as additional insured/or an insured. TAMUS agrees to promptly endorse insurance checks or otherwise release insurance proceeds, provided no Event of Default is continuing under this Lease. TAMUS shall, regardless of the existence of an Event of Default, promptly endorse insurance checks or otherwise release insurance proceeds payable to (or to be held by) a Permitted Mortgagee if such Permitted Mortgagee's Permitted Mortgage so requires.

Prepared by Assistant General Counsel
h:/EDG/Leases-Texas Campus Properties-Laredo
REV. 8/96-EDG
B. Be provided with thirty (30) days advance notice, in writing, of cancellation or material change in coverage. If any insurance policy provides the insurer will give such notice, then TCPL will not be obligated to do so with respect to such policy.

C. Be provided a certificate of insurance evidencing the required insurance and thereafter certificates evidencing renewals or replacements of the policies of insurance at least thirty (30) days prior to the expiration or cancellation of any policy(s).

Section 11.05. ADDITIONAL INSURANCE. TAMUS will review TCPL's required insurance at the time of renewal of the policy(s) or at the time of a material change, and TAMUS reserves the right to require reasonable additional limits of coverages. TCPL agrees to comply with any such reasonable request by TAMUS.

Section 11.06. BLANKET POLICIES. If any blanket general insurance policy of TCPL complies with the requirements of this Article, such insurance will fulfill the requirements set forth herein. At the request of TCPL, any Permitted Mortgagee may be named as an insured or additional insured on any insurance policies as its interest may appear.

Section 11.07. SUBROGATION. TAMUS, to the extent allowed by the laws and Constitution of the State of Texas, and TCPL hereby waive any and all rights of recovery, claims, actions, or causes of action against the other, its agents, officers, and employees for any injury, death, loss, or damage that may occur to Persons or the Premises, or any personal property of such party, by reason of fire, the elements, or any other cause which is insured against under the terms of the policies of insurance maintained by TAMUS or TCPL or that TCPL is required to provide, regardless of cause or origin, including negligence by the party, its agents, officers, or employees, and each party covenants no insurer holds any right of subrogation against the other, except in the case (and only in the case) where a waiver of subrogation invalidates coverage under such policy, issued by a third party carrier and, to the extent a waiver may be obtained on reasonable terms and at a reasonable cost, each party shall require from its insurer a written waiver or rider under such policy.

ARTICLE TWELVE

DEFAULT AND REMEDIES

Section 12.01. DEFAULT BY TCPL. Any one of the following events is deemed to be an "Event of Default" by TCPL under this Lease.

A. TCPL's failure to pay any sum required to be paid to TAMUS under this Lease and such failure is not cured within sixty (60) days after TCPL's receipt of written notice from TAMUS of such failure.

B. TCPL's failure to perform any other covenant or agreement, other than the payment
of money, to be performed by TCPL under this Lease and such failure is not cured within one hundred eighty (180) days after receipt of written notice from TAMUS of such failure; provided if, during such one hundred eighty (180) day period, TCPL takes action to cure such failure but is unable, by reason of the nature of the work involved, to cure such failure within period and work continues diligently and without unnecessary delays, such failure will not constitute an Event of Default.

C. A court having jurisdiction enters an order for relief in any involuntary case commenced against TCPL, as debtor, under the Federal Bankruptcy Code, as now or hereafter constituted, or the entry of a decree or order by a court having jurisdiction over the Premises appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or to other similar official or for TCPL or any substantial part of the properties of TCPL or ordering the winding up or liquidation of the affairs of TCPL, and the continuance of any such decree or order is unstayed and in effect for a period of one hundred eighty (180) consecutive days.

D. Commencement by TCPL of a voluntary case under the Federal Bankruptcy Code, as now or hereafter constituted, or the consent or acquiescence by the TCPL to the commencement of a case under such Code or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for TCPL or any substantial part of the properties of the TCPL.

E. Commencement of construction has not occurred by the Commencement Date, in the manner specified in Section 12.05.

Section 12.02. RIGHT TO EXPEL. The Permitted Mortgagee shall have the right to expel TCPL upon the occurrence of an Event of Default and assume the position of TCPL with all rights and duties under the Lease.

Section 12.03. TAMUS' RIGHTS UPON DEFAULT. Subject to the rights of the Permitted Mortgagees under Article Five and Section 12.02, upon the occurrence and during the continuance of an Event of Default, TAMUS may at its option declare this Lease and all rights and interests created by it to be terminated, may seek any and all damages occasioned by the Event of Default, or may seek any other remedies available at law or in equity.

Section 12.04. TAMUS DEFAULTS. If TAMUS or the University fails to perform any of its respective obligations or covenants under this Lease, then TCPL will be entitled to enforce any one or more of the following rights and remedies:

A. TCPL may require TAMUS to specifically perform its obligations under this Lease or cease activities constituting the defaults by TAMUS, and
B. TCPL may exercise all other rights and remedies available to TCPL under this Lease or otherwise available to TCPL at law or in equity as a consequence of TAMUS’ default.

Section 12.05. DEFAULT IN COMMENCEMENT OF CONSTRUCTION. Except for Force Majeure, in the event construction does not commence prior to the Commencement Date, TAMUS will have the right, but not the obligation, to terminate this Lease.

