THE STATE OF TEXAS §
§
COUNTY OF WEBB §

ECONOMIC DEVELOPMENT PERFORMANCE AND PROGRAM GRANT AGREEMENT BETWEEN THE CITY OF LAREDO, TEXAS AND EL PORTAL CENTER LLC

This Economic Development Performance and Program Grant Agreement (this "***Agreement***") is made and entered into by and between the City of Laredo, Texas, a home rule municipality located in Webb County, Texas (the "***City***") and El Portal Center LLC, an Illinois limited liability company ("***EPC***") (each a "Party" and collectively the "Parties"), acting by and through their respective representatives.

WITNESSETH:

WHEREAS, EPC owns approximately seven (7) acres of property located at 1600 Water Street in the City, said property being more particularly described and depicted in **Exhibit "A"** attached hereto (hereinafter defined as the "***Property***"); and

WHEREAS, EPC proposes to: (i) redevelop the existing retail center located on the Property into a retail outlet shopping mall: and (ii) operate and maintain the redeveloped retail outlet shopping mall along with associated infrastructure; and

WHEREAS, EPC desires to construct the retail outlet shopping mall in two (2) phases; and

WHEREAS, EPC agrees to construct the first phase of the retail outlet shopping mall, which is expected to consist of approximately 335,000 square feet of net leasable space to be occupied by approximately eighty (80) retail tenants (hereinafter defined as ***"Phase I"***); and

WHEREAS, EPC also expects to construct additional retail space, as a second phase to the retail outlet shopping mall, which is expected to contain approximately 100,000 additional square feet of leasable space to be occupied by approximately twenty-five (25) retail tenants (hereinafter defined as "***Phase II***"); and

WHEREAS, Phase I and Phase II are collectively referred to herein as the "***Project***"; and

WHEREAS, the Project will generate approximately 1,000 jobs during construction and 1,200 new permanent employment positions in the City (excluding employment positions at existing businesses within the City where such businesses and their existing employment positions relocate to the Project) eligible for employee benefits and approximately 1,600 seasonal jobs once the Project is opened; and

WHEREAS, due to the cost and complexity of the Project, EPC has requested that the City provide economic development grants to provide funding to offset development costs and thereby facilitate the achievement of City economic development goals; and

WHEREAS, EPC has advised the City that a contributing factor that would induce the EPC to undertake the Project would be an agreement by the City to provide economic development grants to EPC to defray a portion of the costs of the redevelopment of the Property for the Project; and

WHEREAS, the City desires to enter into this Agreement in order to maintain and/or enhance the business, commercial and/or industrial economic and employment base of the City to the long-term interest and benefit of the City and in accordance with Chapter 380 of the Texas Local Government Code ("***Chapter 380***"); and

WHEREAS, the City adopted a resolution (the "***City Council Resolution***") establishing an Economic Development Program pursuant to Section 380.001 of Chapter 380 and authorized this Agreement as part of the Economic Development Program established by City Council Resolution (the "***Program***"); and

WHEREAS, the City desires to encourage business expansions within the City that will add property tax base and generate additional sales tax and other revenue for the City; and

WHEREAS, the promotion of the expansion of businesses within the City will promote economic development, stimulate commercial activity, create additional jobs and generate additional sales tax and will enhance the property tax base and economic vitality of the City; and

WHEREAS, EPC desires to participate in the Program by entering into this Agreement; and

WHEREAS, the City is authorized by Article III, Section 52-a of the Texas Constitution and Chapter 380 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City; and

WHEREAS, the City Council has determined that providing economic development grants to the EPC in accordance with this Agreement is in accordance with the Program and will: (i) further the objectives of the City; (ii) benefit the City and the City's inhabitants; and (iii) will promote local economic development and stimulate business and commercial activity in the City; and

WHEREAS, facilitating the Project is consistent with encouraging economic development in accordance with the purposes and intent of the policies and authority of the City and all applicable law.

NOW, THEREFORE, in consideration of the foregoing, and on the terms and conditions hereinafter set forth, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties agree as follows:

Article I
Definitions

For purposes of this Agreement, each of the following terms shall have the meaning set forth herein unless the context clearly indicates otherwise:

"Bankruptcy or Insolvency" shall mean the dissolution or termination of a Party's existence as a going business, insolvency, appointment of receiver for any part of such Party's property and such appointment is not terminated within ninety (90) days after such appointment is initially made, any general assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against such Party and such proceeding is not dismissed within ninety (90) days after the filing thereof.

"City" shall mean the City of Laredo, Texas.

"Commencement of Construction" shall mean that: (i) the plans have been prepared and all approvals thereof required by applicable governmental authorities have been obtained for initiation of construction of the applicable Phase of the Project; (ii) all necessary permits for the initiation of construction of the applicable Phase of the Project have been issued by the applicable governmental authorities; and (iii) a general contract for construction has been entered into by EPC and grading of the land and construction of the vertical elements of the applicable Phase of the Project has commenced. Commencement of Construction does not include demolition of existing structures.

"Completion of Construction" shall mean the completion of the commercial shell building and site improvements consisting of the foundation, footing, structural framing, plumbing-cover, electrical-lighting, parking lot pavement and striping, driveway(s) sidewalks, ramps, water and wastewater services, landscaping & irrigation, accessibility, fire protection & sprinkler system and respective inspections per approved construction plans and specifications of the applicable phase of the Project.

"***Comptroller***" or ***"State of Texas"*** shall mean Comptroller of the State of Texas, or its successor.

"Consummated" shall have the same meaning assigned by Texas Tax Code, Section 321.203, or its successor.

"Effective Date" shall mean the last date of execution hereof.

"Employment Period" shall mean consecutive twelve (12) month periods during the term of this Agreement beginning on the Phase I Commencement Date.

"Expiration Date" shall mean the date of City payment of the fortieth (40^{th}) Phase I Quarterly Installment or the date of City payment of the fortieth (40^{th}) Phase II Quarterly Installment provided the Phase II Commencement Date has timely occurred, as applicable.

"Grant Quarter" shall mean the Phase I Grant Quarter or the Phase II Grant Quarter, as the case may be.

"Grants" shall collectively mean the Phase I Grant, the Phase II Grant, and the Pylon Signage Grant.

"Impositions" shall mean all City, County and School taxes, assessments, use and occupancy taxes, charges, excises, license and permit fees, and other charges by public or governmental authority, general and special, ordinary and extraordinary, foreseen and unforeseen, which are or may be assessed, charged, levied, or imposed by the City or governmental authority controlled directly or indirectly by the City on EPC or any property or any business owned by EPC within the City.

"Maximum Annual Phase I Quarterly Installment Amount" shall mean the cumulative payment of Phase I Quarterly Installments not to exceed $1,250,000.00 in the aggregate from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase I of the Project during any calendar year. However if during any calendar year the cumulative Phase I Quarterly Installments are less than $1,250,000.00 such deficit shall be carried forward each calendar year thereafter during the Phase I Grant Term increasing the Maximum Annual Phase I Quarterly Installment Amount thereby until EPC receives a cumulative payment of Quarterly Phase I Installments not to exceed $12,500,000.00 for the Phase I Grant Term. Such carry over deficit amount shall only be funded from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase I of the Project.

"Maximum Annual Phase II Quarterly Installment Amount" shall mean the cumulative payment of Phase II Quarterly Installments not to exceed $387,500.00 in the aggregate from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase II of the Project during any calendar year. However if during any calendar year the cumulative Phase II Quarterly Installments are less than $387,500.00 such deficit shall be carried forward each calendar year thereafter during the Phase II Grant Term increasing the Maximum Annual Phase II Quarterly Installment Amount thereby until EPC receives a cumulative payment of Quarterly Phase II Installments not to exceed $3,875,000.00 for the Phase II Grant Term. Such carry over deficit amount shall only be funded from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase II of the Project.

"Maximum Phase I Grant Amount" shall mean the cumulative payment of Phase I Quarterly Installments not to exceed $12,500,000.00 in the aggregate from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase I of the Project during the Phase I Term.

"Maximum Phase II Grant Amount" shall mean the cumulative payment of Phase II Quarterly Installments not to exceed $3,875,000.00 in the aggregate from the City's receipt of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase II of the Project during the Phase II Term.

"Payment Request" shall mean a written request from EPC to the City for payment of a Phase I or Phase II Quarterly Installment, as the case may be, accompanied by the Sales Tax Certificate for the applicable Grant Quarter.

"Permanent Employment Positions" shall mean permanent non probationary employment positions filled by individuals working for Retailers at the Project eligible for at least thirty (30) hours per work week and eligible for employee benefits.

"Phase I Grant" shall mean the economic development grant from the City to EPC to be paid in quarterly installments with each installment equal to one hundred percent (100%) of the City receipts of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase I of the Project for the applicable Phase I Grant Quarter for a ten (10) year period, commencing on the Phase I Grant Commencement Date not to exceed the Maximum Annual Phase I Quarterly Installment Amount during any calendar year and not to exceed the Maximum Phase I Grant Amount during the Phase I Grant Term.

"Phase I Grant Commencement Date" shall mean the date the City has issued certificates of occupancy for at least sixty percent (60%) of the gross leasable area of Phase I and EPC has held an advertised grand opening event for the opening of Phase I to the public, which shall be no later than December 31, 2018.

