

MASTER ECONOMIC DEVELOPMENT AGREEMENT

By and Among

CITY OF WESLACO, TEXAS,

HIDALGO COUNTY, TEXAS,

and

HEB GROCERY COMPANY, L.P.

Effective as of March 6, 2008

MASTER ECONOMIC DEVELOPMENT AGREEMENT

This **MASTER ECONOMIC DEVELOPMENT AGREEMENT** (this "**Agreement**") is entered into to be effective as of the 6th day of March, 2008 (the "**Effective Date**"), by and among the **CITY OF WESLACO, TEXAS** (the "**City**"), a home-rule municipality organized under the laws of the State of Texas, **HIDALGO COUNTY, TEXAS** (the "**County**"), and **HEB GROCERY COMPANY, L.P.**, a Texas limited partnership (the "**Developer**").

RECITALS

WHEREAS, the Developer desires to operate a warehouse distribution center containing approximately 400,000 square feet in a single building with fixed in-place racking (collectively and with all future improvements and additions, the "**Facility**") on the approximately 56.31-acre tract of real property located in Weslaco, Hidalgo County, Texas described on **Exhibit A** attached hereto (the "**Site**"), which Site was selected and purchased by Developer without relying on any representations from the City or the County, including as to suitability of the location for its purposes; and

WHEREAS, operation of the Facility will retain and create new jobs and tax value, and will promote local economic development and stimulate business and commercial activity in the City and the County; and

WHEREAS, the Developer has advised the City and the County that a contributing factor that would induce the Developer to operate the Facility would be the making of an economic development grant to defray a portion of the costs to be incurred by the Developer as a consequence of operating the Facility, and to repay the Developer for its contribution to the widening, improvement to drainage, and general improvements to that portion of N. Westgate Drive in the City of Weslaco generally located between Expressway 83 and Business 83 (such improvements to N. Westgate Drive, the "**Road Improvements**"), as further described on **Exhibit B** and **Attachments B-1, B-2** and **B-3** thereto; and

WHEREAS, under Chapter 380 of the Texas Local Government Code, the City has adopted an economic development program to promote local economic development and stimulate business and commercial activity within the City, including by making

grants of public money, and has determined to enter into a Chapter 380 Economic Development Agreement with the Developer (the "*380 Agreement*"); and

WHEREAS, under Chapter 381 of the Texas Local Government Code, the County has adopted an economic development program to stimulate business and commercial activity within the County, including through the use of county funds and has determined to enter into a Chapter 381 Economic Development Agreement (the "*381 Agreement*"); and

WHEREAS, the City Commission of the City and the Commissioners Court of the County each has found and determined that by entering into this Agreement, as well as separately entering into its respective 380 Agreement or 381 Agreement, as the case may be, referred to herein and executed contemporaneously herewith, the public interest and welfare will be advanced, and potential economic benefits will accrue to the City and the County, respectively, consistent with the City's and County's economic development objectives; and

WHEREAS, the City, the County, and the Developer desire to set forth in this Agreement the basic rights and obligations of the parties, including with regard to the Road Improvements; and

WHEREAS, the parties recognize that all agreements of the parties hereto and all terms and provisions hereof are subject to the laws of the State of Texas and all rules, regulations and interpretations of any agency or subdivision thereof at any time governing the subject matters hereof;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

PURPOSE AND INTERPRETATION

SECTION 1.1 OBJECTIVES. The Developer wants to develop the Facility on the Site (the Facility, with fixed in-place racking, located on the Site and with the Road Improvements sometimes herein, the "*Project*").

SECTION 1.2 CONCEPT AND STRUCTURE. Subject to the terms and conditions of this Agreement, the 380 Agreement, and the 381 Agreement (those three agreements sometimes hereinafter collectively, the "*Grant Agreements*"), Developer is willing to fund ("*Developer's Contribution*") up to Four Million and No/100Dollars (\$4,000,000.00) toward the Road Improvements, which Road Improvements will be built

on behalf of the City. The Developer believes that without the Road Improvements, N. Westgate Drive would not be adequate for the truck-borne commercial activity anticipated to be generated in the area by the Facility. In order to encourage the Developer to (i) develop the Facility, and (ii) provide Developer's Contribution, and to make the area surrounding the Site more attractive to other businesses, the City and the County will make economic development grants to Developer, including for the purpose of their shared reimbursement of Developer's Contribution, as more fully described in their respective Grant Agreements. The County and the City will establish "Tax Funds", as defined below, into which real property taxes and personal property taxes generated by the Facility and the Site will be deposited for subsequent reimbursements and other grant payments to Developer, as described in the Grant Agreements, including the 380 Agreement, the form of which is attached as *Exhibit C* hereto, and the 381 Agreement, the form of which is attached as *Exhibit D* hereto. Notwithstanding any other provision of the Grant Agreements to the contrary, the Developer may elect whether or not to build the Facility in Developer's sole discretion, and Developer's responsibility for Developer's Contribution will arise only if (i) Developer elects to build the Facility, and (ii) the Grant Agreements are executed by all parties thereto. Notwithstanding any other provisions of the Grant Agreements to the contrary, neither the City nor the County shall have any obligations under the Grant Agreements unless the Developer is in full compliance with its obligations under the Grant Agreements. In the event of any conflict between the terms of this Agreement and the other Grant Agreement, the terms of the respective 380 Agreement or 381 Agreement, as the case may be, shall control.

SECTION 1.3 TERM. The term of this Agreement shall be twenty (20) years from the Effective Date hereof, plus such additional time as is necessary for the grant payments described herein arising in the 20th year to be collected and disbursed.

ARTICLE II

PAYMENT OF GRANTS

SECTION 2.1. SEPARATE OBLIGATIONS OF THE DEVELOPER. The payment of all indebtedness and obligations incurred by the Developer in connection with the operation of the Facility shall be solely the obligations of the Developer. The County and the City shall not be obligated to pay any indebtedness or obligations of the Developer. The County and the City shall only be obligated to make grants and reimburse the Developer in accordance with the terms and conditions of their respective Grant Agreements, and shall have no obligation with respect to the other's obligations under the Grant Agreements. Developer hereby agrees to indemnify and hold the City and the County harmless from and against any indebtedness or obligations of the Developer regarding the operation of the Facility other than their respective obligation to make grants and reimbursements as expressly provided herein and in their respective Grant Agreements.

SECTION 2.2. TAX FUND. The City and the County will each provide for the payment of their respective Grant Payments to be made pursuant to the Grant Agreements by establishing separate funds into which a certain portion of all "Property

Taxes" (as that term is defined below) shall be deposited (such fund, as created by the appropriate government, a "*Tax Fund*"). During the term of this Agreement, each of the City and the County will pay to Developer, on an annual basis, all Net Funds then available in their respective Tax Fund as grant payments pursuant to the Grant Agreements. For purposes of the Grant Agreements, "*Net Amounts*" means the amount of all of the Property Taxes (as defined below) in excess of the amount of Property Taxes assessed against the Site for the calendar year 2006 (the "*Baseline Amount*"). Once established, the Baseline Amount shall be used every year as the baseline against which to calculate increased Net Amounts that will be paid out as Grant Payments.

SECTION 2.3 REAL AND PERSONAL PROPERTY TAXES. Each of the City and the County levy real property taxes and personal property taxes, which taxes are billed and collected by the Hidalgo County Tax Office (the "*Tax Office*"). The "*Real Property Taxes*", "*Personal Property Taxes*" and "*Property Taxes*" hereunder are, with regard to the City and the County, as defined in their respective Grant Agreements. Following their receipt by the City or the County, as appropriate and from time to time in accordance with their respective Grant Agreements, the Property Taxes shall be deposited into that government's Tax Fund.

SECTION 2.4. DURATION OF PAYMENTS. The (a) Real Property Taxes shall be paid to Developer as a grant for each of the twenty (20) years following the year that includes the Effective Date, and (b) Personal Property Taxes shall be paid as an economic incentive for Developer's Contribution and development of the Facility until the sooner of (i) repayment to Developer in full of Developer's Contribution, plus interest, or (ii) twenty (20) years of payments, all as more fully described in the Grant Agreements, including with regard to the City's and County's reimbursement of its share of the Developer's Contribution. Nothing herein shall be construed to change the limitations on or to extend the term of payments from the County as set forth in the 381 Agreement, or to otherwise increase the County's obligation to the Developer as set forth in the 381 Agreement.

SECTION 2.5. CONDITION TO THE OBLIGATIONS OF THE COUNTY AND CITY. Notwithstanding any other provision of the Grant Agreements to the contrary, the City and County shall have no duty or obligation to reimburse any of Developer's Contribution or to make grant payments (i) unless and until Developer's Contribution has been made to the City and (ii) unless Developer is in full compliance with its obligations under the Grant Agreement.

ARTICLE III

COVENANTS

SECTION 3.1. COVENANTS OF DEVELOPER. During the term of this Agreement, Developer shall comply with the following covenants.

SECTION 3.1.1. OPERATION OF FACILITY. The Facility shall be operated, maintained and managed directly by the Developer or any successor in a first class manner, consistent with the operation and management for other similar facilities, and in compliance with all applicable laws, including by obtaining and keeping in effect at all times all permits, licenses and contractual arrangements as may be necessary to meet the standard of operation described in the foregoing sentence. The foregoing shall not be construed to create an obligation of continuous operations during the term of this Agreement; provided, however, that once the Facility has opened, if Developer thereafter ceases all business activity at the Facility for a period of at least twelve (12) continuous months for any reason other than remodeling, repair, or an event of force majeure, then each of the City and the County shall have the right to terminate this Agreement effective sixty (60) days after delivery of notice thereof unless Developer has recommenced business activity in the Facility prior to the expiration of such 60-day cure period.

SECTION 3.1.2. BUSINESS OF THE DEVELOPER. The Developer shall conduct all operations within the Facility in compliance with all federal and state laws, City ordinances and County orders.

SECTION 3.2. COVENANTS OF THE COUNTY AND CITY. The City and the County agree that during the term of this Agreement, its respective Tax Fund shall remain a separate, unencumbered fund or account containing only the Property Taxes (and accumulated interest, if any) to be deposited into the Tax Fund pursuant to its respective Grant Agreement.

SECTION 3.3. OBLIGATIONS SPECIFIC TO THE ROAD IMPROVEMENTS.

SECTION 3.3.1. CONTRACT FOR PUBLIC INFRASTRUCTURE. The Developer will enter into a contract or contracts with third party contractors (each a "*Contractor*") to outline and oversee all work on the construction of the Road Improvements (each a "*Road Improvement Contract*"). The Road Improvement Contracts shall contain appropriate terms requiring all parties to maintain separate records and accounting for construction of the Road Improvements. All Road Improvement Contracts shall be subject to the prior written approval of County and City, which shall not be unreasonably withheld. Upon receiving a copy of the Road Improvement Contract from the Developer, the County and City shall provide comments (if any) or written approval within ten (10) business days after receiving the same. If the County and City does not provide comments or written approval within said 10 business day period, the County and City shall be deemed to have approved of the Road Improvement Contract and the Developer shall have the right to execute same. All Road Improvement Contracts must meet the requirements of this Agreement, specifically including, without limitation, those of Sections 3.3 through 3.7. Nothing contained herein shall be construed to require the Developer to comply with government purchasing requirements unless

Developer is subject to such requirements other than through the Grant Agreements.

