ATTACHMENT 3

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT (the "Agreement") is made this ___ day of January, 2006, by the CITY OF COSTA MESA, a municipal corporation ("CITY"), and SOUTH COAST PLAZA, a California general partnership ("DEVELOPER"), together referred to as the "Parties."

RECITALS

WHEREAS, DEVELOPER is the owner/developer of certain real property commonly known as "South Coast Plaza" and "South Coast Plaza Town Center" bounded by Bear Street on the west, the San Diego Freeway (405) on the south, Avenue of the Arts on the east and Sunflower Avenue on the north (the "PROPERTY"); and

WHEREAS, DEVELOPER has developed the PROPERTY for commercial and office uses; and

WHEREAS, CITY desires to have DEVELOPER, at the same time DEVELOPER undertakes improvements called out in the City-approved Theater and Arts District Plan, construct certain public street improvements to enhance the Theater and Arts District ("District") , to wit,

(1) Rehabilitating and reconstructing degraded portions of the pavement on Sunflower Avenue between Bear Street and Avenue of the Arts, on Avenue of the Arts between Sunflower Avenue and the first signal-controlled intersection south of Anton Boulevard, on Anton Boulevard between Bristol Street and Avenue of the Arts, on Bristol Street between Sunflower Avenue and Anton Boulevard and on Park Center Drive between Sunflower Avenue and Town Center Drive ("Project No. 1"), and

(2) Rehabilitating and reconstructing degraded portions of the medians and sidewalks in and adjacent to the streets identified in Project No. 1 ("Project No. 2"),

Project No. 1 and Project No. 2 are collectively referred to herein as the "District Improvements;" and

WHEREAS, CITY and DEVELOPER have agreed that DEVELOPER will perform the District Improvements and the CITY will reimburse DEVELOPER for the cost of the District Improvements, provided City receives adequate funding to do so from the County of Orange and/or Orange County Transportation Authority, all as provided in this Agreement; and

WHEREAS, CITY and DEVELOPER desire to set forth their respective rights and obligations concerning the construction of the District Improvements.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. DESIGN AND TESTING. DEVELOPER shall engage a licensed civil engineer to prepare the necessary plans, specifications, necessary surveying, and soil testing for the District Improvements.

2. APPROVAL OF PLANS AND SPECIFICATIONS. The construction plans and specifications for the District Improvements shall be submitted to CITY for review and approval. Construction shall not begin without said approval from CITY and from any other public agency having jurisdiction. CITY approval shall not be unreasonably withheld or delayed.

3. STOP NOTICES. The work will be subject to all applicable California laws regarding preliminary notices, stop notices, and other laws relating to payment and enforcement of liens for public works.

4. BONDS. DEVELOPER shall require the Contractor for the work to secure and furnish performance and labor and materials bonds in substantially the forms attached hereto as Exhibits "1" and "2," executed by a corporation authorized to transact surety business within the State of California, for the following purposes and in the sums stated, and shall cause the

Contractor to keep the bonds in full force and effect until the District Improvements have been completed and accepted by CITY and CITY authorizes their exoneration in writing. The premiums for such bonds shall be included in the cost of the District Improvements to be reimbursed to DEVELOPER.

a. Faithful Performance Bond: To secure the faithful performance of the District Improvements, a faithful performance bond for 200% of the estimated costs of the District Improvements (Exhibit 1").

b. Labor and Material Bond: To secure payment to subcontractors, engineers, surveyors, and to all persons renting equipment or furnishing labor or materials to it upon the District Improvements for 200% of the estimated costs of the District Improvements (Exhibit "2").

5. PREVAILING WAGES. The Prevailing Wages Law applies to the District Improvements. DEVELOPER shall be responsible for Contractors' compliance in all respects with the prevailing wage rates to all the laborers involved, and with California Labor Code Section 1770 et seq., including the keeping of all records required by the provisions of Labor Code Section 1776 and the implementing administrative regulations. The CITY shall be a third party beneficiary of the forgoing covenant with rights to enforce the same as against the Contractor.

6. INSURANCE.

a. DEVELOPER shall not permit the Contractor to commence work on the District Improvements until the Contractor has obtained all insurance required herein and such insurance has been approved, by CITY as to form, amount and carrier, nor shall DEVELOPER allow any

subcontractor to commence work on subcontracts until all similar insurance required of the subcontractor has been so obtained and approved.

b. DEVELOPER shall require the Contractor to obtain and maintain, during the life of this Agreement, workers' compensation insurance for the statutory limits; and, if any work is subcontracted, DEVELOPER shall require all subcontractors similarly to provide workers' compensation insurance for the statutory limits. Said workers' compensation insurance shall provide that the insurance may not be cancelled until thirty (30) days after written notice of such cancellation is provided to CITY and DEVELOPER.

c. DEVELOPER shall require the Contractor to obtain and maintain during the life of this Agreement the following insurance coverage:

(1) Comprehensive general liability and automobile liability with limits not less than $1,000,000 combined single limit, per occurrence and in the aggregate.

