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217 405 A17 29
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CITY OF COSTA MESA
77 Fair Drive
Costa Mesa, CA 92626
Attn: CITY Clerk

ACCM 08 12 A

(Space Above This Line for Recorder's Use)

This Third Amendment to the Development Agreement for Home Ranch Development Property is recorded at the request and for the benefit of the CITY of Costa Mesa and is exempt from the payment of a recording fee pursuant to Government Code § 6103

THIRD AMENDMENT TO THE
DEVELOPMENT AGREEMENT FOR
HOME RANCH

by and between

CITY OF COSTA MESA

and

C.J. SEGERSTROM & SONS, HENRY T. SEGERSTROM PROPERTIES LLC AND RUTH
ANN MORIARTY PROPERTIES, LLC

DA-00-01
Ordinance No. 01-29

THIRD AMENDMENT TO THE
DEVELOPMENT AGREEMENT FOR HOME RANCH

THIS THIRD AMENDMENT TO THE DEVELOPMENT AGREEMENT FOR HOME RANCH (the "**Amendment**") is executed this 3rd day of August, 2010, by and between The City of Costa Mesa, a Municipal Corporation of the State of California (the "**City**"), and C.J. Segerstrom & Sons, a California general partnership, Henry T. Segerstrom Properties, LLC, a California limited liability company, and Ruth Ann Moriarty Properties, LLC, a California limited liability company (collectively, "**CJS**"), with respect to the following:

RECITALS

A. City and CJS entered into that certain Development Agreement for Home Ranch dated as of December 3, 2001 (the "**Original Agreement**"), as amended by that certain First Amendment to the Development Agreement for Home Ranch effective October 15, 2003 (the "**First Amendment**"), and that certain Second Amendment to the Development Agreement for Home Ranch dated as of April 3, 2007 (the "**Second Amendment**"). The Original Agreement, First Amendment and Second Amendment were recorded in the Official Records of Orange County, California as Instrument Nos. 20020229863, 2007000267971, and 2007000267970, respectively, and are herein referred to as the "**Development Agreement.**" The Development Agreement provides for construction of the Home Ranch Project, as defined in the Original Agreement.

B. Exhibit "F" to the Original Agreement sets forth certain community benefits to be provided by CJS, and City and CJS desire to memorialize that many of the community benefits have been provided by CJS. As to the remaining community benefits relating to cultural resources and fire station, City and CJS desire to provide more specificity and otherwise update and clarify these requirements.

C. Finally, City and CJS desire to extend the term of the Development Agreement.

AGREEMENT

IN CONSIDERATION OF the foregoing Recitals, and for good and valuable consideration, CJS and City agree as follows:

1. Duration of Agreement. The Development Agreement is hereby extended and shall be operative and continue until that date which is twenty (20) years from the date of this Amendment, subject to earlier termination upon the completion, performance and discharge of all obligations thereunder.

2. Community Benefits – Owner’s Obligations Fulfilled. City and CJS agree that all obligations of CJS set forth in the following provisions of Exhibit “F” to the Original Agreement (Community Benefits Provided by Owner) have been satisfied in full:

(a) The first four subheadings of Section A, entitled “Improvements Required in Accordance with the General Plan” (which called for CJS to pay City \$3,888,910), “Improvements Required by Project Beyond the General Plan” (which called for CJS to pay City \$4,578,400), “Site Access Improvements” and “Susan Street Offramp.”

(b) Section C entitled “Contribution to Educational Advancement for Costa Mesa Students” (which called for CJS to pay City \$2,000,000).

(c) Section D entitled “Contribution for High School Athletic Facilities” (which called for CJS to pay City \$250,000).

(d) Section E entitled “Contribution to Restoration of Huscroft House” (which called for CJS to pay City \$200,000).

(e) Section F entitled “Residential Component.”

(f) Section H entitled “Sales and Use Tax Guarantee” (which called for CJS to guarantee payment to City of \$5,000,000).

All obligations of CJS under the foregoing referenced provisions have been fulfilled and thus these provisions are of no further force or effect in the Development Agreement.

3. Cultural Resources.

a. Historic Structures. The Segerstrom Home, Garage, Tool Shed (formerly erroneously referred to as a guesthouse) and Barn (collectively, the “**Historic Structures**”) as shown on Exhibit “A” to this Amendment have been preserved since before the Effective Date and shall continue to be preserved for historic resource purposes from the date of this Amendment through that date which is fifty (50) years from the date of this Amendment (the “**Historic Term**”), in accordance with the following:

i. The Historic Structures and the 1.5 acre site on which the Historic Structures are located, as more specifically shown on Exhibit “A” (the “**Historic Site**”), shall be maintained in substantially the same condition as existing as of the date of this Amendment at the sole cost of the owner of the Historic Site (the “**Historic Site Owner**”), except as to costs funded through the Historic Reserve Account as provided below. Notwithstanding anything to the contrary in the foregoing, the Historic Site Owner, at its sole cost, may move the Barn to any location within the Historic Site as selected by the Historic Site Owner, subject to compliance with all mitigation measures for the Home Ranch Project and the City’s building codes and regulations, in each case as then applicable to relocation of the Barn.

ii. The boundary(s) of the Historic Site may be modified from that shown on Exhibit “A” by the Historic Site Owner with the approval of the City’s Development Services Director, which approval shall be granted so long as (A) the Historic Site continues to

include all of the Historic Structures (or will continue to include all the Historic Structures following relocation of the Barn as permitted above), (B) the Historic Site continues to include at least 1.5 acres, (C) the modification to the boundary(s) does not have a material adverse effect on the Historic Site, and (D) the modification to the boundary(s) comport with any approved Master Plan(s) for the adjoining, touching property.

iii. Commencing with the calendar year 2011, the Historic Site shall be open to the public by the Historic Site Owner at least one day per calendar year. Access on or inside the Historic Structures is not required.

b. Recorded Use Restrictions. Substantially concurrently with the execution of this Amendment, CJS shall execute and record on the Historic Site, for the benefit of the City, the Declaration of Special Land Use Restrictions attached hereto as Exhibit "B" (the "Use Restrictions"). As more particularly set forth therein, the Use Restrictions shall run with the land and impose on CJS and each successive Historic Site Owner, during the period of its ownership, the requirements set forth above in paragraph 3(a) for the period of the Historic Term. As with the Use Restrictions, paragraph 3(a) above shall terminate and be of no further force or effect with the expiration of the Historic Term. During the Historic Term, as part of any subdivision map or any other entitlement process that is otherwise consistent with the City's requirements, City may not impose on CJS or any successive owner of the Property additional obligations or requirements with respect to permitted use, preservation, public access or maintenance of the Historic Structures or Historic Site. CJS acknowledges that City's adopted General Plan, zoning and Specific Plan for the Historic Site impose restrictions preventing alternative use of the site, and nothing herein is intended to in any way modify said General Plan, zoning or Specific Plan.

c. Historic Reserve Account. Within one year of the date of this Amendment, CJS shall fund a segregated reserve account with the City in the amount of \$260,000 (the "Initial Fund"). The Initial Fund shall be held by the City in an interest bearing deposit account, subject to the terms of this paragraph 3(c). The term "**Historic Reserve Account**" as used herein means all amounts in such interest bearing account. The Historic Reserve Account is intended to be utilized for purposes of providing financial support for the costs of maintaining, operating and preserving the Historic Structures and Site (including listing the Historic Site on the State Registry) as follows:

(i) For so long as the Historic Site is owned by CJS, the Historic Reserve Account shall be utilized solely for:

- A. Extraordinary costs incurred by CJS in maintaining the Historic Structures and Site, as requested by CJS and authorized by the City in accordance with a mutually agreed upon process. The Initial Fund shall be used first in its entirety to fund any extraordinary cost prior to City authorizing the use of any accrued interest in the Historic Reserve Account; and

- B. If the Historic Structures are relocated off the Historic Site as discussed in paragraph 3(f) below, costs incurred by CJS in the physical relocation of the Historic Structures. The Historic Reserve Account may not be used for application costs, processing fees, or legal or environmental documentation relating to relocation of the Historic Structures. Following relocation of the Historic Structures, any remaining balance of the Historic Reserve Account shall be transferred by the City to the then owner of the Historic Structures; and there shall no longer be a Historic Reserve Account with the City or any requirement hereunder for a Historic Reserve Account.
- C. If the Historic Reserve Account still exists as of the expiration of the Historic Term, then the Historic Reserve Account shall be disbursed by the City to CJS and the City as follows: any remaining balance of the Initial Fund shall first belong and be paid to CJS; any remaining balance, consisting of all accrued interest, shall be shared and paid evenly (50/50) between CJS and the City. Following such disbursements, there shall no longer be a Historic Reserve Account with the City or any requirement hereunder for a Historic Reserve Account.

(ii) If ownership of the Historic Site is transferred during the Historic Term as permitted in paragraph 3(e) below, the entire balance of the Historic Reserve Account shall be transferred by the City to the Permitted Transferee (as defined below); and there shall no longer be a Historic Reserve Account with the City or any requirement hereunder for a Historic Reserve Account.

The Historic Reserve Account may not be used for any purposes other than as described in this paragraph 3(c).

d. Mitigation Measure Fulfilled. Upon the last to occur of recordation of the Use Restrictions in the official records of Orange County, California, and funding of the Initial Fund by CJS to the City, all obligations and responsibilities of CJS with respect to the following portion of a mitigation measure for the Home Ranch Project (referenced in the Final Program EIR No. 1048 as mitigation measure 3.10.4(3)), with the exception of the identification of site buffering issues, shall be fully satisfied: "At such time that the applicant proposes a Master Plan for the balance of the project site, the precise boundaries of the preservation area, transfer of development rights, transfer of ownership to the City of Costa Mesa or a non-profit agency/organization, provisions for long-term preservation, and site buffering issues shall be identified."

e. Transfer of Historic Site. CJS may at CJS's election transfer ownership of the Historic Site, subject to the Use Restrictions, to any one of the following ("Permitted Transferee"): (i) any nonprofit entity (including without limitation a nonprofit entity owned or controlled by CJS), (ii) the City, (iii) another government agency or (iv) another private owner.

f. Relocation of Structures. Notwithstanding anything to the contrary above in this paragraph 3, CJS or any successive Historic Site Owner may apply to the City, at the sole cost of the Historic Site Owner, for a determination as to whether the Historic Structures may be relocated off the Historic Site to an alternative site which must be located in the City of Costa Mesa. Any proposal to relocate the Historic Structures must comport with all then applicable requirements which may include without limitation additional expert studies (at the Historic Site Owner's cost), additional public processing and new discretionary approval by the City. City is not hereby obligating itself to approve any relocation. In connection with any off-site relocation proposal, an ad hoc committee appointed by the City Council will be activated and charged with reviewing the proposed relocation plan for the Historic Structures and making recommendations to the City Council. The ad hoc committee will include a representative from each of the Costa Mesa Historic Preservation Committee, Costa Mesa Historical Society, City and Historic Site Owner. All off-site relocation plans must address maintenance obligations and preservation of the Historic Structures for the remainder of the Historic Term. No alternative site for the Historic Structures has been identified at this time. The alternative site may or may not be owned by CJS. If the Historic Structures are relocated to an alternative site as discussed in this paragraph, then the Historic Site shall be relieved of the obligations of paragraph 3(a) above and the Use Restrictions, but the alternative site shall be burdened by all such restrictions as may be imposed by the City in connection with the relocation.

g. Development Rights. All development rights for the Historic Site, including square footage and trip budget, are transferred and belong to the remainder of the Home Ranch Project south of South Coast Drive and east of Susan Street, excluding the Fire Station Site.

h. Original Agreement Amended. The entirety of Section B in Exhibit "F" to the Original Agreement (entitled "Cultural Resources") is hereby deleted from the Development Agreement and shall be of no further force or effect.

4. Fire Station.

a. Study Completed. The fire suppression study called for in Section G in Exhibit "F" to the Original Agreement (entitled "Fire Station") has been completed by the City and it has been determined that a new fire station is needed in the Home Ranch area. In addition, City's Fire Department has determined that its preferred fire station will require more square footage than the 30,000 square feet required under the Original Agreement.

b. Fire Station Site. The fire station shall be located on the Home Ranch on a square parcel consisting of 40,000 square feet (200 feet deep by 200 feet wide) fronting on South Coast Drive as more particularly shown on Exhibit "C" attached hereto (the "Fire Station Site"). City shall provide one year prior notice to CJS of City's intent to commence construction of a fire station on the Fire Station Site, and CJS shall convey the Fire Station Site to City upon notice from City that City has issued construction documents initiating the bidding process for the fire facility. The Fire Station Site shall be conveyed to City subject to a deed restriction providing that the Site may be used solely for fire station purposes. Costs of conveying the Fire

Station Site to the City shall be the sole responsibility of CJS. If construction of a fire facility has not commenced on the Fire Station Site before expiration of the Development Agreement (as extended in paragraph 1 above), the Fire Station Site shall be conveyed by City back to the original CJS owner. Costs of reconveying the Fire Station Site back to the original CJS owner shall be the sole responsibility of City. CJS's obligation to convey the Fire Station Site to the City terminates with expiration of the Development Agreement.

c. Owner's Development. Nothing contained in this paragraph 4 above shall be deemed or construed to preclude the exercise of all development rights granted or reserved to CJS in the Development Agreement. In other words, development of the Property, or any portion(s) thereof, shall not be conditioned upon construction by City of the fire station. In addition, prior to conveyance of the Fire Station Site to the City or subsequent to the conveyance of the site to the City but prior to construction of the fire station, the location of the Fire Station Site may be moved along South Coast Drive to accommodate development of the Property or any portion(s) thereof, subject to review and approval of the City.

d. Home Ranch Entrances. City expressly agrees that the remainder of the Home Ranch Project south of South Coast Drive and east of Susan Street shall be entitled to at least one dedicated full entrance (left and right turn in and out) on South Coast Drive between Fairview Road and Susan Street and one dedicated full entrance on Susan Street. Development of the fire station shall preserve these entrances for development of the remainder of the Home Ranch Project.

e. Fire Impact Fees. On or before 20 days after execution of this Amendment by all parties, CJS shall pay to City \$264,210.38 as the full and final payment due for any reason under Section G of Exhibit "F" to the Original Agreement (entitled "Fire Station"), including without limitation due for fire impact fees or for cost of building construction and site improvement costs. No other amounts whatsoever shall be due under said Section G.

f. Development Rights. All development rights for the Fire Station Site, including square footage and trip budget, are transferred and belong to the remainder of the Home Ranch Project south of South Coast Drive and east of Susan Street, excluding the Historic Site.

g. Original Agreement Amended. In the event of any conflict between the terms of this paragraph 4 and Section G in Exhibit "F" to the Original Agreement (entitled "Fire Station"), the provisions of this paragraph 4 shall control.