SECTION 3.3.2. MANAGEMENT OF CONSTRUCTION OF THE ROAD IMPROVEMENTS. The Developer shall perform the usual and necessary management services incident to projects of the nature and scope of the construction of the Road Improvements. The Developer shall thoroughly inspect the work of all Contractors and all subcontractors undertaking work on the Road Improvements. In addition, the Developer shall strive to fully and completely settle, by litigation or otherwise, any claims of any Contractor or subcontractor relating to or arising out of the construction of the Road Improvements or performance or nonperformance under any Road Improvement Contract without involving the County or City.

SECTION 3.3.3. REPORTING RELATED TO ROAD IMPROVEMENTS. During construction and until the Actual Completion Date, the Developer shall submit all the information required by the County under the Chapter 381 Agreement and by the City under the Chapter 380 Agreement.

SECTION 3.3.4 CONVEYANCE OF ROAD IMPROVEMENTS. After the Developer has completed the Road Improvements, the Developer shall convey and the City shall accept dedication of the Road Improvements. Upon such dedication and acceptance, the City shall be responsible for maintaining the Road Improvements in a manner consistent with similar infrastructure maintained by the City. The amount of the Road Improvements to be built by the Developer and dedicated to the City shall be limited in accordance with the projects set forth in the Exhibit B. In the event that the cost of the Road Improvements exceeds the amount set forth in the Projected Budget, any excess costs shall be paid by the Developer or the City.

SECTION 3.4 INSURANCE REQUIREMENTS. The Developer shall ensure that the general contractors, engineer and architect shall, at their sole expense, maintain in effect at all times during the full term of the construction of the Facility, insurance coverages substantially consistent with that required by the Developer on other similar projects with insurers licensed to do business in the State of Texas and reasonably acceptable to the County, City and the Developer. The County and City will be named as additional insured in all such policies and shall provide appropriate certificates of insurance to the County and City.

SECTION 3.5 RELEASE AND WAIVER. Prior to the Developer conveying Road Improvements to the City, all general contractors and all subcontractors (excluding any subcontractors intended to do less than \$25,000 worth of work on the Project) (all subcontractors intended to do at least \$25,000 worth of work, "**Subcontractors**"), including without limitation all Contractors, architects and engineers, shall release, and shall cause their insurers to release, the City, the County, the Developer, and other Construction Indemniteses from any and all claims or causes of action whatsoever which

they or their insurers might otherwise possess resulting in or from or in any way connected with any loss covered or which should have been covered by insurance, including the deductible portion thereof, maintained and/or required to be maintained pursuant to this Agreement, the construction contract, the architect agreement, or any other contract or subcontract, except to the extent such claims or causes of action arise from or are attributed to the sole or concurrent negligence of any Construction Indemnatee.

SECTION 3.6 INDEMNITY. The Developer shall ensure that an indemnity provision substantially in the form of the following is incorporated in the Road Improvement Contracts and construction contracts for the Facility, the architect agreement, the engineer agreement and all other contracts and subcontracts (each, a "**Contract**"), as applicable.

"To the fullest extent permitted by applicable law, [Contractors, Architects, Engineers, Subcontractors] ("**Indemnitor**") shall indemnify, protect, defend and hold harmless the County and the City, and each of their respective agents, employees, affiliated companies, successor and assigns (collectively, "**Construction Indemnities**") for, from and against all liabilities, claims, damages, fines, penalties, losses, liens, causes of action, costs, and expenses (including court costs, attorney's fees and costs of investigation) of any nature, kind or description of any person or entity, directly or indirectly arising out of, caused by, or resulting from (in whole or in part), (1) the services or work performed pursuant to such Contract, (2) the Contract, or (3) any act or omission of Indemnitor, anyone directly or indirectly employed by Indemnitor, or anyone that the Indemnitor controls or exercises control over (collectively, "**Liabilities**"). Indemnitor shall promptly advise [the County], [the City], and [the Developer] in writing of any action, administrative or legal proceeding or investigation as to which this indemnification may apply, and Indemnitor, at its expense, shall assume on behalf of [the County], [the City] and [the Developer] (and the other Construction Indemnitees) and conduct with due diligence and in good faith the defense thereof with counsel satisfactory to [the County], [the City] and [the Developer]; provided, however, that [the County], [the City] and [the Developer] shall each have the right, at their option, to be represented therein by advisory counsel of their own selection and at their own expense. This indemnification shall not be limited to damages, compensation or benefits payable under insurance policies, worker's compensation acts, disability benefit acts or other employee's benefit acts.

SECTION 3.7. FURTHER ACTIONS. The County, the City and the Developer will do all things reasonably necessary or appropriate to carry out the objectives, terms and provisions of the Grant Agreements and to aid and assist each other in carrying out such objectives, terms and provisions, provided that neither the County nor the City shall be required to spend money or have further obligations other than to make the economic development incentives pursuant to the terms of their respective Grant Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. REPRESENTATIONS AND WARRANTIES OF DEVELOPER. The Developer represents and warrants to the City and the County, as of the Effective Date, as follows:

SECTION 4.1.1. ORGANIZATION. The Developer is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas and authorized to do business in the State of Texas. The business that Developer proposes to carry on at the Facility may lawfully be conducted by the Developer.

SECTION 4.1.2. AUTHORITY. The execution, delivery and performance by the Developer of the Grant Agreements is within the Developer's powers and have been duly authorized by all necessary action of the Developer.

SECTION 4.1.3. NO CONFLICTS. Neither the execution and delivery of the Grant Agreements, nor the consummation of any of the transactions herein contemplated, nor compliance with the terms and provisions hereof will contravene the organizational documents of the Developer or any provision of law, statute, rule or regulation to which the Developer is subject or any judgment, decree, license, order or permit applicable to the Developer, or will conflict or be inconsistent with, or will result in a breach of any of the terms of the covenants, conditions or provisions of, or constitute a delay under, or result in the creation or imposition of a lien upon any of the property or assets of the Developer pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Developer is a party or, to the knowledge of the Developer, by which the Developer is bound, or to which the Developer is subject.

SECTION 4.1.4. NO CONSENTS. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or governmental authority or regulatory body or third party is required for the due execution, delivery and performance by the delivery of the Grant Agreements or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.1.5. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

SECTION 4.1.6. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the Developer, threatened against or affecting the Developer or any subsidiaries of the Developer, questioning the validity or any action taken or to be taken by the Developer in connection with the execution, delivery and performance by the Developer of the Grant Agreements or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the Developer hereof, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the Developer to perform, its obligations under the Grant Agreements or (ii) would have an adverse effect on the consolidated financial condition or results of operations of the Developer or on the ability of the Developer to conduct its business as presently conducted or as proposed or contemplated to be conducted (including the operation of the Facility).

SECTION 4.1.7. NO DEFAULTS. The Developer is current in its obligation to pay taxes to the City and the County, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which the Developer is a party or by which the Developer or any of its property is bound that would have any material adverse effect on the Developer's ability to perform under the Grant Agreements.

SECTION 4.1.8. FULL DISCLOSURE. Neither the Grant Agreements nor any schedule or exhibit attached hereto in connection with the negotiation of the Grant Agreements contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, in the light of the circumstances in which they were made, from being misleading.

SECTION 4.1.9. OBLIGATIONS LIMITED. The Developer acknowledges that neither the County nor the City is committed or obligated to pay any expenditure incurred with respect to the operation of the Facility and the construction of the Roadway Improvements except as specifically provided in their respective Grant Agreements.

SECTION 4.2. REPRESENTATION AND WARRANTIES OF THE CITY AND THE COUNTY. The County and the City severally represent and warrant to the Developer as to themselves, to the actual knowledge of the Commissioner's Court as to the County and of the City Commission as to the City, as of the Effective Date, as follows:

SECTION 4.2.1. AUTHORITY. The execution, delivery and performance by the County and the City of the Grant Agreements are within their respective powers and have been duly authorized by all necessary action.

SECTION 4.2.2. NO CONFLICTS. Neither the execution and delivery of the Grant Agreements, nor the consummation of any of the transactions herein or

therein contemplated nor compliance with the terms and provisions hereof or thereof will contravene any applicable provision of law, statute, ordinance, rule or regulation to which the County or the City to their knowledge is subject or any judgment, decree, license, order or permit applicable to the County or the City.

SECTION 4.2.3. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the County and the City, enforceable against the County and the City in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, or other state laws, as in effect from time to time.

SECTION 4.2.4. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the County or the City, threatened against or affecting the County, or the City, threatened against or affecting the County or the City, questioning the validity of any proceedings taken or to be taken by the County and the City in connection with the execution, delivery and performance by the County and the City of the Grant Agreements or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the County or the City hereof or thereof, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the County and City to perform, their respective obligations under the Grant Agreements.

SECTION 4.2.5. NO DEFAULTS. The County and the City are not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which the County or the City is a party or by which the County or the City are bound that would have any material adverse effect on the County's or the City's ability to perform under the Grant Agreements.

ARTICLE V

PERSONAL LIABILITY OF PUBLIC OFFICIALS

To the extent permitted by State law, no employee of the City or County, nor any commission member of the City or member of the County's Court, shall be personally responsible for any liability arising under or growing out of the Grant Agreements.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. ENTIRE AGREEMENT. This Agreement, including exhibits hereto, and along with the 380 Agreement (excluding the County) and the 381 Agreement

(excluding the City), contain the entire agreement between the parties with respect to the transactions contemplated herein. Notwithstanding any provision to the contrary, under no circumstances shall this Agreement be deemed to increase the liability or obligations of the City or County beyond those contained in the 380 Agreement or the 381 Agreement respectively.

SECTION 6.2. AMENDMENT. This Agreement may only be amended, altered, or revoked by written instrument signed by all parties.

SECTION 6.3. SUCCESSORS AND ASSIGNS. In this Agreement, unless a clear contrary intention appears, reference to any party includes such party's successors and assigns, and reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns. Developer may assign this Agreement to any affiliate of Developer. For purposes of this Agreement, "*Affiliate*" means any person, entity or group of persons or entities that controls the Developer, that the Developer controls or that is under common control with the Developer. Except as just stated, this Agreement is not assignable without the prior written permission of the other parties thereto.

SECTION 6.4. WAIVER. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel.

SECTION 6.5. REMEDIES. Upon breach of any of the covenants contained in Article III or the representations and warranties contained in Article IV, in addition to any other remedies expressly set forth in this Agreement with respect to such breach, the aggrieved party shall have such remedies as are available in law or equity for breach of contract; provided, however, that no party shall be liable to any other party for incidental or consequential damages. Developer acknowledges and agrees that its' remedies against the City or the County are subject to any limitations or restrictions set forth in the respective Grant Agreements.