(2) An endorsement shall be obtained for the policies providing the above insurance naming the City of Costa Mesa and DEVELOPER as additional insureds and providing for 30 days advance notice of cancellation to CITY and DEVELOPER.

(3) DEVELOPER shall provide to CITY proof satisfactory to CITY showing the above insurance coverage prior to permitting the Contractor to begin work under this Agreement. Any certificate of insurance must be in a form and content approved by CITY. However, CITY does not assume any obligation to protect the interests of DEVELOPER in reviewing and approving the Certificate(s) of Insurance.

d. Failure of CITY to secure and/or approve specified insurance coverages shall not alter or invalidate this Agreement.

7. HOLD HARMLESS.

a. Except for claims arising out of the sole active negligence of the City, its officers, employees, or agents or the failure of CITY to make any reimbursement due pursuant to Paragraph 13, DEVELOPER agrees to protect, defend, indemnify and hold harmless the CITY and its elective and appointive boards, officers, agents and employees from any and all claims, liabilities, expenses, stop notices, or damages of any nature, including attorneys' fees, for injury to, or death of, any person, and for injury to any property, including consequential damages of any nature resulting therefrom, arising out of or in any way connected with the performance of this Agreement by or on behalf of DEVELOPER, and from violation of any statute, law, regulation or other legal requirement concerning a safe place for employment of workers.

b. CITY does not, and shall not, waive any rights against DEVELOPER which it may have by reason of the aforesaid hold harmless agreements because of the acceptance by CITY or the deposit with CITY by DEVELOPER of any insurance policies or certificates of insurance purporting to indemnify for the aforesaid losses. The aforesaid hold harmless agreements shall apply to all liabilities, claims, expenses and damages of every kind including but not limited to attorneys' fees, suffered or alleged to have been suffered, by reason of the aforesaid operations of DEVELOPER or any contractor or others performing on behalf of DEVELOPER, regardless of whether or not such insurance policies are applicable.

8. COMPLIANCE WITH LAWS. All work, labor, and materials shall be in strict conformity with all laws, ordinances, rules, regulations, and standard specifications of CITY and other governmental agencies having jurisdiction therefor, and in strict conformity with the plans and specifications. DEVELOPER shall require all contractors to comply with all such requirements. Said requirements include, but are not limited to, all of the provisions of the

Workers' Compensation Insurance and Safety in Employment Laws of the State of California, including the applicable provisions of Divisions 4 and 5 of the California Labor Code and all amendments thereto, and all similar state, federal, or local laws applicable.

9. CONTRACT WARRANTY. DEVELOPER shall include in its agreement with the Contractor the following provision;

> The contractor warrants to South Coast Plaza and to the City of Costa Mesa that all materials used in the work and all labor performed shall be in conformity with the plans and specifications and with the standards and specifications set forth in the most current edition of Standard Specifications for Public Works Construction, published by Building News, Inc., Los Angeles, California, popularly known as "The Green Book." The contractor shall, at its own expense, make any and all repairs and replacements that shall become necessary as the result of any failure of the work to conform to the aforementioned plans, specifications, and standard specifications; provided, however, that the contractor shall be obligated under this provision only to the extent of those failures or defects of which it is given notice within a period of twelve (12) months from the date that the notice of completion is recorded,

Promptly upon CITY acceptance of the District Improvements, DEVELOPER shall execute and deliver to the CITY an assignment of all warranties and guarantees of the Contractor with respect to the District Improvements. Such assignment shall be on a form approved by the CITY.

10. ADMINISTRATION OF CONSTRUCTION CONTRACT.

DEVELOPER shall administer the design and construction of the District Improvements and shall pay for the work. Compensation to DEVELOPER for contract administration shall be as provided in Paragraph 13 of this Agreement. Any changes in the scope of work or other contract change orders are to be reviewed and approved by CITY in writing prior to the Contractor commencing the related work. DEVELOPER shall submit to CITY supporting

information to document DEVELOPER's actual expenditures on the District Improvements, including invoices, billing, and receipts.

11. INSPECTION. Construction inspection of the District Improvements on behalf of CITY shall be done by CITY Public Services Inspectors. The cost of plan checking and construction inspection for the District Improvements shall be waived by CITY.