Section 12.06. COMPLETION BY PERMITTED MORTGAGEE. Except for delays caused by Force Majeure, if (a) the commencement of construction does not occur on or before the Commencement Date, or (b) after the commencement of construction and prior to the substantial completion of the Facilities, TCPL abandons construction of the Facilities for a period of forty-five (45) consecutive days, or (c) if TCPL fails to substantially complete construction of the residential buildings comprising the Facilities by the Completion Date, then TAMUS may by written notice to the Permitted Mortgagee require said Permitted Mortgagee to affirm by written notice to TAMUS within thirty (30) days of receipt by said Permitted Mortgagee of such notice from TAMUS that such Permitted Mortgagee intends to use its best efforts to pursue applicable remedies which will result in its causing the completion of the Facilities. If said Permitted Mortgagee fails to give such affirmation or thereafter by written notice abandons such intent, the failure of the commencement of construction to occur in accordance with Section 12.05 or other ceasing of such construction for said forty-five (45) day period (as applicable) shall be an "Event of Default" by TCPL hereunder and TAMUS may exercise its remedies under this Lease on account thereof. If the Permitted Mortgagee fails to complete construction of the residential buildings comprising the Facilities by that date which is forty (40) days after the Completion Date, then the Contingent Payment Obligation set forth in Section 14.05 shall not commence until the Semester which begins on or about the first anniversary of the Completion Date.

ARTICLE THIRTEEN

IMPROVEMENTS, TAMUS’ OPTION TO PURCHASE AND RIGHT OF FIRST REFUSAL

Section 13.01. TITLE TO IMPROVEMENTS. Upon the completion of construction of the Facilities, title to the Facilities and Facility Equipment will vest completely in TAMUS, subject to a leasehold estate held by TCPL in the Premises, the Facilities and the Facility Equipment.

Section 13.02. TAMUS’ OPTION TO PURCHASE LEASEHOLD ESTATES. Unless a Foreclosure has occurred, and subject to the terms and conditions of the Permitted Mortgage, TAMUS may purchase TCPL’S leasehold estate in the Premises and TCPL’S leasehold estate in the Facility Equipment. The purchase price will be the lesser of:

A. The sum of the present cash value of TCPL’S leasehold estate in the Premises, discounted at 9.5% per annum, and TCPL’S leasehold estate in the Facility Equipment PLUS the amount required to repay the debt secured by the Permitted Mortgage in full, in accordance with the
terms and conditions of such indebtedness including the unpaid principal of such indebtedness, together with accrued interest to the date of repayment, any repayment penalties and all other costs incident to the repayment of the indebtedness and the satisfaction of any obligations related thereto;

OR

B. The sum of the fair market value of the Premises and Facility Equipment as established in Section 13.03 hereof;

BUT IN NO EVENT will the purchase price be less than the amount required to repay the debt secured by the Permitted Mortgage in full, in accordance with the terms and conditions of such indebtedness including the unpaid principal of such indebtedness, together with accrued interest to the date of repayment, any repayment penalties and all other costs incident to the repayment of the indebtedness and the satisfaction of any obligation related thereto.

Notwithstanding any other provision of this Ground Lease to the contrary, if TAMUS exercises its purchase option under this Section 13.02 subsequent to a Foreclosure of a Permitted Mortgage, the Total Imputed Debt shall be treated as "debt secured by the Permitted Mortgage" for purposes of calculating the Purchase Price.

If TAMUS exercises its purchase option, then TAMUS must pay any amounts required to be paid in order to repay all debt secured by the Permitted Mortgage. The purchase proceeds shall be applied first to discharge the Permitted Mortgage at the closing of the purchase and the balance of the Purchase Price shall be paid, in cash, to TCPL.

Such option to purchase must be exercised by TAMUS by providing written notice to TCPL and any Permitted Mortgagee of TAMUS' intent to exercise such option. Closing will occur not later than 180 days after written notice of TAMUS' intent to exercise this option is received by TCPL and the Permitted Mortgagee. At the closing of such purchase, TCPL and TAMUS shall execute, acknowledge and deliver to the other and to the Permitted Mortgagees such instruments of conveyance, bills of sale, assumption and release agreements and other instruments as are reasonably necessary to accomplish the purchase pursuant to this Section 13.02 (and as are reasonably satisfactory in form and substance to the Permitted Mortgagees). This Lease shall terminate upon the closing of such purchase, on the condition that such termination does not adversely affect the rights of any Permitted Mortgagee under any Permitted Mortgage that survives TAMUS' purchase in accordance with this Section 13.02. TAMUS may not exercise its rights under this Section 13.02 after TAMUS has received notice from TCPL of an Offer under Section 13.04, for so long as such Offer remains outstanding.

Section 13.03. APPRAISAL AND CLOSING PROCESS. To establish the present cash value of TCPL'S leasehold estate in the Premises and the Facility Equipment (such leasehold estates being herein collectively designated "TCPL'S leasehold estates"), and to establish the fair market value of the Premises and the Facility Equipment (the Premises and Facility Equipment being herein collectively designated the "Assets"), the following procedure shall be implemented:

A. TAMUS shall notify TCPL, and Permitted Mortgagee, in writing of its choice of a
Member of the Appraisal Institute to conduct an appraisal of the present cash value of TCPL'S leasehold estates and the fair market value of the Assets.

B. Within ten (10) days after receipt of the written notice specified in Section 13.03.A. above, TCPL shall notify TAMUS in writing of its choice of a Member of the Appraisal Institute to conduct an appraisal of the Assets.

C. Each party shall use its best efforts to maintain confidentiality in the appraisal process. The appraisals shall be completed and delivered by the appraisers with thirty (30) days after TCPL'S written notice is delivered to TAMUS pursuant to Section 13.03.B. above. Upon completion of each written appraisal, each appraiser shall submit a written opinion of the fair market value of the Assets and the present cash value of TCPL'S Leasehold Estates, together with all back-up documentation requested by either party, to the party which ordered the appraisal. Each party shall pay all costs incident to its appraisal. The appraisals, together with the written opinion of the present cash value of TCPL'S Leasehold Estates and the written opinion of the fair market value of the Assets, shall be submitted by each party to the other.

D. If the two (2) written opinions of the present cash value of TCPL'S Leasehold Estates differ by 10% or less, the present cash value of TCPL'S Leasehold Estates shall be established by adding the two (2) together, and dividing by two (2). If the two (2) written opinions of the fair market value of the Assets differ by 10% or less, the fair market value of the Assets shall be established by adding the two (2) together, and dividing by two (2).