SECTION 6.6. NOTICES. Any notice, statement and/or communication required and/or permitted to be delivered hereunder shall be in writing and shall be mailed by first-class mail, postage prepaid, or delivered by hand, messenger, telecopy, or reputable overnight carrier, and shall be deemed delivered when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties thereto:

DEVELOPER:

HEB Grocery Company, L.P.
646 South Main
San Antonio, Texas 78204

Attn: Vice President of Real Estate
Telephone: (210) 938-8000
Facsimile: (210) 938-7633

With a copy to:

HEB Grocery Company, L.P.
646 South Main
San Antonio, Texas 78204
Attn: Legal Department
Telephone: (210) 938-8000
Facsimile: (210) 938-7816

CITY:

City of Weslaco
255 S. Kansas Ave.
Weslaco, Texas 78540
Attn: City Mayor
Telephone: (956) 968-3181
Facsimile: (956) 968-6672

With a copy to:

City of Weslaco
255 S. Kansas Ave.
Weslaco, Texas 78540
Attn: City Manager
Telephone: (956) 973-3110
Facsimile: (956) 968-6672

COUNTY:

Hidalgo County
100 E. Cano
Edinburg, Texas 78539
Attn: County Judge
Telephone: (956) 318-2600
Facsimile: (956) 318-2699

With a copy to:

Atlas & Hall, L.L.P.
818 Pecan
McAllen, TX 78501
Attn: Stephen L. Crain,
Telephone: (956) 682-5501
Facsimile: (956) 686-6109

SECTION 6.7. APPLICABLE LAW. This Agreement is made, and shall be construed and interpreted under the laws of the State of Texas, and venue shall lie in State courts located in Hidalgo County, Texas.

SECTION 6.8. SEVERABILITY. In the event any provision of this Agreement is illegal, invalid, or unenforceability under the present or future laws, then, and in that event, it is the intention of the parties hereto that the remainder of this Agreement shall

not be affected thereby, and it is also the intention of the parties to this Agreement that in lieu of each clause or provision that is found to be illegal, invalid, or unenforceable a provision be added to this Agreement which is legal, valid and enforceability and is a similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

SECTION 6.9. NO THIRD-PARTY BENEFICIARIES. The County, the City and the Developer intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any third-party beneficiary, or any individual or entity other than the County, the City, and the Developer or permitted assignees of such parties, except that the indemnification and hold harmless obligations by the Developer provided for herein shall inure to the benefit of the indemnitees.

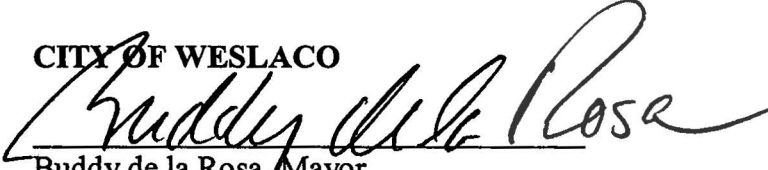
SECTION 6.10. NO JOINT VENTURE. Nothing contained in this Agreement is intended by the parties to create a partnership or joint venture between the parties, and any implication to the contrary is hereby expressly disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint either party as an agent of the other for any purpose whatsoever. Except as otherwise specifically provided herein, neither party shall in any way assume any of the liability of the other for acts of the other or obligations of the other.

SECTION 6.11. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which constitute one instrument.

SECTION 6.12. FORCE MAJEURE. Means an event beyond the reasonable control of a party obligated to perform an act or take some action under this Agreement including, but not limited to, acts of God, earthquake, fire, explosion, war, civil insurrection, acts of the public enemy, act of civil or military authority, sabotage, terrorism, floods, lightning, hurricanes, tornadoes, severe snow storms or utility disruption, strikes, lockouts, major equipment failure or the failure of any major supplier to perform its obligations.

EXECUTED to be effective as of the Effective Date.


CITY OF WESLACO


Buddy de la Rosa, Mayor


ATTEST:


AMANDO C. ELIZONDO, City Secretary

APPROVED AS TO FORM:

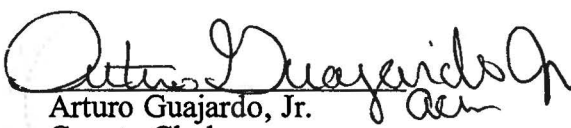


RAMON VELA, City Attorney

COUNTY OF HIDALGO, TEXAS


Name: J. D. Salinas, III
Title: County Judge

ATTEST:



Arturo Guajardo, Jr.
County Clerk

APPROVED AS TO FORM:
ATLAS & HALL, L.L.P.

By: 

Stephen L. Crain

HEB GROCERY COMPANY, L.P.


By: Todd A. Piland
Name: Todd A. Piland
Title: Executive Vice President



- | | |
|-----------|----------------------------------------------------------------|
| EXHIBIT A | Site |
| EXHIBIT B | Scope of Road Improvements (with Attachments B-1, B-2 and B-3) |
| EXHIBIT C | Chapter 380 Agreement |
| EXHIBIT D | Chapter 381 Agreement |

EXHIBIT A
Site

Lot 4, Block A, HEB Weslaco #4, a subdivision in the City of Weslaco, Hidalgo County, Texas according to Volume 35 page 75 of the plat records of Hidalgo County, Texas.

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EXHIBIT B

Scope and Projected Cost of Road Improvements

**City of Weslaco / Hidalgo County
Infrastructure Improvements Project
Westgate and Panther Drive**

The following outline will provide a preliminary scope statement relating to the infrastructure improvements to Westgate and Panther Drive in Weslaco Texas that will be included in the 380 agreement between H-E-B and the City of Weslaco and the 381 agreement with the County of Hidalgo.

Project	Exhibit	Projected Cost
Westgate Road – From HWY 83 to Panther	B-1	\$2,950,000
Panther Drive – Between Westgate and Border	B-2	\$ 560,000
Design / Construction Management	B-3	\$ 490,000
Total Budget Cost		\$4,000,000

In the event that after accounting for the Project described in the table above there are funds left from the \$4,000,000 Total Budget Cost, then such remaining funds may, upon written request to and consent of the County and City, be used to reimburse the Developer for costs related to improvements to Westgate beyond Panther Drive up to and including its intersection with Bus 83.

ATTACHMENT "B-1"

WESTGATE ROAD – FROM HWY 83 TO BUS. 83

Improvements on Westgate from HWY 83 to Business 83 include:

- **Re-construction of the roadway from HWY 83 to Panther Drive within the existing curb limits, with heavy asphalt paving sections along the roadway and concrete sections in the intersections of Pike and Panther Drive.**
- **Reconstruct the roadway from Panther Drive to Bus. 83, to the extent funds are available.**
- **Drainage improvements including a 48" / 36" storm drain in Westgate ROW**
- **Addition of a signal at Panther and Westgate**
- **Update the signal at Westgate and Pike**
- **Synchronization of the signals on Westgate from Business 83 to State hwy 83.**

Current cost estimate:

- **Costs associated with the improvements of Westgate re-construction as described above is \$2.95MM dollars, including the signal work.**

Current anticipated schedule:

- **Engineering beginning in late March, 2008.**
- **City review drawings and submit construction documents for bid May, 2008.**
- **Under contract and initiate work July, 2008.**
- **Phase project to complete the storm sewer installation prior to the roadway work, with a storm completion of early September, 2008.**
- **Six (6) Months of construction in Westgate completing the road in phases, allowing for traffic to continue along the roadway throughout construction. Completion in December, 2008.**

ATTACHMENT "B-2"

PANTHER DRIVE – BETWEEN WESTGATE AND BORDER

Improvements to Panther Drive between Westgate and Border will include:

- **8' lane widening to the South side of Panther, from Westgate to the H-E-B truck entrance (approximately 1,000 LF). Final configuration will be 4 lanes, 2 eastbound and 2 westbound.**
- **Adjustment of the necessary utilities on the South side of Panther in the location of the lane widening.**
- **Re-construction of the existing pavement to a heavy traffic paving section, including concrete paving approach on Panther at Westgate and at the H-E-B truck entrance.**
- **A transition from the widened section to the original section East of the truck entrance.**
- **A 1" overlay for the remaining portion of Panther Drive East of the truck entrance to Border.**
- **Elimination of the planned sidewalk on the south side of Panther Drive from Westgate to Border (the intent will be to induce pedestrian traffic to stay on the sidewalk on the North side of Panther that runs from Westgate to Border, and circumnavigates the school property).**

Current Cost Estimate:

- **Costs associated with the improvements of Westgate Panther re-construction as described above is \$560,000 dollars.**

Current anticipated schedule:

- **Construction of Panther would be phased with the Westgate Construction. Total time to complete the work on Panther is estimated to be 2.5 months, and will start in the spring to be completed prior to February, 2009.**

ATTACHMENT "B-3"

DESIGN / CONSTRUCTION MANAGEMENT

This work is to be completed by SWC/TEDSI for a fee of approximately \$490,000

Westgate / Panther Drive Infrastructure Improvements												
Proposed Schedule												
Year	2008											2009
Month	M	A	M	J	J	A	S	O	N	D	J	F
Design												
Permits												
Phase I Westgate / Drainage												
Phase II Westgate												
Phase III Panther Drive												
Capital Projections												
Year	2008											2009
Month	M	A	M	J	J	A	S	O	N	D	J	F
Design	\$ 395,000											
Permits			\$ 55,000									
Phase I Westgate / Drainage					\$ 1.790MM							
Phase II Westgate						\$ 1.180MM						
Phase III Panther Drive										\$ 580,000		
\$ 4,000,000.00	\$ 112,500	\$ 112,500	\$ 112,500	\$ 112,500	\$ 495,000	\$ 495,000	\$ 495,000	\$ 495,000	\$ 495,000	\$ 495,000	\$ 290,000	\$ 290,000

EXHIBIT C
Chapter 380 Agreement

EXHIBIT "C"
CHAPTER 380
ECONOMIC DEVELOPMENT AGREEMENT

By and Between

CITY OF WESLACO, TEXAS,

and

HEB GROCERY COMPANY, L.P.

Effective as of _____, 2007

CHAPTER 380

ECONOMIC DEVELOPMENT AGREEMENT

This CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENT (this "*Agreement*") is entered into to be effective as of the ____ day of _____, 2007 (the "*Effective Date*"), by and between the CITY OF WESLACO, TEXAS (the "*City*"), a home-rule municipality organized under the laws of the State of Texas, and HEB GROCERY COMPANY, L.P., a Texas limited partnership (the "*Developer*").