12. ACCEPTANCE OF WORK AND EXONERATION OF BONDS. Upon completion of construction of the District Improvements, DEVELOPER shall provide "as built" drawings to the CITY. CITY shall promptly accept the District Improvements and record a notice of completion upon its determination that the work has been satisfactorily completed. DEVELOPER shall exonerate the bonds only upon written approval of CITY.

13. PROGRESS PAYMENTS, FINAL ACCOUNTING CREDITS AND REIMBURSEMENT.

a. WORK SCHEDULE AND PROGRESS PAYMENTS. Expressly dependent on its have received dedicated funding sufficient for this purpose from the County of Orange, and/or the Orange County Transportation Agency, CITY shall make progress payments to DEVELOPER provided that DEVELOPER has first submitted to the City Engineer, and the City Engineer has approved, a schedule of the District Improvements along with the estimated construction costs and related expenses for the District Improvements including a copy of the contract with the Contractor, within fifteen (15) days of letting the work to the Contractor to perform the work. The City Engineer shall not unreasonably withhold approval of said work schedule and cost estimate. Thereafter, provided that the DEVELOPER has submitted and the City Engineer has approved the work schedule and cost estimate, and City has received sufficient funding from outside sources to do so, as set forth above, there shall be paid to DEVELOPER a

sum equal to ninety percent (90%) of the value of the actual work completed, since the commencement of the District Improvements as determined by the CITY pursuant to such supporting information as may be reasonably required by CITY to document DEVELOPER's expenditures; and thereafter, provided there is sufficient outside funding to do so, from time to time as the District Improvements progress, DEVELOPER shall be paid such sum as will bring the total payments received, since the commencement of the Town Center District Improvements, as reasonably determined by the CITY (less all previous payments) to ninety percent (90%) of the value of the actual work completed. In no case shall the amount withheld by the CITY be of a value less than ten percent (10%) of the value of the work completed. Payments shall be made within forty-five (45) days after receipt of DEVELOPER's request and required supporting documents, accompanied by a certificate signed by the City Engineer, stating that the work for which payment is demanded has been performed in accordance with the terms of this Agreement, and that the amount stated in the certificate is due under the terms of this Agreement, and provided that CITY has received sufficient outside funding therefor. The partial payments provided for herein shall not be considered as an acceptance of any part of the work.

b. FINAL ACCOUNTING AND STOP NOTICE RELEASES. Upon completion of construction of the District Improvements, DEVELOPER shall submit to CITY a final accounting to determine the total costs of the design and construction work. DEVELOPER shall also submit to CITY such supporting information as may be reasonably required by CITY to document DEVELOPER's expenditures on the District Improvements, including the cost of blueprinting and similar expenses, all bond premiums and all costs of obtaining governmental approvals and permits, as well as the actual construction costs. Furthermore, DEVELOPER shall submit stop notice releases from contractors and suppliers showing unconditional releases of any

stop notice or claims for work done or materials furnished. Should DEVELOPER fail to submit stop notice releases, to the extent that a reimbursement is due from CITY to DEVELOPER, CITY may utilize joint checks to contractors, suppliers, and DEVELOPER.

e. FINAL PAYMENT. No earlier than thirty-five (35) days after acceptance of the work and the recording of the Notice of Completion, and no later than sixty (60) days after said recording, and further provided that CITY shall have received adequate outside funding for such purposes, CITY shall reimburse DEVELOPER for the actual costs incurred in designing and constructing the District Improvements (less all previous payments), including related expenses and construction costs. CITY shall make such final payment to DEVELOPER after DEVELOPER has submitted all documents required to make a final accounting.

14. NOTICES. All notices under this Agreement shall be in writing and shall be delivered by personal service or by certified or registered mail, postage prepaid, return receipt requested, to the parties. Any written notice to any of the parties required or permitted hereunder shall be deemed to have been duly given on the date of service if served personally or if served by facsimile transmission (with confirmation of receipt), on a business day or seventy-two (72) hours after the mailing. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as provided hereunder shall be deemed to be receipt of the notice, demand or request sent. Notices to the parties shall be addressed as follows:

DEVELOPER: SOUTH COAST PLAZA
3315 FAIRVIEW RD.
COSTA MESA, CA 92626
Attn.: Mr. Robert Fernandez

CITY: CITY CLERK - CITY OF COSTA MESA
P.O. BOX 1200
COSTA MESA, CA 92628-1200

Each party shall provide the other party with telephone, facsimile, and written notice of any change, in address as soon as practicable. DEVELOPER appoints Robert Fernandez as its representative for all purposes under this Agreement. CITY appoints Ernesto Munoz, City Engineer, as its representative for all purposes under this Agreement. Each party can change its representative at any time by written notice to the other.