5. Exhibits. The Exhibits attached to this Amendment are incorporated herein by this reference.

6. Conflicts. Except as otherwise set forth herein to the contrary, all terms and provisions of the Development Agreement shall remain unamended and continue in full force and effect. This Amendment with the Development Agreement shall be construed together

and shall constitute one agreement. In the event of any inconsistency between this Amendment and the Development Agreement, the provisions of this Amendment shall prevail.

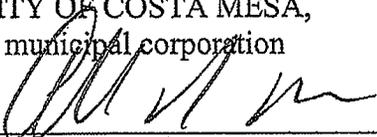
7. Defined Terms. All capitalized terms used herein and not defined herein shall bear the same meanings as set forth in the Development Agreement.

8. Counterparts. This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which shall be deemed to constitute one instrument. It shall not be necessary that all signatories execute the same counterpart(s) of this Amendment for this Amendment to become effective.

[Signature Page Follows]

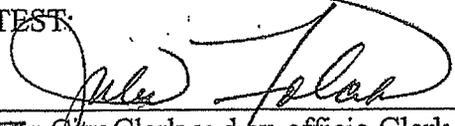
IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to the Development Agreement for Home Ranch as of the date first above written.

CITY OF COSTA MESA,
A municipal corporation



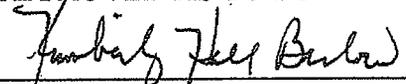
Mayor of Costa Mesa

ATTEST:



~~Deputy~~ City Clerk and ex-officio Clerk
of the City of Costa Mesa

APPROVED AS TO FORM:



City Attorney, City of Costa Mesa

C.J. SEGERSTROM & SONS, a California general partnership

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

By Henry T. Segerstrom Manager

OR

By _____
Alternate Manager

AND

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

By Andre Haines
Title: Senior Vice President

HENRY T. SEGERSTROM PROPERTIES LLC, a California limited liability company

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

By Henry T. Segerstrom
Henry T. Segerstrom, Manager

RUTH ANN MORIARTY PROPERTIES LLC, a California limited liability company

By Ruth Ann Moriarty

Its: Senior Manager

Approved for
HTS Management Co., Inc.
By _____

Approved as to Form.
By MKW

Exhibits

- A Historic Structures and Historic Site
- B Historic Use Restrictions
- C Fire Station Site

State of California)
) ss.
County of Orange)

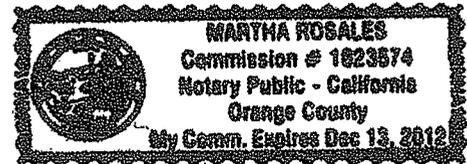
On August 11, 2010, before me, Martha Rosales, Notary Public, personally appeared Allan R. Mansoor, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that ~~he~~ she/they executed the same in ~~his~~ her/their authorized capacity(ies), and that by ~~his~~ her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under law of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Martha Rosales

Signature of Notary Public



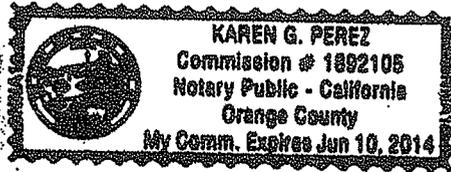
MY COMMISSION EXPIRES: December 13, 2012

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California)
) ss
County of Orange)

On July 27, 2010 before me, Karen G. Perez, Notary Public, personally appeared Henry T. Segerstrom, who provided to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

[Signature of Karen G. Perez]
Karen G. Perez

State of California)
) ss
County of Orange)

On July 27, 2010 before me, Karen G. Perez, Notary Public, personally appeared Henry T. Segerstrom, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or entity upon behalf of which the person acted, executed the instrument.



WITNESS my hand and official seal.

[Signature of Karen G. Perez]
Karen G. Perez

OPTIONAL

CAPACITY CLAIMED BY SIGNERS Partners: [] Limited [] General [X] Managing

Signers are representing: CJ Segerstrom & Sons by Henry T. Segerstrom Management LLC; Henry T. Segerstrom Properties LLC by Henry t. Segerstrom Management LLC

DESCRIPTION OF ATTACHED DOCUMENT

Title or type of document: _____

Number of pages: _____ (excluding loose certificates) Date of document: _____

Signer(s) other than named above:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California)

SS

County of Orange)

On July 27, 2010 before me, Karen G. Perez, Notary Public, personally appeared **Ruth Ann Moriarty**, who provided to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Karen G. Perez

Karen G. Perez

OPTIONAL

CAPACITY CLAIMED BY SIGNERS Partners: Limited General Managing

Signers are representing: Ruth Ann Moriarty Properties LLC, a California limited liability company

DESCRIPTION OF ATTACHED DOCUMENT

Title or type of document: _____

Number of pages: _____ (excluding loose certificates) Date of document: _____

Signer(s) other than named above:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California)

SS

County of Orange)

On July 29, 2010 before me, Karen G. Perez, Notary Public, personally appeared **Sandra S. Daniels**, who provided to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Karen G. Perez

Karen G. Perez

OPTIONAL

CAPACITY CLAIMED BY SIGNERS Partners: Limited General Managing

Signers are representing: _____

DESCRIPTION OF ATTACHED DOCUMENT

Title or type of document: _____

Number of pages: _____ (excluding loose certificates) Date of document: _____

Signer(s) other than named above:

FAIRVIEW ROAD

SOUTH COAST DRIVE

SUSAN STREET

Parcel 1 of
Parcel Map 84-379

GARAGE
TOOL SHED
BARN

HISTORIC SITE
1.5 ac.

SEGERSTROM
HOME

SAN DIEGO FREEWAY
(ROUTE 405)

LEGEND:

 Historic Site

 Historic Structures

EXHIBIT A

ALL BOUNDARIES ARE APPROXIMATE
AND SUBJECT TO CHANGE.

PARCEL 2

PARCEL 1

EXEMPT RECORDING PER GOVERNMENT CODE
SECTION 6103

Recording Requested by CITY OF COSTA MESA

When Recorded Mail to:

CITY OF COSTA MESA
ATTENTION: City Clerk
P.O. BOX 1200
COSTA MESA, CALIFORNIA 92628-1200

DECLARATION OF SPECIAL LAND USE RESTRICTIONS
(Segerstrom Home Ranch Historic Site)

Exhibit B to Third Amendment to Development Agreement

DECLARATION OF SPECIAL LAND USE RESTRICTIONS
(Segerstrom Home Ranch Historic Site)

THIS DECLARATION OF SPECIAL LAND USE RESTRICTIONS (“**Declaration**”) is executed this _____ day of _____, 2010, by C.J. Segerstrom & Sons, a California general partnership (“**CJS**”), with reference to the following:

RECITALS

A. CJS together with its affiliates Henry T. Segerstrom Properties, LLC, a California limited liability company, and Ruth Ann Moriarty Properties, LLC, a California limited liability company (collectively, “**Owner**”) are parties with the City of Costa Mesa, a municipal corporation of the State of California (the “**City**”), to that certain Development Agreement for Home Ranch dated as of December 3, 2001, as amended by First Amendment to the Development Agreement for Home Ranch effective October 15, 2003, Second Amendment to the Development Agreement for Home Ranch dated as of April 3, 2007, and Third Amendment to the Development Agreement for Home Ranch dated _____ (collectively, the “**Development Agreement**”). The Development Agreement entitles Owner to develop certain property in Costa Mesa, California as more particularly described therein (the “**Property**”).

B. The Development Agreement sets forth certain community benefits to be provided by Owner with respect to the Segerstrom Home, Garage, Tool Shed and Barn (collectively the “**Historic Structures**”) located on a 1.5 acre portion of the Property (the “**Historic Site**”), all as more particularly shown on Exhibit A to this Declaration. Specifically, Owner has agreed to encumber the Historic Site with the specific covenants, conditions, restrictions and limitations set forth herein (collectively, the “**Restrictions**”) to provide for the preservation of the Historic Structures for the benefit of the City for a period of 50 years.

C. CJS is the current owner of the Historic Site and enters into this Declaration to encumber the Historic Site with the Restrictions as required under the Development Agreement.

DECLARATION

NOW, THEREFORE, in consideration of the foregoing Recitals, and for good and valuable consideration, CJS hereby declares as follows:

1. Term. This Declaration and all of the terms and provisions set forth herein shall continue in full force and effect from _____ [Date of Third Amendment to Development Agreement] _____ until _____ [Same Day and Month as Third Amendment] _____, 2060 (the “**Term**”).

2. Preservation of Historic Structures. The Historic Structures shall be maintained throughout the Term in substantially the same condition as existing as of the date of this Declaration at the sole cost of the owner of the Historic Site (the "Historic Site Owner"). Notwithstanding anything to the contrary in the foregoing, the Historic Site Owner, at its sole cost, may move the Barn to any location within the Historic Site as selected by the Historic Site Owner, subject to compliance with all mitigation measures and building code and regulations then applicable to relocation of the Barn.

3. Historic Site Boundary. The boundary(s) of the Historic Site may be modified from that shown on Exhibit A by the Historic Site Owner with the approval of the City's Development Services Director, which approval shall be granted so long as (a) the Historic Site continues to include all of the Historic Structures (or will continue to include all the Historic Structures following relocation of the Barn as permitted above), (b) the Historic Site continues to include at least 1.5 acres, (c) the modification to the boundary(s) does not have a material adverse effect on the Historic Site, and (d) the modification to the boundary(s) comport with any City approved master development plan(s) for the adjoining, touching property.

4. Public Access. Commencing with the calendar year 2011 and thereafter throughout the Term, the Historic Site shall be open to the public by the Historic Site Owner at least one day per calendar year. Access on or inside the Historic Structures is not required.

5. Relocation of Structures. Notwithstanding anything to the contrary above in this Declaration, the Historic Site Owner may apply to the City, at the sole cost of the Historic Site Owner, for a determination as to whether the Historic Structures may be relocated off the Historic Site to an alternative site which must be located in the City of Costa Mesa. Any proposal to relocate the Historic Structures must comport with all then applicable requirements which may include without limitation additional expert studies (at the Historic Site Owner's cost), public processing and new discretionary approval by the City. City is not obligated to approve any relocation. In connection with any off-site relocation proposal, an ad hoc committee appointed by the City Council will be activated and charged with reviewing the proposed relocation plan for the Historic Structures and making recommendations to the City Council. The ad hoc committee will include a representative from each of the Costa Mesa Historic Preservation Committee, Costa Mesa Historical Society, City and Historic Site Owner. All off-site relocation plans must address maintenance obligations and preservation of the Historic Structures for the remainder of the Historic Term. No alternative site for the Historic Structures has been identified at this time. The alternative site may or may not be owned by Owner. Notwithstanding anything to the contrary herein, if the Historic Structures are relocated to an alternative site as discussed in this paragraph and the alternative site is burdened by such restrictions as may be imposed by the City in connection with such relocation, then this Declaration shall automatically terminate and be of no further force or effect with respect to the Historic Site.

6. Restrictions for Benefit of City.

a. Remedies. This Declaration is entered into for the exclusive benefit of the City, and in the event of any breach of the Restrictions, City at its sole option and discretion

may enforce any and all rights and remedies to which City may be entitled in law or equity. City alone has the right to enforce the Restrictions, and City may not assign any of its rights and powers under this Declaration.

b. Right to Inspect. City or its authorized representatives may from time to time during reasonable business hours enter upon the Historic Site to ascertain compliance with the Restrictions; provided City shall give the Historic Site Owner at least five business days prior written notice of the date and time of its entrance.

c. Amendments. This Declaration may be amended only in writing executed by the City and the Historic Site Owner.

d. Right to Cure. The Historic Site Owner shall not be deemed in breach of the Restrictions unless and until City shall have provided the Historic Site Owner with written notice describing the breach and Historic Site Owner shall have failed to cure such breach within 30 days of receipt of such notice; provided that if the breach is not reasonably susceptible of cure within the 30 day period, then the Historic Site Owner shall have a reasonable time to cure same so long as Historic Site Owner has commenced such cure within the 30 day period and thereafter diligently prosecutes the cure to completion.

e. Waiver. No waiver of any breach of any of the Restrictions shall be implied from any omission by City to take any action on account of such breach, and no express waiver shall affect a breach or default other than as specified in said waiver.

f. Costs of Enforcement. If any action or proceeding shall be instituted by City to enforce any provision of this Declaration, the party prevailing in such action or proceeding shall be entitled to recover from the other party all of its costs, including without limitation court costs and reasonable attorneys' fees.

7. Covenants Run With Land. The Historic Site shall be held, conveyed, used and occupied during the Term subject to the Restrictions set forth in this Declaration. The Restrictions are for the benefit of the real property described on Exhibit B attached hereto (the "**Benefitted Property**") and are intended and shall be construed as covenants and conditions running with and binding the Historic Site and every part thereof during the Term. All and each of the Restrictions shall be binding upon and burden all persons having or acquiring any right, title or interest in the Historic Site, or any part thereof, for the period of their ownership during the Term, and shall inure to the benefit of the Benefitted Property and shall be enforceable by the City, all upon the terms and provisions set forth herein. The Restrictions shall cease to benefit any portion of the Benefitted Property conveyed by the City to a third party. Every person or entity who now or hereafter owns or acquires any right, title or interest in the Historic Site is and shall be conclusively deemed to have consented and agreed to every Restriction contained herein, whether or not any reference to this Declaration is contained in the instrument by which such person or entity acquired an interest in the Historic Site.

8. Notices. All notices hereunder shall be in writing and shall be deemed to have been duly given if and when personally served or 48 hours after being sent by United States

certified or registered mail, return receipt requested, postage prepaid, to the applicable party at the following address:

Historic Site Owner:

C.J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa, CA 92626
Attn: Managing Partner

with a copy to:

C.J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa, CA 92626
Attn: General Counsel

City:

City of Costa Mesa
77 Fair Drive
Post Office Box 1200
Costa Mesa, CA 92628-1200
Attn: City Manager

with a copy to:

City of Costa Mesa
77 Fair Drive
Post Office Box 1200
Costa Mesa, CA 92628-1200
Attn: City Attorney

or at such other address as Historic Site Owner or City may designate to the other in writing in accordance with the provisions of this paragraph.