E. If the two (2) written opinions of either the fair market value of the Assets or the present cash value of TCPL'S Leasehold Estates differ by more than 10%, the two (2) appraisers shall agree upon the selection of a third Member of the Appraisal Institute, who shall conduct an independent appraisal of the fair market value of the Assets or the present cash value of TCPL'S Leasehold Estates, as the case may be. The cost of this third appraisal shall be divided equally among TAMUS and TCPL. The third written opinion shall be binding on the parties. This opinion, together with all back-up documentation requested by either party, shall be delivered to both parties within thirty (30) days after the third appraiser is selected.

F. In no event will the appraisers have the right or power to vary the terms of this Lease. In determining the present cash value of TCPL'S interest in the Leasehold Estate, the appraisers will assume this Lease is in full force and effect and that all parties are obligated to continue performing their obligations under this Lease for the remainder of the Term, which shall be construed as a term beginning September 1, 1996 and ending on August 31, 2021.

G. The closing of the transaction contemplated by Section 13.02 and Section 13.03 of this Ground Lease shall occur within 180 days after TAMUS provides written notice of its exercise of the purchase option to TCPL pursuant to Section 13.02 at a mutually acceptable time. The place of the closing shall be selected by TCPL no later than the 7th day prior to the closing. At the closing,
TAMUS shall deliver cash equal in amount to the present cash value of the Assets and TCPL shall deliver the following:

(1) An Assignment of its Leasehold estate in the Land, the Facilities, the Facility Equipment and the Premises;

(2) A release of all debt secured by Permitted Mortgages, together with a release of all Mortgages, Security Interests and other liens securing such debt;

(3) A release of the Facility Management Agreement (if applicable);

(4) A quitclaim deed to the Land, a bill of sale of TCPL'S interest in the Facility and Facility Equipment; and

(5) All consents required by the Permitted Mortgages.

In addition, each party shall submit certified resolutions establishing their authority to consummate the transaction contemplated by Sections 13.02 and 13.03 of this Lease, together, with such opinions of counsel and additional documentation as may be reasonably requested by either party. Each party shall pay its own attorney's fees and shall pay those recording fees and other minor costs of closing in the manner customary to Webb County, Texas. No title insurance will be required.

Section 13.04. TAMUS' RIGHT OF FIRST REFUSAL.

A. If TCPL receives a written bona fide offer (the "Offer") to buy TCPL'S leasehold estate in the Premises from a third party (the "Offeror"), signed by the Offeror, and accompanied by a certified or bank cashier's check for ten percent (10%) of the purchase price offered as a deposit for cash, or partly in cash and partly by assumption of or subject to existing indebtedness, of TCPL'S entire interest in the Premises and the leasehold estate, then TCPL shall, if it wishes to accept the Offer, promptly notify TAMUS in writing.

B. TAMUS must notify TCPL in writing, within sixty (60) days after TCPL'S written notification of receipt of an Offer acceptable to TCPL, whether the Chancellor of The Texas A&M University System will recommend that the Board of Regents of The Texas A&M University System approve the exercise of the option granted. If the Board of Regents approves the exercise by TAMUS of the option granted herein, the Chancellor will recommend TAMUS' consummation of the purchase under the terms described in the Offer to the Coordinating Board. If TAMUS determines approval by the Coordinating Board is not required under then current law, TAMUS will notify TCPL and TAMUS may exercise its right of first refusal under this Section, notwithstanding any provisions concerning approval by the Coordinating Board. If TAMUS fails to notify TCPL during such initial sixty (60) day period or if TAMUS notifies TCPL as provided above that TAMUS will not recommend exercising TAMUS' option, TCPL may consummate with the third
party such purchase on the same terms and conditions as set forth in the Offer. If TAMUS informs TCPL that TAMUS will recommend exercising the option to the Coordinating Board, and the Coordinating Board does not approve TAMUS' exercise of its option at the next scheduled meeting held by the Coordinating Board, then TCPL may consummate the sale as set forth in the Offer. If the Coordinating Board approves the consummation of the purchase described in the Offer and if TAMUS does not elect to consummate the purchase described in the Offer by delivering written notice thereof (hereinafter called "Election to Purchase") to TCPL no later than ten (10) days after the Coordinating Board approval is granted, then TCPL may consummate such sale on the same terms and conditions as set forth in the Offer. If TAMUS elects not to consummate a purchase as set forth in an Offer, then TAMUS shall (at TCPL'S request) execute and acknowledge a certificate indicating the waiver of the right of first refusal with respect to such Offer. If TAMUS timely exercises its right of first refusal by delivering the Election to Purchase in accordance with this Section 13.04, then TAMUS shall, within ninety (90) days after delivery of the Election to Purchase, purchase TCPL'S interest in the Premises and TCPL'S leasehold estates in accordance with the terms and conditions set forth in the Offer. If TCPL does not consummate such a conveyance and assignment to the Offeror within eighteen (18) months of receipt of offer to purchase, then TCPL may not thereafter convey its interest in the Premises and/or assign its leasehold estate without again complying with the provisions of this Section 13.03.

C. Nothing in this Section affects the rights of a Mortgagor under a Mortgage and any rights of TAMUS under this Section shall be subject to any such rights.

D. Notwithstanding the foregoing provisions of this Section 13.04, TCPL is entitled to convey its interests in the Premises and assign its rights under this Lease to any Permitted Assignee free of TAMUS' right of first refusal and without complying with the requirements of this Section 13.04; however, such Permitted Assignee shall be bound by the requirements of this Section 13.04 regarding an assignment of its rights under this Lease except for a sale to another Permitted Assignee.