RECITALS

WHEREAS, the Developer desires initially to construct a warehouse distribution center containing approximately 400,000 square feet in a single building with fixed in-place racking (collectively with all future improvements and additions, and with fixed in-place racking, the "*Facility*") on the approximately 56.31-acre tract of real property located in Weslaco, Hidalgo County, Texas described on *Exhibit A* attached hereto (the "*Site*"); and

WHEREAS, operation of the Facility will create new jobs and tax value, and will promote local economic development and stimulate business and commercial activity in the City and Hidalgo County, Texas (the "*County*"); and

WHEREAS, the Developer has advised the City that a contributing factor that would induce the Developer to develop the Facility would be the making of an economic development grant to defray a portion of the costs to be incurred by the Developer as a consequence of developing and constructing the Facility and to repay the Developer for its contribution to the widening, improvement to drainage, and general improvements to that portion of N. Westgate Drive in the City of Weslaco generally located between Expressway 83 and Business 83 (such improvements to N. Westgate Drive, the "*Road Improvements*"), as further described on *Exhibit B* and *Attachments B1-3* thereto; and

WHEREAS, under Chapter 380 of the Texas Local Government Code, the City has adopted an economic development program to promote local economic development and stimulate business and commercial activity within the City; and

WHEREAS, the City, the County, and Developer have entered into a Master Economic Development Agreement contemporaneously herewith (the "*Master Agreement*") pertaining to a Chapter 380 grant and a Chapter 381 Agreement for a grant from the County; and

WHEREAS, the City and the Developer desire to set forth in this Agreement the terms and conditions of the grant to Developer of certain City funds as an incentive for Developer's construction and use of the Facility on the Site, and to reimburse Developer for the Road Improvements (the "**Grant**"); and

WHEREAS, the parties recognize that all agreements of the parties hereto and all terms and provisions hereof are subject to the laws of the State of Texas and all rules, regulations and interpretations of any agency or subdivision thereof at any time governing the subject matters hereof;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

PURPOSE AND INTERPRETATION

The Developer wants to develop the Facility in the City, and has designated the Site as the location for such project (the Facility located on the Site, including all future improvements and additions, and with the Public Infrastructure sometimes herein, the "**Project**"). Subject to the terms and conditions of this Agreement, Developer is willing to fund ("**Developer's Contribution**") up to Four Million and No/100Dollars (\$4,000,000.00) toward the Road Improvements, which Road Improvements will be built on behalf of the City. The scope and projected cost of the Road Improvements are set out on **Exhibit C** hereto. Reference is made to the Master Agreement for all purposes. All defined terms used herein shall have the meanings ascribed to them in the Master Agreement.

ARTICLE II

DEFINITIONS

SECTION 2.1. The City's payments pursuant to this Agreement are herein referred to as "**Grant Payments**", including to the extent that payments made hereunder are actually for payment of a debt in connection with reimbursement of Developer's Contribution (as defined below), all as set forth more fully below.

SECTION 2.2. As stated in the Master Agreement, (i) the "**Real Property Taxes**" hereunder are the City's share of the real property taxes received from the Tax Office with regard to the Site and the Facility at any time during the Term of this Agreement, (ii) the "**Personal Property Taxes**" hereunder are the City's share of the personal property

taxes received from the Tax Office with regard to taxable personal property located on the Site (including in the Facility) during the Term of this Agreement, including, without limitation, inventory, furniture, fixtures, equipment, machinery, and vehicles, and (iii) the sum of all Real Property Taxes and Personal Property Taxes are the ***“Property Taxes”*** hereunder.

SECTION 2.3. The ***“Term”*** of this Agreement (hereinafter so called) shall include, and extend until the end of the later of, the payout periods regarding the Real Property Taxes and the Personal Property Taxes as follows:

(a) For the Real Property Taxes, the payout period shall be from the Effective Date hereof until March 31 in the year after the twentieth (20th) year after the year that immediately follows the year of the Effective Date (the ***“Property Tax Close Out Date”***). For example, if this Agreement is signed during 2007, then the first year for which Grant Payments (for Real Property Taxes) shall be made is 2008, and the Property Tax Close Out Date will be March 31, 2029.

(b) For the Personal Property Taxes, the payout period shall run from the first Grant Year (as defined below) until the sooner of (i) repayment to Developer in full of Developer’s Contribution (subject to the proviso below), plus interest, or (ii) twenty (20) years of payments, all as more fully described below; provided, however, that if within six months of this Agreement the County enters into a Chapter 381 agreement with Developer pursuant to which the County agrees to reimburse to Developer one-half of Developer’s Contribution (i.e., \$2,000,000.00) plus interest, then the City’s obligation to make payments of Personal Property Taxes hereunder shall only be in effect under clause (i) above until one-half of Developer’s Contribution (i.e., \$2,000,000.00) plus interest has been reimbursed to Developer by the City.

ARTICLE III

DEVELOPER’S OBLIGATION

The payment of all indebtedness and obligations incurred by the Developer in connection with the development and construction of the Facility and Public Infrastructure and the operation of the Facility shall be solely the obligations of the Developer except to the extent provided otherwise in this Agreement. The City shall not be obligated to pay any indebtedness or obligations of the Developer and shall only be obligated to reimburse the Developer for the Total Costs in accordance with the terms and conditions of this Agreement.

ARTICLE IV

PAYMENT OF GRANT

SECTION 4.1. CITY'S OBLIGATION. The duty of the City to make Grant Payments to Developer for any purpose under this Agreement is limited in its entirety by the provisions of this Article.

SECTION 4.2. TAX FUND. The City will provide for the payment of Grant Payments to be made pursuant to this Agreement by establishing a separate fund at the City, including subaccounts if necessary, or a subaccount of any existing fund or account in the City treasury, into which one hundred percent (100%) of all Property Taxes shall be deposited (the "**Tax Fund**") as and when such Property Taxes are received by the City from the Tax Office during the Term. The Tax Fund shall be maintained as a separate fund, shall not be part of the City's general revenue, and shall be used only for Grant Payments during the term of this Agreement. The Real Property Taxes portion of the Tax Fund shall be paid during the Term of this Agreement until the Property Tax Close Out Date as an economic development grant to Developer. The Personal Property Taxes portion of the Tax Fund shall be paid during the Term of this Agreement (for so long as is set out in the definition of "Term" above and in Section 4.3 below) as payment of a debt owed to Developer for reimbursement of Developer's Contribution plus interest, as set out below. During the Term of this Agreement, after Net Amounts have been calculated and paid to Developer by the City from the Tax Fund, the amount then remaining in the Tax Fund (i.e., the Baseline Amount) may be transferred by the City to any other account in the City Treasury. The City may maintain or abolish the Tax Fund, in its sole discretion, after the Term of this Agreement has ended.

SECTION 4.3. TIME FOR MAKING PAYMENTS. During the Term, the City shall pay to Developer all of the Net Amounts then in the Tax Fund annually within thirty (30) calendar days following the City's receipt of the Property Taxes for a just-ended (including the immediately preceding) Grant Year, but in no event later than March 1 of the year immediately following each Grant Year (as "Grant Year" is defined below), subject only to the possible limitation on the payment of Property Taxes from the Tax Fund as set out below. The Real Property Taxes portion of the Grant shall be paid to Developer as a grant for each of the twenty (20) full calendar years in the Term, beginning with the full calendar year immediately following the Effective Date (each, a "**Grant Year**"). The Personal Property Taxes portion of the Grant shall be paid to Developer annually beginning with the first Grant Year until the sooner of (i) repayment to Developer in full of Developer's Contribution (subject to the limitation in Section 2.3(b) above that the City may only be responsible for one-half of that amount if the County agrees to reimburse the other one-half), plus four percent (4%) simple interest on the outstanding portion of Developer's Contribution, or (ii) the payment of Personal Property Taxes for twenty (20) Grant Years.

SECTION 4.4. LATE PAYMENTS. The City covenants and agrees that it will make all such payments without counterclaim or offset. Grant Payments due hereunder that have not been paid to Developer on or before the last day of any month in which they are due to be paid shall incur a late fee in the amount of eight percent (8%) of the delinquent amount, calculated on a daily basis and to be paid in arrears as part of the next Grant Payment.

ARTICLE V

COVENANTS

SECTION 5.1. COVENANTS OF DEVELOPER. From the Effective Date of this Agreement until the Property Tax Close Out Date, Developer shall comply with the following covenants.

SECTION 5.1.1. OPERATION OF FACILITY. The Facility shall be operated, maintained and managed directly by the Developer or any successor in a first class manner, consistent with the operation and management for other similar facilities, and in compliance with all applicable laws, including by obtaining and keeping in effect all time all permits, licenses and contractual arrangements as may be necessary to meet the standard of operation described in the foregoing sentence. The foregoing shall not be construed to create an obligation of continuous operations during the term of this Agreement; provided, however, that once the Facility has opened, if Developer thereafter ceases all business activity at the Facility for a period of at least twelve (12) continuous months for any reason other than remodeling, repair, or an event of force majeure, then the City shall have the right to terminate this Agreement effective sixty (60) days after delivery of notice thereof unless Developer has recommenced business activity in the Facility prior to the expiration of such 60-day cure period.

SECTION 5.1.2. BUSINESS OF THE DEVELOPER. The Developer shall conduct all operations within the Facility in compliance with all federal and state laws and City ordinances.

SECTION 5.2. COVENANTS OF THE CITY. From the Effective Date of this Agreement until the Property Tax Close Out Date, the City shall comply with the following covenants.

SECTION 5.2.1. ORGANIZATION. The City shall not change, or permit to be changed, its organizational documents in any manner that would materially adversely affect the Project or the Developer.

SECTION 5.2.2. TAX FUND AND AVAILABLE SALES TAX PROTECTED. The Tax Fund shall remain a separate, unencumbered fund or account containing only the Property Taxes (and accumulated interest, if any) to be deposited into the Tax Fund.

SECTION 5.3 FURTHER ACTIONS. The City and the Developer will do all things reasonably necessary or appropriate to carry out the objectives, terms and provisions of this Agreement and to aid and assist each other in carrying out such objectives, terms and

provisions.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1. REPRESENTATIONS AND WARRANTIES OF DEVELOPER. The Developer represents and warrants to the City, as of the Effective Date, as follows:

SECTION 6.1.1. ORGANIZATION. The Developer is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas and authorized to do business in the State of Texas. The business that Developer proposes to carry on at the Facility may lawfully be conducted by the Developer.

SECTION 6.1.2. AUTHORITY. The execution, delivery and performance by the Developer of this Agreement is within the Developer's powers and have been duly authorized by all necessary action of the Developer.

SECTION 6.1.3. NO CONFLICTS. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein contemplated, nor compliance with the terms and provisions hereof will contravene the organizational documents of the Developer or any provision of law, statute, rule or regulation to which the Developer is subject or any judgment, decree, license, order or permit applicable to the Developer, or will conflict or be inconsistent with, or will result in a breach of any of the terms of the covenants, conditions or provisions of, or constitute a delay under, or result in the creation or imposition of a lien upon any of the property or assets of the Developer pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Developer is a party or, to the knowledge of the Developer, by which the Developer is bound, or to which the Developer is subject.

SECTION 6.1.4. NO CONSENTS. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or governmental authority or regulatory body or third party is required for the due execution, delivery and performance by the Delivery of this Agreement or the consummation of the transactions contemplated hereby or thereby.