9. Governing Law. This Declaration shall be governed by and construed under the laws of the State of California.

10. Severability. If any portion of this Declaration shall become or be held by any court of competent jurisdiction to be illegal, null or void or against public policy, for any reason, the remaining portions of this Declaration shall not be affected thereby and shall remain in force and effect to the full extent permitted by law.

11. Exhibits. The Exhibits attached to this Amendment are incorporated herein by this reference.

IN WITNESS WHEREOF, CJS has executed this Declaration as of the date first above written.

C.J. SEGERSTROM & SONS, a California general partnership

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

By _____
Manager

OR

By _____
Alternate Manager

AND

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

By _____

Title: Senior Vice President

Exhibits

- A Historic Structures and Historic Site
- B Benefitted Property

State of California)
COUNTY OF ORANGE)

On _____, 2010 before me, _____, Notary
Public, personally appeared _____ and _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

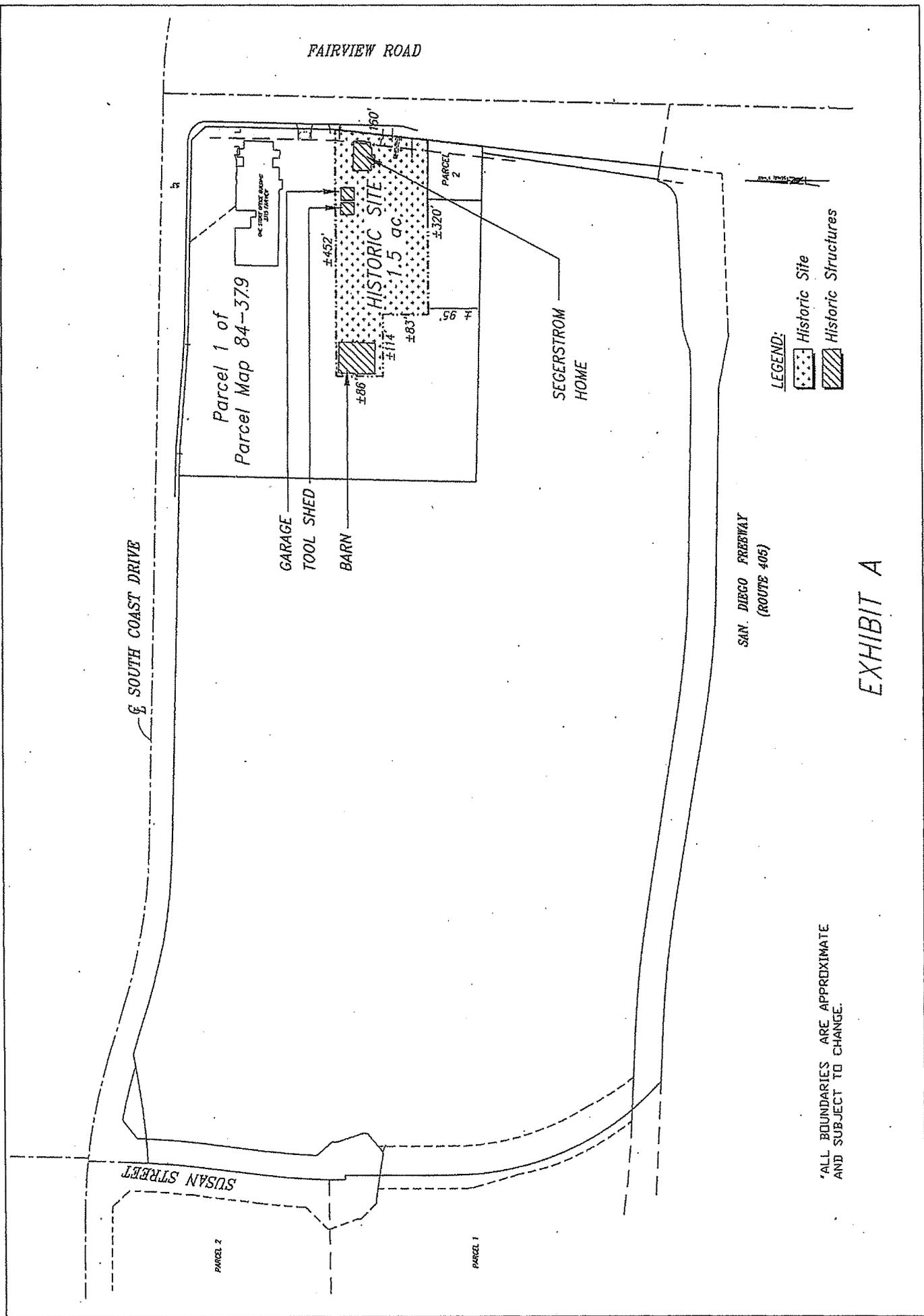


EXHIBIT A

EXHIBIT B
DECLARATION OF SPECIAL LAND USE RESTRICTIONS
(Segerstrom Home Ranch Historic Site)

BENEFITTED PROPERTY

The properties described below shall constitute the "Benefitted Property" for purposes of this Declaration, provided that any such property shall cease being part of the "Benefitted Property" at such time as fee title to such property ceases to be owned by the City of Costa Mesa, a municipal corporation of the State of California.

I. Legal Description of Property at 261 Monte Vista Avenue, Costa Mesa, CA

THE NORTHWESTERLY 165 FEET OF LOT 117 OF TRACT NO. 300 IN THE CITY OF COSTA MESA, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP THEREOF RECORDED IN BOOK 14, PAGES 11 AND 12 OF MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY.

EXCEPT THAT PORTION LYING SOUTHWESTERLY OF THE NORTHEAST LINE OF THE LAND CONVEYED TO THE CITY OF COSTA MESA BY GRANT DEED RECORDED JANUARY 7, 1976 IN BOOK 11614, PAGE 1894 OF OFFICIAL RECORDS OF SAID ORANGE COUNTY.

II. Other Properties

All other property owned by the City of Costa Mesa in the County of Orange, California, as of the date of recordation of this Declaration.

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

CITY OF COSTA MESA
77 Fair Drive
Costa Mesa, CA 92626
Attn: CITY Clerk

Recorded in Official Records, County of Orange
Darlene Bloom, Interim Clerk Recorder

NO FEE

20020229863 02:45pm 03/20/02

114 11 A12 46

0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

(Space Above This Line For Recorder's Use)

This Development Agreement for Home Ranch
Development Property is recorded at the request and
for the benefit of the CITY of Costa Mesa and is
exempt from the payment of a recording fee pursuant
to Government Code § 6103

4/6/02
AK

CITY OF COSTA MESA

By: Mary T. Elliott
Its: Deputy City Clerk
Dated: March 20, 2002

DEVELOPMENT AGREEMENT FOR
HOME RANCH

by and between

CITY OF COSTA MESA

and

C. J. SEGERSTROM & SONS, SEGERSTROM PROPERTIES LLC, AND HENRY T
SEGERSTROM PROPERTIES LLC

DA-00-01
Ordinance No. 01-29

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DEVELOPMENT AGREEMENT FOR HOME RANCH

This Development Agreement for Home Ranch (the "Agreement") is executed this 20th day of March, 2001 by and between the CITY OF COSTA MESA, a general law city ("CITY"), and C. J. SEGERSTROM & SONS, a California general partnership, SEGERSTROM PROPERTIES LLC, a California limited liability company, and HENRY T. SEGERSTROM PROPERTIES LLC, a California limited liability company, collectively referred to herein as "OWNER." CITY and OWNER are individually referred to herein as a "Party" and collectively referred to herein as the "Parties"

RECITALS

A. OWNER is the fee owner of that certain property (the "Property") on which the Home Ranch Project is to be located, which property is more fully described in Exhibit "A" and shown in the map set forth on Exhibit "B", both attached hereto. The OWNER may, in the future, desire to develop the Property. Accordingly, OWNER has requested that CITY enter into this Agreement to provide assurances that the Property will be permitted to be developed in accordance with and subject to the provisions set forth herein and in CITY's "Existing Land Use Regulations", CITY's "Existing Development Approvals", and "the Future Development Approvals" to be obtained by developer, all as more particularly set forth herein.

B. Pursuant to California Government Code Section 65865, the CITY adopted its Resolution No. 88-53, on July 19, 1988, establishing procedures and requirements for the approval of development agreements ("CITY's Development Agreement Procedures and Requirements"). OWNER has applied to CITY pursuant to California Government Code Sections 65864-65869.5 (the "Development Agreement Statute"), and pursuant to said Resolution for approval of the Agreement set forth herein.

C. CITY has determined that development of the Home Ranch Project in the future will provide significant benefits to the community and promote the public health, safety and welfare for the following reasons, among others: (i) development of the Project will generate significant tax revenues that can be utilized to provide police, fire and other essential important public services to the community; (ii) development will put the Property to productive use consistent with the objectives of the CITY's General Plan; and (iii) development of the Project will provide a long term source of employment opportunities for residents of the CITY and the surrounding region. In consideration of OWNER's provision of these benefits, CITY has determined that it is appropriate to enter into this Agreement to provide assurances to OWNER that the Project will be permitted to be developed in accordance with and subject to the provisions set forth herein and in CITY's Existing Land Use Regulations, CITY's Existing Development Approvals, and the Future Development Approvals to be obtained by OWNER, all as more particularly set forth herein.

D. This Agreement will promote and encourage the development of the Project by providing the OWNER with a greater degree of certainty of the OWNER's ability to expeditiously and economically complete the development effort, and the parties agree that the

consideration to be received by the CITY pursuant to this Agreement and the rights secured to the OWNER hereunder constitute sufficient consideration to support the covenants and agreements of the CITY and the OWNER.

E. On September 24, 2001, the Planning Commission of CITY held a public hearing on OWNER's application for approval of this Agreement and recommended to the City Council of CITY that this Agreement be approved. On November 19, 2001, the City Council of CITY also held a public hearing on OWNER's application for approval of this Agreement.

F. In connection with its approval of the Project, final Environmental Impact Report No. 1048 ("FEIR") was prepared by the CITY and certified by the City Council on November 19, 2001. The FEIR is a Program EIR that analyzed potential adverse environmental impacts of full buildout of the Project.

G. In accordance with the Development Agreement Statute, CITY's Development Agreement Procedures and Requirements, and applicable law, on December 3, 2001, the City Council of CITY adopted its Ordinance No. 01-29 approving this Agreement.

COVENANTS:

Based upon the foregoing Recitals, which are incorporated into this Agreement by this reference and for good and valuable consideration, the receipt and sufficiency of which are acknowledged by both Parties, CITY and OWNER agree as follows:

1.0 DEFINITIONS AND EXHIBITS.

1.1 Definitions.

The following terms when used in this Agreement shall have the meanings set forth below:

(a) The term "Agreement" shall mean this Development Agreement, including the exhibits hereto, for the Home Ranch Project by and between the City of Costa Mesa and OWNER, as the same may be amended from time to time.

(b) The term "Building Permit" shall mean a permit issued by CITY for the construction of a building within the Project but shall specifically exclude permits for grading, surcharging, or the installation of subsurface utilities or related facilities.

(c) The term "CITY" shall mean the City of Costa Mesa, a municipal corporation organized and existing under the laws of the State of California.

(d) The term "CITY's Development Agreement Procedures and Requirements" means the CITY Resolution No. 88-53 adopted on July 19, 1988 titled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, ESTABLISHING PROCEDURES AND REQUIREMENTS FOR CONSIDERATION OF DEVELOPMENT AGREEMENTS."

PROCEDURES AND REQUIREMENTS FOR CONSIDERATION OF DEVELOPMENT AGREEMENTS."

(e) The term "Development Agreement Statute" shall mean Article 2.5 (commencing with Section 65864) of Chapter 4 of Division 1 of Title 7 of the California Government Code.

(f) The terms "Development," "development," and "develop" mean the improvement of the Property for the purposes of completing the structures, improvements and facilities comprising the Home Ranch Project including, but not limited to: grading; the construction of infrastructure and public facilities related to the Project whether located within or outside the Property; the construction, demolition, reconstruction and redevelopment of buildings and structures; and the installation of landscaping.

(g) The term "Development Approvals" means all land use and building permits and entitlements subject to approval or issuance by CITY in connection with development of the Home Ranch Project, including, but not limited to:

- Parcel maps and/or lot line adjustments;
- Conditional use permits, final development permits and variances;
- Zoning changes;
- Preliminary and/or Final Master Plan approvals or amendments;
- Tentative and Final Subdivision Maps;
- Grading and building permits; and
- Occupancy permits.

(h) The term "Development Exaction" means any requirement of CITY in connection with or pursuant to any Land Use Regulation or Development Approval for the dedication of land, the construction of public improvements or public facilities, or the payment of fees in order to lessen, offset, mitigate or compensate for the impacts of development on the environment or other public interests.

(i) The term "Effective Date" means the date the ordinance approving this Agreement becomes effective. Subject to the provisions of the California Elections Code relating to referendum petitions, said ordinance will become effective 12:01 a.m. on the thirty-first (31st) day following its adoption by the CITY Council.

(j) The term "Existing Development Approvals" means all Home Ranch Project Development Approvals approved or issued prior to the Effective Date. Existing Development Approvals include the Development Approvals listed on Exhibit "C" and incorporated herein by reference.

(k) The term "Existing Land Use Regulations" means all Land Use Regulations in effect on the Effective Date of this Agreement. The Existing Land Use Regulations are listed on Exhibit "D" and incorporated herein by reference.

(l) The term "FAR" or "Floor Area Ratio" means the gross floor area of all buildings within a project divided by the project lot area. Gross floor area is the total building area of all floors within the walls of all structures except elevator and other vertical shafts (including stairwells) and elevator equipment areas. Parking structures are not considered building area for purposes of calculating Floor Area Ratio. Project lot area is the total area of a project excluding required dedications or reservations for public improvements, including, but not limited to, streets, parks, schools, and flood control channels.

(m) The term "Future Development Approvals" means all Development Approvals required or requested subsequent to the Effective Date in connection with the development of the Property in accordance with the Existing Land Use Regulations, some of which are listed in Exhibit "E" attached hereto and incorporated herein by this reference, including any amendments or modifications thereto.