"Phase I Grant Quarter" shall mean a calendar quarter (with the calendar quarters ending March 31, June 30, September 30 and December 31) during the Phase I Grant Term commencing with the first calendar quarter following the Phase I Grant Commencement Date. If the Phase I Grant Commencement Date does not occur on January 1, April 1, July 1, or October 1, the first Phase I Grant Quarter shall be the first full calendar quarter after the Phase I Commencement Date plus any partial calendar quarter occurring from the Phase I Grant Commencement Date until the next occurring March 31, June 30, September 30 or December 31, as applicable.

"Phase I Grant Term" shall mean, subject to Section 6.2, the term for the Phase I Quarterly Installments commencing on the Phase I Grant Commencement Date and ending after the fortieth (40th) Phase I Grant Quarter.

"Phase I Quarterly Installments" shall mean the quarterly payments by the City to EPC of the Phase I Grant to be paid within ninety (90) days after the end of each Phase I Grant Quarter following the City's receipt of the applicable Payment Request during the Phase I Grant Term not to exceed the Maximum Annual Phase I Quarterly Installment Amount. Given that the Comptroller's payment of Sales and Use Tax to the City is delayed by several months, each of the Phase I Quarterly Installments shall be limited to the Sales Tax Receipts (1) generated by Phase I at any time during the Phase I Grant Term and (2) actually received by the City from the Comptroller during the immediately preceding Phase I Grant Quarter.

"Phase II Grant" shall mean the economic development grant from the City to EPC to be paid in quarterly installments with each installment equal to one hundred percent (100%) of the City receipts of the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at Phase II of the Project for the applicable Phase II Grant Quarter, for a ten (10) year period commencing on the Phase II Grant Commencement Date not to exceed the Maximum Annual Phase II Quarterly Installment Amount during any calendar year and not to exceed the Maximum Phase II Grant Amount during the Phase II Grant Term.

"Phase II Grant Commencement Date" shall mean the date that the City has issued certificates of occupancy for at least sixty percent (60%) of the gross leasable area of Phase II and EPC has held an advertised grand opening event for the opening of Phase II to the public, which shall be no later than nine (9) years six (6) months after Phase I Grant Commencement Date.

"Phase II Grant Quarter" shall mean a calendar quarter (with the calendar quarters ending March 31, June 30, September 30 and December 31) during the Phase II Grant Term commencing with the first calendar quarter following the Phase II Grant Commencement Date. If the Phase II Grant Commencement Date does not occur on January 1, April 1, July 1, or October 1, the first Phase II Grant Quarter shall be the first full calendar quarter after the Phase II Commencement Date plus any partial calendar quarter occurring from the Phase II Grant Commencement Date until the next occurring March 31, June 30, September 30 or December 31, as applicable.

"Phase II Grant Term" shall mean, subject to Section 6.2, the term for the Phase II Quarterly Installments commencing on the Phase II Grant Commencement Date and ending after the fortieth Phase II Grant Quarter.

"Phase II Quarterly Installments" shall mean the quarterly payments by the City to EPC of the Phase II Grant to be paid within ninety (90) days after the end of each Phase II Grant Quarter following the City's receipt of the applicable Payment Request during the Phase II Grant Term not to exceed the Maximum Annual Phase II Quarterly Installment Amount. Given that the Comptroller's payment of Sales and Use Tax to the City is delayed by several months, each of the Phase II Quarterly Installments shall be limited to the Sales and Tax Receipts (1) generated by Phase II at any time during the Phase II Grant Term and (2) actually received by the City from the Comptroller during the immediately preceding Phase II Grant Quarter.

"Project" shall collectively mean Phase I and Phase II.

"Pylon Signage" shall mean a "jumbo-tron" type LED illuminated sign as allowed by City Ordinances, at a location to be mutually agreed upon by the Parties.

"Pylon Signage Costs" shall include, but are not limited to, the design, manufacture, model, transportation, insurance, installation, and other similar expenditures needed for, or related to, such sign and which expenditures were approved by the City in writing prior to their incursion by EPC, which approval shall not be unreasonably withheld by the City.

"Pylon Signage Grant" shall mean a grant payment made by the City to EPC equal to fifty percent (50%) of the actual Pylon Sign Costs (estimated to be One Million Dollars) with such grant payment not to exceed Five Hundred Thousand Dollars NO/100 ($500,000.00).

"Related Agreement" shall mean any written agreement (other than this Agreement) by and between the City and the EPC related to the Project.

"Required Use" shall mean the continuous operation of the Project as a first class retail outlet center or a first class retail shopping center containing predominantly nationally recognized tenants other than tenants known as discount stores, and other incidental uses such as food courts and restaurants open to the public and serving the citizens of Laredo and visitors to Laredo.

"Retailers" shall mean any owner, business, occupant, tenant and lessees, or other entities within the applicable Phase of the Project, and each and every entity required by the State of Texas to collect Sales and Use Tax on the sale of Taxable Items Consummated at the applicable Phase of the Project.

"Sales and Use Tax" shall mean the one percent (1%) Sales and Use Tax imposed by the City pursuant to Chapter 321 of the Texas Tax Code, on the sale of Taxable Items by the Retailers Consummated at the applicable Phase of the Project during the applicable Grant Quarter.

"Sales Tax Certificate" shall mean a report provided by the State of Texas to the City in accordance with Texas Tax Code, Section 321.3022 (or other applicable provision of the Texas Tax Code, or other applicable law) which lists the amount of Sales and Use Tax (including any refunds, credits or adjustments) paid to the State of Texas for the sale of Taxable Items by the Retailers Consummated at the applicable phase of the Project, or if such report is not available, a certificate or other statement, containing such information in a form provided by EPC acceptable to the City setting forth the Sales and Use Tax remitted by each Retailer or other sales tax reports generated and furnished to EPC by the Texas Comptroller's office (the "Comptroller") after obtaining waivers from each Retailer. EPC agrees to use its best efforts to obtain such information and data from the EPC tenants and Retailers to assist EPC and the City in determining the amount of cumulative Sales Tax Receipts generated by all listed Retailer within the Project, and such other information as the City may reasonably request.

"Sales Tax Receipts" shall mean the City's receipts of Sales and Use Tax from the State of Texas from the Retailers' collection of Sales and Use Tax generated from Phase I and Phase II, as applicable during the applicable Phase I Grant Quarter and the Phase II Grant Quarter (it being expressly understood that the City's one percent (1%) sales and use tax receipts are being used only as a measurement for its use of general funds to make grants for economic development purposes) as a result of sale of Taxable Items by the Retailers for the applicable Grant Quarter Consummated at the applicable Phase of the Project.

"Taxable Items" shall mean both "taxable items" and "taxable services" as those terms are defined by Chapter 151, Texas Tax Code, as amended.

Article II
EPC General Obligations

2.1 **Construction of Project.** EPC proposes to undertake the Project in two phases. Phase I is anticipated to consist of approximately 335,000 square feet of leasable space. EPC shall invest approximately Eighty Million Dollars ($80,000,000.00) in the Project. Provided the market allows, EPC will construct Phase II in accordance with this Agreement, Phase II will consist of approximately 100,000 square feet of leasable space. Commencement of Construction of Phase I of the Project in accordance with this Agreement shall be conditioned upon receipt by EPC of fully executed leases for not less than sixty-five percent (65%) of the gross leasable area of Phase I.

2.2 **Project Investment**. EPC shall invest approximately Eighty Million Dollars ($80,000,000.00) in the Project. EPC shall submit documentation to the City to verify the expenditure of approximately Eighty Million Dollars ($80,000,000.00) in costs incurred by EPC for the acquisition, construction and furnishing of the Project within eighteen (18) months after Completion of Construction of Phase I.

2.3 **Construction of Phase I and II**. EPC shall cause Commencement of Construction of Phase I to occur on or before December 31, 2016. EPC shall cause Completion of Construction of Phase I to occur on or before December 31, 2018. To qualify for payment of the Phase II Grant, EPC shall cause Commencement of Construction of Phase II to occur within eight (8) years after Completion of Construction of Phase I, and shall cause Completion of

Construction of Phase II to occur on or eighteen (18) months after Commencement of Construction of Phase II.

2.4 **Lease Updates.** Without disclosing identifying information for any prospective Retailer, EPC shall provide written monthly lease updates to the City, beginning thirty (30) days after the Effective Date, until such time as EPC obtains the required executed leases.

2.5 **Project Termination.** In the event EPC has not received executed leases for sixty-five percent (65%) of the gross leasable area of Phase I on or before December 31, 2016, this Agreement shall terminate. This Agreement shall terminate on January 31, 2017 without further notice in the event EPC has not delivered written notice to the City confirming that EPC has secured executed leases for sixty-five percent (65%) of the gross leasable area of Phase I.

2.6 **Construction of Parking Lots Underneath Retail Outlet Shopping Mall.** EPC agrees to construct, as part of Phase I and at EPC's sole cost, an onsite parking lot underneath the retail outlet shopping mall with a minimum of four hundred (400) parking spaces, and to maintain such parking lot throughout the existence of the Project.

2.7 **Kiosk.** EPC agrees to provide, and maintain for the City, at no cost to the City, one or more Kiosks for the promotion of the City in the general area of the interior of the Project the number of which and locations of which shall be mutually agreed.