SECTION 6.1.5. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

SECTION 6.1.6. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the Developer, threatened against or affecting the Developer or any subsidiaries of the Developer, questioning the validity or any action taken or to be taken by the Developer in connection with the execution, delivery and performance by the Developer of this Agreement or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the Developer hereof, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the Developer to perform, its obligations under this Agreement or (ii) would have an adverse effect on the consolidated financial condition or results of operations of the Developer or on the ability of the Developer to conduct its business as presently conducted or as proposed or contemplated to be conducted (including the operation of the Facility).

SECTION 6.1.7. NO DEFAULTS. The Developer is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which the Developer is a party or by which the Developer or any of its property is bound that would have any material adverse effect on the Developer's ability to perform under this Agreement.

SECTION 6.1.8. FULL DISCLOSURE. Neither this Agreement nor any schedule or exhibit attached hereto in connection with the negotiation of this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, in the light of the circumstances in which they were made, from being misleading.

SECTION 6.1.9. NECESSARY CONSENT. The Developer acknowledges that the City is not committed or obligated to pay any expenditure incurred with respect to the construction of the Facility and Public Infrastructure except as specifically provided in this Agreement.

SECTION 6.2. REPRESENTATION AND WARRANTIES OF THE CITY. The City represents and warrants to the Developer, as of the Effective Date, as follows:

SECTION 6.2.1. AUTHORITY. The execution, delivery and performance by the City of this Agreement is within its respective powers and have been duly authorized by all necessary action.

SECTION 6.2.2. NO CONFLICTS. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein or therein contemplated nor compliance with the terms and provisions hereof or thereof will contravene the governing documents of the City or any provision of law, statute, rule or regulation to which the City is subject or any judgment, decree, license,

order or permit applicable to the City, or will conflict or be inconsistent with, or will result in a breach of any of the terms of the covenants, conditions or provisions of, or constitute a delay under, or result in the creation or imposition of a lien upon any of the property or assets of the City pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the City is a party or by which the City is bound, or to which the City is subject.

SECTION 6.2.3. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

SECTION 6.2.4. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the City, threatened against or affecting the City, threatened against or affecting the City, questioning the validity of any proceedings taken or to be taken by the City in connection with the execution, delivery and performance by the City of this Agreement or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the City hereof, whether an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under this Agreement.

SECTION 6.2.5. NO DEFAULTS. The City is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which the City is a party or by which the City is bound that would have any material adverse effect on the City's ability to perform under this Agreement.

ARTICLE VII PERSONAL LIABILITY OF PUBLIC OFFICIALS

To the extent permitted by State law, no employee of the City, nor any councilmember or agent of the City, shall be personally responsible for any liability arising under or growing out of this Agreement. The Grants made hereunder shall be paid solely from lawfully available funds that have been appropriated by the City. Under no circumstances shall the City's obligations hereunder be deemed to create any debt within the meaning of any constitutional or statutory provision. Consequently, notwithstanding any other provision of this Agreement, the City shall have no obligation or liability to pay any Grants unless the City appropriates funds to make such payment during the tax year in which such Grant(s) is payable.

ARTICLE VIII INFORMATION

The Developer shall, at such times and in such form as City may require, furnish periodic information concerning the status of the performance of its obligations under this Agreement as may be requested in writing by the City.

ARTICLE IX MISCELLANEOUS

SECTION 9.1. ENTIRE AGREEMENT. This Agreement, including exhibits hereto, contains the entire agreement between the parties with respect to the transactions contemplated herein.

SECTION 9.2. AMENDMENT. This Agreement may only be amended, altered, or revoked by written instrument signed by all parties.

SECTION 9.3. SUCCESSORS AND ASSIGNS. In this Agreement, unless a clear contrary intention appears, reference to any party includes such party's successors and assigns, and reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns. Developer may assign this Agreement to any affiliate of Developer. For purposes of this Agreement, "*Affiliate*" means any person, entity or group of persons or entities that controls the Developer, which the Developer controls or which is under common control with the Developer. Except as just stated, this Agreement and is not assignable without the prior written permission of the other parties thereto.

SECTION 9.4. WAIVER. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel.

SECTION 9.5. REMEDIES. Upon breach of any of the covenants contained in Article IX or the representations and warranties contained in Article X, in addition to any other remedies expressly set forth in this Agreement with respect to such breach, the aggrieved party shall have such remedies as are available in law or equity for breach of contract; provided, however, that no party shall be liable to any other party for incidental or consequential damages.

SECTION 9.6. NOTICES. Any notice, statement and/or communication required and/or permitted to be delivered hereunder shall be in writing and shall be mailed by first-class mail, postage prepaid, or delivered by hand, messenger, telecopy, or reputable overnight carrier, and shall be deemed delivered when received at the addresses of the

parties set forth below, or at such other address furnished in writing to the other parties thereto:

DEVELOPER:

HEB Grocery Company, L.P.
6464 South Main
San Antonio, Texas 78204
Attn: Sr. Vice President of Real Estate
Telephone: (210) 938-8000
Facsimile: _____

With a copy to:

HEB Grocery Company, L.P.
6464 South Main
San Antonio, Texas 78204
Attn: Legal Department
Telephone: (210) 938-8000
Facsimile: _____

CITY:

City of Weslaco
255 S. Kansas Ave.
Weslaco, Texas 78540
Attn: City Mayor
Telephone: (956) 968-3181
Facsimile: (956) 968-6672

With a copy to:

City of Weslaco
255 S. Kansas Ave.
Weslaco, Texas 78540
Attn: City Manager
Telephone: (956) 973-3110
Facsimile: (956) _____

SECTION 9.7. APPLICABLE LAW. This Agreement is made, and shall be construed and interpreted under the laws of the State of Texas, and venue shall lie in State courts located in Hidalgo County, Texas.

SECTION 9.8. SEVERABILITY. In the event any provision of this Agreement is illegal, invalid, or unenforceability under the present or future laws, then, and in that event, it is the intention of the parties hereto that the remainder of this Agreement shall not be affected thereby, and it is also the intention of the parties to this Agreement that in lieu of each clause or provision that is found to be illegal, invalid, or unenforceable a provision be added to this Agreement which is legal, valid and enforceability and is a similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

SECTION 9.9. NO THIRD-PARTY BENEFICIARIES. The City and the Developer intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any third-party beneficiary, or any individual or entity other than the City and the Developer or permitted assignees of the City and Developer, except that the indemnification and hold harmless obligations by the Developer provided for in this Agreement shall inure to the benefit of the Indemnitees.

SECTION 9.10. NO JOINT VENTURE. Nothing contained in this Agreement is intended by the parties to create a partnership or joint venture between the parties, and any implication to the contrary is hereby expressly disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint either party as an agent of the other for any purpose whatsoever. Except as otherwise specifically provided herein, neither party shall in any way assume any of the liability of the other for acts of the other or obligations of the other.

SECTION 9.11. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which constitute one instrument.

SECTION 9.12. FORCE MAJEURE. Means an event beyond the reasonable control of a party obligated to perform an act or take some action under this Agreement including, but not limited to, acts of God, earthquake, fire, explosion, war, civil insurrection, acts of the public enemy, act of civil or military authority, sabotage, terrorism, floods, lightning, hurricanes, tornadoes, severe snow storms or utility disruption, strikes, lockouts, major equipment failure or the failure of any major supplier to perform its obligations.

EXECUTED to be effective as of the Effective Date.

CITY OF WESLACO



BUDDY DE LA ROSA, Mayor

ATTEST:

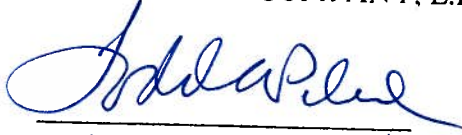

AMANDA C. ELIZONDO, City Secretary

APPROVED AS TO FORM:


RAMON VELA, City Attorney

H.E. BUTT GROCERY COMPANY, L.P.

By:



Name: Todd A. Piland

Title: Executive Vice President

EXHIBIT A
EXHIBIT B

Site
Scope of Road Improvements (with Attachments B1-3)

EXHIBIT A
Site

Lot 4, Block A, HEB Weslaco #4, a subdivision in the City of Weslaco, Hidalgo County, Texas according to the map or plat filed of record as Document No. _____, Official Public Records, Hidalgo County, Texas.

EXHIBIT B

Scope and Projected Cost of Road Improvements

June 7, 2007

**City of Weslaco / Hidalgo County
Infrastructure Improvements Project
Westgate Drive and Panther Drive**

The following outline will provide a preliminary scope statement relating to the infrastructure improvements to Westgate and Panther Drive in Weslaco Texas that will be included in the 380 agreement between H-E-B and the City of Weslaco and the 381 agreement with the County of Hidalgo.

Project	Exhibit	Projected Cost
Westgate Drive – From Expressway 83 to Bus. 83	B-1	\$2,950,000
Panther Drive – Between Westgate Drive and Border Avenue	B-2	\$ 560,000
Design / Construction Management	B-3	\$ 490,000
Total Budget Cost		\$4,000,000

ATTACHMENT "B-1"

WESTGATE DRIVE – FROM EXPRESSWAY 83 TO BUS. 83

Improvements on Westgate Drive from Expressway 83 to Business 83 include:

- **Re-construction of the roadway from Expressway 83 to Panther Drive within the existing curb limits, with heavy asphalt paving sections along the roadway and concrete sections in the intersections of Pike and Panther Drive along Westgate Drive.**
- **Overlay of Westgate Drive from Panther Drive to Bus. 83.**
- **Drainage improvements including a 48" / 36" storm drain in Westgate Drive ROW**
- **Addition of a traffic signal at Panther and Westgate Drive**
- **Update the traffic signal at Westgate Drive and Pike**
- **Synchronization of the traffic signals on Westgate Drive from Business 83 to Expressway 83.**
- **Addition of raised curb center turning pockets in Westgate Drive to control the location of left turn opportunities.**

Current cost estimate:

- **Costs associated with the improvements of Westgate Drive re-construction as described above is \$2.95MM dollars, including the signal work.**

Current anticipated schedule:

- **Engineering beginning in late June 2007.**
- **City review drawings and submit construction documents for bid August, 2007.**
- **Under contract and initiate work September 1, 2007.**
- **Phase project to complete the storm sewer installation prior to the roadway work, with a storm completion of mid October, 2007.**
- **5 Months of construction in Westgate Drive completing the road in phases, allowing for traffic to continue along the roadway throughout construction. Completion in March, 2008.**

ATTACHMENT "B-2"

PANTHER DRIVE – BETWEEN WESTGATE DRIVE AND BORDER AVENUE

Improvements to Panther Drive between Westgate Drive and Border Avenue will include:

- **8' lane widening to the South side of Panther, from Westgate to the H-E-B truck entrance (approximately 1,000 LF). Final configuration will be 4 lanes, 2 eastbound and 2 westbound.**
- **Adjustment of the necessary utilities on the South side of Panther in the location of the lane widening.**
- **Re-construction of the existing pavement to a heavy traffic paving section, including concrete paving approach on Panther at Westgate and at the H-E-B truck entrance.**
- **A transition from the widened section to the original section East of the truck entrance.**
- **A 1" overlay for the remaining portion of Panther Drive East of the truck entrance to Border.**
- **Elimination of the planned sidewalk on the south side of Panther Drive from Westgate to Border (the intent will be to induce pedestrian traffic to stay on the sidewalk on the North side of Panther that runs from Westgate to Border, and circumnavigates the school property).**

Current Cost Estimate:

- **Costs associated with the improvements of Westgate Drive re-construction as described above is \$700,000 dollars.**

Current anticipated schedule:

- **Construction of Panther would be phased with the Westgate Drive construction. Total time to complete the work on Panther is estimated to be 2.5 months, and will start in the spring to be completed prior to May, 2008.**

ATTACHMENT "B-3"

DESIGN / CONSTRUCTION MANAGEMENT

This work is to be completed by TEDSI for a fee of approximately \$490,000

EXHIBIT D
Chapter 381 Agreement

**CHAPTER 381
ECONOMIC DEVELOPMENT AGREEMENT**

By and Between

HIDALGO COUNTY, TEXAS,

and

HEB GROCERY COMPANY, L.P.

