



Ford Motor Credit Company

1 American Road
P.O. Box 1739
Dearborn, Michigan 48121-1739

June 18, 2007

The Honorable Juan D. Salinas, County Judge
County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

Subject: Master Equipment Lease-Purchase Agreement - Lease No. 8636800

Dear Judge Salinas:

Enclosed are the subject documents for the Equipment being acquired from Philpott Motors. Please review the following documentation for accuracy:

- **Master Equipment Lease-Purchase Agreement - Please sign where indicated.**
- **Addendum** - Please sign where indicated.
- **Opinion of Counsel** - Please have your attorney sign where indicated.
- **Amendment** - Please sign where indicated. If not appropriate, line through the form and return unsigned.
- **Schedule 8636800, Page 1** - Please sign where indicated.
- **Delivery and Acceptance Certificate(s)** - Please sign and indicate the date the Equipment was accepted by you or your authorized representative.
- **Temporary Insurance Form** - Please complete and sign where indicated.
- **8038-G** - Please review and sign where indicated. On your behalf, we will forward the signed original form to the IRS.
- **Escrow Agreement and its attachments**
- Also, if you haven't already done so, please forward the original SIGNED Municipal Financing Application.

Please return **all signed original documents by 06/25/2007**, preferably to the express mail address below. If documents cannot be returned by this date, or if you have any questions, please call me at **1-800-241-4199, Ext. 171**, and refer to Schedule 8636800.

<u>Overnight/Express Delivery</u>	<u>U.S. Regular Mail</u>
Ford Motor Credit Company Commercial Lending - MD 7500 1 American Road, Suite 2277 Dearborn, MI 48126 ATTN: Carol Tom, Municipal Finance	Ford Motor Credit Company Commercial Lending - MD 7500 P. O. Box 1739, Suite 2277 Dearborn, MI 48121-1739 ATTN: Carol Tom, Municipal Finance

After the documents are signed for Ford Motor Credit Company, a set of copies will be sent to you.

Sincerely,

Janet Doty
Municipal Finance

Enclosures

PLEASE NOTE: The interest rate may be subject to a rate increase or require a rate extension fee if the documents are not returned by 08/31/2007.



FORD MOTOR CREDIT COMPANY
MASTER EQUIPMENT LEASE-PURCHASE AGREEMENT
Lease No. 8636800

Lessee: County of Hidalgo, Texas
100 East Cano
Edinburg, TX 78539

Lessor: Ford Motor Credit Company
P. O. Box 1739
Dearborn, MI 48121-1739

Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the equipment, including all modifications, alterations, additions, or improvements thereto (the "Equipment"), described in the Schedules (the "Schedules") hereto executed from time to time by Lessor and Lessee, in accordance with the following terms and conditions of this Master Equipment Lease-Purchase Agreement ("Master Agreement") and the applicable Schedule.

As provided in Section 17 hereof, Lessor may assign its rights and interests under and related to any one or more Schedules. If none of Lessor's interest in, to and under any Schedule has been assigned pursuant to Section 17 hereof, or if all of Lessor's interest in, to and under this Master Agreement and all Schedules have been assigned to the same assignee without any reassignment, the term "Lease" is used herein to mean this Master Agreement, including all Schedules. If Lessor's interest in, to and under any Schedule or Schedules has been assigned or reassigned pursuant to Section 17 hereof, the term "Lease" is used herein to mean all Schedules that have the same Lessor and this Master Agreement as it relates to those Schedules and the Equipment listed therein, and each Lease shall constitute a separate single lease relating to that Equipment.

1. TERM AND TERMINATION. (a) Lease Term. The lease term (the "Lease Term") for the Equipment listed in each Schedule will commence on the date that Equipment is accepted pursuant to Section 3 and, unless earlier terminated as expressly provided for in Paragraphs 6, 19 or 20 of this Master Agreement, will continue until the expiration date (the "Expiration Date") set forth in the applicable Schedule. The termination or expiration of the lease of any item of Equipment shall apply solely to that item of Equipment and will not result in the termination of this Master Agreement or the lease of any other item of Equipment, and the rights and obligations of Lessor and Lessee under this Master Agreement shall continue in full force and effect with respect to the remaining Equipment subject to this Master Agreement.

