

NEW ISSUE - Book-Entry-Only

**RATINGS:**

Moody's: "Aaa"

S&P: "AAA"

Fitch: "AAA"

(See "BOND INSURANCE" and "OTHER INFORMATION - Ratings" herein)

*In the opinion of Montalvo & Ramirez, Bond Counsel, assuming continuing compliance by the County after the date of initial delivery of the Obligations (defined below) with certain covenants described in the Orders authorizing the issuance thereof and subject to the matters described herein under "TAX EXEMPTION", interest on the Obligations under existing statutes, regulations, rulings and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations (see "TAX EXEMPTION").*

\$38,770,000  
**HIDALGO COUNTY, TEXAS  
 CERTIFICATES OF OBLIGATION,  
 SERIES 2006**

and

\$2,180,000  
**HIDALGO COUNTY, TEXAS  
 LIMITED TAX REFUNDING BONDS,  
 SERIES 2006**

Due: August 15, as shown on inside cover

Dated: August 15, 2006

**AUTHORITY FOR ISSUANCE . . .** The \$38,770,000 "Hidalgo County, Texas Certificates of Obligation, Series 2006" (the "Certificates") are being issued pursuant to the laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971, Section 271.014 et seq.; Texas Local Government Code, as amended; Chapter 320, Texas Local Government Code, as amended; and pursuant to the provisions of the order authorizing the Certificates adopted by the Commissioners Court. The Certificates constitute direct obligations of Hidalgo County, Texas (the "County"), payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax levied against all taxable property within the County, within the limits prescribed by law and, solely for the purpose of selling the Certificates for cash, from not more than \$1,000 derived from surplus net revenues from the operation of the County's parks.

The \$2,180,000 "Hidalgo County, Texas Limited Tax Refunding Bonds, Series 2006" (the "Bonds" and collectively, with the Certificates, the "Obligations") are being issued pursuant to the laws of the State, including Chapter 1207, Texas Government Code, as amended and an order authorizing the Bonds adopted by the Commissioners Court. The Bonds constitute direct obligations of the County, payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax levied against all taxable property within the County, within the limits prescribed by law.

**PAYMENT TERMS . . .** Interest on the Obligations will accrue from the dated date as shown above and will be payable on February 15 and August 15 of each year, commencing February 15, 2007, and will be calculated on the basis of a 360-day year of 12-30 day months. The definitive Obligations are initially issuable only to Cede and Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of and interest on the Obligations will be payable by Texas State Bank, McAllen, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

**PURPOSES . . .** Proceeds from the sale of the Certificates will be used to pay contractual obligations for the purposes of acquiring rights-of-way, constructing improvements, acquiring equipment, and paying professional services for streets, roads, and highways and related drainage improvements; acquiring equipment and facilities for County justice, health, and education services; constructing parking facilities; renovating County buildings; constructing a sheriff's substation and other justice-related facilities and morgue facility; and the costs related to the issuance of the Obligations. See "THE OBLIGATIONS - Purpose of the Certificates" herein.

Proceeds from sale of the Bonds will be used to refund certain outstanding obligations of the County, as more particularly described in SCHEDULE 1 - Schedule of Refunded Notes (the "Refunded Notes") in order to achieve a debt service savings, and to pay costs related to the issuance of the Bonds.

**STATED MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS  
 (On Inside Cover)**



The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Obligations by MBIA Insurance Corporation (see "BOND INSURANCE").

**LEGALITY . . .** The Obligations are offered for delivery when, as, and if issued and received by the Underwriters, and subject to the approving opinion of the Attorney General of the State and the legal opinion of Montalvo & Ramirez, McAllen, Texas, Bond Counsel. See Appendix C - "Form of Bond Counsel Opinion" herein. Certain legal matters will be passed upon for the Underwriters by their co-counsel Winstead Sechrest & Minick P.C., San Antonio, Texas and The Perez Law Firm, PLLC, McAllen, Texas.

**DELIVERY . . .** It is expected that the Obligations will be tendered for delivery to the Underwriters through the services of DTC on or about October 5, 2006.

**JPMORGAN**

**A.G. EDWARDS & SONS, INC.**

**BANC OF AMERICA SECURITIES LLC**

**FIRST SOUTHWEST COMPANY**

**SOUTHWEST SECURITIES**

# ESTRADA - HINOJOSA

INVESTMENT BANKERS

September 29, 2006

To: All parties on attached distribution list

From: Wally Sevier, Estrada Hinojosa & Company, Inc.