Effective as of March 6, 2008

CHAPTER 381

ECONOMIC DEVELOPMENT AGREEMENT

This CHAPTER 381 ECONOMIC DEVELOPMENT AGREEMENT (this "*Agreement*") is entered into to be effective as of the 6th day of March, 2008 (the "*Effective Date*"), by and between HIDALGO COUNTY, TEXAS (the "*County*") and HEB GROCERY COMPANY, L.P., a Texas limited partnership (the "*Developer*").

RECITALS

WHEREAS, the Developer desires to operate a warehouse distribution center containing approximately 400,000 square feet in a single building with fixed in-place racking (collectively and with all future improvements and additions, the "*Facility*") on the approximately 56.31-acre tract of real property located in Weslaco, Hidalgo County, Texas described on *Exhibit A* attached hereto (the "*Site*"), which Site was selected and purchased by Developer without relying on any representations from the County, including as to suitability of the location for its purposes; and

WHEREAS, operation of the Facility will retain and create new jobs and tax value, and will promote local economic development and stimulate business and commercial activity in the City of Weslaco (the "*City*") and the County; and

WHEREAS, the Developer has advised the County that a contributing factor that would induce the Developer to operate the Facility would be the making of an economic development grant to defray a portion of the costs to be incurred by the Developer as a consequence of operating the Facility and to repay the Developer for its contribution to the widening, improvement to drainage, and general improvements to that portion of N. Westgate Drive in the City of Weslaco generally located between Expressway 83 and Business 83 (such improvements to N. Westgate Drive, the "*Road Improvements*"), as further described on *Exhibit B* and *Attachments B-1, B-2* and *B-3* hereto; and

WHEREAS, under Chapter 381 of the Texas Local Government Code, the County has adopted an economic development program to promote local economic development and stimulate business and commercial activity within the County; and

WHEREAS, the County, the City, and Developer have entered into a Master Economic Development Agreement contemporaneously herewith (the "*Master Agreement*") pertaining to a Chapter 381 grant and a Chapter 380 Agreement for a grant from the City; and

WHEREAS, the County and the Developer desire to set forth in this Agreement the terms and conditions of the grant to Developer of certain County funds as an incentive for Developer's operation of the Facility on the Site, and to reimburse Developer for the Road Improvements (the "**Grant**"); and

WHEREAS, the parties recognize that all agreements of the parties hereto and all terms and provisions hereof are subject to the laws of the State of Texas and all rules, regulations and interpretations of any agency or subdivision thereof at any time governing the subject matters hereof;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

PURPOSE AND INTERPRETATION

The Developer wants to develop the Facility in the City, and has designated the Site as the location for such project (the Facility located on the Site, including all future improvements and additions, and with the Road Improvements sometimes herein, the "**Project**"). Subject to the terms and conditions of this Agreement, Developer is willing to maintain at least 120 "**Jobs**" (as defined below) at the Facility during the term of this Agreement and fund ("**Developer's Contribution**") up to Four Million and No/100Dollars (\$4,000,000.00) toward the Road Improvements, which the Developer represents and warrants will be the total cost for the Road Improvements and which Road Improvements will be built on behalf of the City and will benefit both the County and the City. The scope and projected cost of the Road Improvements are set out on **Exhibit B** hereto. Reference is made to the Master Agreement for all purposes. All defined terms used herein shall have the meanings ascribed to them in the Master Agreement.

ARTICLE II

DEFINITIONS

SECTION 2.1. The County's payments pursuant to this Agreement are herein referred to as "**Grant Payments**".

SECTION 2.2. "**Job**" means a permanent, full-time employment position, hired directly or contracted through another entity, that provides health benefits and has provided or will result in employment of at least 1,820 hours in the position in a year. Any position providing less than the specified number of hours a year, regardless of the

employer's designation of such position, does not qualify as a "Job" for purposes of this Agreement.

SECTION 2.3. The County levies real property taxes and personal property taxes, which taxes are billed and collected by the Hidalgo County Tax Office (the "**Tax Office**"). The "**Real Property Taxes**" hereunder are the County's share of the tax increment generated from the lesser of .5155 per \$100 valuation or the County's then current Maintenance and Operations tax rate for the applicable year assessed during the term of this Agreement and received from the Tax Office with regard to the Site and the Facility at any time during the **Term** of this Agreement. The "**Personal Property Taxes**" hereunder are the County's share of the property tax increment generated from the lesser of .5155 per \$100 valuation or the County's-then current Maintenance and Operations tax rate for the applicable year assessed during the term of this Agreement and received from the Tax Office with regard to taxable personal property located on the Site (including in the Facility) during the **Term** of this Agreement, including, without limitation, inventory, furniture, fixtures, equipment, machinery, and vehicles). The sum of all Real Property Taxes and Personal Property Taxes are the "**Property Taxes**" hereunder. Following their receipt by the County, and from time to time, the Property Taxes shall be deposited into the Tax Fund.

SECTION 2.4. The "**Term**" of this Agreement (hereinafter so called) shall commence on the Effective Date and extend until the earlier of (i) April 30, 2029 and (ii) the later of, the payout periods for the Real Property Taxes and the Personal Property Taxes as follows:

(a) For the Real Property Taxes, the payout period shall be from the Effective Date hereof until the earlier of (i) April 30 in the year after the twentieth (20th) year after the year that immediately follows the year of the Effective Date (the "**Property Tax Close Out Date**") and (ii) payment to Developer by the County of up to \$3.6 million. For example, if this Agreement is signed during 2008, then the first year for which Grant Payments (for Real Property Taxes) shall be made is 2009, and the Property Tax Close Out Date will be April 30, 2029 unless ended sooner pursuant to (ii) above.

(b) For the Personal Property Taxes, the payout period shall run from the first Grant Year (as defined below) until the earlier of (i) repayment to Developer by the County of one-half of Developer's Contribution (i.e., up to \$2,000,000.00), plus interest, or (ii) a twenty (20) year period ending on April 30, 2029.

ARTICLE III

DEVELOPER'S OBLIGATION

The payment of all indebtedness and obligations incurred by the Developer in connection with the development, construction and operation of the Facility and construction of the Road Improvements shall be solely the obligations of the Developer. The County shall not be obligated to pay any indebtedness or obligations of the Developer. Developer's right to receive the Grant Payments described in this Agreement to reimburse the Developer for the Eligible Reimbursement (as defined in section 4.3) in accordance with the terms and conditions of this Agreement is subject to Developer's compliance with its express obligations hereunder. Developer hereby agrees to indemnify and hold the County, and the County's elected officials and employees, harmless from and against (i) any indebtedness or obligations of the Developer regarding the Facility or its location, including the operation of the Facility, or the construction of the Road Improvements, or any other obligation of Developer other than the County's obligation to make grants as expressly provided herein and (ii) and breach of any representation, warranty, covenant or agreement of the Developer contained in this Agreement or the Master Agreement, without regard to any notice or cure provisions. The Developer's indemnification obligation hereunder shall include payment of the County's attorneys' fees, costs and expenses with respect thereto.

ARTICLE IV

PAYMENT OF GRANT

SECTION 4.1. COUNTY'S OBLIGATION. The duty of the County to make Grant Payments to Developer for any purpose under this Agreement is limited in its entirety by the provisions of this Article. The County has no obligations to make Grant Payments to Developer except as set forth in this Agreement.

SECTION 4.2. TAX FUND. The County will provide for the payment of Grant Payments to be made pursuant to this Agreement by establishing a separate fund at the County, including subaccounts if necessary, or a subaccount of any existing fund or account in the County treasury, into which Property Taxes in excess of the amount of Property Taxes assessed against the Site for the calendar year 2006 shall be deposited (the "*Tax Fund*") as and when such Property Taxes are received by the County from the Tax Office during the Term. The Tax Fund shall be maintained as a separate fund, shall not be part of the County's general revenue, and shall be used only for Grant Payments during the Term of this Agreement. During the Term of this Agreement, after Net Amounts have been calculated and paid to Developer by the County from the Tax Fund, the amount then remaining in the Tax Fund (i.e., the Baseline Amount) may be transferred by the County to any other account in the County Treasury. The County may maintain or abolish the Tax Fund, in its sole discretion, after the Term of this Agreement has ended.

SECTION 4.3. TIME FOR MAKING PAYMENTS. During the Term, the County shall pay the Developer from the Tax Fund annually within ninety (90) calendar days following both the County's receipt of the Property Taxes from the Tax Office and receipt by the County Auditor of all information required under this Agreement for a just-ended (including the immediately preceding) Grant Year (as "Grant Year" is defined below), subject only to the possible limitation on the payment of Property Taxes from the Tax Fund as set out below. The Real Property Taxes portion of the Grant shall be paid to Developer as a grant of up to \$3.6 million during the twenty (20) full calendar years in the Term, beginning in 2009 (each, a "*Grant Year*") and ending April 30, 2029. The Personal Property Taxes portion of the Grant shall be paid to Developer annually beginning with the first Grant Year until the earlier of (i) repayment to Developer by the County of the lesser of fifty percent (50%) of actual developer costs or \$2,000,000 plus four percent (4%) simple interest on the outstanding portion of fifty percent (50%) of Developer's Contribution (the "*Eligible Reimbursement*"), or (ii) a twenty (20) year-period ending April 30, 2029. Notwithstanding the foregoing, if Developer does not make Developer's Contribution and complete the Road Improvements, the County shall not be obligated to contribute the Personal Property Taxes portion of the Grant.

SECTION 4.4. LATE PAYMENTS. The County covenants and agrees that it will make all such payments without counterclaim or offset except to the extent, if any, that Developer has failed to comply with the provisions of this Agreement especially Article VIII, or to pay personal property or real property taxes assessed on the Facility, the Site, or the taxable personal property located on the Site, as applicable. Grant Payments due hereunder that have not been paid to Developer on or before the last day of any month in which they are due to be paid shall incur a late fee in the amount of eight percent (8%) of the delinquent amount, calculated on a daily basis and to be paid in arrears as part of the next Grant Payment.