ARTICLE FOURTEEN

OCCUPANCY AGREEMENT

Section 14.01. REFERRAL OF ON-CAMPUS OCCUPANTS TO THE FACILITIES. TAMUS will cause the University to direct On-Campus Occupants to the Facilities as follows:

A. Each Semester, the University shall assign the following types of On-Campus Occupants to the Facilities in the following order of priority: (1) Freshman, (2) Sophomores, (3) Juniors and (4) Seniors. In addition, the University will also refer all students who are not required to live on-campus via the University's existing housing policies, that apply for housing, to the Premises.

B. Notwithstanding any other provision of this Section to the contrary, the University will not be obligated to require any On-Campus Occupants or other students applying for housing to lease
a unit in the Facilities and if any On-Campus Occupant or other students applying for housing rejects the Facilities, the University may reassign such occupant or other student to another housing facility on the Campus.

Section 14.02. OCCUPANCY RENTALS; HOUSING CONTRACTS. At least one hundred twenty (120) days prior to the commencement of the first Academic Year during the Term, TCPL will provide the Committee with the housing contract (the "Housing Contract") prepared by TCPL for execution by all Assigned Occupants to occupy space in the Facilities. TCPL is entitled to amend the form of Housing Contract from time to time, in such event TCPL will deliver the amended form to the Committee for approval.

Section 14.03. UNIVERSITY PROMOTIONS.

A. TAMUS will cause the University to actively promote and market the Facilities as an integral part of the overall housing program of the University. TAMUS will cause the University to:

1. Include a housing brochure (prepared by TCPL at no expense to TAMUS) in all response mailings to prospective students seeking information about enrolling in the University.

2. Include a housing brochure (prepared by TCPL at no expense to TAMUS) in all mailings to student applicants notifying them of their admittance to the University.

3. Provide TCPL with a convenient space during registration at no cost on the first floor of the University Student Center for a temporary leasing office.

4. Allow TCPL to use a reasonable number of signs, flags, and banners on the leased Premises to market the Facilities.

5. Actively promote the Facilities in conjunction with the University's promotional and recruiting efforts.

B. TCPL shall cooperate in promoting and marketing the Facilities by causing the following actions to be taken, at no expense to TAMUS.

1. Prepare a housing brochure which reflects the floor plans, amenities and benefits of the Facilities.

2. Maintain an on-site leasing office at the Premises.

3. Prepare four 20\" by 30\" color, mounted renderings of the Facilities for use by the University in its promotion and marketing of the Facilities.

Prepared by Assistant General Counsel
hr/EDG/Leases-Texas Campus Properties-Laredo
REV. 8/96-EDG

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Section 14.04. DEDICATION OF THE PROJECT TO ON-CAMPUS OCCUPANTS. TCPL agrees to offer units in the Facilities for lease on a first-priority basis to On-Campus Occupants and TCPL shall cooperate with the University in marketing the Facilities to On-Campus Occupants.

Section 14.05. CONTINGENT PAYMENT OBLIGATIONS BY THE UNIVERSITY.

A. If at the commencement of any Semester, Occupancy Rentals are projected to be insufficient to meet the Financial Break-Even Point projected in the Annual Budget for that Semester, then TAMUS will cause the University to rent a sufficient number of units during that Semester to produce Occupancy Rentals equal to the Financial Break-Even Point projected in the Annual Budget for that Semester. The payment shall be made on the 15th day of each Semester in which such payment is due; provided, however, that the Contingent Payment, if any, for the Semester which begins in January, 1997 shall not be made earlier than the fifteenth (15th) day following the substantial completion of all residential buildings comprising the Facilities in accordance with Section 6.01.E of this Lease. Upon payment of the Contingent Payment, the University shall be entitled to all Net Cash Flow until such Contingent Payment Obligation is repaid, subject to the rights of a Permitted Mortgagee under Section 5.03.G. The funds available to pay the Contingent Payment Obligation shall be limited to Institutional Funds, as defined in Section 51.009, Texas Education Code, as amended, appropriated to University, and no other funds shall be required to be used to fund this Contingent Payment Obligation. This Contingent Payment Obligation shall be subject to the Legislature's biennial appropriation of such Institutional Funds to the University in such manner as to permit the use of such funds for the payment of the Contingent Payment Obligations. Notwithstanding anything to the contrary contained herein, the obligation of the University to make the Contingent Payments shall be subject and subordinate to the lien on and pledge of "Pledged Revenues" made in the Master Resolution Establishing the Revenue Financing System for The Texas A&M University System adopted by the Board of Regents on November 19, 1990; as amended on April 17, 1991, September 25, 1992, January 29, 1993, September 17, 1993 and December 1, 1994 for the benefit of the obligations now or hereafter outstanding thereunder.

B. This Contingent Payment Obligation shall cease upon written notice pursuant to Section 19.03 of the University or the Project achieving an Investment Grade Rating of "bbb" or better from Standard & Poor's Corporation or "baa" or better from Moody's Investors Service, Inc. on the Permitted Mortgage without the Contingent Payment Obligation.

Section 14.06. ADJUSTMENT OF PAYMENT OF NET CASH FLOW. If the University does not derive sufficient revenue from the occupancy of the housing units assigned to it as a result of the Contingent Payment Obligation under Section 14.05 prior to the expiration of the Semester in which the Contingent Payment Obligation is made, it shall be paid 100% of Net Cash Flow in the manner defined by Section 3.02 of this Ground Lease until the Contingent Payment Obligation has been repaid in full, subject to the rights of a Permitted Mortgagee under Section 5.03.G. Following repayment to the University of any unpaid Contingent Payments, 100% of the Net Cash Flow shall be paid to the Manager to pay management fees theretofore subordinated, in the manner defined by
Section 3.02 of this Ground Lease.

Section 14.07. FINANCIAL BREAK-EVEN POINT. As referenced herein, the "Financial Break-Even Point" is $835,087 for the 1997-1998 Academic Year, and will be calculated by the Manager in the preparation of each Annual Budget by adjusting for each Academic Year subsequent to such Academic Year by an amount equal to the sum of (a) adjustments from the previous Academic Year in the Annual Expenditures and Reserve amounts (as set forth in the Annual Budget), and (b) adjustments in other categories of expenses set forth in the Annual Budget.