15. TERMINATION.

A. CITY may terminate this Agreement in whole or in part in writing for convenience or in the event of substantial failure by DEVELOPER to fulfill its obligations under this Agreement through no fault of CITY, provided that CITY shall give DEVELOPER: (1) Not less than ten (10) calendar days' written notice (delivered by certified mail, return receipt requested) of CITY'S intent to terminate; and (2) An opportunity for consultation with DEVELOPER prior to termination.

B. If termination for default or convenience is effected by CITY, an equitable adjustment in the price provided for in this Agreement shall be made, but any payment due to DEVELOPER at the time of termination may be adjusted to cover any additional costs to CITY because of DEVELOPER's default.

C. Upon receipt of a termination notice, DEVELOPER shall (1) promptly cause all contractors to discontinue all affected work (unless the notice directs otherwise), and (2) deliver or otherwise make available to CITY all data, drawings, "as-built" drawings, specifications, reports, estimates, summaries and such other information and materials as may have been accumulated by DEVELOPER in performing this Agreement whether completed or in process.

16. SEVERABILITY. If any term, provision, covenant, or condition set forth in this Agreement is held by the final judgment of a court of competent jurisdiction to be invalid, void,

or unenforceable, the remaining provisions, covenants, and conditions shall continue in full force and effect to the extent that the basic intent of the Parties as expressed herein can be accomplished. In addition, in such event the Parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of the invalidated or voided provision, covenant, and condition can be accomplished to the maximum extent legally permissible; provided, however, that in no event shall either Party be required to agree to an amendment or modification of this Agreement that materially adversely impacts its rights or materially increases its obligations or risks as set forth herein.

17. TIME OF ESSENCE. Time is of the essence in the performance of each provision of this Agreement as to which there is a time element.

18. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

19. PARTIES IN INTEREST. This Agreement and all of its terms, conditions, and provisions are entered into only for the benefit of the Parties executing this Agreement (and their respective successors in interest), and not for the benefit of any other individual or entity. No other person or entity shall have any right of action based upon any provision of this Agreement.

20. FURTHER ACTIONS AND INSTRUMENTS. Each Party shall cooperate with and provide reasonable assistance to the other Party to the extent necessary to implement this Agreement.

21. INDEPENDENT CONTRACTOR. It is expressly understood and agreed by the Parties that DEVELOPER, while engaged in carrying out the terms and conditions of this Agreement, is an independent contractor and not an employee of CITY.

22. SECTION HEADINGS. All section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

23. RULES OF CONSTRUCTION. As used herein, the singular of any word includes the plural and the masculine gender includes the feminine.

24. APPLICABLE LAW. This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

25. AMENDMENTS AND WAIVERS. No modification or amendment of this Agreement or any of the provisions hereof shall be effective for any purpose unless set forth in a writing signed by duly authorized representatives of both Parties. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. No waiver of any right or remedy in respect to any occurrence or event shall be deemed a waiver of any right or remedy in respect to any other or subsequent occurrence or event.

26. AUTHORITY TO EXECUTE. The persons executing this Agreement warrant and represent that they have the authority to execute this Agreement and represent that they have the authority to bind the Parties for which they are signing to the performance of the obligations hereunder.

27. ENTIRE AGREEMENT. This Agreement (including the Exhibits hereto) constitutes the entire understanding and agreement of the Parties and supercedes all previous negotiations, discussions and agreements between the Parties with respect to all or part of the subject matter hereof. No parole evidence of any prior or other agreement shall be permitted to contradict or vary the terms of this Agreement.

28. LITIGATION EXPENSES. In any judicial proceeding or arbitration (collectively, "Action") in any way connected with or arising out of the terms and provisions of this Agreement, the prevailing Party in such Action shall be awarded all of its actual and reasonable costs and expenses, including but not limited to expert witness fees, attorneys' fees, and costs of investigation and preparation prior to the commencement of the Action. The right to recover such costs and expenses shall accrue upon commencement of the Action, regardless of whether the Action is prosecuted to a final judgment or decision.

IN WITNESS WHEREOF, the parties hereto have executed this Reimbursement Agreement as of the date first hereinabove written.