(n) The term "Home Ranch Project" or "Project" means the development of the Property pursuant to the Existing Land Use Regulations, the Existing Development Approvals, the Future Development Approvals, and the terms of this Agreement. The Project includes Retail, Industrial, Residential and Office uses. The Retail Portion includes a large, single-use, retail facility, on approximately 17.2 acres of the Property and the covering and improvement of the Greenville-Banning Channel and the Gisler Channel. The Industrial Portion includes a number of industrial buildings and related uses on approximately 14.5 acres. The Residential Portion includes single family detached and town homes and related uses on approximately 16 acres. The Office Portion includes a number of office buildings and related uses on approximately 45.4 acres of the Property.

(o) The term "Industrial Portion" means that portion of the Project, consisting of industrial park buildings and related uses, all on approximately 14.5 acres, located west of Susan Street between South Coast Drive and Sunflower Avenue, whose cumulative gross floor area, excluding any parking structures, will be approximately, but not exceed, 252,648 square feet and whose combined FAR will not exceed 0.40.

(p) The term "Land Use Regulations" means all ordinances, resolutions, codes, rules, regulations and official policies of CITY governing land use development and building construction, including, without limitation: the permitted use of land; the density or intensity of use; subdivision requirements; the maximum height and size of proposed buildings; Development Exactions; regulations regarding the rate, time or sequence of development, parking requirements and the design, improvement and construction standards and specifications applicable to the development of the Property.

(q) The term "Mortgagee" means a mortgagee of a mortgage, a beneficiary under a deed of trust or any other secured lender, and their successors and assigns.

(r) The term "Office Portion" means that portion of the Project consisting of a number of office buildings ranging in size up to a maximum of five (5) stories, as well as ancillary uses and parking structures, all on approximately 45.4 acres, located south of South Coast Drive between Harbor Boulevard and Fairview Road, exclusive of the Retail Portion, whose cumulative gross floor area for all buildings (excluding parking structures) will be approximately, but not exceed, 791,050 square feet and whose combined FAR will not exceed 0.40 when applied to all buildings (excluding parking structures) comprising the Office Portion of the Project.

(s) The term "OWNER" shall collectively mean C. J. Segerstrom & Sons, a California general partnership, Segerstrom Properties LLC, a California limited liability company, and Henry T. Segerstrom Properties LLC, a California limited liability company, and their successors and assigns as referred to in Section 3.12 of this Agreement.

(t) The term "Party" shall refer singularly to CITY or OWNER and collectively to CITY and OWNER.

(u) The term "Program EIR" means an Environmental Impact Report prepared on a series of actions that can be characterized as one large project consistent with the provisions of section 15168 of the Guidelines (Title 14 Cal. Code Regs. §15000 et. seq.) for the California Environmental Quality Act.

(v) The term "Property" means the real property generally bounded by Sunflower Avenue to the north, the San Diego Freeway (I-405) to the south, Fairview Road to the east, and Harbor Boulevard to the West, within the City of Costa Mesa, Orange County, California as more particularly described on Exhibit "A" and depicted on Exhibit "B" to this Agreement.

(w) The term "Reservations of Authority" shall have the meaning ascribed in Section 2.3 of this Agreement.

(x) The term "Residential Portion" means that portion of the Project consisting of approximately, but not exceeding, 192 residential homes and related uses on approximately 16 acres located east of Susan Street and south of Sunflower Avenue. The homes will be a combination of single family detached and town homes.

(y) The term "Retail Portion" means that portion of the Project which consists of a two-story IKEA home furnishings store approximately, but no more than, 308,000 square feet in size and related parking facilities all on a 17.2 acre portion of the Property plus the covered Greenville-Banning and Gisler Channels located at the southeast corner of Harbor Boulevard and South Coast Drive. A Final Master Plan approval for this phase is included within the Existing Development Approvals.

(z) The term "Sales and Use Tax" means the allocation to CITY, from the State of California, of the taxes imposed by the State for (i) the privilege of selling tangible personal property at retail in this state and (ii) the use, storage or other consumption in this state of tangible personal property purchased from any retailer.

(aa) The term "Subsequent Land Use Regulations" means any Land Use Regulations adopted and effective after the Effective Date of this Agreement.

(bb) The term "Trip Budget" means the maximum number of AM and PM peak hour trips allocated to a project site. The Trip Budget is derived by multiplying the project area by the allowable Floor Area Ratio and by the AM and PM peak hour trip generation rates for the applicable land use classification.

1.2 Exhibits.

The following documents are attached to, and by this reference made a part of, this Agreement:

Exhibit "A" - Legal Description of the Property

Exhibit "B" - Map showing Property and its location

Exhibit "C" - Existing Development Approvals

Exhibit "D" - Existing Land Use Regulations

Exhibit "E" - Future Development Approvals

Exhibit "F" - Community Benefits

Exhibit "G" - FAR and Trip Budget

2.0 AGREEMENT AND ASSURANCES.

2.1 Agreement and Assurances on the Part of OWNER.

From and after the Effective Date, OWNER, in accordance with its sound business judgment, agrees to work toward development of the Home Ranch Project in accordance with the Existing Land Use Regulations, the Existing Development Approvals, and the Future Development Approvals to be obtained pursuant hereto. Not by way of limitation of the foregoing, OWNER shall comply with all conditions imposed by CITY on the Existing Development Approvals and all valid conditions consistent with this Agreement that CITY may impose on the Future Development Approvals.

OWNER represents that it intends to pursue development of the Home Ranch Project in accordance with this Agreement with reasonable diligence as it deems appropriate in its sound business judgment and consistent with its business goals. In this regard, it is understood that OWNER's development of the Property and each element thereof depends upon a number of factors including, but not necessarily limited to development and finalization of site plans and building programs, market demand and supply, the availability of financing, interest rates, and other conditions outside of OWNER's control. Accordingly, nothing in this Agreement shall be construed as requiring OWNER to develop the Property, or the Project, or any phase of the

Project, and any failure to develop the Property or the Project shall not be deemed a default by OWNER of its obligations set forth in this Agreement.

In addition to the foregoing, and as consideration for entering into this Agreement, OWNER shall provide the community benefits which are described in detail in attached Exhibit "F". Notwithstanding any other provision of this Agreement, the Office Portion of the Project shall be limited to office and office-related uses. Retail uses in the Office Portion of the Project shall be limited to retail uses ancillary to office development.

2.2 Agreement and Assurances on the Part of CITY.

CITY hereby agrees that commencing on the Effective Date, and continuing during the entire remaining term of this Agreement, OWNER shall have the vested right to carry out and complete the Project (including the Residential, Industrial, Office and Retail Portions of the Project) in accordance with the express provisions of this Agreement, the Existing Land Use Regulations, the Existing Development Approvals and, once the same have been obtained, the Future Development Approvals, to the full extent permitted by the Development Agreement Statute. Nothing in this Agreement shall provide OWNER with any rights, vested or otherwise, relating to any project other than the Home Ranch Project. In furtherance of such agreement and assurance, and pursuant to the authority and provisions set forth in the Development Agreement Statute, CITY further hereby agrees to and acknowledges the following:

2.2.1 General.

The uses permitted hereunder, the density and intensity of development, minimum lot sizes and building setbacks, the maximum height and size of buildings, and all other matters affecting land use and development of the Project shall be as set forth in the express provisions of this Agreement and the Existing Land Use Regulations, the Existing Development Approvals, and, once the same have been obtained, the Future Development Approvals. In addition, OWNER's applications for Future Development Approvals shall be reviewed pursuant to the provisions of the CITY's Existing Land Use Regulations with the exception that the applicable notice and appeal, reconsideration and review provisions shall be those in existence at the time of any appeal, request for reconsideration or review, or required notice.

2.2.2 CITY's Consideration and Approval of Requested Changes in the Project.

CITY acknowledges that the OWNER may in the future desire to change or modify the precise location, configuration, size and height of the proposed buildings and develop a mix of proposed uses after the Effective Date of this Agreement based upon more precise planning, changes in market demand, changes in development occurring in the vicinity, and similar factors. In such event, CITY shall cooperate with OWNER to expeditiously review and take final action on such requested changes in accordance with CITY's Existing Land Use Regulations. OWNER reserves the right to reduce the densities and intensities of uses and the heights and sizes of buildings below the maximums permitted by this Agreement. In no event, however, shall OWNER have the right hereunder to increase density, intensity or uses in the Project without fully complying with procedures in the Land Use Regulations in effect at such time the

request/application to increase the density, intensity or uses is processed with the CITY. No change to the Project which is consistent with the Existing Land Use Regulations shall require an amendment of this Agreement and, in the event any change in the Project proposed by OWNER is approved by the CITY, the references in this Agreement to the Project or applicable portion thereof shall be deemed to refer to the Project as so changed

2.2.3 Timing of Development.

The Parties acknowledge that the most efficient and economic development of the Project depends upon numerous factors such as market orientation and demand, interest rates, competition, and similar factors. Accordingly, except as expressly provided in this Agreement, the timing, sequencing, and phasing of development shall be as determined by OWNER in its sole subjective business judgment and discretion unless it is a condition to a discretionary decision for a Future Development Approval or a Project change to which the OWNER consents. Not by way of limitation of the foregoing, the Parties acknowledge and agree that no moratorium, initiative, ordinance, resolution, or other land use regulation or limitation which is adopted after the Effective Date of this Agreement and which directly or indirectly relates to the conditioning, rate, timing, or sequencing of development of the Project, shall apply to or govern the development of the Project during the term hereof, whether any such regulation or limitation affects or applies to parcel or subdivision maps (whether tentative, vesting tentative, or final), building permits, occupancy permits, or any other licenses, permits, or entitlements to use issued or granted by CITY.

2.2.4 Reservations and Dedication of Lands For Public Purposes.

In recognition of the significant contributions and dedications by OWNER, OWNER shall not be required to dedicate, convey, or transfer any interest in land or to construct or install public improvements or facilities in conjunction with the Project, except (i) as expressly provided for in the Existing Development Approvals, (ii) as expressly set forth in the provisions of this Agreement, or (iii) as authorized by Existing Land Use Regulations in conjunction with the processing of Future Development Approvals. The provisions of this Section 2.2.4 are not intended to preclude the CITY's ability to require additional dedications and exactions such as curb cuts, turn pockets, interior streets, and signalization of intersections reasonably necessitated by the impacts of the development of the Project or the Property, in connection with Future Development Approvals as presently authorized by the Existing Land Use Regulations.

2.2.5 Development Exactions.

Except as otherwise expressly set forth in this Agreement and Exhibit "C", CITY shall not impose Development Exactions in conjunction with OWNER's development of the Property or the Project, excepting only those Development Exactions which are authorized by the Existing Land Use Regulations; provided, however, that the foregoing limitation on Development Exactions does not apply to (i) generally applicable processing, plan check, building permit, and inspection fees for the Project (it being understood that, as to such fees, OWNER shall pay the same fees that would be applicable in the absence of this Agreement) or (ii) any Development Exaction that is imposed, levied, collected, or required by any public agency, utility, district, or joint powers authority other than CITY, including but not limited to the San Joaquin Hills

Transportation Corridor Agency, Newport-Mesa Unified School District, Costa Mesa Sanitary District, and Mesa Consolidated Water District.

2.2.6 Allocation of FAR and Trip Budget and Density.

The Project is considered to be a project under single ownership or control at the time of the initial plan submittal and approval. Thus, under CITY zoning code Sections 13-68 and 13-69, the applicable FAR and Trip Budget shall be determined on the Project as a whole, rather than on a parcel by parcel basis. However, as set forth in Exhibit "G", the Existing Development Approvals specify a separate FAR and Trip Budget for the Retail Portion of the Project, a combined FAR and Trip Budget for the Office and Industrial Portions of the Project, and a separate Trip Budget for the Residential Portion of the Project. To the extent there is any conflict between Sections 13-68 and 13-69 and Exhibit "G", the FARs and Trip Budgets identified in Exhibit "G" shall govern. The OWNER may allocate the FAR and Trip Budget disproportionately between different parcels within any one of these Portions of the Project, provided that the overall FAR or Trip Budget within a respective Portion of the Project does not exceed its applicable maximum.

2.2.7 Future Environmental Review.

The potential environmental impacts of the Project were analyzed in the Program EIR. Future Development Approvals will be reviewed in light of the Program EIR to determine if any additional environmental documentation will be required. The determination will be made consistent with the applicable provisions of CEQA and the State CEQA Guidelines.

2.2.8 Other Governmental Permits.

Provided that OWNER pays the actual cost of such cooperation, as reasonably estimated by CITY, after CITY has approved the development of any portion of the Project, CITY shall cooperate with OWNER in its efforts to obtain such additional permits and approvals as may be required by any other governmental or quasi-governmental agencies having jurisdiction over such portion of the Project which permits and approvals are consistent with CITY's approval(s) and which are consistent with this Agreement. CITY does not warrant or represent that any other governmental or quasi-governmental permits or approvals will be granted.

2.2.9 City Review of Applications for Future Development Approvals.

CITY acknowledges and represents that the Future Development Approvals listed in Exhibit "E" are a non-exhaustive list of discretionary CITY development and building approvals that OWNER may request or be required to obtain in order to complete the development of the Project. All subsequent consideration by CITY of OWNER's applications for Future Development Approvals for the Project shall be subject to the terms and conditions set forth in this Agreement.

To the extent permitted by the Development Agreement Statute, in no event shall CITY disapprove, condition, or delay the processing of any applications for any Future Development Approval for reasons inconsistent with the Existing Land Use Regulations, the Existing Development Approvals, or the express provisions of this Agreement. If CITY is unable to

timely process any of OWNER's applications for Future Development Approvals, upon OWNER's request CITY shall consider engaging qualified outside consultants reasonably acceptable to OWNER to aid in such processing, provided that OWNER shall be required to advance all charges to be incurred by CITY for such outside consultants. In this regard, OWNER, in timely manner, will provide CITY with all documents, applications, plans and other information necessary for CITY to carry out its obligations hereunder and will cause OWNER's planners, engineers, and all other consultants to submit in a timely manner all required materials and documents therefor.

After the date that CITY approves an application for a Future Development Approval, OWNER shall have the vested right to develop pursuant to said Future Development Approval, the Existing Development Approvals and the Existing Land Use Regulations to the same extent that OWNER has the vested right to develop pursuant to the Existing Development Approvals.