ARTICLE FIFTEEN

CONDEMNATION

Section 15.01. CONDEMNATION OF ENTIRE PREMISES. Upon the permanent Taking of the entire Premises, this Lease will terminate and expire as of the date of such Taking, and TCPL and TAMUS will be released from any liability after such Taking. TCPL and the Permitted Mortgage will be given notice of any proceedings relating to a Taking and will have the right to participate to the extent of its interest.

Section 15.02. PARTIAL CONDEMNATION. Upon a temporary Taking or a Taking of less than all of the Premises, TCPL, at its election, may terminate this Lease by giving TAMUS notice of its election to terminate at least sixty (60) days prior to the date of such termination if TCPL reasonably determines the Premises cannot be economically and feasibly used by TCPL for its intended purposes. Upon termination, the Rent accrued and unpaid will be apportioned to the date of termination.

Section 15.03. PAYMENT OF AWARDS. Upon the Taking of all or any portion of the Premises (a) TCPL will be entitled (free of any claim by TAMUS) to the Award for the value of its interest in the Premises and its rights under this Lease and damages to any of its other property, together with any other compensation or benefits paid as a consequence of the interruption of TCPL's business; and (b) TAMUS will be entitled (free of any claim by TCPL) to the Award for the value of TAMUS' Interest (such value to be determined as if this Lease were in effect and continuing to encumber TAMUS' Interest).

Section 15.04. REPAIR AFTER CONDEMNATION. Should a Taking occur that does not result in termination as provided by Sections 15.01 or 15.02, TCPL shall use the proceeds from the Taking to commence and proceed with reasonable diligence to repair or reconstruct the Facilities to a complete architectural unit or units, including temporary repairs, changes and installation required to accommodate Assigned Occupants and all other work incidental to and in connection with all the foregoing. Any and all such repairs or reconstruction shall be subject to prior reasonable approval of TAMUS. Notwithstanding the foregoing provisions of this Section 15.04, if the Award payable as a consequence of a Taking (after payment of all or any portion of such Award towards
amounts owed under any Permitted Mortgage) is insufficient, in the reasonable judgment of TCPL, to permit such restoration, then TCPL, with the prior written approval of the Permitted Mortgagee a copy of which approval must be delivered to TAMUS, may terminate this Lease by written notice to TAMUS. All or any portion of the Award payable to TCPL as a consequence of a Taking affecting the Premises shall be deposited with and disbursed by the Permitted Mortgagee (holding the Permitted Mortgage with the most senior lien priority) pending the completion of the restoration of the Premises. In the event of termination under this Section 15.04, this Lease shall terminate ten (10) days after the date of such notice with the same force and effect as if such date were the date herein fixed for the expiration of the Term, and the Rent shall be apportioned and paid at the time of such termination. TAMUS and The University agree not to exercise their powers of eminent domain with regard to the Facility, the Land, the Premises and Leasehold Estates of TCPL.

ARTICLE SIXTEEN

COMPLIANCE CERTIFICATES

Section 16.01. TAMUS COMPLIANCE. TCPL agrees, at any time and from time to time upon not less than thirty (30) days prior written notice by TAMUS, to execute, acknowledge and deliver to TAMUS or to such other party as TAMUS may request, a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, the Lease is in full force and effect as modified and stating the modifications); (b) to the best of its knowledge, if there are any existing offsets or defenses against the enforcement of any of the terms, covenants or conditions to be performed by TCPL (and if so specifying them); (c) the dates to which the Rent and other charges have been paid; and (d) the dates of commencement and expiration of the Term, it being intended any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser of the TAMUS' Interest.

Section 16.02. TCPL COMPLIANCE. TAMUS agrees, at any time and from time to time, upon not less than thirty (30) days prior written notice by TCPL, to execute, acknowledge and deliver to TCPL a statement in writing, addressed to TCPL or to such other party as TCPL may request, certifying (a) this Lease is unmodified and in full force and effect (or if there have been modifications the Lease is in full force and effect as modified and stating the modifications); (b) the dates to which the Rent and other charges have been paid; (c) whether an Event of Default has occurred and is continuing (and stating the nature of any Event of Default); (d) whether an event has occurred which, after giving of notice or the passage of time (or both) would result in an Event of Default (and stating the nature of the event(s)); (e) the dates of commencement and expiration of the Term; and (f) as to any other matters as may be reasonably requested, it being intended that any such statement may be relied upon by any prospective assignee, sublessee, or Permitted Mortgagee of this Lease or by any assignee or prospective undertenant of all or any part of the Premises.
ARTICLE SEVENTEEN

TAXES AND LICENSES

Section 17.01. PAYMENT OF TAXES. Manager shall cause to be paid, as a Project cost, as a portion of Annual Expenditures, and, upon request by TAMUS, will provide evidence of payment to the appropriate collecting authorities, all federal, state and local taxes and fees, which are now or may hereafter be, levied upon TCPL'S interest in the Premises, TCPL, the business conducted on the Premises, or any of TCPL'S property used in connection therewith. TCPL shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by TCPL. TAMUS shall pay, and, upon request by TCPL or any Permitted Mortgagee, shall provide evidence of payment to the appropriate collecting authorities, all federal, state and local taxes and fees, which are now or may hereafter be, levied upon TAMUS or TAMUS' Interest. TCPL and TAMUS may pay any of the above items in installments if payment can be made without penalty other than the payment of interest. The obligations of TAMUS and TCPL to pay taxes and fees under this Section apply only to the extent TAMUS or TCPL are not exempt from paying such taxes and fees and to the extent such taxes and fees are not otherwise abated. TAMUS and TCPL agree to cooperate with each other to the end that tax exemptions available with respect to the Premises under Applicable Law are obtained by the parties entitled thereto.