Article III
City General Obligations

3.1 (1) **Sale of City owned Lots.** Within ninety (90) days after the Effective Date and subject to events of Force Majeure City agrees pursuant to a separate purchase and sale agreement to sell and convey, or cause to sell and convey, the four lots adjacent to the existing shopping center as depicted in **Exhibit "B"** (PIN Nos. 106-00276-510, 106-00276-520, 106-00276-530 and 106-00276-540) and the lot on Zaragoza Street as depicted in **Exhibit "B"** (PIN No. 101-00023-040) collectively the fair market value appraised at One Million Two Hundred Seventy Thousand Dollars ($1,270,000.00) (collectively the "Lots") to an independent foundation, to be determined at a later date, (hereinafter defined as the "Independent Foundation") pursuant to Texas Local Government Code §272.001 for the concurrent resale of such Lots by the Independent Foundation to EPC for development pursuant to a restriction agreement (the "Restriction Agreement"). The sale and transfer of the Lots to the Independent Foundation shall be for the fair market value of such property according to an appraisal obtained by the City, less an economic development grant provided by the City to the Independent Foundation to offset the purchase price, and shall be subject to the requirement that the Lots be concurrently sold and conveyed to EPC for One Hundred Dollar ($100.00) in accordance with the Restriction Agreement. The Restriction Agreement shall require EPC to cause Commencement of Construction of the Phase I in accordance with this Agreement and shall require EPC to transfer the Lots to the City without cost to the City in the event EPC fails to cause Commencement of Construction of Phase I in accordance with this Agreement. Upon the conveyances as aforesaid, the maintenance of all the lots subject to the conveyances shall be the sole responsibility of EPC. City agrees to commence the proceedings to adopt the necessary ordinance to authorize the sale and transfer the Lots concurrent with the approval of this Agreement.

3.2 **Traffic Movement:**

(a) **Santa Ursula Ramp**. After the Commencement of Construction of Phase I EPC agrees to send City written notice of the date for the grand opening for Phase I ("Grand Opening Phase I Notice"), which notice shall be sent to City at least Two Hundred Seventy (270) days prior to such date for the grand opening of Phase I. The City agrees, subject to events of Force Majeure, and obtaining the necessary governmental approvals, to modify the existing bridge structure to allow for ingress and egress from the Project (i.e. two-way traffic), and subject to events of Force Majeure, to complete such modification within one hundred eighty (180) days after City receipt of the Grand Opening Phase I Notice.

(b) **Juarez Avenue**. Concurrent with the City approval of this Agreement the City agrees to commence proceedings to adopt an ordinance to abandon and convey the 100 block of Juarez Avenue, between Water Street and Zaragoza Street as more fully described on **Exhibit "B",** to EPC pursuant to such ordinance. The abandonment ordinance or other conveyance instrument shall require EPC to re-plat the Property and incorporate the right-of-way abandoned by such ordinance; and shall contain a reverter clause reverting title to the City if EPC fails to cause Commencement of Construction of Phase I.

(c) **Salinas Avenue.** After Commencement of Construction of Phase I and following (i) the modification of the UETA building by EPC to an entrance on the north in cooperation with the building's owner, and (ii) delivery to the City of funds to cover one-half of the cost of construction, City agrees to fund the other half of the construction costs and to widen the 100 Block of Salinas Avenue between Zaragoza Street and Water Street to twenty-four feet (24') of pavement width, back of curb to back of curb, to accommodate two way traffic as generally depicted in **Exhibit "C"**, attached hereto and incorporated herein by reference.

3.3 Lease of Adjacent Parking Lots Fields:

(a) City and EPC agree to enter into an appropriate lease agreement(s), to lease to EPC rights for the patrons of the Project to use the One Thousand Four Hundred Eighty-Two (1,482) parking spaces on those certain parking lots as more particularly identified on **Exhibit "B"** (the "***Offsite Parking Lots***"), pursuant to a lease for an initial term of Twenty-Five (25) years at a lease payment of $1.00 per year, which shall be automatically renewed thereafter for one additional period of twenty-five (25) years provided EPC is not in breach or default of this Agreement or any Related Agreement. The lease agreements shall provide for termination of the lease in the event this Agreement terminates and in event EPC fails to cause the timely Commencement and Completion of Construction of Phase I. The lease agreements shall provide that as to the following lots east and west of Santa Maria

Avenue and south of Water Street, further described as the 410 space lot (Block 08-B and Block Z, un-platted) and the 380 space lot (Section "B"), directly south of the project, the City may continue to operate such lots as pay lots provided that it does not charge for parking at peak periods as defined in the lease, and provided further that at other times parking for customers of the Project shall be without charge if parking tickets are validated by a Retailer. Sections A, B, and C of the Offsite Parking Fields identified on **Exhibit "B"** shall be improved to a Class A Outlet Center Parking Field Condition. For purposes of this Agreement, Class A Outlet Center Parking Field Condition shall mean comparable to other new retail outlet centers in terms of quality of finish coat of paving, curbing, lights, landscaping and irrigation at a new or like new condition, including resurfacing these sections with a new surface course of asphalt, restriping, repairing or replacing curbing, installing landscaping and irrigation according to a landscaping plan to be mutually agreed by the City Manager or his designee and EPC in perimeter landscape areas, and painting repairing or installing new lighting standards, as needed, to achieve a minimum parking lot light level of one and one-half (1.5) foot candles and a minimum average illumination of four foot candles throughout said parking sections (the "A, B and C Section Improvements"). The City and EPC shall cooperate on a plan for the placement of lighting standards to achieve the minimum illumination requirements. The lease agreement(s) shall provide that City and EPC shall share equally in the cost of the A, B, and C Section Improvements and that otherwise the lease of such property shall be with all faults except for the City and EPC cooperating in the paving and lighting improvements to Blocks 394 and 401 as provided in (b) below. The lease agreements may not be assigned or sub-let by EPC without the prior written consent of the City, and shall require EPC to maintain such Offsite Parking Lots.

(b) Additional Parking. City agrees, subject to events of Force Majeure and provided EPC provides the materials at EPC's cost, to pave Blocks 394 (PIN# 108-00394-010) and 401 (PIN#109-00401-010) within One Hundred Eighty (180) days after receipt of the Grand Opening Phase 1 Notice. City also agrees to provide adequate lighting for Blocks 394 and 401 similar to the lighting installed on other parking lots in the area. If EPC desires upgraded lighting, EPC shall be responsible for the difference between the standard lighting fixtures and the selected upgraded lighting fixtures. City agrees to make parking available to patrons of the Project on ninety-nine (99) space parking area shown as ten (10) parcels with the following assigned parcel PIN numbers: 104-00162-010; 104-00162-020; 104-00162-030; 104-00162-040; 104-00162-050; 104-00162-051; 104-00162-060; 104-00162-070; 104-00162-080; and 104-00162-081; the Forty-Three (43) space parking lot assigned six parcel numbers 102-00053-010, 102-00053-011; 102-00053-020; .102-00053-031 102-00053-100, and 102-00053-101 and the Twenty-Five (25) space parking area assigned PIN Nos. 101-00006-030 and 101-00006-040 as depicted in **Exhibit "B".**

3.4 Concurrent with the approval of this Agreement by the Laredo City Council, the City will proceed with the necessary action as necessary to grant EPC a license to allow portions of the Project to encroach on adjacent City right of way areas. Right of way adjacent to the Project may be used for landscape, hardscape, lighting, street furniture and other pedestrian amenities, at EPC's costs, provided that a clear unobstructed sidewalk width of four (4) feet is maintained. In addition, the license allows building elements and additions to cantilever over adjacent right of way provided that a clear height of 80 inches or 6 feet 8 inches is maintained above sidewalk surfaces and/or in accordance with the latest ADA Standards for Accessible Design.

Article IV
Economic Development Grants

4.1 **Economic Development Grants:**

(a) **Grants.** Subject to the continued satisfaction of all the terms and conditions of this Agreement by EPC, the City agrees to provide EPC with the Phase I Grant and Phase II Grant as set forth herein. The obligations of the City with regard to the Phase II Grant shall terminate without notice if EPC does not cause Commencement of Construction of Phase II to occur within eight (8) years after the Completion of Construction of Phase I.

(b) **Phase I Quarterly Installments**: The City shall pay EPC, via wire to an account designated by EPC, the Phase I Grant in Phase I Quarterly Installments. Given that the Comptroller's payment of Sales and Use Tax to the City is delayed by several months, each of the Phase I Quarterly Installments shall be limited to the Sales Tax Receipts: (1) generated by Phase I at any time during the Phase I Grant Term; and (2) actually received by the City from the Comptroller during the immediately preceding Phase I Grant Quarter. The payment of Phase I Quarterly Installments shall not exceed the Maximum Annual Phase I Quarterly Installment Amount during any calendar year and the aggregate payment of the Phase I Grants shall not exceed the Maximum Phase I Grant during the Phase I Grant Term.

(c) **Phase II Quarterly Installments**: The City shall pay EPC, via wire to an account designated by EPC, the Phase II Grant in Phase II Quarterly Installments. Given that the Comptroller's payment of Sales and Use Tax to the City is delayed by several months, each of the Phase II Quarterly Installments shall be limited to the Sales Tax Receipts: (1) generated by Phase II at any time during the Phase II Grant Term; and (2) actually received by the City from the Comptroller during the immediately preceding Phase II Grant Quarter. The payment of Phase II Quarterly Installments shall not exceed the Maximum Annual Phase II Quarterly Installment Amount during any calendar year and the aggregate payment of the Phase II Grants shall not exceed the Maximum Phase II Grant during the Phase II Grant Term.