2.2.10 Traffic Impact Fee.

OWNER shall pay Citywide Traffic Impact Fees of \$3,887,910 (which allows up to 19,938 average daily trips (ADT) at \$195 per trip end) for General Plan level improvements. These fees shall be paid upon issuance of a Building Permit for the first building constructed on the project site following execution of this Agreement

CITY and OWNER agree that, at the time future discretionary master plan permits are submitted for the construction of improvements within the Project, CITY shall perform additional traffic studies, as required by CEQA, to determine if there will be traffic impacts not anticipated in the FEIR. If such studies demonstrate new significant traffic impacts they shall be mitigated in a manner consistent with CEQA.

2.3 Reservations of Authority.

Notwithstanding anything to the contrary set forth in this Agreement, the following laws, ordinances, regulations, resolutions, guidelines, and official policies adopted or approved after the Effective Date of this Agreement shall apply to and govern development of the Project (collectively, the "Reservations of Authority"):

2.3.1 Processing Fees.

Generally applicable processing fees which include the CITY's actual cost, as may be reasonably estimated by CITY, of processing applications for Development Approvals.

2.3.2 Consistent Future City Regulations.

City ordinances, resolutions, regulations, and official policies governing development and building which are in furtherance of and not in conflict with this Agreement, the Existing Development Approvals, and the Existing Land Use Regulations shall apply to the Property and the Project.

2.3.3 Overriding State and Federal Laws and Regulations.

State and federal laws and regulations which are adopted or approved after the Effective Date of this Agreement which override OWNER's vested rights set forth in this Agreement shall apply to the Property and the Project, together with any CITY land use ordinances, resolutions, regulations, and official policies which are adopted or approved after the Effective Date of this Agreement and which are necessary to enable CITY to comply with such overriding State and federal laws and regulations, provided, however, that (a) OWNER does not waive its right to challenge or contest the validity of any such future State, federal, or local laws, regulations, ordinances, resolutions, or official policies, on their face or as applied to the Property and the Project; and (b) in the event that any such State or federal law or regulation (and/or any valid CITY ordinance, resolution, regulation, or official policy undertaken pursuant thereto) prevents or precludes compliance with one or more provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such overriding State, federal or local law, regulation, resolution, or official policy and this Agreement shall remain in full force and effect to the extent that it is not inconsistent with such overriding law, regulation, resolution or official policy and that performance of the remaining provisions of this Agreement would not be inconsistent with the intent and purposes of this Agreement. OWNER or CITY shall have the right to challenge, by appropriate judicial proceedings any such new law or regulation preventing compliance with the terms of this Agreement or the modification or suspension of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect.

2.3.4 Public Health and Safety.

Future CITY ordinances, resolutions, regulations and official policies which are reasonably necessary to protect the persons on the Property or in the immediate community, or both, from conditions dangerous to their health and/or safety.

2.3.5 Updated Uniform Codes.

Provisions of the building standards set forth in the California Building Standards Code in effect in the City at the time of the issuance of the Building Permit for a building or structure shall apply to the Property and the Project, including any valid local modifications to the State standards in effect at such time, including without limitation the applicable provisions of the Uniform Building Code, Uniform Plumbing Code, Uniform Mechanical Code, National Electrical Code, and Uniform Fire Code.

2.3.6 Public Works Improvement Standards.

To the extent OWNER is constructing or installing public works or facilities, the standards in effect for such public works or facilities at the time of CITY's issuance of a permit, license, or other authorization for construction or installation of same.

2.3.7 Assessment District and/or Community Facilities District.

The provisions of any benefit assessment district, community facilities district, business improvement district, or similar financing district that is validly formed pursuant to applicable law and made applicable to the Property and similarly-situated property; provided, however, OWNER does not hereby consent to the formation of any such district or to the imposition of

any benefit assessment, special tax, fee, or charge against OWNER or the Property with respect thereto, and OWNER expressly reserves all of its legal rights with respect to the formation of any such district and the imposition of any assessment, special tax, fee, or charge against OWNER or the Property, including without limitation such rights to object and protest that would exist in the absence of this Agreement.

2.3.8 Regulations In Conflict.

Any regulations set forth in this Section 2.3 which are in conflict with the Project provided OWNER has given written consent to the application of such regulations to development of the Property.

2.3.9 Public Welfare.

Ordinances and regulations applicable on a City-wide basis establishing residential occupancy standards, energy conservation standards and living (minimum) wage standards.

2.3.10 Signs.

Amendments of and/or modifications to the CITY's sign ordinance.

2.4 Judicial Decisions.

Notwithstanding any other provisions of this Agreement, should a final decision of a court acting within its area of jurisdiction determine that any project approval issued by the CITY was improperly issued, the CITY shall be entitled to impose such additional conditions and mitigation measures which the CITY, in the reasonable exercise of its discretion, determines are appropriate to insure proper issuance of the challenged project approval and shall otherwise be authorized to comply with any lawful order issued by the court. Except as otherwise provided by law, CITY shall use reasonable efforts to insure that such new conditions or compliance requirements are consistent with the terms of this Agreement. If OWNER, in its sole discretion, determines that any of the proposed new conditions or compliance requirements are unacceptable it may elect to withdraw the challenged project application.

3.0 GENERAL PROVISIONS.

3.1 Effective Date of Agreement.

Subject to the applicable provisions of the California Elections Code relating to referendum petitions, this Agreement shall be effective on the Effective Date.

3.2 Duration of Agreement.

This Agreement shall be operative commencing on the Effective Date and continue thereafter until the date that is fifteen (15) years after the Effective Date, unless otherwise extended by the Parties, subject to earlier termination upon the completion, performance, and discharge of all obligations hereunder. In this regard, at the request of OWNER, the term of this Agreement shall expire as to any separate legal parcel comprising the Property on the later of the

following dates: (i) the date on which CITY issues its final certificate of occupancy or final inspection permitting occupancy of the completed building improvements for the development authorized by this Agreement or (ii) such later date or dates on which the initial tenants or occupants of the completed building improvements commence occupancy of the premises. Upon termination of this Agreement as to the Property as a whole or any separate legal parcel, each Party agrees to cooperate with the other in executing such document in recordable form as may be reasonably requested by the other Party to (i) memorialize said termination and (ii) remove this Agreement as a matter affecting title to the Property or such legal parcel on a title report, commitment or policy issued by any reputable title insurer. OWNER shall pay CITY's reasonable costs for preparation and review of such documents, including attorney fees incurred by CITY in such review and preparation.

3.3 Binding Effect of Agreement.

The Property is hereby made subject to this Agreement. Development of the Project on the Property is hereby authorized and shall be carried out in accordance with the terms of this Agreement.

3.4 Ownership of Property.

OWNER represents and covenants that it is the fee owner of the Property.

3.5 Periodic Review.

The periodic review described in Resolution No. 88-53 is applicable to this Agreement. In no event shall CITY's failure to conduct or complete a periodic review of OWNER's performance result in a termination or modification of OWNER's rights hereunder or constitute breach by the CITY of this Agreement.

3.6 Defaults and Remedies.

3.6.1 Notice and Opportunity to Cure.

Before this Agreement may be terminated or action may be taken to obtain judicial relief, the Party seeking relief ("Nondefaulting Party") shall comply with the notice and cure provisions of this Section 3.6.1. The Nondefaulting Party in its discretion may elect to declare a default under this Agreement in accordance with the procedures hereinafter set forth for any failure or breach of the other Party (the "Defaulting Party") to perform any material duty or obligation of the Defaulting Party in accordance with the terms of this Agreement. However, the Non-Defaulting Party must provide written notice to the Defaulting Party setting forth the nature of the breach or failure. The Defaulting Party shall be deemed in "default" of its obligations set forth in this Agreement if said breach or failure can be cured, but the Defaulting Party has failed to take such actions and cure such default within ten (10) days after the date of such notice (for monetary defaults) or within thirty (30) days after the date of such notice (for non-monetary defaults). If, however, a non-monetary default cannot be cured within such thirty (30) day period, but can be cured within twenty-four (24) months, as long as the Defaulting Party does each of the following: (i) notifies the Non-Defaulting Party in writing with a reasonable explanation as to the reasons the asserted default is not curable within the thirty (30) day period;

(ii) notifies the Non-Defaulting Party in writing of the Defaulting Party's reasonable, proposed course of action, acceptable to the Non-Defaulting Party, to cure the default; (iii) promptly commences to cure the default within the thirty (30) day period; (iv) makes periodic reports every three (3) months to the Non-Defaulting Party as to the progress of the program of cure; and (v) diligently prosecutes such cure to completion; then in such event the Defaulting Party shall not be deemed in breach of this Agreement.

3.6.2 Default Remedies.

Subject to the foregoing, in the event of an uncured default, the Non-Defaulting Party, at its option, may institute legal action to cure, correct, or remedy such default, to enjoin any threatened or attempted violation, to enforce the terms of this Agreement by specific performance, or other equitable remedies. In no event shall monetary damages of any kind be available as a remedy for breach of this Agreement. In addition, in the event of an uncured material default by OWNER, CITY reserves its available remedies under the Development Agreement Statute and CITY's Development Agreement Procedures and Requirements to amend or terminate this Agreement; provided, however, that OWNER does not hereby consent to any unilateral amendments to this Agreement that increase or materially alter OWNER's obligations hereunder or that are not limited in purpose and effect to measures needed to cure or remedy the particular default in question. The remedies set forth in this Section 3.6.2 shall be the exclusive remedies of the Parties hereto with respect to this Agreement.

3.6.3 No Cross-Defaults.

In the event that this Agreement is assigned by OWNER in connection with the sale, lease, sublease, or other transfer, of a portion of the Property, to any entity in which the OWNER has no interest, and a default subsequently occurs with respect to any part of the Property so sold, leased, subleased, or otherwise transferred, such default shall not be considered a default as to any nontransferred remaining Property and the CITY shall not be entitled to any remedies with respect to the non-defaulted portion of the Property or the owner of said Property or to enforce or terminate this Agreement with respect thereto. Notwithstanding the foregoing, the CITY shall be entitled to all equitable and non-monetary legal remedies with respect to all portions of the Property and OWNER of said Property to enforce or terminate this Agreement with respect to any default which existed prior to the sale, lease, sublease or transfer by OWNER.

3.6.4 Force Majeure.

Neither party shall be deemed to be in default where failure or delay in performance of any of its obligations under this Agreement is caused by floods, earthquakes, other Acts of God, fires, wars, riots or similar hostilities, or other cause, without fault and beyond the reasonable control of such Party. If any such events shall occur, the time for performance by either party of any of its obligations hereunder shall be extended by the parties for the period of time that such events prevented such performance.

3.7 Cooperation in the Event of Legal Challenge.

In the event of any legal action instituted by a third party, including without limitation any other governmental entity or official, challenging the validity of this Agreement or any

Development Approval granted pursuant to this Agreement, the parties agree to cooperate fully with each other in defending such action; provided, however, that OWNER shall, at its sole expense, defend, indemnify and hold harmless the CITY, its officers, employees, agents and consultants from any claim, action, or proceeding against the CITY, its officers, agents, employees and/or consultants, which action seeks to set aside, void, annul or otherwise challenge any approval by the City Council, Planning Commission, or other CITY decision-making body, or CITY staff action concerning the Project. Subject to the limitations below, OWNER shall pay the CITY's reasonably incurred defense costs, including attorney fees, expert consultant and witness costs, and all other reasonably incurred litigation related expenses, and shall reimburse the CITY for court costs which the CITY may be required to pay as a result of such defense. OWNER shall further pay any adverse financial award which may issue against the CITY including but not limited to any award of attorney fees to a party challenging such Project approval. If the approval of the Project results in a referendum, OWNER shall further reimburse the CITY for all its costs and expenses, and including but not limited to reasonable attorney fees, related to such referendum and any litigation related thereto. The CITY shall retain the right to select its counsel of choice in any action referred to herein. However, as to attorney fees only, if CITY retains legal counsel separate from that of OWNER, OWNER shall only be solely responsible for the first \$350,000 in reasonable attorney fees payable to such counsel. Any such attorney fees in excess of \$350,000 shall be the full responsibility of CITY. Notwithstanding any other provision of this Agreement, this Section 3.7 shall become effective and binding upon execution of this Agreement by both Parties.

3.8 Mortgagee Rights.

3.8.1 Encumbrances on the Property.

The Parties hereto agree that this Agreement shall not prevent or limit OWNER, in any manner, at OWNER's sole and absolute discretion, from encumbering the Property or any portion thereof or any improvements thereon with any mortgage, deed of trust, sale and leaseback, or other form of secured financing ("Mortgage") with respect to the construction, development, use, or operation of the Project.

3.8.2 Mortgagee Protection.

To the extent legally permissible, this Agreement shall be superior and senior to any lien placed upon the Property, or any portion thereof, including the lien of any Mortgage. Notwithstanding the foregoing, no breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any Mortgage made in good faith and for value. Any acquisition or acceptance of title or any right or interest in or with respect to the Property or any portion thereof by the holder of a Mortgage (a "Mortgagee"), pursuant to foreclosure, trustee's sale, deed in lieu of foreclosure, lease termination or otherwise, shall be subject to all of the terms and conditions of this Agreement and any such Mortgagee who takes title to the Property or any portion thereof shall be entitled to the benefits arising under this Agreement, provided Mortgagee complies with Section 3.8.3 below.

3.8.3 Mortgagee Not Obligated.

Notwithstanding the provisions of this Section 3.8, Mortgagee will not have any obligation or duty pursuant to the terms set forth in this Agreement to perform the obligations of OWNER or other affirmative covenants of OWNER hereunder, or to guarantee such performance, except that the Mortgagee who acquires or accepts title or a portion thereof as described in Section 3.8.2 shall have no right to develop the Project without fully complying with the terms of this Agreement and executing and delivering to CITY, in a form and with terms reasonably acceptable to CITY, an assumption agreement of OWNER's obligations hereunder.

3.8.4 Notice of Default to Mortgagee; Right of Mortgagee to Cure.

Each Mortgagee shall, upon written request to CITY, be entitled to receive written notice from CITY of the results of the periodic review conducted pursuant to Section 3.5 and of any default by OWNER of its obligations set forth in this Agreement. CITY shall, within ten (10) days of sending the notice of default to OWNER, provide a copy of such notice to each Mortgagee who has submitted a written request to CITY for a copy of such notice.