Section 17.02 CONTESTED TAX PAYMENTS. The Manager will not be required to pay, discharge or remove any such taxes or assessments so long as the Manager is contesting the amount or validity thereof by appropriate proceeding which operate to prevent or stay the collection of the amount contested. The Manager hereby agrees to indemnify and save TAMUS harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure on any lien arising in respect to such contested amounts, cause the lien to be discharged and removed prior to the execution of such judgment. TAMUS will cooperate with TCPL in completing such contest and TAMUS has no right to pay the amount contested during the contest. Upon the termination of such proceeding, TCPL shall deliver to TAMUS proof of the amount due as finally determined and proof of payment thereof. TAMUS, at TCPL'S expense, will join in any such proceeding if required by law.

ARTICLE EIGHTEEN

FORCE MAJEURE

Section 18.01. DISCONTINUANCE DURING FORCE MAJEURE. Whenever a period of time is prescribed for action by TCPL or a Permitted Mortgagee, TCPL and/or such Permitted Mortgagee shall not be responsible for, and there will be excluded from the computation for such period of time, any delays due to Force Majeure. TAMUS will not be obligated to recognize any delay caused by Force Majeure unless TCPL, within ten (10) days after TCPL is aware of the
existence of an event of Force Majeure, notified TAMUS; provided, however, that TCPL shall not be obligated to furnish notice of a Force Majeure caused by TAMUS.

ARTICLE NINETEEN

MISCELLANEOUS

Section 19.01. NONDISCRIMINATION, EMPLOYMENT AND WAGES. Any discrimination by TCPL or its agents or employees on account of race, color, sex, age religion, national origin or handicap, in employment practices or in the performance of the terms, conditions, covenants and obligations of this Lease, is prohibited.

Section 19.02. CONFLICT OF INTEREST. TCPL acknowledges it is informed Texas law prohibits contracts between TAMUS and its officers, and such prohibition extends to contracts with any partnership, corporation or other organization in which any such officer has an interest. TCPL certifies (and this Lease is made in reliance thereon) neither TCPL nor any Person having an interest in this Lease by, through or under TCPL is an officer of TAMUS.

Section 19.03. NOTICES. Notices or communications to TAMUS or TCPL required or appropriate under this Lease must be in writing, sent by (a) personal delivery, or (b) expedited delivery service with proof of delivery, or (c) registered or certified United States mail, postage prepaid, or (d) prepaid telecopy if confirmed by expedited delivery service or by mail in the manner previously described, addressed as follows:

if to TAMUS:

Director
System Real Estate Office
The Texas A&M University System
College Station, Texas 77843-1120
Telecopy No.: (409) 862-2713

with a copy to:

Vice President for Finance and Administration
Texas A&M International University
5201 University Boulevard
Laredo, Texas 78741-1999
Telecopy No.: (210) 326-2379

and to:

Any Permitted Mortgagee for whom an address has been designated in writing to TCPL.
if to TCPL:
Mr. Wayne T. Senecal
President
Texas Campus Properties (Laredo), L.C.
2003 North Lamar
Suite 100
Austin, Texas 78705
Telecopy No.: (512) 505-0048

with a copy to:
Sam Glast, Esq.
Glast, Phillips & Murray, P.C.
2200 One Galleria Tower
13355 Noel Road
Dallas, Texas 75240
Telecopy No.: (214) 419-8329

and a copy to:
Any Mortgagee for whom an address
has been designated in writing to TAMUS.

or to such other address or to the attention of such other Person as may be designated in writing by such party. Any notice or communication will be deemed given either at the time of personal delivery or, in the case of delivery service, telecopy or mail, upon receipt.

Section 19.04. RELATIONSHIP OF PARTIES. Nothing in this Lease will be deemed or construed by the parties, or by any third party, as creating the relationship of principal and agent, partners, joint ventures, or any other relationship, between the parties. It is agreed no provision of this Lease nor any acts of the parties creates a relationship other than the relationship of Lessor and Lessee.

Section 19.05. APPROVALS. Whenever approvals are required of either party, if no objection is made to a written proposal or request for approval within the time period specified for response, such approval will be deemed to have been given. If no time period is specified for a response to a proposal or request for approval, a reasonable time not to exceed ten (10) days from the date of such proposal or request will apply unless the parties otherwise agree in writing.

Section 19.06. TEXAS LAW TO APPLY. This Lease shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties are performable in Brazos or Webb Counties, Texas, at the election of TAMUS.

Section 19.07. SUBJECT TO BOARD OF REGENT APPROVAL. TCPL expressly acknowledges the validity and enforceability of this Lease is contingent upon acceptance of the contractual terms by the Board of Regents, The Texas A&M University System.
Section 19.08. SUBJECT TO SUITABLE FINANCING. The obligations of TCPL under this Lease are subject to obtaining financing on terms and conditions suitable to TAMUS and TCPL. TAMUS agrees to reasonably cooperate with TCPL in its efforts to obtain such financing.

Section 19.09. RIGHTS CUMULATIVE. All rights, options, and remedies of TAMUS and TCPL contained in this Lease are cumulative and one will not be exclusive of any other. TAMUS and TCPL each have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity.

Section 19.10. NONWAIVER. No waiver by TAMUS or TCPL of a breach of any of the covenants, conditions, or restrictions of this Lease will constitute a waiver of any subsequent breach of any of the covenants, conditions or restrictions of this Lease. The failure of TAMUS or TCPL to insist in any one or more cases upon the strict performance of any of the covenants of the Lease, or to exercise any option herein contained, will not be construed as a waiver or relinquishment for the future of such covenant or option. A receipt by TAMUS or acceptance of payment by TAMUS of Rent will not be deemed a waiver of such breach. No waiver, change, modification or discharge by TAMUS or TCPL of any provision of this Lease will be deemed effective unless expressed in writing and signed by the party to be charged.