(d) **Pylon Signage Grant.** Following Phase I Commencement Date, the City shall provide EPC the Pylon Signage Grant to offset a portion of the Pylon Signage

Costs to be paid by the City to EPC within fifteen (15) business days after the later of: (1) written notice delivered to the City by EPC that the Pylon Sign is erected and operational; (2) EPC providing to the City detailed invoice(s) showing all Pylon Signage Costs; and (3) date of execution of a mutually agreed agreement for the shared use of the Pylon Sign (the "Shared Use Agreement"). Revenues received by EPC from advertising not associated with the Project, net of all expenses, shall be shared equally between EPC and the City.

(e) **Use of Grant Proceeds by EPC.** EPC shall use all proceeds of the Grants received from the City for enhanced marketing of the Project and for improvements to the Project. EPC shall provide semi-annual accounting to the City during the term of this Agreement of EPC's previous quarters' use of all Grant proceeds, and such other records and information as the City may reasonably request to document such required use of the Grant funds. Failure by EPC to provide the semi-annual accounting and documentation of the required expenditures shall result in suspension of Phase I and Phase II Quarterly Grant Installments until accounting and documentation are provided to the City evidencing that funds spent on marketing and post-completion improvements equals or exceeds the amount of Grant funds paid to EPC. EPC shall, at its sole cost, provide the City with an annual accounting by a certified accountant, reasonably satisfactory to the City, to establish the EPC use of the Grants received from the City have been used for enhanced marketing of the Project and for improvements to the Project. EPC shall, from data available to EPC or which may be obtained by EPC through reasonable efforts, provide the City with written reports on a calendar quarterly basis in a format reasonably approved by the City which shows whether and to what extent the patrons of the Project are domestic or international.

(f) **Comptroller Sales Tax Reports.** The City and EPC designate this Agreement as a "revenue sharing agreement," thereby entitling City to annual sales and use tax information as compiled by the Comptroller, pursuant to section 321.3022 of the Texas Tax Code ("Section 321.3022"), as amended.

(g) **Limitation of Source of Payment.** The City shall have no obligation or liability to pay any Grants except as allowed by law. The City shall not be required to pay any Grants if prohibited under federal or state legislation or a decision of a court of competent jurisdiction. However, in the event of such an adverse decision, the City shall cooperate in good faith with EPC to correct any legal impediment. Under no circumstances shall the obligations of the City hereunder be deemed to create any debt within the meaning of any constitutional provision or statutory provision. Further, the City shall not be obligated to pay any commercial bank, lender or similar institution for any loan or credit agreement made by EPC. None of the obligations of the City under this Agreement shall be pledged or otherwise encumbered by the EPC in favor of any commercial lender and/or similar financial institution.

(h) **Adjustment Notification**. EPC shall promptly notify the City in writing upon becoming aware of any adjustments found, determined or made by EPC the Retailers, the State of Texas or by an audit that results, or will result, in either a refund or reallocation of Sales Tax Receipts or the payment of Sales and Use Tax or involving amounts reported by the EPC or the Retailers as subject to this Agreement. Such notification shall also include the amount of any such adjustment in Sales and Use Tax or Sales Tax Receipts known to EPC. EPC shall notify the City in writing within thirty (30) days after receipt of notice of the intent of the State of Texas, to audit EPC and/or upon learning of the Comptroller's intention to audit any of the Retailers. Such notification shall also include the period of such audit or investigation, if known to EPC.

(i) **Adjustments**. In the event EPC and/or any Retailer files an amended sales and use tax return, or report with the State of Texas, or if additional Sales and Use Tax is due and owing by any such Retailer to the State of Texas, as determined or approved by the State of Texas, affecting Sales Tax Receipts for a previous Phase I Grant Quarter or Phase II Grant Quarter, as applicable, then the applicable Phase Grant Quarterly Installment for the applicable Phase Grant Quarter immediately following such State of Texas approved amendment shall be adjusted accordingly (i.e., up or down, depending on the facts) provided the City has received Sales Tax Receipts attributed to such adjustment. As a condition precedent to payment of such adjustment, EPC shall provide the City with a copy of any such amended sales and use tax report or return, and the approval thereof by the State of Texas. Copies of any amended sales and use tax return or report or notification from the State of Texas that additional Sales and Use Tax is due and owing by EPC and or any Retailer to the State of Texas, as determined by the State of Texas, affecting Sales Tax Receipts for a previous Phase Grant Quarter shall be provided to the City with the Payment Request for the next applicable Phase Grant Quarter. In no case shall any adjustment in favor of EPC cause a payment in excess of the Maximum Annual Phase I or II Quarterly Installment Amount, as applicable, or the Maximum Phase I or II Grant Amount, as applicable.

(j) **Refunds and Underpayments of Grants**. In the event the State of Texas determines that the City erroneously received Sales Tax Receipts, or that the amount of Sales and Use Tax paid exceeds (or is less than) the correct amount of Sales and Use Tax for a previous Phase I Quarter or Phase II Quarter, as applicable, for which EPC has received a Phase I Quarterly Installment or Phase II Quarterly Installment, as the case may be, City shall adjust the Phase I Quarterly Installment or the Phase II Quarter Installment, as the case may be, for the applicable Phase Grant Quarter immediately following such State of Texas determination. If the adjustment results in funds to be paid back to the City, the EPC shall repay such amount to the City within sixty (60) days after receipt of notice from the City of such State of Texas determination. As a condition precedent to payment of such refund, the City shall provide EPC with a copy of such determination by the State of Texas. The provisions of this Section shall survive termination of this Agreement. In no case shall any underpayment in favor of EPC cause a payment in excess of the Maximum Annual Phase I or II Quarterly Installment Amount, as applicable, or the Maximum Phase I or II Grant Amount, as applicable.

(k) **Grant Payment Termination; Suspension.** The payment of Phase I and Phase II Quarterly Installments shall be suspended on the effective date of determination by the State of Texas or other appropriate agency or court of competent jurisdiction that the Project is not a place of business resulting in Sales and Use Taxes being due the City from the sale of Taxable Items by the Retailers at the Project. In the event the State of Texas seeks to invalidate the Project as a place of business where Sales and Use Tax was properly remitted to the State of Texas (the "Comptroller Challenge") the payment of the Phase Quarterly Installments by the City hereunder shall be suspended until such Comptroller Challenge is resolved in whole favorably to the City. In such event, the EPC shall not be required to return or refund the Phase Quarterly Installments previously received from the City provided EPC is actively defending against and/or contesting the Comptroller Challenge and EPC promptly informs the City in writing of such EPC actions and with copies of all documents and information related thereto. In the event the Comptroller Challenge is not resolved favorably to the City and/or in the event the State of Texas determines that the Project is not a place of business where the Sales and Use Tax was properly remitted to the State of Texas, and Sales and Use Tax Receipts previously paid or remitted to the City relating to the Project are reversed and required to be repaid to the State of Texas, then the obligation to pay the Phase Quarterly Installments shall terminate and EPC shall refund any portion of Phase Quarterly Installments received by EPC from the City that relate to the Comptroller Challenge and which the City is required to repay, which refund shall be paid to the City within forty-five (45) days of the date that the Comptroller Challenge required the City to repay Sales and Use Tax Receipts.

(l) The obligation of the City to provide the Grants shall be conditioned upon the compliance and satisfaction by EPC of the terms and conditions of this Agreement and each of the conditions set forth in this Article.

(1) <u>Payment Request</u>. EPC shall, as a condition precedent to the payment of the applicable Phase I or Phase II Quarterly Installments provide the City with the applicable Payment Request.

(2) <u>Good Standing</u>. EPC shall not have an uncured breach or default of this Agreement or a Related Agreement.

(3) <u>Sales Tax Certificate</u>. As a condition to the payment of each Phase I Grant Quarterly Installment or Phase II Quarterly Installment hereunder, the City shall have received a Sales Tax Certificate for the applicable Grant Quarter for which payment of a Phase I or II Quarterly Installment is requested. The City shall have no duty to calculate the Sales Tax Receipts or determine the entitlement of EPC to any Phase I or II Quarterly

Installment, or pay any Phase I or II Quarterly Installment during the term of this Agreement until such time as EPC has provided the City a Sales Tax Certificate for the applicable Grant Quarter. At the request of the City, EPC shall provide such additional documentation as may be reasonably requested by the City to evidence, support and establish the Sales and Use Tax paid and collected by the Retailers for the sale of Taxable Items by the Retailers Consummated at the applicable Phase of the Project and received by the City from the State of Texas for the applicable Grant Quarter. EPC shall obligate the Retailers within the Project to provide to City upon request, each Retailer's sales tax ID numbers solely used for the Retailer's location at the Project so that payments can be verified by the City. In the event the Comptroller refuses to provide Retailer information pursuant to waivers or refuses or fails to provide the City with sales tax reports, or if a Retailer fails to keep such Retailer's waiver current, City and EPC shall cooperate to arrive at a mutually agreeable method for determining the Sales and Use Taxes for purposes of calculating Phase I Grant and Phase II Grant Quarterly Installments. However, the City shall have no obligation to make any Phase I or Phase II Grant Quarterly Installments unless and until the City has arrived at a calculation that is satisfactory to the City and will allow the City to make a reasonable determination under this Agreement as to the amount of the applicable Phase I or Phase II Grant Quarterly Installment. The Sales Tax Certificate shall, at a minimum, contain, include or be accompanied by the following:

a. A schedule detailing the amount of the Sales and Use Tax collected and paid to the State of Texas as a result of the sale of Taxable Items by the Retailers Consummated at applicable Phase of the Project for the applicable Grant Quarter;

b. Information concerning any refund or credit received by the Retailers of the Sales and Use Taxes paid or collected by the Retailers (including any Sales and Use Tax paid directly to the State of Texas pursuant to a direct payment permit) which has previously been reported by the Retailers as Sales and Use Tax paid or collected, as reported by the Comptroller or the Retailers; and

c. Taxpayer Number and address for each Retailer in the Sales Tax Certificate.