(b) Term of Master Agreement. The term of this Master Agreement shall commence on the date it is executed by Lessor and Lessee, and will continue until terminated by either Lessor or Lessee upon at least thirty days prior written notice of the effective date of such termination (the "Termination Date"); provided, however, that the terms and conditions of this Master Agreement shall continue in full force and effect and the obligations of Lessee hereunder and any Schedule(s) with respect to Equipment leased prior to the Termination Date shall remain in full force and effect until all such obligations have been fulfilled.

2. LEASE PAYMENTS. For the lease of the Equipment listed in each Schedule, Lessee shall pay to Lessor the lease payments and other charges (the "Lease Payments") set forth in the applicable Schedule and this Master Agreement. As set forth in the applicable Schedule, each Lease Payment includes a principal portion and an interest portion. The Lease Payments will be payable without notice or demand at the office of Lessor (or such other place as Lessor or its assignee may from time to time designate in writing) on the first Lease Payment Date and thereafter as set forth in the applicable Schedule. If any Lease Payment is received later than ten (10) days after the due date, Lessee will pay a late payment charge equal to 1.8% of the amount of the Lease Payment or the maximum amount permitted by law, whichever is less. Except as specifically provided in Section 6 hereof, the obligation of Lessee to make the Lease Payments hereunder and perform all of its other obligations hereunder will be absolute and unconditional in all events and will not be subject to any setoff, defense, counterclaim, or recoupment for any reason whatsoever including, without limitation, any failure of the Equipment to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Equipment or any accident, condemnation or unforeseen circumstances. Lessee reasonably believes that sufficient funds can be obtained to make all Lease Payments during the applicable Lease Term and hereby covenants that the official of Lessee responsible for budget preparation will do all things lawfully within his or her power to obtain, maintain and properly request and pursue funds from which the Lease Payments may be made, including making provisions for Lease Payments to the extent necessary in each budget submitted for the purpose of obtaining funding, using his or her best efforts to have such portion of the budget approved and exhausting all available administrative reviews and appeals in the event such portion of the budget is not approved. It is Lessee's intent to make Lease Payments for the full Lease Term if funds are legally available therefor and in that regard Lessee represents that the use of the Equipment is essential to its proper, efficient and economic operation. The foregoing provisions shall not be construed to require Lessee's governing body or other governmental body charged with budgeted or appropriating funds for Lessee to budget or appropriate funds to make Lease Payments. Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Payments hereunder and each Schedule hereto shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee.

3. DELIVERY AND ACCEPTANCE. Lessee will cause the Equipment to be delivered to Lessee at the location specified in the applicable Schedule ("Equipment Location"). Lessee will pay all transportation and other costs, if any, incurred in connection with the delivery and installation of the Equipment. Lessee will accept the Equipment as soon as it has been delivered and is operational. Lessee will evidence its acceptance of the Equipment by executing and delivering to Lessor a Delivery and Acceptance Certificate (in the form provided by Lessor) within three days of delivery of the Equipment.

4. WARRANTIES. (a) Assignment of Warranties. So long as no Event of Default has occurred and is continuing, Lessor assigns to Lessee during the Lease Term of the Equipment all manufacturer's warranties, if any, expressed or implied with respect to the Equipment, and Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties at Lessee's expense. Lessee will resolve any claims under such warranties directly with the appropriate manufacturer or vendor. Lessee's sole remedy for the breach of any warranty shall be against the party providing the warranty, and not against Lessor. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties whatsoever as to the existence or the availability of such warranties of the manufacturer or vendor of the Equipment.