3.9 Notices.

3.9.1 Notices Include.

As used in this Agreement, "notice" includes, but is not limited to, the communication of notice, request, demand, approval, statement, report, acceptance, consent, waiver, appointment or other communication required or permitted hereunder.

3.9.2 Form of Notice.

All notices shall be in writing and shall be considered given either: (i) when delivered in person to the recipient named below; or (ii) on the date of delivery or refusal shown on the return receipt, after deposit in the United States mail in a sealed envelope as either registered or certified mail with return receipt requested, and postage and postal charges prepaid, and addressed to the recipient named below; (iii) on the date of delivery or refusal, when delivered by Federal Express or other commercial express delivery service providing acknowledgements of receipt; (iv) on the date of delivery when delivered by facsimile providing verification of delivery and receipt; or (v) on the date of delivery shown in the records of the telegraph company after transmission by telegraph to the recipient named below. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to CITY:

City of Costa Mesa
77 Fair Drive
Post Office Box 1200
Costa Mesa, CA 92628-1200
Attn: City Manager

With Copy to:

City of Costa Mesa
77 Fair Drive
Post Office Box 1200
Costa Mesa, CA 92628-1200

Attn: City Attorney

If to OWNER:

C. J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa, CA 92626
Attn: Paul Freeman and Barney Page

With a copy to:

Pillsbury Winthrop LLP
650 Town Center Drive
7th Floor
Costa Mesa, CA 92626
Attn: William R. Devine, Esq.

3.9.3 Changes In Noticed Parties.

Either party may, by notice given at any time, require subsequent notices to be given to another person or entity, whether a party or an officer or representative of a party, or to a different address, or both. Notices given before actual receipt of notice of change shall not be invalidated by the change.

3.10 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.

3.11 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.

3.12 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. To the extent of OWNER's (and its successors' and assigns') interest in the Property, the covenants of OWNER set forth in this Agreement shall be covenants running with the land and enforceable to the full extent permitted by applicable law.

Nothing set forth in this Agreement shall prohibit OWNER from selling, leasing, subleasing, or otherwise transferring all or any portion of the Property together with a transfer or

assignment of all of the rights and obligations of this Agreement as they apply to such portion of the Property, and CITY's approval or consent shall not be required in connection therewith. Upon the effective date of any such sale, lease, sublease, or other transfer, the seller, lessor, sublessor, or other transferor automatically shall be released from any executory obligations to CITY hereunder with respect to the portion of the Property so sold, leased, subleased, or transferred; provided, however, that unless CITY releases the seller, lessor, sublessor, or other transferor in writing, it shall remain responsible to CITY for performance of any obligations as to which it was in default as of the effective date of the transfer.

3.13 Effect on Title.

OWNER and CITY agree that if this Agreement terminates as to any portion of the Property, it shall not thereafter continue as an obligation that applies to such portion of the Property.

3.14 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 and assigns in interest), and not for the benefit of any other individual or entity. No other person shall have any right of action based upon any provision of this Agreement.

3.15 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. Upon the request of either Party at any time, the other Party shall promptly execute, with acknowledgment or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary to implement this Agreement or to evidence or consummate the transactions contemplated by this Agreement. OWNER shall pay CITY's reasonable costs for preparation and review of such documents including attorney fees incurred by CITY in such review and preparation.

3.16 Estoppel Certificates.

Either Party hereunder may, at any time, but in no event exceeding six (6) times during any calendar year, deliver written notice to the other Party requesting such Party to certify in writing that, to the best knowledge of the certifying Party, (i) this Agreement is in full force and effect and a binding obligation of the Parties, (ii) this Agreement has not been amended or modified, or if so amended, identifying the amendments, and (iii) the requesting Party is not in default in the performance of its obligations set forth in this Agreement or, if in default, to describe therein the nature and amount of any such defaults. A Party receiving a request hereunder shall execute and return such certificate within a reasonable time following the receipt thereof. OWNER shall pay CITY's reasonable costs, including attorney fees, incurred in complying with this Section.

3.17 Recordation.

3.18 Section Headings.

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

3.19 Rules of Construction.

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

3.20 Mutual Covenants.

The covenants contained herein are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.

3.21 Releases.

CITY hereby covenants and agrees that upon completion of the Project as provided under this Agreement, or any portion thereof, at the request of OWNER, CITY shall execute and deliver to the Orange County Recorder an appropriate release of OWNER of further obligations under this Agreement, for the portion of the completed Project. OWNER shall pay CITY's reasonable costs, including attorney fees, incurred in complying with this Section.

3.22 Applicable Law.

This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the parties hereto, and the rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement, all parties having been represented by counsel in the negotiation and preparation hereof.

3.23 Project as a Private Undertaking.

It is understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between CITY and OWNER is that of a government entity regulating the development of private property and the OWNER of such property.

3.24 Approvals, Reasonableness.

Except when this Agreement specifically authorizes a Party to withhold its approval or consent in its sole and absolute discretion, when either CITY or OWNER shall require the approval or consent of the other Party in fulfilling any covenant, provision, or condition set forth herein, such approval or consent shall not be unreasonably withheld, conditioned, or delayed by the Party from whom such approval or consent is sought.

3.25 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.

3.26 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.

3.27 Entire Agreement.

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

3.28 Litigation Expenses.

In any judicial proceeding or arbitration between the Parties (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 (whether or not the same would be recoverable pursuant to Code of Civil Procedure §1033.5 or 1717 in the absence of this Agreement), including but not limited to expert witness fees, attorney 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, each of the Parties has executed this Agreement on the date first above written.

CITY OF COSTA MESA

By: Linda W. Brown
MAYOR OF COSTA MESA

ATTEST:

Mary T. Elliott - Deputy
CITY CLERK, CITY OF COSTA MESA
APPROVED AS TO FORM:

Tom Wood
CITY ATTORNEY, CITY OF COSTA MESA

C. J. SEGERSTROM & SONS, a California general partnership

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

By: James A. Daniels
Its: James A. Daniels

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

By: Henry T. Segerstrom
Its: Henry T. Segerstrom

SEGERSTROM PROPERTIES LLC, a California
limited liability company

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

By: Henry T. Segerstrom
Its: Manager

By: Ruth Ann Moriarty Properties LLC, a
California limited liability company,
Manager

By: Ruth Ann Moriarty
Its: _____

HENRY T. SEGERSTROM PROPERTIES LLC, a
California limited liability company

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

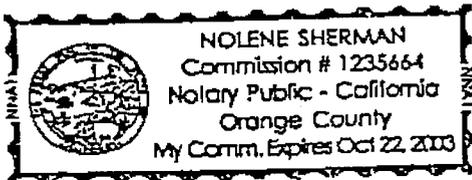
By: Henry T. Segerstrom
Its: Manager

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

State of California)
County of Orange)

On February 19, 2002 before me, Nolene Sherman, Notary Public, personally appeared Henry T. Segerstrom, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

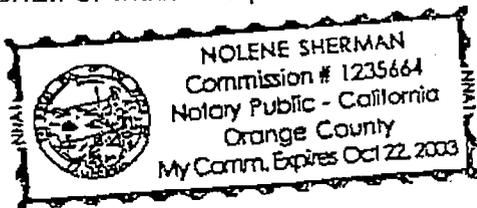


Nolene Sherman

State of California)
County of Orange)

On February 19, 2002 before me, Nolene Sherman, Notary Public, personally appeared Henry T. Segerstrom, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

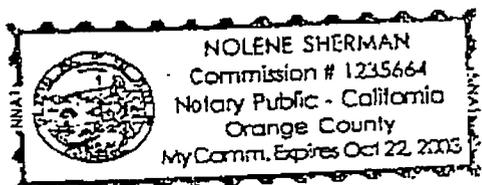


Nolene Sherman

State of California)
County of Orange)

On February 19, 2002 before me, Nolene Sherman, Notary Public, personally appeared Henry T. Segerstrom, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal



Nolene Sherman

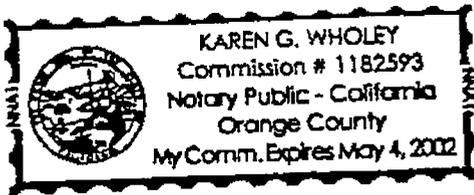
State of California)

SS

County of Orange)

On February 22, 2002, before me, Karen G. Wholey, Notary Public, personally appeared Sandra S. Daniels, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Karen G. Wholey

OPTIONAL

CAPACITY CLAIMED BY SIGNERS Partners: General Limited Managing

Signers are representing HTS Management Co., Inc., a California corporation, Manager

DESCRIPTION OF ATTACHED DOCUMENT

Title or type of document _____

Number of pages _____ (excluding loose certificates) Date of document _____

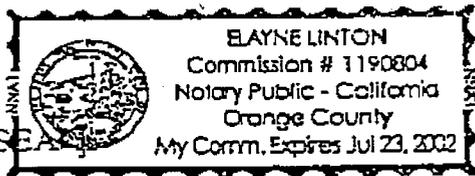
Signer(s) other than named above

STATE OF CALIFORNIA)
)
) ss.
COUNTY OF)

On February 25, 2002, before me, Elayne Linton,
personally appeared Beth Ann Marshall

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.



Elayne Linton
Notary Public

STATE OF CALIFORNIA)
)
) ss.
COUNTY OF)

On _____, before me, _____,
personally appeared _____

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Notary Public

[SEAL]

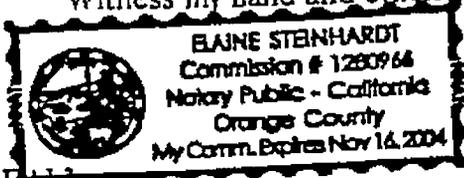
STATE OF CALIFORNIA)

) ss.

COUNTY OF)

On MARCH 20, 2002, before me, ELAINE STEINHARDT, Notary Public
personally appeared LINDA W. DIXON AND MARY T. ELLIOTT
personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s)
acted, executed the instrument.

Witness my hand and official seal.



[SEAL]

Elaine Steinhardt
Notary Public

STATE OF CALIFORNIA)

) ss.

COUNTY OF)

On _____, before me, _____
personally appeared _____

personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s)
acted, executed the instrument.

Witness my hand and official seal.

Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF THE HOME RANCH PROPERTY

PARCEL A

Parcels 1 and 3, as shown on Parcel Map 94-120 in the City of Costa Mesa, County of Orange, filed in Book 284, Pages 7 through 10 of Parcel Maps, in the office of the County Recorder of said County.

PARCEL B

Parcel 1, as shown on Parcel Map 84-379 in the City of Costa Mesa, County of Orange, filed in Book 194, Pages 13 and 14 of Parcel Maps, in the office of the County Recorder of said County.

PARCEL C

Parcel 1

That certain parcel of land situated in the City of Costa Mesa, County of Orange, State of California, being Parcels 3 and 4 of Parcel Map No. 79-381 as shown on a map thereof filed in Book 139, Pages 21 through 24 of Parcel Maps, in the Office of the County Recorder of said Orange County, together with that portion of Parcel 2 of said Parcel Map No. 79-381 lying westerly of the following described line:

COMMENCING at the northwest corner of said Parcel 4; thence along the northerly line of said parcel map North $89^{\circ}25'40''$ East 1370.17 feet to the beginning of a tangent curve, concave northerly and having a radius of 1384.00 feet; thence along said curve and northerly line easterly 89.79 feet through a central angle of $03^{\circ}43'02''$ to a point on a non-tangent curve concave westerly and having a radius of 1135.50 feet, a radial line of said curve from said point bears North $88^{\circ}08'36''$ West, said point also being the **TRUE POINT OF BEGINNING**; thence leaving said northerly line along said curve southerly 87.13 feet through a central angle of $04^{\circ}23'48''$; thence tangent from said curve South $06^{\circ}15'12''$ West 119.68 feet to the beginning of a tangent curve concave easterly and having a radius of 1161.09 feet; thence along said curve southerly 154.54 feet through a central angle of $07^{\circ}37'33''$; thence along a radial line of said curve North $88^{\circ}37'39''$ East 7.83 feet; thence South $00^{\circ}53'48''$ East 198.66 feet to the beginning of a tangent curve concave northeasterly and having a radius of 513.45 feet; thence along said curve southerly 439.17 feet through a central angle of $49^{\circ}00'24''$; thence along a radial line of said curve North $40^{\circ}05'48''$ East 12.79 feet to a point on a non-tangent curve concave northeasterly and having a radius of 500.66 feet, said curve being concentric with said curve hereinabove described as having a radius of 513.45 feet; thence along said concentric curve southeasterly 117.49 feet through a central angle of $13^{\circ}26'45''$ to the southerly line of said Parcel 2.

EXCEPTING THEREFROM that portion described as follows:

COMMENCING at the northwest corner of said Parcel 4; thence along the northerly line of said parcel map North 89°25'40" East 1169.02 feet to the **TRUE POINT OF BEGINNING**; thence continuing along said northerly line North 89°25'40" East 201.15 feet to the beginning of a tangent curve concave northerly and having a radius of 1384.00 feet; thence along said curve and northerly line easterly 89.79 feet through a central angle of 03°43'02" to a point on a non-tangent curve concave westerly and having a radius of 1135.50 feet, a radial line of said curve from said point bears North 88°08'36" West; thence leaving said northerly line along said curve southerly 87.13 feet through a central angle of 04°23'48"; thence tangent from said curve South 06°15'12" West 119.68 feet to the beginning of a tangent curve concave easterly and having a radius of 1161.09 feet; thence along said curve southerly 125.26 feet through a central angle of 06°10'52"; thence non-tangent from said curve South 88°33'29" West 249.74 feet; thence North 79°24'20" West 10.08 feet; thence North 00°53'48" West 329.52 feet to the **TRUE POINT OF BEGINNING**;

ALSO EXCEPTING THEREFROM Parcels 101839-1 and 101839-2 as described in that certain Grant Deed to the State of California, recorded October 27, 2000, as Instrument No. 20000582392 of Official Records, in the Office of the County Recorder of said Orange County.

And **ALSO EXCEPTING THEREFROM** Parcels 101837-1 and 101837-3 as described in that certain Grant Deed to the State of California recorded October 27, 2000 as Instrument No. 20000582393 of Official Records, in the Office of the County Recorder of said Orange County.

CONTAINING: 17.246 Acres, more or less.