The City agrees, to the extent allowed by law, to maintain the confidentiality of the Sales Tax Certificate.

(4) Required Use. During the term of this Agreement following the Commencement Date and continuing thereafter until the Expiration Date,

the Project shall not be used for any purpose other than the Required Use, and the operation and occupancy of the Project in conformance with the Required Use shall not cease for more than thirty (30) days, except in connection with and to the extent of an event of Force Majeure, or remodeling (provided such remodeling shall not exceed ninety (90) days in the aggregate in any five (5) year period.

(5) Continuous Ownership and Occupancy. Except as provided in Section 8.2 below, during the term of this Agreement following the Phase I Commencement Date and continuing thereafter until the Expiration Date, EPC shall continuously own the Property and the Project; and at least sixty percent (60%) of the gross leasable area of Phase I shall be continuously leased and occupied by Retailers. During the term of this Agreement following the Phase II Grant Commencement Date and continuing thereafter until the Expiration Date, EPC shall continuously own the Property and the Project, and at least sixty percent (60%) of the gross leasable area of Phase I and II shall be continuously leased and occupied by Retailers. For purposes of this Section continuous ownership shall mean EPC continuously owns one hundred percent (100%) of the interest in the Property and the Project.

(6) Construction of Phase I. The EPC shall cause Commencement of Construction of Phase I to occur on or December 31, 2016.

(7) Permanent Employment Positions. Beginning on the Phase I Commencement Date and continuing thereafter until the Expiration Date, approximately One Thousand Two Hundred (1200) new Employment Positions shall have been created, filled and maintained at the Project during each Employment Period. New Employment Positions shall not include any employment positions at existing businesses which relocate to the Project or employment positions relocated from existing business within the City to the Project. The relocation of existing local businesses and jobs that would create a void in another retail sector of the City and/or would not create a net gain in sales and employment opportunities is prohibited.

4.2 **Permits & Fees:** The City agrees to facilitate and expedite the Project through zoning, permitting, construction, and all other aspects of the Project that require approval or input from the City. The City further agrees, during the term of this Agreement to waive the collection of all City permit and impact fees applicable to the Project, if any.

Article V
Public Infrastructure Improvements

5.1 General Improvements. The City and EPC agree that unless timing and payment terms are otherwise expressly provided herein, within a reasonable period after Commencement of Construction of Phase I, the City shall, subject to events of Force Majeure, cause

Commencement of Construction of the public infrastructure improvements set forth in this Article V and Sections 3.2 and 3.3(b) (the ***"Public Infrastructure Improvements"***), including, subject to Section 5.2, below, off-site sidewalks, landscaping, and irrigation as feasible and appropriate on City property (Zaragoza and Water Street rights of way adjacent to the Project). The Parties understand and agree to use reasonable efforts to coordinate the construction activities of Phase I and of the Public Infrastructure Improvements in an attempt to avoid delays for either construction project and avoid the risk of the needing to repair, replace, or redo work previously completed.

5.2 City Approval. The City and EPC engineers shall collaborate on the design; however, the ultimate design, cost and method of implementation of the Public Infrastructure Improvements is at the discretion of the City, consistent with any standards set forth in this Agreement. The City agrees to cause the Commencement and Completion of the Construction of the Public Infrastructure Improvements as set forth in this Article V.

5.3 Water Line Construction. In order to supply municipal water to the Project, the City will be required to replace and install a 12" water line and 8" wastewater line around the Project site, the cost for these improvements is estimated at Five Hundred Thousand Dollars ($500,000.00). In addition, in order to provide the 3,500 gallons per minute required for adequate water flow for the fire protection system, the City will have to construct a 24" water line from the Jefferson Water Treatment Plant to the site at an estimated cost of One Million Four Hundred Ten Thousand Dollars ($1,410,000.00) (collectively the "Water Line Improvements"). The total amount of the estimated costs of the Water Line Improvements is One Million Nine Hundred Ten Thousand Dollars ($1,910,000.00). The obligation of the City to cause the design and to construct the Water Line Improvements is expressly subject to and conditioned on EPC providing the Letters of Credit (hereinafter defined) and the Corporate Guaranties (hereinafter defined) guaranteeing repayment of the costs of the Water Line Improvements incurred by the City in the event of early termination of this Agreement or in the event the EPC fails to timely cause the Commencement and/or Completion of Construction of Phase I. The City shall commence design of the Water Line Improvements within ten (10) days after receipt of the Design Letter of Credit and Design Corporate Guarantee (hereinafter defined). The City shall, subject to events of Force Majeure, use its best efforts to cause the completion of the design on or before nine months after such receipt of the Design Letter of Credit (the "Design Completion Deadline") and shall, subject to events of Force Majeure, use its best efforts to cause the completion of the construction of the Water Line Improvements on or before one year after the later of the Design Completion Deadline and the date of City receipt of the Construction Letter of Credit/Corporate Guarantee.

For purposes of this Section "Design Letter of Credit" shall mean an irrevocable letter of credit, from a financial institution and in a form reasonably approved by the City, guaranteeing to the City reimbursement of Two Hundred Thirty-eight Thousand, Seven Hundred Fifty Dollars ($238,750.00) toward the design costs of the Water Line Improvements in the event of early termination of this Agreement pursuant to Section 2.5, or in the event EPC fails to timely cause the Commencement and/or Completion of Construction of Phase I. For purposes of this Section "Design Corporate Guaranty" shall mean a corporate guaranty by the Horizon Group Properties, Inc., in a form reasonably approved by the City guaranteeing to the City the reimbursement of

Two Hundred Thirty-eight Thousand, Seven Hundred Fifty Dollars ($238,750.00) toward the design costs of Water Line Improvements in the event of early termination of this Agreement or in the event EPC fails to timely cause the Commencement and/or Completion of Construction of Phase I. The Corporate Guaranty and Letter or Credit shall terminate on the date of Completion of Construction of Phase I of the Project.

For purposes of this Section "Construction Letter of Credit" shall mean an irrevocable letter of credit, from a financial institution and in a form reasonably approved by the City, guaranteeing to the City reimbursement of Seven Hundred Sixteen Thousand, Two Hundred Fifty Dollars ($716,250.00) toward the construction costs of the Water Line Improvements in the event of early termination of this Agreement pursuant to Section 2.5, or in the event EPC fails to timely cause the Commencement and/or Completion of Construction of Phase I. For purposes of this Section "Construction Corporate Guaranty" shall mean a corporate guaranty by the Horizon Group Properties, Inc., in a form reasonably approved by the City guaranteeing to the City the reimbursement of Seven Hundred Sixteen Thousand, Two Hundred Fifty Dollars ($716,250.00) toward the construction costs of Water Line Improvements in the event of early termination of this Agreement or in the event EPC fails to timely cause the Commencement and/or Completion of Construction of Phase I. The Corporate Guaranty and Letter or Credit shall terminate on the date of Completion of Construction of Phase I of the Project.

5.4 Tower Removal. The City currently owns a communications tower near the Project (generally at the intersection of Santa Maria Avenue and Water Street) (the "Tower"). Should EPC request its removal, EPC shall be responsible for all costs of such removal, disposal and related expenses including any costs associated with the termination of any third party rights, leases or licenses of the Tower shall be paid by EPC.

Article VI
Termination; Repayment

6.1 **Continued Operation of the Project.** Each Phase of the Project shall at all times during the applicable Phase I Grant Term and the Phase II Grant Term (except reasonable periods of closure and repair, reconstruction due to casualty, events of Force Majeure or reasonable periods of remodeling pursuant to an approved building permit) be operated, maintained and managed directly by EPC or any successor approved by the City, for the Required Use in a first class manner with at least sixty percent (60%) of the gross leasable area of the applicable Phase of the Project occupied and operating, consistent with the operation and management for other similar facilities, and in compliance with all applicable laws. EPC shall use reasonable best efforts to keep in effect at all times all permits, licenses and contractual arrangements as may be necessary to meet the foregoing standard of operation. The City's Grant payment obligations, lease obligations or other commitments contained in this Agreement are expressly conditioned on the continued compliance of EPC or any City approved successor continued compliance with this Section. Non-compliance with this section shall constitute an event of default under this Agreement.

6.2 Termination. This Agreement terminates on the Expiration Date, and may, prior to the Expiration Date, be terminated upon any one or more of the following:

(a) by mutual written agreement of the Parties;

(b) upon written notice by City, if EPC defaults or breaches any of the terms or conditions of this Agreement or a Related Agreement and such default or breach is not cured within sixty (60) days after written notice thereof;

(c) upon written notice by EPC, if the City defaults or breaches any of the terms or conditions of this Agreement or a Related Agreement and such default or breach is not cured within sixty (60) days after written notice thereof;

(d) upon written notice by City, if any Impositions owed to the City or the State of Texas by EPC shall have become delinquent (provided, however, EPC retains the right to timely and properly protest and contest any such taxes or Impositions);

(e) upon written notice by City, if EPC suffers an event of Bankruptcy or Insolvency;

(f) upon written notice by City or EPC if any subsequent Federal or State legislation or any decision of a court of competent jurisdiction declares or renders this Agreement invalid, illegal or unenforceable;

(g) EPC failure to have executed leases for at least sixty-five percent (65%) of the gross leasable area of Phase I on or before January 31, 2017 or EPC fails to timely deliver written confirmation of such as required by Section 2.5; or

(h) upon City payment of the maximum amount of the Phase I and Phase II Quarterly Installments.