## CLOSING MEMORANDUM

HIDALGO COUNTY, TEXAS

\$38,770,000

### CERTIFICATES OF OBLIGATION, SERIES 2006

Date of Closing:	Thursday, October 5, 2006
Time of Closing:	10:00 A.M. (CDT)
Location of Closing:	Ms. Yvonne Trevino Texas State Bank, Trust Division 3900 North 10 <sup>th</sup> Street, 3 <sup>rd</sup> Floor McAllen, Texas 78501 (956) 926-7557 voice (956) 632-7738 fax

#### A. RECEIPTS

##### 1. Bond Proceeds

JPMorgan, on behalf of itself, A.G. Edwards & Sons, Inc., Banc of America Securities LLC, First Southwest Company, and Southwest Securities (collectively the "Purchaser"), will pay Hidalgo County, Texas (the "Issuer") for its Certificates of Obligation, Series 2006 (the "Obligations") the amount of \$39,866,687.71, computed as follows:

Principal Amount of the Obligations	\$38,770,000.00
Plus: Accrued Interest	245,392.36
Plus: Net Premium	1,091,281.65
Less: Underwriters' Discount	<u>(239,986.30)</u>
<b>Total Paid by the Purchaser for the Obligations</b>	<b><u>\$39,866,687.71</u></b>

ESTRADA HINOJOSA & COMPANY, INC.

1717 Main Street  
47th Floor, Lockbox 47 ■ Dallas, Texas 75201  
(214) 658-1670 ■ (800) 676-5352 ■ Fax (214) 658-1671  
Member NASD/SIPC

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DALLAS HOUSTON MIAMI SAN ANTONIO SAN DIEGO

The amount of \$39,866,687.71, paid by the Purchaser will be wire-transferred in same day Federal Funds by 9:00 A.M. (CDT) to the following for disbursements as described herein:

Bank Name: Texas State Bank, McAllen, Texas (the "Paying Agent")  
ABA#: 114 909 013  
FFC: Texas State Bank Trust Checking Account #53066  
REF: Hidalgo County Certificates of Obligation, Series 2006  
Attention: Ms. Yvonne A. Trevino, (956) 926-7557

**B. DISBURSEMENTS**

The proceeds available, as described above, will be treated as follows:

**1. Insurance Premium**

The Paying Agent will wire-transfer \$146,300.00 to the following to pay the Insurance Premium for the Obligations:

Bank: JPMorgan Chase Bank  
ABA #: 021 000 021  
Account Name: MBIA Insurance Corporation  
Account #: 910-2-721728  
Ref: Hidalgo County Certificates of Obligation, Series 2006  
Policy No.: 48463  
Attn: Mr. Cliff Pritchard, (914) 765-3056

**2. The Paying Agent will wire-transfer \$39,250,000.00 to the Issuer's Project Fund as follows:**

Bank: First National Bank  
ABA #: 114921415  
Account #: 14009498  
Account Name: Hidalgo County Capital Projects Fund  
Attn: Roxanna De Leon



**3. The Paying Agent will wire-transfer \$245,392.36 to the Issuer's Interest and Sinking Fund as follows:**

Bank: First National Bank  
ABA #: 114921415  
Account #: 14009471  
Account Name: Hidalgo County Debt Service Fund  
Attn: Roxanna De Leon

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4. The Paying Agent will wire transfer \$224,495.35 to the following to pay certain cost of issuance expenses related to the sale of the Obligations to the following:

ABA#: 113-010-547  
Bank Name: Compass Bank  
Preston Road, Dallas, Texas  
Account #: 0070547120  
REF: Estrada Hinojosa & Company, Inc.

Estrada Hinojosa is requested and instructed to provide an accounting for all expenses associated with cost of issuance to the Issuer.

5. The Paying Agent will retain \$500.00 for paying agent fees.

The following is a summary of the disbursements:

Disbursements:

Insurance Premium	\$ 146,300.00
Deposit to Project Fund	39,250,000.00
Deposit to Interest and Sinking Fund (Accrued Interest)	245,392.36
Cost of Issuance (including Paying Agent and Escrow Agent Fees)	<u>224,995.35</u>
Total	<u>\$39,866,687.71</u>

If there are any questions regarding the above information, please call (214) 658-1670.

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