ARTICLE V

COVENANTS

SECTION 5.1. COVENANTS OF DEVELOPER. Developer shall comply with the following covenants and the Developer's covenants in the Master Agreement.

SECTION 5.1.1. OPERATION OF FACILITY. From the Effective Date of this Agreement until the Property Tax Close Out Date, the Facility shall be operated, maintained and managed directly by the Developer or any successor in a first class manner, consistent with the operation and management for other similar facilities, and in compliance with all applicable laws, including by obtaining and keeping in effect at all times all permits, licenses and contractual arrangements as may be necessary to meet the standard of operation described in the foregoing sentence. The foregoing shall not be construed to create an obligation of

continuous operations during the term of this Agreement; provided, however, that once the Facility has opened, if Developer thereafter ceases all business activity at the Facility for a period of at least twelve (12) continuous months for any reason other than remodeling, repair, or an event of force majeure, then the County shall have the right to terminate this Agreement effective sixty (60) days after delivery of notice thereof unless Developer has recommenced business activity in the Facility prior to the expiration of such 60-day cure period. Notwithstanding the foregoing, the Developer agrees to maintain at least 120 Jobs at the Facility at all times during the Term of this Agreement, and agrees that the County shall reduce the payments on a pro rata basis for any period during which the Developer was not in full compliance with this provision.

SECTION 5.1.2. BUSINESS OF THE DEVELOPER. From the Effective Date of this Agreement until the later of the Property Tax Close Out Date and April 30, 2029, the Developer shall conduct all operations within the Facility in compliance with all federal and state laws, City ordinances and County orders.

SECTION 5.1.3 ROAD IMPROVEMENTS. The Road Improvements will be owned by the City through the Master Agreement for the benefit of and use by the general public, and shall be operated in accordance with State law and the rules, regulations and policies of the City for the benefit of the general public. During development and construction, the Developer shall keep separate records and accountings for the portion of the Project designated as Road Improvements.

SECTION 5.1.4. RECAPTURE BY THE COUNTY. The Developer shall maintain the Jobs as described in this Agreement and make Developer's Contribution and shall cause the Road Improvements to be constructed, as further described on *Exhibit B* and *Attachments B1-3* hereto. At any time during the term of this Agreement that Developer is not in substantial compliance with this Agreement and the construction schedule set out in *Attachment B3*, the County may send Developer notice of such non-compliance. If such non-compliance is not either cured within sixty (60) days after Developer's receipt of such notice or, if non-compliance is not reasonably susceptible to cure within 60 days, a cure begun within such 60-day period and thereafter continuously and diligently pursued to completion (in either event, a "Cure"), then the County shall, as its remedies hereunder, (i) cease making Grant Payments until such Cure occurs, and (ii) recapture from Developer the amount of all Grant Payments, plus 4% interest, made during the twelve months immediately preceding the date of the County's election to exercise such remedy. Upon a Cure by Developer, the Grant Payments shall automatically and immediately resume except any recapture amount shall be retained by the County (including any applicable interest) and transferred by the County to any other account in the County treasury.

SECTION 5.2. COVENANTS OF THE COUNTY. From the Effective Date of this Agreement until the earlier of the end of the Term or the Property Tax Close Out Date,

the Tax Fund shall remain a separate, unencumbered fund or account containing only the Property Taxes to be deposited into the Tax Fund.

SECTION 5.3 FURTHER ACTIONS. The County and the Developer will do all things reasonably necessary or appropriate to carry out the objectives, terms and provisions of this Agreement and to aid and assist each other in carrying out such objectives, terms and provisions, provided that the County shall not be required to spend any money or have further obligations other than to reimburse the Developer pursuant to the terms of this Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1. REPRESENTATIONS AND WARRANTIES OF DEVELOPER. The Developer represents and warrants to the County, as of the Effective Date, as follows:

SECTION 6.1.1. ORGANIZATION. The Developer is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas and authorized to do business in the State of Texas. The business that Developer proposes to carry on at the Facility may lawfully be conducted by the Developer.

SECTION 6.1.2. AUTHORITY. The execution, delivery and performance by the Developer of this Agreement are within the Developer's powers and have been duly authorized by all necessary action of the Developer.

SECTION 6.1.3. NO CONFLICTS. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein contemplated, nor compliance with the terms and provisions hereof will contravene the organizational documents of the Developer or any provision of law, statute, rule or regulation to which the Developer is subject or any judgment, decree, license, order or permit applicable to the Developer, or will conflict or be inconsistent with, or will result in a breach of any of the terms of the covenants, conditions or provisions of, or constitute a delay under, or result in the creation or imposition of a lien upon any of the property or assets of the Developer pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Developer is a party or, to the knowledge of the Developer, by which the Developer is bound, or to which the Developer is subject.

SECTION 6.1.4. NO CONSENTS. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or governmental authority or regulatory body or third party is required for the due execution,

delivery and performance by the delivery of this Agreement or the consummation of the transactions contemplated hereby or thereby.

SECTION 6.1.5. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

SECTION 6.1.6. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the Developer, threatened against or affecting the Developer or any subsidiaries of the Developer, questioning the validity or any action taken or to be taken by the Developer in connection with the execution, delivery and performance by the Developer of this Agreement or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the Developer hereof, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the Developer to perform, its obligations under this Agreement or (ii) would have an adverse effect on the consolidated financial condition or results of operations of the Developer or on the ability of the Developer to conduct its business as presently conducted or as proposed or contemplated to be conducted (including the operation of the Facility).

SECTION 6.1.7. NO DEFAULTS. The Developer is current in its obligation to pay taxes to the County, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which the Developer is a party or by which the Developer or any of its property is bound that would have any material adverse effect on the Developer's ability to perform under this Agreement.

SECTION 6.1.8. FULL DISCLOSURE. Neither this Agreement nor any schedule or exhibit attached hereto in connection with the negotiation of this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, in the light of the circumstances in which they were made, from being misleading.

SECTION 6.1.9. COUNTY OBLIGATION LIMITED. The Developer acknowledges that the County is not committed or obligated to pay any expenditure incurred with respect to the operation of the Facility and the construction and maintenance of the Road Improvements and is only obligated to make Grant Payments as specifically provided in this Agreement.

SECTION 6.1.10. PROPERTY. The Developer owns and controls the Facility and the property on which it is located, and intends to continue such ownership and control throughout the Term.

SECTION 6.2. REPRESENTATION AND WARRANTIES OF THE COUNTY. To the actual knowledge of the Commissioners' Court, as of the Effective Date, the County represents and warrants to the Developer as follows:

SECTION 6.2.1. AUTHORITY. The execution, delivery and performance by the County of this Agreement are within its powers and have been duly authorized by all necessary action.

SECTION 6.2.2. NO CONFLICTS. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein contemplated nor compliance with the terms and provisions hereof will contravene any applicable provision of law, statute, ordinance, rule or regulation to which the County is subject or any judgment, decree, license, order or permit applicable to the County.

SECTION 6.2.3. VALID AND BINDING OBLIGATION. This Agreement is the legal, valid and binding obligation of the County, enforceable against the County in accordance with its terms except as limited by applicable relief, liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar laws affecting the rights or remedies of creditors generally, or other state laws, as in effect from time to time.

SECTION 6.2.4. NO PENDING LITIGATION. There is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending or, to the current actual knowledge of the County, threatened against or affecting the County, threatened against or affecting the County, questioning the validity of any proceedings taken or to be taken by the County in connection with the execution, delivery and performance by the County of this Agreement or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the County hereof, whether an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under this Agreement.

ARTICLE VII
PERSONAL LIABILITY OF PUBLIC OFFICIALS; LIMITATIONS ON
COUNTY OBLIGATIONS

SECTION 7.1. PERSONAL LIABILITY OF PUBLIC OFFICIALS. To the extent permitted by State law, no employee of the County, nor any judge, commissioner or agent of the County, shall be personally responsible for any liability arising under or growing out of this Agreement.

SECTION 7.2. LIMITATIONS ON COUNTY OBLIGATIONS. The Grants made hereunder shall be paid solely from lawfully available funds that have been appropriated by the County as provided in this Agreement. Under no circumstances shall the County's obligations hereunder be deemed to create any debt within the meaning of any constitutional or statutory provision. Consequently, notwithstanding any other provision of this Agreement, the County shall have no obligation or liability to pay any Grants unless the County appropriates funds to make such payment during the tax year in which such Grant(s) is payable and upon timely compliance by the Developer with the terms of this Agreement.

ARTICLE VIII INFORMATION

The Developer shall, at such times and in such form as County may request from the Developer, provide information concerning the status of the performance of the Developer's obligations under this Agreement, including as follows:

SECTION 8.1. QUARTERLY CERTIFICATES RELATED TO ROAD IMPROVEMENTS. During construction and until the completion of the Road Improvements, the Developer shall submit quarterly certificates, signed by the officer or appointed agent of the Developer and any applicable general contractor, to the County Auditor that state, as of a date certain: (i) the specific work on the Road Improvements that has been completed since the last quarterly report; (ii) the amount of money that the Developer has paid for completion of such work and that the Developer intends to claim as a Road Improvement Cost; and (iii) the Developer's calculation of the estimated cost remaining to complete the development and construction of the Road Improvements. Upon receipt of any such certificate, the County shall have sixty (60) calendar days to notify the Developer in writing of any objection that the County may have as to the amount of money that the Developer has paid or as to the Developer's calculation of the estimated cost remaining to complete the construction of the Road Improvements. The grounds for any such objection shall be limited, respectively, to a good faith determination by the County that the amount of money paid by or on behalf of the Developer is not sufficiently supported by a respective Road Improvement contract or does not otherwise qualify as a Road Improvement Cost under this Agreement. If the Developer disagrees with such objection, the County and the Developer shall diligently work in good faith to resolve the dispute.

SECTION 8.2. ANNUAL CERTIFICATES RELATED TO JOBS AND COMPLIANCE WITH AGREEMENT. During the term of this Agreement, the Developer shall submit annual certificates of compliance, signed by an officer or appointed agent of the Developer, to the County Auditor that state, as of a date certain the total number of Jobs required by this Agreement and certifying as to full compliance with Developer's obligations hereunder, including with respect to compliance with applicable laws. Upon receipt of any such certificate, the County shall have sixty (60) calendar days to notify the

Developer in writing of any objection that the County may have with any of the information provided by the Developer. If the Developer disagrees with such objection, the County and the Developer shall diligently work in good faith to resolve the dispute.

SECTION 8.3. AUDIT OF DEVELOPER RECORDS. The Developer agrees that the County will have the right to audit the financial and business records of the Developer that relate specifically to the Road Improvements, the Jobs and Developer's compliance with the terms of this Agreement at anytime in order to determine compliance with this Agreement. To the extent reasonably possible, the Developer shall make all records related to Road Improvement, Jobs and other records related to compliance with the terms of this Agreement available in electronic form or otherwise available to be accessed through the internet following reasonable advance notice by the County and shall otherwise cooperate fully with the County during any audit.