6.3 Offsets. The City may at its option, offset any amounts due and payable under this Agreement against any debt (including taxes) lawfully due to the City from EPC and/or the Lessee, regardless of whether the amount due arises pursuant to the terms of this Agreement, a Related Agreement, or otherwise, and regardless of whether or not the debt due the City has been reduced to judgment by a court. If however, the debt due is determined by a court to be less than the amount offset by the City, City shall refund to EPC the excess amount offset by the City within sixty (60) days of such court determination.

Article VII
Insurance and Indemnification

7.1 **Insurance Requirements.** During the term of this Agreement, EPC shall, at its expense, maintain (or cause to be maintained) in full force and effect, the following insurance:

(a) a policy of insurance for bodily injury, death and property damage insuring against all claims, demands or actions relating to the EPC's performance of its obligations pursuant to this Agreement with (1) a policy of comprehensive general liability (public) insurance with a minimum combined single limit of not less than $1,000,000.00 per occurrence for bodily injury and property damage with an aggregate of not less than $2,000,000.00; (2) policy of automobile liability insurance covering any vehicles owned and/or operated by the EPC, its officers, contractors, agents, and employees, and used in the performance of its obligations hereunder with a minimum of $1,000,000.00; and (3) statutory Worker's Compensation Insurance covering all employees involved in the performance of its obligations hereunder. Builders risk insurance covering all buildings and other improvements located or being constructed on the Property against loss or damage from perils covered by an all risk or special form policy in amounts not less than eighty (80%) percent of the full insurable value of the buildings and other improvements included in the Project. Construction liability insurance at all times when demolition, excavation, or construction work is in progress on the Property with limits of not less than $100,000 for property damage and $300,000 for one person and $1,000,000 for one accident for personal injury and must protect City and EPC, against all liability for injury or damage to any person or property in any way arising out of demolition, excavation, or construction work on the Property.

(b) All insurance shall be endorsed to: (1) name the City, its officers, agents and employees as additional insureds as to all applicable coverage with the exception of Workers Compensation Insurance; (2) provide for at least thirty (30) days prior written notice to the City for cancellation, non-renewal, or material change of the insurance; (3) provide for a waiver of subrogation against the City for injuries, including death, property damage, or any other loss to the extent the same is covered by the proceeds of insurance.

(c) All insurance companies providing the required insurance shall be authorized to transact business in Texas and rated at least "A" by AM Best or other equivalent rating service.

(d) A certificate of insurance and policy endorsements evidencing the required insurance shall be submitted to the City prior to Commencement of Construction of the Project.

(e) Without limiting any of the other obligations or liabilities of EPC, the EPC shall require its general contractors, at the general contractor's own expense, to maintain during the term of this Agreement, the required insurance including the required certificate and policy endorsements as stated herein.

7.2 **Release and Indemnification.** THE CITY SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE, OR INJURY OF ANY KIND OR CHARACTER TO ANY PERSON OR PROPERTY ARISING FROM THE ACTS OR OMISSIONS OF EPC PURSUANT TO THIS AGREEMENT. EPC HEREBY WAIVES ALL CLAIMS AGAINST CITY, ITS OFFICERS, AGENTS AND EMPLOYEES (COLLECTIVELY REFERRED TO IN THIS SECTION AS "CITY") FOR DAMAGE TO ANY PROPERTY OR INJURY TO, OR DEATH OF, ANY PERSON ARISING AT ANY TIME AND FROM ANY CAUSE OTHER THAN THE SOLE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CITY RELATED

TO THE PERFORMANCE OF THIS AGREEMENT. EPC DOES HEREBY INDEMNIFY AND SAVE HARMLESS THE CITY FROM AND AGAINST ANY AND ALL LIABILITIES, DAMAGES, CLAIMS, SUITS, COSTS (INCLUDING COURT COSTS, ATTORNEYS' FEES AND COSTS OF INVESTIGATION) AND ACTIONS OF ANY KIND BY REASON OF INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO OR LOSS OF PROPERTY ARISING FROM EPC'S BREACH OF ANY OF THE TERMS AND CONDITIONS OF THIS AGREEMENT, OR BY REASON OF ANY ACT OR OMISSION ON THE PART OF EPC, ITS OFFICERS, DIRECTORS, SERVANTS, AGENTS, EMPLOYEES, REPRESENTATIVES, SUBCONTRACTORS, LICENSEES, SUCCESSORS OR PERMITTED ASSIGNS IN THE PERFORMANCE OF THIS AGREEMENT (EXCEPT WHEN SUCH LIABILITY, CLAIMS, SUITS, COSTS, INJURIES, DEATHS OR DAMAGES ARISE FROM OR ARE ATTRIBUTED TO THE SOLE NEGLIGENCE OF THE CITY). IN THE EVENT OF JOINT OR CONCURRENT NEGLIGENCE OF BOTH THE CITY AND EPC, THE RESPONSIBILITY, IF ANY, SHALL BE APPORTIONED COMPARATIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY WITH RESPECT TO ANY PARTY OTHER THAN EPC AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW. IF ANY ACTION OR PROCEEDING SHALL BE BROUGHT BY OR AGAINST CITY IN CONNECTION WITH ANY SUCH LIABILITY OR CLAIM FOR WHICH THE CITY IS ENTITLED TO INDEMNIFICATION HEREUNDER, EPC SHALL BE REQUIRED, ON NOTICE FROM CITY, TO DEFEND SUCH ACTION OR PROCEEDINGS AT EPC'S EXPENSE, BY OR THROUGH ATTORNEYS REASONABLY SATISFACTORY TO THE CITY. THE PROVISIONS OF THIS SECTION ARE SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND NOT INTENDED TO CREATE OR GRANT ANY RIGHTS, CONTRACTUAL OR OTHERWISE, TO ANY OTHER PERSON OR ENTITY.

EPC AGREES TO DEFEND, INDEMNIFY AND HOLD THE CITY, ITS OFFICERS, AGENTS AND EMPLOYEES (COLLECTIVELY FOR PURPOSE OF THIS SECTION, THE "CITY") HARMLESS FROM AND AGAINST ANY AND ALL REASONABLE LIABILITIES, DAMAGES, CLAIMS, LAWSUITS, JUDGMENTS, ATTORNEY FEES, COSTS, EXPENSES, AND DEMANDS BY THE STATE OF TEXAS THAT THE CITY HAS BEEN PAID ERRONEOUSLY, OVER-PAID OR INCORRECTLY ALLOCATED SALES AND USE TAX ATTRIBUTED TO THE SALE OF TAXABLE ITEMS BY THE RETAILERS AT THE PROJECT OR IN THE CITY FOR ANY PERIOD DURING THE TERM OF THIS AGREEMENT OR DURING ANY GRANT PERIOD (COLLECTIVELY, A "CLAIM"). IT BEING THE INTENTION OF THE PARTIES THAT THE EPC SHALL BE RESPONSIBLE FOR THE REPAYMENT OF ANY SALES TAX GRANTS PAID TO THE RETAILERS HEREIN THAT INCLUDES SALES AND USE TAX RECEIPTS THAT THE STATE OF TEXAS HAS DETERMINED WAS PAID ERRONEOUSLY, COLLECTED, DISTRIBUTED, OR ALLOCATED TO THE CITY.

THE INDEMNIFICATION PROVIDED ABOVE SHALL NOT APPLY TO ANY LIABILITY RESULTING SOLELY FROM THE ACTIONS OR OMISSIONS OF THE CITY; EPC SHALL BE OBLIGATED TO PAY REASONABLE ATTORNEY FEES AND OTHER

THIRD-PARTY COSTS INCURRED BY THE CITY TO DEFEND OR CONTEST A CLAIM COVERED BY THE INDEMNIFICATION (COLLECTIVELY, THE "OTHER COSTS").

THE PROVISIONS OF THIS SECTION SHALL SURVIVE TERMINATION OF THIS AGREEMENT. THE PROVISIONS OF THIS SECTION ARE SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND DO NOT CREATE ANY OBLIGATIONS FROM OR GRANT ANY CONTRACTUAL OR OTHER RIGHTS TO ANY OTHER PERSON OR ENTITY, OTHER THAN OBLIGATIONS, IF ANY, THAT ARISE FROM EPC.

7.3 **Environmental Condition; Indemnification.**

(a) **Environmental Condition.** To the actual knowledge of EPC, except as has been disclosed to the City, (i) the Project is now and at all times hereafter will continue to be in material compliance with all environmental regulations and (ii) as of the date hereof, there are no hazardous substances (including without limitation, any materials containing asbestos) located on, in or under the Project or the site to be used in connection therewith (except as may be necessary in connection with any normal and customary use of the Project, which EPC warrants will be stored, handled, used and disposed of properly and in accordance with applicable law). EPC covenants and agrees that it will promptly notify the City of (i) any material change in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the Project or used in connection therewith and (ii) any material spill, emission, release, discharge, disposal, leakage or dumping of any hazardous materials, substances or wastes onto, in or from the Project or the site for the Project which is not in compliance with applicable federal, state and local environmental laws and regulations, and will transmit to the City copies of any citations, orders, or other notices received by EPC relating to substances, wastes or other environmentally regulated substances affecting the Project or the site for the Project.