Section 19.11. TERMINOLOGY. Unless the context of this Lease clearly requires otherwise, (a) pronouns include natural Persons and corporations and associations of every kind and character; (b) the singular includes the plural wherever and as often as may be appropriate; (c) the word "includes" or "including" means "including without limitation"; (d) the word "or" has the inclusive meaning represented by the phrase "and/or"; (e) the words "hereof", "herein", "hereunder", and similar terms in this Lease refer to this Lease as a whole and not to any particular section or article in which such words appear. The section, article and other headings in this Lease and the Table of Contents to this Lease are for reference purposes and do not control or affect the construction of this Lease or its interpretation. Article, section and subsection and exhibit references are to this Lease unless otherwise specified. All exhibits attached to this Lease constitute a part of this Lease. All references to a specific time of day in this Lease are based upon Central Standard Time (or the other standard of measuring time recognized in College Station, Texas).

Section 19.12. COUNTERPARTS. This agreement may be executed in multiple counterparts, each of which is declared an original.

Section 19.13. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Term of this Lease, it is the intention of the parties that the remainder of this Lease will not be affected.

Section 19.14. ENTIRE AGREEMENT. This Lease, together with the exhibits attached, consists of only one agreement between the parties. The parties contemplate that other written agreements will be executed regarding the subject matter of this Lease.
Section 19.15. AMENDMENT. No amendment, modification, or alteration of this Lease will be binding unless in writing, dated on or subsequent to the date of this Lease and duly executed by the parties. No such amendment, modification, or alteration, and no termination of this Lease, will be effective without the prior written consent of each Permitted Mortgagee.

Section 19.16. SUCCESSORS AND ASSIGNS. All of the covenants, agreements, terms and conditions to be observed and performed by the parties will be applicable to and binding upon their respective successors and assigns including any successor by merger or consolidation of TAMUS into another educational institution.

Section 19.17. HAZARDOUS MATERIALS. If TCPL finds any Hazardous Materials on the Premises prior to March 15, 1997, TCPL will have the right to terminate this Lease by delivering written notice to TAMUS no later than May 1, 1997. If TCPL terminates this Lease as a result of finding Hazardous Materials on the Land, neither party will have any further rights, duties, or obligations. As used in this Lease, "Hazardous Materials" means (a) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6091 et. seq.), as amended from time to time, and regulations promulgated thereunder, (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 6091 et. seq.), as amended from time to time, and regulations promulgated thereunder; (c) polychlorinated biphenyls; (d) underground storage tanks, whether empty, filled or partially filled with any substance, (e) any substance the presence of which on the Land is prohibited by any governmental requirements; and (f) any other substance which by any governmental requirements requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, or disposal. In the event the Hazardous Materials were placed on the Land prior to the Commencement Date by TAMUS or the University, then, to the extent permitted by law, TAMUS will indemnify TCPL from all costs arising from or attributed to such Hazardous Materials.

Section 19.18. NO MERGER. No union of the interest of TAMUS and TCPL shall result in a merger of the Lease and the fee interest in the Premises without the prior written consent of all Permitted Mortgagees.

Section 19.19. NONAPPROPRIATION. Notwithstanding anything in this Ground Lease to the contrary, all obligations of TAMUS and the University to make payments hereunder are subject to the appropriation of sufficient funds for such payments by the Legislature of the State of Texas. Failure by the Legislature of the State of Texas to appropriate funds to TAMUS or the University sufficient to make such payment shall relieve TAMUS or the University from the obligation to make such payments during the term of the nonappropriation.

Section 19.20. TIME IS OF THE ESSENCE. The parties agree that time is of the essence in the performance of all obligations set forth in this Lease.
EXECUTED as of the _7_ day of _October__, 1996.

TAMUS:
BOARD OF REGENTS,
THE TEXAS A&M UNIVERSITY SYSTEM

Barry B. Thompson, Chancellor

By:
RICHARD LINDSAY
Deputy Chancellor
For Finance and Operations

RECOMMEND APPROVAL:

J. CHARLES TENNETT
President
Texas A&M International University

TOM D. KALE
Vice Chancellor for Business Services

DAN R. BUSHLY
Director
System Real Estate Office

APPROVED AS TO FORM

EDDIE D. GOSE, J.D.
Assistant General Counsel

Prepared by Assistant General Counsel
h:/EDG/Leases-Texas Campus Properties-Laredo
REV. 8/96-EDG
EXECUTED as of the 3rd day of Sept., 1996, by Texas Campus Properties (Laredo), L.C.

TEXAS CAMPUS PROPERTIES (LAREDO), L.C. ("TCPL")

By:  
WAYNE T. SENECAL, President

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF BRAZOS

This instrument was acknowledged before me on the 7th day of October, 1996, by RICHARD LINDSAY, Deputy Chancellor for Finance and Operations of The Texas A&M University System, on behalf of The Texas A&M University System.

GALE DAVIDSON
Notary Public in and for the State of Texas
My Commission Expires: 2-18-99

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 3rd day of Sept., 1996, by WAYNE T. SENECAL, President of Texas Campus Properties (Laredo), L.C., a Texas limited liability company, on behalf of said limited liability company.