CITY OF COSTA MESA

_____
Mayor of the City of Costa Mesa

ATTEST:

_____
City Clerk of the City of Costa Mesa

APPROVED AS TO FORM:

_____
City Attorney

APPROVED AS TO CONTENT:

_____
Project Manager

SOUTH COAST PLAZA, a California general partnership

By: C.J. Segerstrom & Sons, a California general partnership, Managing General Partner

By: Henry T. Segerstrom Management LLC, a California limited liability company, Manager

By:_____
Manager

By: HTS Management Co., Inc., a California corporation, Manager

By: _____
Title: Sr. Vice President

APPROVED AS TO FORM:

_____
James W. Daniels, Esq.

BOND NO._____

FAITHFUL PERFORMANCE BOND

(The premium charged on this bond is $_____ being at the rate of $_____ per thousand of the contract price)

KNOW ALL MEN BY THESE PRESENTS THAT:

WHEREAS, THE CITY OF COSTA MESA ("OWNER"), by and through SOUTH COAST PLAZA ("DEVELOPER") has awarded to _____ hereinafter designated as the "Principal", a contract for the work described as follows:

_____, and

WHEREAS, the said Principal is required under the terms of said contract to furnish a bond for the faithful performance of said contract.

NOW, THEREFORE, WE, the undersigned Contractor, as Principal, and _____ _____ (Name and Address of Surety) duly authorized to transact business under the laws of the State of California, as Surety, are held and firmly bound unto the OWNER and DEVELOPER in the penal sum of _____ Dollars ($_____), lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents. Bonds must be issued by a Surety authorized by the State Insurance Commissioner to do business in California, and must have and maintain, throughout the life of the project, at least an "A-" policyholder's rating, or better, and a financial rating of "Class VII", or better, in accordance with the most current A.M. Best's Rating Guide.

THE CONDITION OF THIS OBLIGATION IS SUCH that, if the above bounden Principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform all the undertakings, terms, covenants, conditions and agreements in the- said contract and any alteration thereof made as therein provided, on his or their part, to be kept and performed, at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless the OWNER and DEVELOPER, its officers and agents, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

In case suit is brought upon this bond, Surety further agrees to pay all court costs and reasonable attorneys' fees as fixed by the court.

And the said Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the contract or to the work to be performed thereunder or the specifications accompanying the same shall in any wise affect its obligation on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the contract or to the work or to the specifications.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this _____ day of _____, 2006.

_____
Principal

_____
Surety

(Seal)

BOND NO._____

PAYMENT BOND
(LABOR AND MATERIAL BOND)

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, THE CITY OF COSTA MESA ("OWNER") by and through SOUTH COAST PLAZA ("DEVELOPER") has awarded to _____, hereinafter designated as the "Principal", a contract for the work described as follows:

_____, and

WHEREAS, said Principal is required by the provisions of said contract to furnish a bond in connection with said contract, as hereinafter set forth.

NOW, THEREFORE, WE, the undersigned Contractor, as Principal, and _____ _____ (Name and Address of Surety) duly authorized to transact business under the laws of the State of California, as Surety, are held and firmly bound unto the OWNER and DEVELOPER in the penal sum of _____ Dollars ($ _____), lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents. Bonds must be issued by a Surety authorized by the State Insurance Commissioner to do business in California, and must have and maintain, throughout the life of the project, at least an "A-" policyholders rating, or better, and a financial rating of "Class VII", or better, in accordance with the most current A.M. Best's Rating Guide.

THE CONDITION OF THIS OBLIGATION IS SUCH that, if said Principal or its subcontractors, or the heirs, executors; administrators, successors or assigns thereof, shall fail to pay any of the persons named in Section 3181 of the CMI Code of the State of California for any materials, provisions, provender or other supplies used in, upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, or shall fail to pay any amounts due under the Unemployment Insurance Code with respect to work or labor performed by any such claimant or any amounts required to be deducted, withheld, and paid over to the Franchise Tax Board from the wages of employees of Principal and his subcontractor pursuant to Section 18806 of the Revenue and Taxation Code, with respect to such work and labor, then said Surety will pay for the same, in an amount not exceeding the sum set forth hereinabove, and in addition, in case suit is brought upon the bond, will -pay reasonable attorneys' fees to be fixed by the court. This bond shall inure to the benefit of any and all persons named in the aforesaid Civil Code Section 3181 so as to give a right of action to them or their assigns in any suit brought upon the bond.

Further, the said Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or modification of the contract documents or of the work to be performed thereunder shall in any way affect its obligations on this bond; and it hereby waives notice of any and all such changes, extensions of time, and alterations or modifications of the contract documents' and/or of the work to be performed thereunder.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this _____ day of _____, 2006.

_____
Principal

_____
Surety

(Seal)