(b) **Indemnification.** EPC will indemnify and hold the City harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs), judgments and expenses (including attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against the City as a direct or indirect result of (1) any warranty or representation made by EPC in Section 7.3 (a) of this Agreement being false or untrue in any material respect, or (2) any requirements under any law, regulation or ordinance, local, state or federal, which requires the elimination or removal of any hazardous material substances, wastes or other environmentally regulated substances by EPC. This Section 7.3 shall survive the termination of this Agreement.

Article VIII
Miscellaneous

8.1 Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the Party or Parties sought to be charged or bound by the alteration or amendment.

8.2 Binding Effect, Successors and Assigns. The terms and conditions of this Agreement are binding upon the successors and permitted assigns of the Parties hereto. EPC's right to receive payment of Phase I Quarterly Installments or Phase II Quarterly Installments, pursuant to this Agreement, may be assigned, in whole or in part, with the prior written consent of the City; provided however, any such approved assignment shall not however release EPC of its liabilities and obligations under this Agreement. This Agreement may be assigned by EPC, in whole or in part, only with the prior written consent of the City; provided such approved assignee agrees in writing to assume all of the obligations and liabilities of EPC herein in a form reasonably approved by the City. EPC shall be in default of this Agreement if during the term of this Agreement EPC sells the Property or the Project or transfers a Controlling Ownership Interest in the Property or the Project to any Person who is not a financial institution or a lender of EPC (a "Controlling Ownership Interest Transfer") or assigns this Agreement to any Person who is not a financial institution or a lender of EPC without the prior written consent of the City. During the term of this Agreement EPC shall be in default of this Agreement if EPC transfers a Controlling Ownership Interest in EPC to any Person (a "Controlling Entity Ownership Interest Transfer"), without the prior written consent of the City. For purposes of this section "Control" shall mean (and any form thereof, such as "Controlling" or "Controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of EPC. For purposes of this section "Ownership Interest" means all forms of ownership of legal entities or property, both legal and beneficial, voting and non-voting, including stock interests, partnership interests, limited liability company interests, joint tenancy interests, leasehold interests, proprietorship interests, trust beneficiary interests, proxy interests, power-of-attorney interests, and all options, warrants, and any other forms of interest evidencing Control by virtue of an Ownership Interest. For purposes of this section "Person" means an individual, a partnership (general or limited), a corporation, a limited liability company, a government, or any department or agency thereof, a trustee, a trust, an unincorporated organization, or any other entity of any kind. EPC understands and agrees that the City expressly prohibits EPC from selling, transferring, assigning or conveying in any way any rights to receive the Grants without the prior written consent of the City provided however the consent of the City shall not be unreasonably withheld, denied or delayed if the proposed assignee is either a wholly owned subsidiary of EPC or is an entity with the same or better financial condition as EPC and has at least the same amount of demonstrated experience in operation of an outlet mall of the same type and size as the Project and provided such approved assignee agrees in writing to assume all of the obligations and liabilities of EPC herein in a form reasonably approved by the City. It is understood that CBL & Associates Management, Inc. a Delaware limited partnership holds an option to cause one of its affiliates to become a significant owner in EPC. If such option is exercised, it will be deemed not to be a Controlling Ownership Interest Transfer.

8.3 Amendments. No modifications or amendments to this Agreement shall be valid unless in writing and signed by the signatories hereto or their heirs, successors and assigns.

8.4 Applicable Law. This Agreement is made subject to the provisions of the Charter and ordinances of the City, as amended as of the date hereof, and all applicable State and federal laws.

8.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to choice of law rules, and all obligations of the Parties created hereunder are performable in Webb County, Texas. Venue for any action arising under this Agreement shall lie in the state district court of Webb County, Texas. The Parties agree to submit to the personal and subject matter jurisdiction of said court.

8.6 Representations of the City.

(a) Authority to Sign and Perform Agreement. The City warrants and represents to EPC that the individual executing this Agreement on behalf of the City has full authority to execute this Agreement and bind City to the same and that the delivery and performance by the City of this Agreement is within the City's powers and has been duly authorized by all necessary action of the City.

(b) City Council Resolution. The City Council has authorized the City Manager to execute this Agreement on behalf of City by resolution of the City Council.

(c) 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 governing documents of the City or any provision of law, statute, rule or regulation to which the City to their knowledge 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.

(d) 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 to the 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, wherein 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.

(e) 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.

8.7 Representations of EPC.

(a) Organization. EPC is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Illinois. The business which EPC carries on and which it proposes to carry on will lawfully be conducted by the EPC. EPC is duly authorized to conduct business as a limited liability company in the State of Texas, and is in good standing under the laws of the State of Texas, and each other jurisdiction in which the nature of its properties or its activities requires such authorization.

(b) Authority to Sign and Perform Agreement. EPC warrants and represents to the City that the individual executing this Agreement on behalf EPC has full authority to execute this Agreement and bind EPC to the same and that the delivery and performance by EPC of this Agreement is within the EPC's powers and has been duly authorized by all necessary action of EPC.

(c) 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 EPC or any provision of law, statute, rule or regulation to which EPC is subject or any judgment, decree, license, order or permit applicable to EPC, 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 EPC pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which EPC is a party or, to the knowledge of EPC, by which EPC is bound, or to which EPC is subject.

(d) 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 of this Agreement or the consummation of the transactions contemplated hereby.

(e) No Pending Litigation. Except as has been disclosed to the City, there is no action, proceeding, inquiry or investigation, at law or in equity, before any court, arbitrator, governmental or other board or official, pending to the best knowledge of EPC threatened against or affecting EPC or any subsidiaries of EPC, questioning the validity or any action taken or to be taken by EPC in connection with the execution, delivery and performance by EPC of this Agreement or the

Project or seeking to prohibit, restrain or enjoin the execution, delivery or performance by EPC hereof, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of EPC to perform, its obligations under this Agreement or (ii) would have an adverse effect on the consolidated financial condition or results of operations of EPC or on the ability of EPC to conduct its business as presently conducted or as proposed or contemplated to be conducted (including the construction and operation of the Project).

(f) No Defaults. EPC 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 EPC is a party or by which EPC or any of its property is bound that would have any material adverse effect on EPC's ability to perform under this Agreement.

(g) Ownership of Property. EPC is the sole owner of the Property.

8.8 Legal Construction/Partial Invalidity of Agreement.

(a) The Recitals and Exhibits to this Agreement are incorporated herein and made a part of this Agreement.

(b) The headings to the sections of this Agreement are for informational purposes only and shall not alter the substance of the terms and conditions of this Agreement.

(c) In the event any section, subsection, paragraph, subparagraph, sentence, phrase, or word herein is held invalid, illegal, or unenforceable, the balance of this Agreement shall stand, shall be enforceable, and shall be read as if the Parties intended at all times to delete said invalid section, subsection, paragraph, subparagraph, sentence, phrase or word and substitute for such deleted provision, a provision as similar in terms and in effect to such deleted provision as may be valid, legal and enforceable.

8.9 Mutual Assistance. The Parties agree to take such actions, including the execution and delivery of such documents, instruments, petitions and certifications supplement hereto, as may be necessary or appropriate to carry out the terms, provisions and intent of this Agreement and which do not impair the rights of the signing Party as they exist under this Agreement, and to assist each other in carrying out said terms, provisions and intent.

8.10 Notice of Problems. Each Party will promptly give written notice to the other Party when it becomes aware of the occurrence or failure to occur, or the impending or threatened occurrence or failure to occur, of any fact or event that would cause or constitute, or would be likely to cause or constitute, (a) any of its representations or warranties contained in this Agreement being or becoming untrue or (b) its failure to perform any of its covenants contained in this Agreement. No such notice shall affect the representations or warranties, covenants or conditions of the Parties hereunder, or prevent any Party from relying on the representations or warranties contained herein.

8.11 Estoppel. The City shall, at any time upon reasonable written request by EPC, provide to any interested parties an estoppel certificate or other document evidencing whether this Agreement is in full force and effect, that no event of default by EPC exists hereunder (or, if appropriate, specifying the nature and duration of any existing event of default), the status of the payment of Phase Quarterly Installments and/or any other obligations set forth in this Agreement.

8.12 Independent Parties. Nothing herein shall be construed as creating a partnership or joint enterprise between the City and EPC. Furthermore, the Parties hereto acknowledge and agree that the doctrine of respondeat superior shall not apply between the City and EPC, nor between the City and any officer, director, member, agent, employee, contractor, subcontractor, licensee, or invitee of EPC.

8.13 Full Disclosure. The Parties hereby represent to each other that, to their respective knowledge, neither this Agreement nor any schedule or exhibit attached thereto 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.

8.14 Notice. All notices required to be given under this Agreement shall be in writing and shall be given by either Party or its counsel in person, via an express mail service, courier, or certified mail, return receipt requested, to the respective Parties at the below addresses (or at such other address as a Party may hereafter designate for itself by notice to the other Party as required hereby). All notices given pursuant to this paragraph shall be deemed effective, as applicable, on the date such notice is actually received. Any Party may change its address for notices under this Agreement by giving formal written notice to the other Parties, specifying that the purpose of the notice is to change the Party's address.