Parcel 2

That certain parcel of land situated in the City of Costa Mesa, County of Orange, State of California, being those portions of Parcels 2 and 3 of Parcel Map No. 79-381 as shown on a map thereof filed in Book 139, Pages 21 through 24 of Parcel Maps, in the Office of the County Recorder of said Orange County described as follows:

COMMENCING at the northwest corner of Parcel 4 of said Parcel Map No. 79-381; thence along the northerly line of said parcel map North 89°25'40" East 1169.02 feet to the **TRUE POINT OF BEGINNING**; thence continuing along said northerly line North 89°25'40" East 201.15 feet to the beginning of a tangent curve concave northerly and having a radius of 1384.00 feet; thence along said curve and northerly line easterly 89.79 feet through a central angle of 03°43'02" to a point on a non-tangent curve concave westerly and having a radius of 1135.50 feet, a radial line of said curve from said point bears North 88°08'36" West; thence leaving said northerly line along said curve southerly 87.13 feet through a central angle of 04°23'48"; thence tangent from said curve South 06°15'12" West 119.68 feet to the beginning of a tangent curve concave easterly and

having a radius of 1161.09 feet; thence along said curve southerly 125.26 feet through a central angle of 06°10'52"; thence non-tangent from said curve South 88°33'29" West 249.74 feet; thence North 79°24'20" West 10.08 feet; thence North 00°53'48" West 329.52 feet to the TRUE POINT OF BEGINNING;

CONTAINING: 2.074 Acres, more or less.

Parcel 3

That certain parcel of land situated in the City of Costa Mesa, County of Orange, State of California, being that portion of Parcel 2 of Parcel Map No. 79-381 as shown on a map thereof filed in Book 139, Pages 21 through 24 of Parcel Maps, in the Office of the County Recorder of said Orange County, lying easterly of the following described line:

COMMENCING at the northwest corner of said Parcel 4; thence along the northerly line of said parcel map North 89°25'40" East 1370.17 feet to the beginning of a tangent curve, concave northerly and having a radius of 1384.00 feet; thence along said curve and northerly line easterly 89.79 feet through a central angle of 03°43'02" to a point on a non-tangent curve concave westerly and having a radius of 1135.50 feet, a radial line of said curve from said point bears North 88°08'36" West, said point also being the TRUE POINT OF BEGINNING; thence leaving said northerly line along said curve southerly 87.13 feet through a central angle of 04°23'48"; thence tangent from said curve South 06°15'12" West 119.68 feet to the beginning of a tangent curve concave easterly and having a radius of 1161.09 feet; thence along said curve southerly 154.54 feet through a central angle of 07°37'33"; thence along a radial line of said curve North 88°37'39" East 7.83 feet; thence South 00°53'48" East 198.66 feet to the beginning of a tangent curve concave northeasterly and having a radius of 513.45 feet; thence along said curve southerly 439.17 feet through a central angle of 49°00'24"; thence along a radial line of said curve North 40°05'48" East 12.79 feet to a point on a non-tangent curve concave northeasterly and having a radius of 500.66 feet, said curve being concentric with said curve hereinabove described as having a radius of 513.45 feet; thence along said concentric curve southeasterly 117.49 feet through a central angle of 13°26'45" to the southerly line of said Parcel 2.

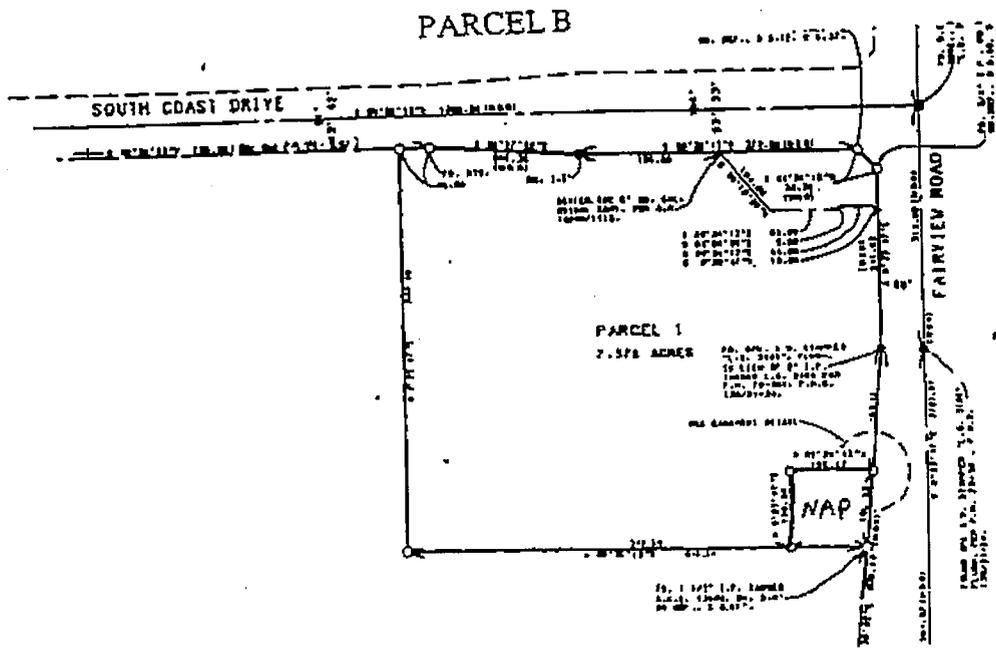
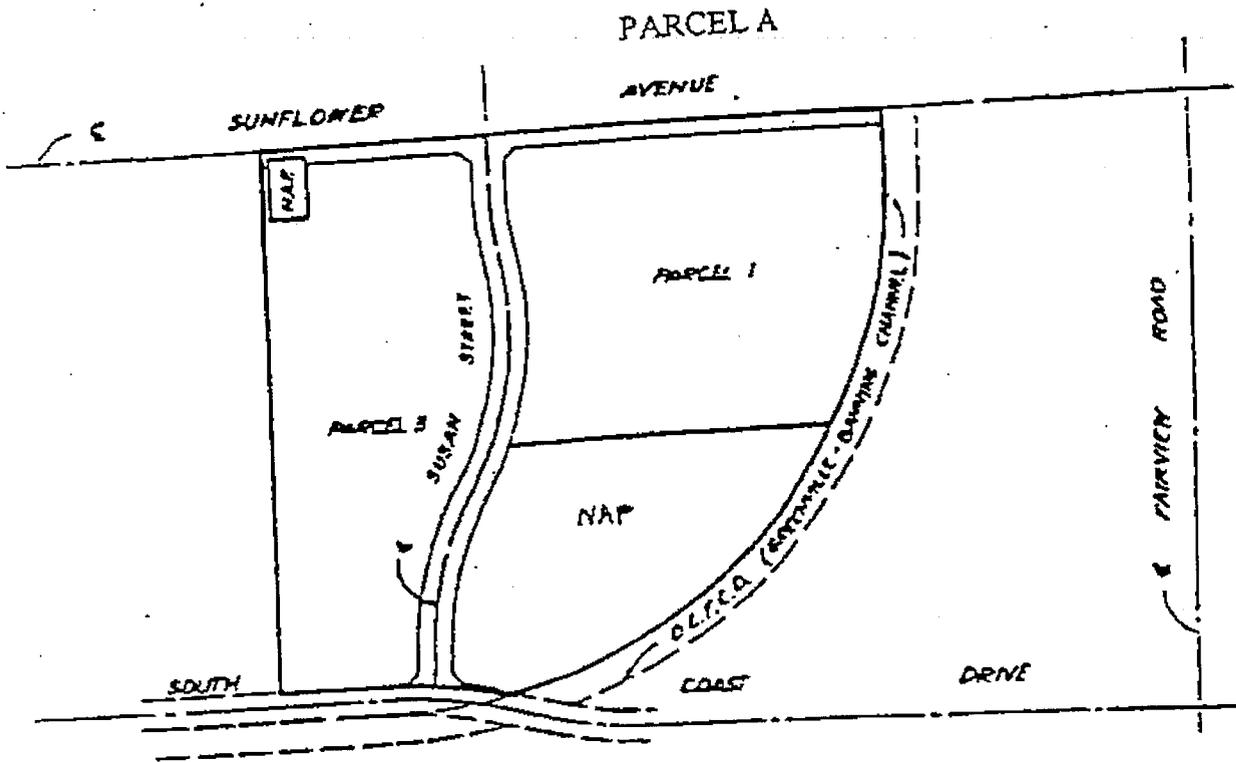
EXCEPTING THEREFROM Parcels 101837-1, 101837-2 and 101837-3 as described in that certain Grant Deed to the State of California recorded October 27, 2000 as Instrument No. 20000582393 of Official Records, in the Office of the County Recorder of said Orange County.

CONTAINING: 31.214 Acres, more or less.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

EXHIBIT "B"

DEPICTION OF THE PROPERTY



PARCEL C

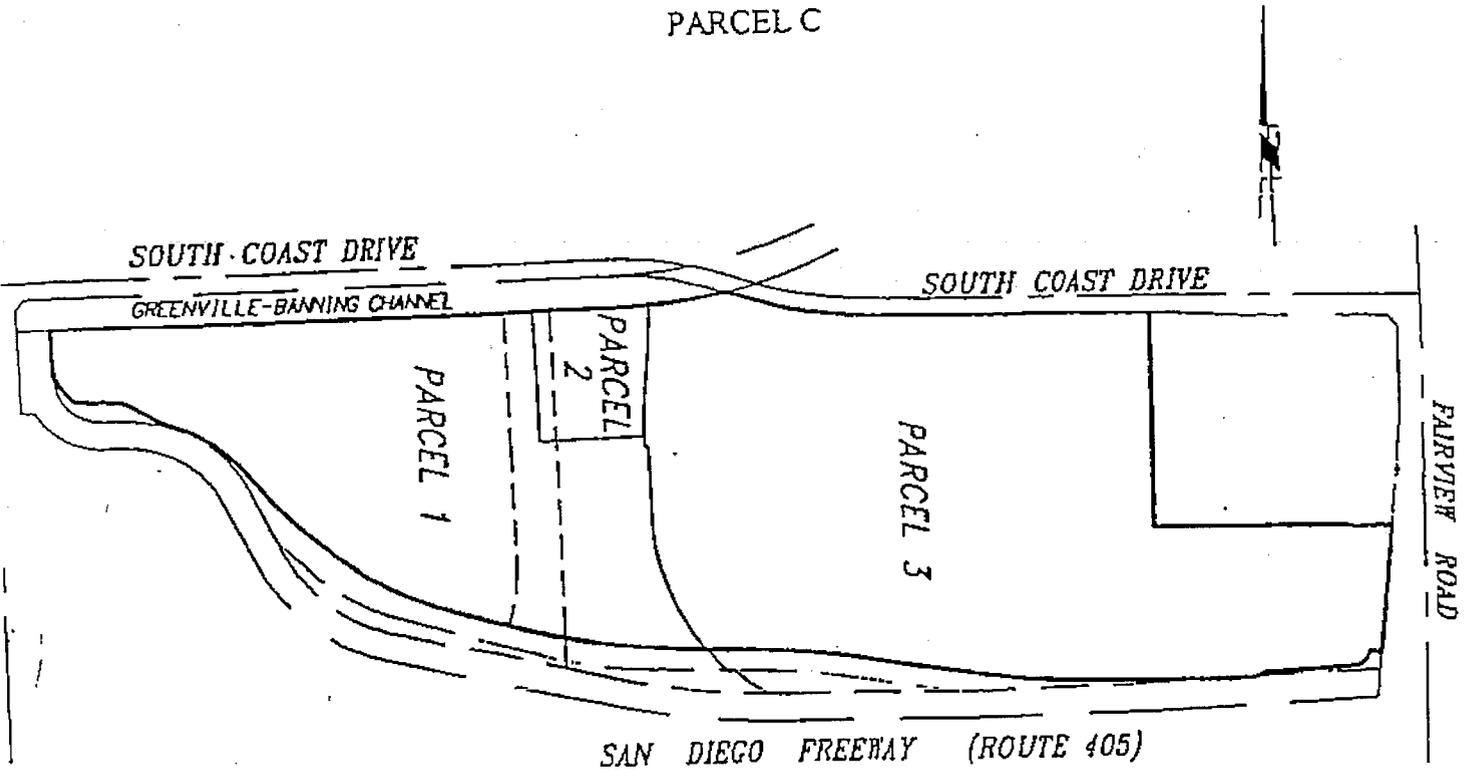


EXHIBIT "C"
LIST OF EXISTING DEVELOPMENT APPROVALS

1. Mitigation Monitoring Program for Final Program EIR No. 1048 by City of Costa Mesa.
2. General Plan Amendment GP-00-05.
3. North Costa Mesa Specific Plan Amendment SP-00-02.
4. Rezone R-00-02.
5. Master Plan PA-99-02 and Minor Conditional Use Permit ZA-01-36.
6. Development Agreement DA-00-01.

EXHIBIT "D"
EXISTING LAND USE REGULATIONS

1. CITY of Costa Mesa General Plan.
2. North Costa Mesa Specific Plan.
3. Title 13 of the Costa Mesa Municipal Code (Planning, Zoning and Development Codes).
4. All other ordinances, resolutions, regulations, and official policies governing land use development and building construction.
5. Resolution No. 88-53, A Resolution of the CITY Council of the CITY of Costa Mesa, California Establishing Procedures and Requirements for Consideration of Development Agreements.

THE APPLICABLE VERSIONS OF THESE DOCUMENTS ARE THOSE IN EFFECT ON
THE EFFECTIVE DATE OF THIS AGREEMENT. COPIES OF THE EXISTING LAND USE
REGULATIONS LISTED ABOVE ARE ON FILE IN THE CITY PLANNING
DEPARTMENT

EXHIBIT "E"
LIST OF FUTURE DEVELOPMENT APPROVALS

1. Planned sign program approval/amendment and sign permits.
2. Preliminary and/or Final Master Plan approvals.
3. Subdivision and/or parcel maps, or lot line adjustments necessary to facilitate development of the Project.
4. Possible conditional use permits and/or variances that may be sought.
5. Building, grading, occupancy and demolition permits and all other ancillary permits required by other uniform codes.

EXHIBIT F
COMMUNITY BENEFITS PROVIDED BY OWNER

A. Circulation Improvements

Improvements Required in Accordance with the General Plan

OWNER shall pay Citywide Traffic Impact Fees of \$3,887,910 (which allows up to 19,938 average daily trips (ADT) at \$195 per trip end) for General Plan level improvements. These fees shall be paid upon issuance of a Building Permit for the first building constructed on the project site following execution of this Agreement.