(b) **DISCLAIMER OF WARRANTIES.** LESSEE ACKNOWLEDGES AND AGREES THAT THE EQUIPMENT IS OF A SIZE, DESIGN AND CAPACITY SELECTED BY LESSEE, THAT LESSOR IS NEITHER A MANUFACTURER NOR A VENDOR OF THE EQUIPMENT AND THAT LESSOR LEASES AND LESSEE TAKES THE EQUIPMENT AND EACH PART THEREOF "AS-IS" AND THAT LESSOR HAS NOT MADE, AND DOES NOT MAKE, ANY REPRESENTATION, WARRANTY, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, OPERATION, FITNESS FOR USE, OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT WHATSOEVER OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE, OR AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT OR ANY OTHER REPRESENTATION, WARRANTY, OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT THERETO, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY LESSEE AND LESSOR SHALL NOT BE OBLIGATED OR LIABLE FOR ACTUAL, INCIDENTAL, CONSEQUENTIAL, OR OTHER DAMAGES OF OR TO LESSEE OR ANY OTHER PERSON OR ENTITY ARISING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF THE EQUIPMENT AND THE MAINTENANCE THEREOF.

5. RETURN OF EQUIPMENT. Unless Lessee shall have exercised its purchase option as provided in Section 20 hereof, upon the expiration or earlier termination of the Lease Term of the Equipment pursuant to the terms hereof, Lessee shall, at its sole expense but at Lessor's option, return the Equipment to Lessor packed for shipment in accordance with manufacturer's specifications and freight prepaid and insured to any location within 200 miles of the Lessee.

6. NON-APPROPRIATION OF FUNDS. Notwithstanding anything contained in this Master Agreement or any Schedule to the contrary, in the event no funds or insufficient funds are appropriated and budgeted and sufficient funds are otherwise unavailable by any means whatsoever in any fiscal period for all Lease Payments under a Lease, Lessee will immediately notify Lessor in writing of such occurrence and the Lease Term for the Equipment under that Lease shall terminate on the last day of the fiscal period for which sufficient appropriations have been received or made without penalty or expense to Lessee, except as to Lessee's obligations and liabilities under this Master Agreement relating to, or accruing or arising prior to, such termination. In the event of such termination, Lessee agrees to peaceably surrender possession of the Equipment under that Lease to Lessor on the date of such termination in the manner set forth in Section 5 hereof and Lessor will have all legal and equitable rights and remedies to take possession of the Equipment. If the Lease Term for any Equipment is terminated in accordance with this Section, Lessee agrees, to the extent permitted by law, that Lessee will not expend funds for the purchase or use of equipment performing functions similar to those performed by the Equipment which has been terminated for a period of 90 days following the termination of the Lease Term; provided this restriction shall not be applicable in the event that the Equipment is sold, released or otherwise disposed of by Lessor and the amount received from such disposition, less all costs of such sale or disposition, is sufficient to pay all then applicable Concluding Payments (as defined in the Schedules) or to the extent that the application of these restrictions is unlawful and would affect the validity of a Lease or this Master Agreement. This Section shall remain in full force and effect notwithstanding the termination of this Master Agreement or any Lease Term.

7. REPRESENTATIONS, COVENANTS AND WARRANTIES. Lessee represents, covenants and warrants as of the date hereof and at all times during the Master Agreement Term that: (a) Lessee is a State or a fully constituted political subdivision of a State, and has a substantial amount of one or more of the following sovereign powers: (1) power to tax, (2) power of eminent domain, or (3) police power, and will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and this Master Agreement; (b) the execution, delivery and performance by the Lessee of this Master Agreement and all documents executed in connection herewith, including, without limitation, all Schedules hereto and the Delivery and Acceptance Certificates referred to in Section 3 hereof (this Master Agreement together with all such documents shall be collectively referred to herein as the "Lease Documents") have been duly authorized by all necessary action on the part of the Lessee; (c) the Lease Documents each constitute a legal, valid and binding obligation of the Lessee enforceable in accordance with their respective terms; (d) all required public bidding procedures regarding the award of the Master Agreement and the purchase of the Equipment have been followed by Lessee, and no governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of the Lease Documents; (e) Lessee has sufficient appropriations or other funds available to pay all Lease Payments and other amounts due hereunder for the current fiscal period; (f) the use of the Equipment by Lessee is essential to and will be limited to the performance by Lessee of one or more governmental functions of Lessee consistent with the permissible scope of Lessee's authority; and (g) no portion of the Equipment will be used directly or indirectly in any trade or business carried on by any person other than Lessee. At the request of Lessor, Lessee shall deliver to Lessor an opinion of Lessee's counsel in form and substance as set forth in the form of opinion of counsel attached hereto or otherwise acceptable to Lessor, dated the date of acceptance of the Equipment pursuant to Section 3 hereof. In the event that a question arises as to Lessee's qualification as a political subdivision, Lessee agrees to cooperate with Lessor to make application to the Internal Revenue Service for a letter ruling with respect to the issue.