If to City:

City of Laredo
1110 Houston Street
Laredo TX 78040
Attn: City Manager
Phone: (956) 791-7302

With a copy to:

Mr. Raul Casso
City Attorney
1110 Houston Street
Laredo TX 78040
Phone: (956) 791-7319
rcasso@ci.laredo.tx.us

If to EPC: Mr. Gary J. Skoien
c/o The Horizon Group Properties Inc.
6250 N. River Road
Suite 10-400
Rosemont IL 60018
Phone: (847) 292-1872
gary.skoien@horizongroup.com

With a copy to:

Mr. William S. Dahlstrom
Jackson Walker, LLP
901 Main Street
Suite 6000
Dallas, Texas
Phone: (214) 953-5932
wdahlstrom@jw.com

8.15 Employment of Undocumented Workers. During the term of this Agreement, EPC agrees (i) not to knowingly employ any undocumented workers, and (ii) if convicted of a violation under 8 U.S.C. Section 1324a (f), EPC shall repay the amount of the Phase Quarterly Installments and any other funds received by EPC from the City as of the date of such violation within 120 days after the date EPC is notified by the City of such violation, plus interest at the rate of 6% compounded annually from the date of violation until paid.

8.16 No Political Advertising. To the extent allowed by law EPC agrees that it shall not allow any political advertising at the Project, will contractually obligate tenants to the same, and shall strictly enforce such contractual obligations.

8.17 Time of the Essence. Time is of the essence in the performance of this Agreement.

8.18 Effect. This Agreement shall become a binding obligation on the signatories upon execution by all signatories hereto.

8.19 Counterparts. This Agreement may be executed in counterparts. Each of the counterparts shall be deemed an original instrument, but all of the counterparts shall constitute one and the same instrument.

8.20 Survival of Covenants. Any of the representations, warranties, covenants, and obligations of the Parties, as well as any rights and benefits of the Parties, pertaining to a period of time following the termination of this Agreement shall survive termination.

8.21 Force Majeure. All obligations of EPC and the City shall be subject to events of "Force Majeure" which shall mean any contingency or cause beyond the reasonable control of a Party, as applicable, including, without limitations, acts of God or the public enemy, war, riot, civil commotion, insurrection, adverse weather, government or de facto governmental action or inaction (unless caused by negligence or omissions of such party), fires, explosions, floods, strikes, slowdowns or work stoppages, shortage of materials and labor, or any substantially similar events.

8.22 No Property Tax Abatement. No Municipal Management District Benefit: There shall be no property tax abatement included in this Agreement and no property tax abatement relating to the Project shall be proposed in the future by either the City or EPC. Neither EPC or the Project shall receive any further funding or other benefits from any Municipal Management District, now existing or hereafter created, and no such funding or benefits relating to EPC or the Project shall be proposed in the future by either the City or EPC. No other incentives including a Neighborhood Empowerment Zone shall be provided to EPC or the Property. EPC agrees to forgo any request for other economic development incentives or financial assistance from the City for the Project. This Section 8.22 shall not apply to any requests for substitute funding should this Agreement or any part hereof be found to be unenforceable.

8.23 Inspection of Books and Records. The EPC shall at all times keep complete and accurate books and records and accounts of transactions related to this Agreement, in accordance with Generally Accepted Accounting Principles, and permit any representative of the City designated in writing, at all reasonable times and with then (10) days prior notice, to examine and copy the books and records of the EPC pertaining to the operation of the Project and which relate to any of the terms or conditions of this Agreement at a location within the City.

[Signature Page to Follow]

EXECUTED the 2nd day of September, 2014, by the City and EPC, acting through their duly authorized officials.

ATTEST:

Gustavo Guevara, Jr.,
City Secretary

CITY OF LAREDO, TEXAS

By: Carlos R. Villarreal, City Manager

APPROVED AS TO FORM:

Raul Casso, City Attorney

EL PORTAL CENTER LLC,
a Texas limited liability company

By: Horizon El Portal LLC,
An Illinois limited liability company,
its managing member

By: Horizon Group Properties, L.P.,
a Delaware limited partnership,
its manager

By: Horizon Group Properties, Inc.,
a Maryland corporation,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

Date: ______________________

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

LEGAL DESCRIPTION

Tract I – All of Block 24, Western Division
Tract II – Lots 5, 6, 7, 8, 9, and 10, Block 276-A, Western Division
Tract III – Lots 1, 2, 3, 7, 8, 9, and 10, Block 23, Western Division
Tract IV – Lots 4, 5, 6, and 7, Block 281, Western Division, Save and Except the North 20 feet of said Lots 4 and 5
Tract V – All of Block 278-A, Western Division Save and Except the West 30 feet of said block
Tract VI – All of Block 277-A, Western Division
Tract VII – 30 feet wide lying between Blocks 277-A and 278-A, Western Division

Per the Original map of the City of Laredo, Webb County, Texas.

And

Situated in Webb County, Texas, and being a tract of land containing 6,666.60 sq. ft. (0.1530 of an acre)) being out of Davis Avenue right-of-way between the south right-of-way line of Zaragoza Street and the north right-of-way of Water Street, this tract of land bounded on the east by Block no 276A, Western Division, and on the west by Block No. 277A, Western Division, as recorded in Vol.7, page 15 of the Plat Records of Webb County, Texas (said former street having been closed by Ordinance No. 2004-0-341 dated December 20, 2004.

EXHIBIT "B"

OFF-SITE PARKING LOTS

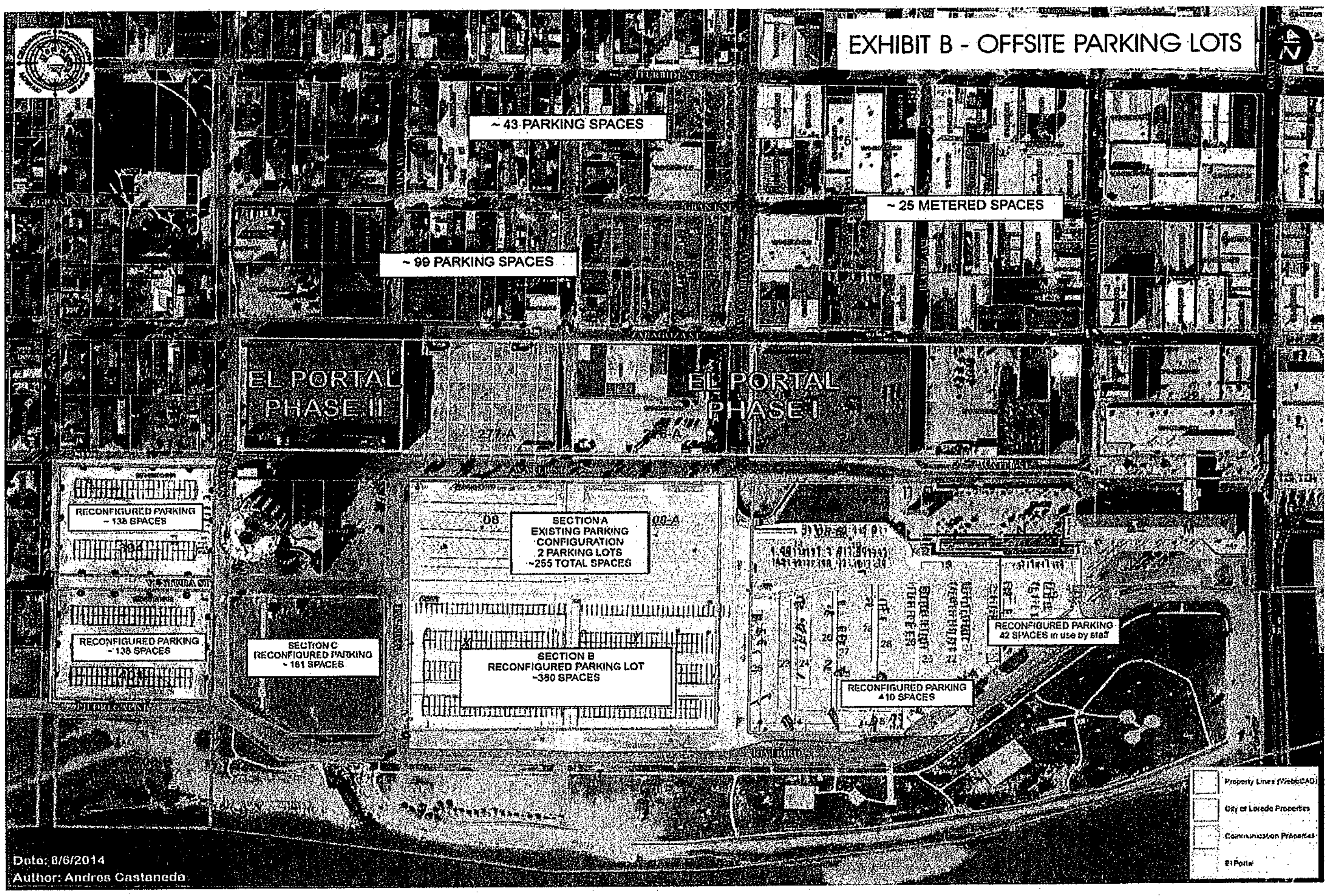

EXHIBIT "C"

SALINAS AVENUE IMPROVEMENTS