MICHELLE RENE DAVIDSON
Notary Public in and for the State of Texas
My Commission Expires: 11-07-98

Prepared by Assistant General Counsel
h:/EDG/Leases-Texas Campus Properties-Laredo
REV. 8/96-EDG
LEGAL DESCRIPTION
5.00 ACRE TRACT

A TRACT OF LAND CONTAINING 5.00 ACRES, MORE OR LESS, SITUATED IN SURVEY 1550 A-496, WEBB COUNTY, TEXAS, ALSO BEING PARTLY SITUATED IN PORTION 26; SAID 5.00 ACRE TRACT BEING OUT OF THAT CERTAIN TRACT "A" CONTAINING 131.4504 ACRES CONVEYED TO TEXAS A&M UNIVERSITY SYSTEM IN WARRANTY DEED DATED JUNE 29, 1993, AND RECORDED IN VOLUME 172, PAGES 666-677 OF THE REAL PROPERTY RECORDS OF WEBB COUNTY, TEXAS; WHICH TRACT "A" IS OUT OF A 44,142.45 ACRE TRACT DESIGNED "K-1" AND ALLOTTED TO KILLAM OIL COMPANY IN PARTITION DEED DATED FEBRUARY 9, 1987, AND RECORDED IN VOLUME 1219, PAGES 772-778 OF THE WEBB COUNTY DEED RECORDS. SAID 5.00 ACRE TRACT IS HEREIN MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A-found ½" IRON ROD IN CONCRETE ON THE EAST RIGHT-OF-WAY LINE OF LOOP 20 (150.00 FEET R.O.W., BOB BULLOCK LOOP) FOR THE MOST WESTERLY CORNER OF SAID 131.4504 ACRES TRACT "A", SAID IRON ROD BEARS N 76°22'12"E, A DISTANCE OF 1,948.93 FEET FROM A 1½" IRON PIPE FOUND AT FENCE CORNER POST, BEING AN INTERIOR CORNER OF THE 44,142.45 ACRE TRACT, SAID CORNER IS THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE THAT HAS A DEED BEARING OF S 00°24'00" E, A DISTANCE OF 772.52 FEET WITH A FENCE ON THE OCCUPIED WEST LINE OF SURVEY 1550 AND THE 44,142.45 ACRE TRACT, PER DEED RECORDED IN VOLUME 1219, PAGES 772-778 OF THE WEBB COUNTY DEED RECORDS;

THENCE, S 73°27'58" E, WITH A FENCE IN PLACE ALONG THE SOUTH LINE OF SAID TRACT "A", A DISTANCE OF 200.00 FEET TO A POINT, A DEFORMATION TO THE LEFT;

THENCE, N 16°32'02" E, WITH A LINE PARALLEL WITH AND A PERPENDICULAR DISTANCE OF 200.00 FEET EAST OF THE EAST RIGHT-OF-WAY LINE OF LOOP 20 (150.00 FEET R.O.W., BOB BULLOCK LOOP), A DISTANCE OF 345.36 FEET TO A ½" IRON ROD SET, THE TRUE POINT OF BEGINNING AND SOUTHWEST CORNER HEREOF;

THENCE, N 16°32'02" E, CONTINUING WITH SAID PARALLEL LINE AND WEST LINE OF THIS TRACT, A DISTANCE OF 454.64 FEET TO A ½" IRON ROD SET, THE NORTHWEST CORNER HEREOF;

THENCE, WITH A LINE PARALLEL WITH AND A PERPENDICULAR DISTANCE OF 200.00 FEET SOUTH OF THE SOUTH RIGHT-OF-WAY LINE OF UNIVERSITY BLVD. (120.00 R.O.W.), FOR THE NORTH LINE OF THIS TRACT, AS FOLLOWS:

S 73°27'58"E, A DISTANCE OF 232.97 FEET TO A ½" IRON ROD SET, THE BEGINNING POINT OF A CURVE TO THE LEFT;

ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 1,152.50 FEET, A DELTA OF 19°20'30"., A CHORD BEARING S 83°08'13" E, AND CHORD DISTANCE OF 387.21 FEET, A TOTAL DISTANCE ALONG ARC OF 389.05 FEET TO A ½" IRON ROD SET, FOR THE NORTHEAST CORNER HEREOF;

EXHIBIT "A"
PAGE 1 of 2
THENCE, WITH THE EAST LINE OF THIS TRACT, AS FOLLOWS:
S 49°01'54" W, A DISTANCE OF 151.03 FEET TO A ½" IRON ROD SET, THE BEGINNING POINT OF A CURVE TO THE LEFT;

ALONG SAID CURVE TO THE LEFT HAVING A RADIUS OF 404.00 FEET, A DELTA OF 44°57'46", A CHORD Bearing S 26°33'01" W, AND CHORD DISTANCE OF 308.97 FEET, A TOTAL DISTANCE ALONG ARC OF 317.04 FEET TO A ¾" IRON ROD SET, FOR THE SOUTHEAST CORNER HEREOF;

THENCE, WITH THE SOUTH LINE OF THIS TRACT, AS FOLLOWS:
N 73°27'58" W, A DISTANCE OF 97.25 FEET TO A ½" IRON ROD SET, A DEFLECTION TO THE LEFT;
S 68°43'36" W, A DISTANCE OF 143.65 FEET TO A ½" IRON ROD SET, A DEFLECTION TO THE RIGHT;
N 73°27'58" W, A DISTANCE OF 269.06 FEET TO THE POINT OF BEGINNING OF THIS 5.00 ACRE TRACT.

NOTE: BASIS OF BEARINGS FOR THIS LEGAL DESCRIPTION ARE THE BEARINGS USED BY THE TEXAS STATE HIGHWAY DEPARTMENT WHICH IS THE TEXAS STATE PLAN COORDINATE SYSTEM (LAMBERT CONFORMAL PROJECTION)

CERTIFICATION OF SURVEYOR

[Signature]

RUBEN FLETES, R.P.L.S. NO 1998 DATE

12/6/95
EXHIBIT "B"

Permitted Exceptions

[To Be Attached Prior To Closing Of Permitted Mortgage]
A loan for a principal amount of Five Million, Ninety-six Thousand, One Hundred Fifteen and No/100 Dollars ($5,096,115.00) from Texas Commerce Bank National Association to Texas Campus Properties (Laredo), L.C. and secured by a Deed of Trust, Security Agreement and other instruments filed of record.