Improvements Required by Project Beyond the General Plan

Additionally, in accordance with and in addition to Final Environmental Impact Report #1048 (EIR), OWNER shall pay the following amounts for the construction of the improvements identified in the table below. The total OWNER obligation, except the cost for the eastbound right-turn lane at Harbor-South Coast¹, shall be paid upon issuance of a Building Permit for the first building constructed on the project site following execution of this Agreement. This total amount due at first Building Permit, which includes both construction and construction management, is \$4,578,400. Payment of the designated amounts in the required time period shall fulfill all OWNER obligations for construction of the identified improvements. These are in addition to the traffic impact fees and transportation corridor fees applicable to the project.

¹ It is anticipated that the eastbound right-turn lane at Harbor-South Coast will soon be incorporated into the Citywide Traffic Impact Fee Program for General Plan level improvements and be subject to traffic impact fees. If this traffic improvement is not included in the program within the next 36 months, OWNER shall pay \$350,000 to the City for the cost of such construction and an additional \$35,000 for construction management. Such payment will be due the later of (i) 36 months after recordation of this Agreement or (ii) issuance of a Building Permit for the first building constructed on the project site following execution of this Agreement.

| Intersection Improvement | Total Construction Cost | OWNER's Share of Construction Cost | Construction Management Cost |
|---|--------------------------|------------------------------------|------------------------------|
| Harbor - Adams Restripe SB thru to thru + right | \$10,000 | \$10,000 | \$0 |
| Harbor - Sunflower Reconfigure and Restripe EB and WB approaches | \$525,000 | \$262,500 | \$26,250 |
| Harbor - South Coast Add NB thru lane Add EB right-turn lane (See footnote 1) | \$1,419,000 \$350,000 | \$1,419,000 \$350,000 | \$141,900 \$35,000 |
| Fairview - I-405 NB Ramps Restripe NB offramp | \$10,000 | \$10,000 | \$0 |
| Fairview - I-405 SB Ramps Add SB left-turn lane & widen onramp | \$2,200,000 | \$2,200,000 | \$220,000 |
| Bristol - Baker Add EB left-turn lane & NB thru lane | \$525,000 | \$262,500 | \$26,250 |
| Total | \$5,039,000 | \$4,514,000 | \$449,400 |

Site Access Improvements

OWNER shall provide dual left-turn lanes and associated signal modifications at the South Coast Drive - Susan Street intersection in all directions, and shall create left-turn access into Home Ranch from South Coast Drive between Fairview Road and Susan Street.

Susan Street Offramp

Provided that all necessary local, State and Federal approvals for the Susan Street Offramp project are obtained, OWNER shall dedicate land for and fund full cost of design, right-of-way, inspection and construction, pursuant to City standards, of a Susan Street exit ramp off the new northbound I-405/Harbor Boulevard offramp collector/distributor road.

Future Unanticipated Right-Of-Way Needs

If, during the term of this Agreement, the City determines that additional right-of-way within the Project boundaries is needed for the construction of street improvements that are not now anticipated by the FEIR or the City General Plan in effect on the Effective Date, OWNER agrees that, if it is still owned by OWNER at the time such need is established, OWNER shall transfer such right-of-way to CITY. OWNER agrees that the fair market value of any such right-of-way, shall be the lesser of: (1) the fair market value on the Effective Date, adjusted by the Consumer Price Index for all Urban Consumers for the Los Angeles Metropolitan Area, Base Year 1982-84=100 but not exceeding 4% annually or (2) the fair market value at the time of conveyance. For purposes of this provision the Project is bounded by Fairview, Sunflower, Harbor and the 405 freeway and extends to the centerline of each.

B. Cultural Resources

OWNER shall preserve the Segerstrom home, guesthouse, garage, and barn on a parcel of land, which shall be set aside in perpetuity for historic resource preservation.

OWNER shall dedicate to (1) a nonprofit foundation unrelated to any entity of OWNER, (2) the City of Costa Mesa, or (3) another government agency as determined by City in consultation with OWNER, a minimum 1.5 acre parcel of land to allow for:

- Preservation of the buildings as stated above (including possible relocation of the barn within the site)
- Public assembly areas
- Parking
- Passive public recreation

Since this historic area is adjacent to OWNER's business offices, City agrees that all management and use of the historic area shall be performed in a manner that does not disrupt the day to day business operations of OWNER. City also agrees, that all development rights of OWNER, including square footage and trip budget, for the property dedicated, shall be transferred to the remainder of the Home Ranch project site south of South Coast Drive and east of the proposed Susan Street. If the barn is relocated, OWNER shall pay the cost of such relocation.

As determined by City in consultation with OWNER, the property may be either owned and managed by a private foundation unrelated to any entity of OWNER or dedicated, at no cost, to the City of Costa Mesa or other designated government agency.

The historic site shall be open for public use and access for special events and docent-led tours, within five years of the date of recordation of this Agreement, or at the time development immediately adjacent to the historic site occurs, whichever comes first. A plan for public use and access shall be approved by the City if the property is owned by a nonprofit entity.

Within the five-year period following recordation of this Agreement, an endowment of \$250,000 shall be established by OWNER for the purpose of forming a nonprofit foundation whose responsibility will be to manage the Historic site. The board of directors of the foundation shall consist of five (5) members, three (3) appointed by the City and two (2) appointed by the Segerstrom family. The endowment shall be used to cover such expenses as the cost of maintenance and operation, historic preservation and listing of the property on the State Registry. This endowment shall constitute the full extent of OWNER's monetary obligation for the long term preservation of the Historic site.

OWNER shall fully fund the cost to create a preservation plan to maintain the Historic site, and such plan shall be completed within five years of recordation of this Agreement. (Approximate value - \$10,000)

Until such time as the endowment is made and the managing entity formed, OWNER shall maintain the site and its improvements (the home, guest house, garage, and barn) in good condition and fund all maintenance costs.

OWNER or homebuilder shall pay the full amount of park dedication in-lieu fees associated with residential development. Dedication of the 1.5 acres of land for cultural resources shall not be used as a credit against applicable in-lieu fees or parkland dedication requirements.

The City acknowledges on-going discussions between the OWNER and the Mesa Consolidated Water District (MCWD) regarding the possible placement of an underground reservoir within the area adjacent to the Historic site as identified herein. In the event any portion of the area adjacent to the Historic site is conveyed by unforced sale to MCWD for such reservoir, OWNER or MCWD shall, prior to such conveyance, obtain approval from the City for all aspects of the design and construction of such facilities. In addition, as conditions of any such unforced sale, OWNER and MCWD shall provide that (i) the reservoir be placed below grade unless the City agrees otherwise and (ii) the surface area overlying the underground reservoir be dedicated to the CITY for use by the CITY for recreational and similar purposes. City agrees, that all development rights of OWNER, including square footage and trip budget, for property transferred to MCWD, shall be transferred to the remainder of the Home Ranch project site south of South Coast Drive and east of the proposed Susan Street.

If the conveyance to MCWD is not completed or in escrow within eight (8) years of the Effective Date, OWNER shall dedicate an additional 1.5 acres adjacent to the Historic site, to the entity which then owns and operates the Historic site, for the purpose of expanding the Historic site area and creating more public open space. This entity will be (1) a nonprofit foundation unrelated to any entity of OWNER, (2) the City of Costa Mesa, or (3) another government agency as determined by City in consultation with OWNER. CITY agrees, that all development rights of OWNER, including square footage and trip budget, for the property dedicated, shall be transferred to the remainder of the Home Ranch project site south of South Coast Drive and east of the proposed Susan Street.

C. Contribution to Educational Advancement for Costa Mesa Students

OWNER commits to fund expanded educational opportunities and facilities for Costa Mesa and Estancia High Schools and TeWinkle Middle School. OWNER contributions to expanded education opportunities shall be used for programs or capital facilities to exclusively benefit Costa Mesa students. Funding identified in the following shall not be used to supplant existing educational funding provided by the Newport Mesa Unified School District (NMUSD) nor capital construction/renovation as authorized by local voters in approval of Measure A. Funding shall be in addition to, rather than in-lieu of, statutory school OWNER fees.

Concurrently with the issuance of the first Building Permit for the Project, OWNER shall contribute a total of \$2,000,000 for educational advancement opportunities and facilities. The contribution shall initially be paid to the CITY and held by the CITY in a separate account earmarked for these purposes. Fifty percent (50%) of such funds shall go toward Estancia/TeWinkle school programs/facilities and fifty percent (50%) toward Costa Mesa high school programs/facilities.

Within one year of the recordation of this Agreement, the City of Costa Mesa, in cooperation with OWNER and the schools, shall identify an existing Foundation or Foundations or establish a new Foundation or Foundations to which this educational contribution will be committed. The City of Costa Mesa shall enter into such agreements as may be necessary with the identified

Foundation or Foundations to ensure that the proceeds identified above will be used to the exclusive benefit of Costa Mesa students.

D. Contribution For High School Athletic Facilities

Concurrently with issuance of the first Building Permit for the Project, OWNER shall contribute a total of \$250,000 to the Costa Mesa Community Athletic Foundation for purposes of helping the Foundation fund a new aquatic complex at Costa Mesa High School and a new stadium complex at Estancia High School.

E. Contribution To Restoration of Huscroft House

Within ninety days (90) of the issuance of the first Building Permit for the Project, OWNER shall contribute a total of \$200,000 to CITY to help fund the transport of the Huscroft house to a permanent location and provide for its restoration.

F. Residential Component

OWNER shall construct only owner occupied attached or detached housing within the residential portion of the project, and shall comply with existing zoning on the 16-acre residential portion of the project at an average density of 12 units per gross acre.

On that portion of the residential site which will be detached, single family homes, the minimum lot size shall be consistent with City standards adopted by the Costa Mesa City Council on June 18, 2001, and effective July 18, 2001, for small lot single family homes. However, town home style housing may be 3 stories, not exceeding 50 feet in height.

G. Fire Station

Development of Home Ranch incrementally increases the demand for City fire suppression and emergency medical services in the northwest area of the community. To meet the increased demand, a fire suppression impact fee of \$0.285 per square foot of gross building floor area shall be paid prior to the issuance of Building Permits for each building. However, since the need for a fire station may occur prior to collection of any substantial portion of the fees, or build-out of Home Ranch, OWNER shall be responsible for the following:

- **Land** - Within 3 years of execution of this Agreement, City shall complete a fire suppression study and determine whether a new fire station is needed in the Home Ranch area. If it is determined that such a facility is needed, OWNER shall dedicate, at no cost to the City, a maximum 30,000 square foot parcel of undeveloped land owned by OWNER, acceptable to CITY, either within Home Ranch or the nearby vicinity, for a future fire station. City agrees that all development rights, including square footage and trip budget, for any property conveyed for a fire facility, shall be transferred to the remainder of the Home Ranch project area south of South Coast Drive and east of the proposed Susan Street. If it is determined that such a facility is not needed or no determination is made within the 3 year period, OWNER's obligation to dedicate land for the facility shall terminate and OWNER may proceed to develop all of its property according to its zoning. In addition, if a determination of need is made but construction of the facility is not commenced within 5 years of

such determination, the property dedicated shall be conveyed back to OWNER, after which OWNER may proceed to develop such property according to its zoning. Any costs of such dedication and conveyance shall be the sole responsibility of OWNER. The City, at its sole discretion, and subject to the time periods specified above, may determine when dedication is necessary to proceed with construction of a fire station. City shall provide six months advanced written notice to OWNER of the need for dedication.

- **Building Construction** - The City's Fire Department estimates a minimum five thousand square foot fire station building will be needed to accommodate future suppression equipment and personnel. Since the architectural design and construction cost is unknown at this time, OWNER shall be responsible for \$500,000 of the cost of building construction and site improvement, less a credit for all fire impact fees paid in Home Ranch up to the date of fire station construction. Such payment shall be made to CITY no later than ten (10) days prior to the date CITY issues construction documents initiating the bidding process for the fire facility. These payments would satisfy any remaining obligation to pay fire impact fees for the balance of development in Home Ranch. OWNER shall make this payment without regard to whether the above-referenced dedication of land is ultimately required for the fire station.

H. Sales and Use Tax Guarantee

Commencing eighteen (18) months after issuance of the Certificate of Occupancy for the first non-ancillary retail building (i.e. IKEA or such comparable retailer) within the Project, and continuing annually thereafter for up to five (5) years, OWNER or their designee/assignee, shall pay the City the amounts identified in the table below, which money will be used as deemed appropriate by the Costa Mesa City Council. OWNER, however, shall receive credit for annual sales and use tax revenues generated by all businesses located within Home Ranch. Said credit shall be based on the City's share of sales and use taxes generated by Home Ranch businesses during the last four immediately preceding quarters (12 months) for which complete State Board of Equalization records are available. If in any Sales and Use Tax Guarantee year the sales and use tax revenues do not meet the amounts identified in the table, OWNER or designee/assignee shall make a payment (Guarantee Payment) to the City equal to the difference. At such time as the total amount of sales and use tax revenues and Guarantee Payments from OWNER or designee/assignee, received by the City, reach \$5,000,000, even if achieved in less than 5 years, the obligations under this section of the Agreement terminate and no further Guarantee Payments shall be required. (Value - \$5,000,000).

| Sales and Use Tax Guarantee Year | Yearly Amount Guaranteed | Cumulative Amount Guaranteed at Year End |
|----------------------------------|--------------------------|--|
| 1 | \$750,000 | \$750,000 |
| 2 | \$750,000 | \$1,500,000 |
| 3 | \$1,000,000 | \$2,500,000 |
| 4 | \$1,250,000 | \$3,750,000 |
| 5 | \$1,250,000 | \$5,000,000 |
| Total | \$5,000,000 | \$5,000,000 |

**EXHIBIT G
PROJECT FAR AND TRIP BUDGET**

| PORTION OF PROJECT | FAR/DENSITY | TRIP BUDGET | |
|--------------------|-------------|-------------------|-------------|
| | | A.M. | P.M. |
| Retail (IKEA) | 0.41 | 43 | 431 |
| Office | 0.40 | 1593 ² | 1569 |
| Industrial | 0.40 | | |
| Residential | 12 du/acre | 102 | 130 |
| TOTAL: | | 1738 | 2130 |

² Trip Budget for office and industrial is a combined budget.