ARTICLE IX MISCELLANEOUS

SECTION 9.1. ENTIRE AGREEMENT. This Agreement, including exhibits hereto, together with the Master Agreement contains the entire agreement between the parties with respect to the transactions contemplated herein. In the event of any conflict between the terms of this Agreement and the Master Agreement, the terms of this Agreement shall control.

SECTION 9.2. AMENDMENT; DEFAULT. This Agreement may only be amended, altered, or revoked by written instrument signed by all parties, except for the County's right to terminate this Agreement as set forth above.

SECTION 9.3. SUCCESSORS AND ASSIGNS. In this Agreement, unless a clear contrary intention appears, reference to any party includes such party's successors and assigns, and reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns. Developer may assign this Agreement to any affiliate of Developer. For purposes of this Agreement, "*Affiliate*" means any person, entity or group of persons or entities that controls the Developer, which the Developer controls or which is under common control with the Developer. Except as just stated, this Agreement and is not assignable without the prior written permission of the other parties thereto.

SECTION 9.4. WAIVER. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel.

SECTION 9.5. REMEDIES. Upon breach of any of the covenants contained in Article V or the representations and warranties contained in Article VI, in addition to any other remedies expressly set forth in this Agreement with respect to such breach, the aggrieved party shall have such remedies as are available in law or equity for breach of contract; provided, however, that no party shall be liable to any other party for incidental or consequential damages. Without limiting the generality of the foregoing, the Developer acknowledges and agrees that under no circumstances will the County have any liability in excess of either (i) the amount of Real Property Taxes and Personal Property Taxes collected by the Tax Office and received by the County or (ii) the maximum amount payable as Grant payments as set forth in this Agreement. Commissioner's Court has the right to enter into a separate Agreement or increase the maximum amount of Grant payments for Real Property Taxes upon any expansion to the existing Facility during the term of this Agreement.

SECTION 9.6. NOTICES. Any notice, statement and/or communication required and/or permitted to be delivered hereunder shall be in writing and shall be mailed by first-class mail, postage prepaid, or delivered by hand, messenger, telecopy, or reputable overnight carrier, and shall be deemed delivered when received at the addresses of the parties set forth below, or at such other address furnished in writing to the other parties thereto:

DEVELOPER:

HEB Grocery Company, L.P.
6464 South Main
San Antonio, Texas 78204
Attn: Vice President of Real Estate
Telephone: (210) 938-8000
Facsimile: (210) 938-7633

With a copy to:

HEB Grocery Company, L.P.
6464 South Main
San Antonio, Texas 78204
Attn: Legal Department
Telephone: (210) 938-8000
Facsimile: (210) 938-7816

COUNTY:

Hidalgo County
100 E. Cano
Edinburg, Texas 78539
Attn: County Judge
Telephone: (956) 318-2600
Facsimile: (956) 318-2699

With a copy to:

Atlas & Hall, L.L.P.
Attn: Stephen L. Crain,
818 Pecan
McAllen, TX 78501
Telephone: (956) 682-5501
Facsimile: (956) 686-6109

SECTION 9.7. APPLICABLE LAW. This Agreement is made, and shall be construed and interpreted under the laws of the State of Texas, and venue shall lie in State courts located in Hidalgo County, Texas.

SECTION 9.8. SEVERABILITY. In the event any provision of this Agreement is illegal, invalid, or unenforceability under the applicable present or future laws, then, and in that event, it is the intention of the parties hereto that the remainder of this Agreement shall not be affected thereby, and it is also the intention of the parties to this Agreement that in lieu of each clause or provision that is found to be illegal, invalid, or unenforceable a provision be added to this Agreement which is legal, valid and enforceability and is a similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

SECTION 9.9. NO THIRD-PARTY BENEFICIARIES. The County and the Developer intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any third-party beneficiary, or any individual or entity other than the County and the Developer or permitted assignees of the County and Developer, except that the indemnification and hold harmless obligations by the Developer provided for in Article III of this Agreement shall inure to the benefit of the indemnitees named therein.

SECTION 9.10. NO JOINT VENTURE. Nothing contained in this Agreement is intended by the parties to create a partnership or joint venture between the parties, and any implication to the contrary is hereby expressly disavowed. It is understood and agreed that this Agreement does not create a joint enterprise, nor does it appoint either party as an agent of the other for any purpose whatsoever. Except as otherwise specifically provided herein, neither party shall in any way assume any of the liability of the other for acts of the other or obligations of the other.

SECTION 9.11. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which constitute one instrument.

SECTION 9.12. FORCE MAJEURE. Means an event beyond the reasonable control of a party obligated to perform an act or take some action under this Agreement including, but not limited to, acts of God, earthquake, fire, explosion, war, civil insurrection, acts of the public enemy, act of civil or military authority, sabotage, terrorism, floods, lightning, hurricanes, tornadoes, severe snow storms or utility disruption, strikes, lockouts, major equipment failure or the failure of any major supplier to perform its obligations; provided, however, that no such events shall limit the

Developer's obligation to provide Jobs as provided herein or shall extend beyond thirty days after such event..

EXECUTED to be effective as of the Effective Date.

COUNTY OF HIDALGO, TEXAS

By: 

Name: Juan D. Salinas III

Title: Hidalgo County Judge

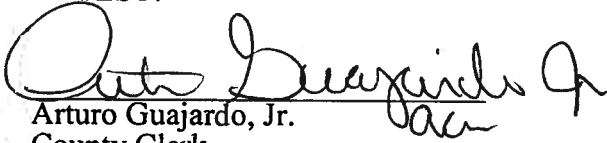
HEB GROCERY COMPANY, L.P.

By: 

Name: Todd A. Piland

Title: Executive Vice President

ATTEST:


Arturo Guajardo, Jr.
County Clerk

APPROVED AS TO FORM:

Atlas & Hall, L.L.P.

By: 

By: Stephen L. Crain

EXHIBIT A
EXHIBIT B

Site
Scope of Road Improvements (with Attachments B-1, B-2 and B-3)

EXHIBIT A
Site

Lot 4, Block A, HEB Weslaco #4, a subdivision in the City of Weslaco, Hidalgo County, Texas according to Volume 35 page 75 of the plat records of Hidalgo County, Texas.

EXHIBIT B

Scope and Projected Cost of Road Improvements

**City of Weslaco / Hidalgo County
Infrastructure Improvements Project
Westgate and Panther Drive**

The following outline will provide a preliminary scope statement relating to the infrastructure improvements to Westgate and Panther Drive in Weslaco Texas that will be included in the 380 agreement between H-E-B and the City of Weslaco and the 381 agreement with the County of Hidalgo.

Project	Exhibit	Projected Cost
Westgate Road – From HWY 83 to Panther	B-1	\$2,950,000
Panther Drive – Between Westgate and Border	B-2	\$ 560,000
Design / Construction Management	B-3	\$ 490,000
Total Budget Cost		\$4,000,000

In the event that after accounting for the Project described in the table above there are funds left from the \$4,000,000 Total Budget Cost, then such remaining funds may, upon written request to and consent of the County and City, be used to reimburse the Developer for costs related to improvements to Westgate beyond Panther Drive up to and including its intersection with Bus 83.

ATTACHMENT "B-1"

WESTGATE ROAD – FROM HWY 83 TO BUS. 83

Improvements on Westgate from HWY 83 to Business 83 include:

- **Re-construction of the roadway from HWY 83 to Panther Drive within the existing curb limits, with heavy asphalt paving sections along the roadway and concrete sections in the intersections of Pike and Panther Drive.**
- **Reconstruct the roadway from Panther Drive to Bus. 83, to the extent funds are available.**
- **Drainage improvements including a 48" / 36" storm drain in Westgate ROW**
- **Addition of a signal at Panther and Westgate**
- **Update the signal at Westgate and Pike**
- **Synchronization of the signals on Westgate from Business 83 to State hwy 83.**

Current cost estimate:

- **Costs associated with the improvements of Westgate re-construction as described above is \$2.95MM dollars, including the signal work.**

Current anticipated schedule:

- **Engineering beginning in late March, 2008.**
- **City review drawings and submit construction documents for bid May, 2008.**
- **Under contract and initiate work July, 2008.**
- **Phase project to complete the storm sewer installation prior to the roadway work, with a storm completion of early September, 2008.**
- **Six (6) months of construction in Westgate completing the road in phases, allowing for traffic to continue along the roadway throughout construction. Completion in December, 2008.**

ATTACHMENT "B-2"

PANTHER DRIVE – BETWEEN WESTGATE AND BORDER

Improvements to Panther Drive between Westgate and Border will include:

- **8' lane widening to the South side of Panther, from Westgate to the H-E-B truck entrance (approximately 1,000 LF). Final configuration will be 4 lanes, 2 eastbound and 2 westbound.**
- **Adjustment of the necessary utilities on the South side of Panther in the location of the lane widening.**
- **Re-construction of the existing pavement to a heavy traffic paving section, including concrete paving approach on Panther at Westgate and at the H-E-B truck entrance.**
- **A transition from the widened section to the original section East of the truck entrance.**
- **A 1" overlay for the remaining portion of Panther Drive East of the truck entrance to Border.**
- **Elimination of the planned sidewalk on the south side of Panther Drive from Westgate to Border (the intent will be to induce pedestrian traffic to stay on the sidewalk on the North side of Panther that runs from Westgate to Border, and circumnavigates the school property).**

Current Cost Estimate:

- **Costs associated with the improvements of Westgate Panther re-construction as described above is \$560,000 dollars.**

Current anticipated schedule:

- **Construction of Panther would be phased with the Westgate Construction. Total time to complete the work on Panther is estimated to be 2.5 months, and will start in the spring to be completed prior to February, 2009.**

ATTACHMENT "B-3"
CONSTRUCTION SCHEDULE

Westgate / Panther Drive Infrastructure Improvements												
Proposed Schedule												
Year	2008											2009
Month	M	A	M	J	J	A	S	O	N	D	J	F
Design	[Gantt bar spanning from May 2008 to June 2008]											
Permits	[Gantt bar spanning from May 2008 to June 2008]											
Phase I Westgate / Drainage	[Gantt bar spanning from May 2008 to August 2008]											
Phase II Westgate	[Gantt bar spanning from July 2008 to December 2008]											
Phase III Panther Drive	[Gantt bar spanning from November 2008 to February 2009]											
Capital Projections												
Year	2008											2009
Month	M	A	M	J	J	A	S	O	N	D	J	F
Design	[Gantt bar with value \$ 395,000 spanning from May 2008 to June 2008]											
Permits	[Gantt bar with value \$ 55,000 spanning from May 2008 to June 2008]											
Phase I Westgate / Drainage	[Gantt bar with value \$ 1.790MM spanning from May 2008 to August 2008]											
Phase II Westgate	[Gantt bar with value \$ 1.180MM spanning from July 2008 to December 2008]											
Phase III Panther Drive	[Gantt bar with value \$ 580,000 spanning from November 2008 to February 2009]											
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4,000,000.00	112,500	112,500	112,500	112,500	495,000	495,000	495,000	495,000	495,000	495,000	290,000	290,000