8. TITLE TO EQUIPMENT; SECURITY INTEREST. Upon acceptance of the Equipment by Lessee hereunder, title to the Equipment will vest in Lessee subject to Lessor's rights under this Master Agreement; provided, however, that title will immediately vest in Lessor without any action by Lessee and Lessee shall immediately surrender possession of the Equipment to Lessor in accordance with Section 5 hereof, if Lessee terminates the Lease Term of the Equipment pursuant to Section 6, or upon the occurrence of an Event of Default, or if Lessee does not exercise the purchase option prior to the Expiration Date. In order to secure all of its obligations hereunder, Lessee hereby (a) grants to Lessor a first and prior security interest in any and all right, title and interest of Lessee in the Equipment including but not limited to computer programs and computer documentation, if any, relating to the Equipment and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (b) agrees that this Master Agreement may be filed as a financing statement evidencing such security interest, (c) agrees to execute and deliver all financing statements, certificates of title and other instruments in form satisfactory to Lessor necessary or appropriate to evidence such security interest, and (d) authorizes Lessor acting on behalf of Lessee to execute and file any financing statements and to take any other action required to perfect Lessor's security interest in the Equipment.

9. USE; REPAIRS. Lessee will use the Equipment in a careful manner for the use contemplated by the manufacturer of the Equipment. Lessee shall comply with all laws, ordinances, insurance policies and regulations relating to the possession, use, operation or maintenance of the Equipment. Lessee, at its expense, will keep the Equipment in good working order and repair and furnish all parts, mechanisms and devices required therefor.

10. ALTERATIONS. Lessee will not make any modifications, alterations, additions or improvements to the Equipment without Lessor's prior written consent unless such alterations, additions or improvements may be readily removed without damage to the Equipment.

11. LOCATION; INSPECTION. The Equipment will not be removed from or, if the Equipment consists of rolling stock, its permanent base will not be changed from the Equipment Location without Lessor's prior written consent which will not be unreasonably withheld. Lessor will be entitled to enter upon the Equipment Location or elsewhere during reasonable business hours to inspect the Equipment or observe its use and operation.

12. LIENS AND TAXES. Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances except those created under this Master Agreement. Lessee shall pay, when due, to the extent required by law, all charges and taxes (local, state and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Equipment, excluding however, all taxes on or measured by Lessor's income. If Lessee fails to pay said charges, or taxes when due, Lessor may, but need not, pay said charges or taxes and, in such event, Lessee shall reimburse Lessor therefor on demand, with interest at the maximum rate permitted by law from the date of such payment by Lessor to the date of reimbursement by Lessee.

13. RISK OF LOSS; DAMAGE; DESTRUCTION. Lessee assumes all risk of loss of or damage to the Equipment from any cause whatsoever, and no such loss of or damage to the Equipment nor defect therein nor unfitness or obsolescence thereof shall relieve Lessee of the obligation to make Lease Payments or to perform any other obligation under this Master Agreement. In the event of damage to any item of Equipment, Lessee will immediately place the same in good repair, with the proceeds of any insurance recovery applied to the cost of such repair. If Lessor determines that any item of Equipment is lost, stolen, destroyed or damaged beyond repair, within 30 days of such determination, Lessee, at the option of Lessor, will either (a) replace the same with like equipment in good repair, or (b) pay Lessor an amount equal to (1) the Concluding Payment for the immediately preceding Lease Payment Date as set forth in the applicable Schedule, (2) the accrued interest portion of the next Lease Payment through the date such amount is paid, and (3) all other amounts then due under this Master Agreement with respect to such Equipment. In the event that Lessee is obligated to make such payment pursuant to subparagraph (b) above with respect to less than all of the Equipment, Lessor will provide Lessee with the pro rata amount of the Concluding Payment to be made by Lessee with respect to the Equipment which has suffered the event of loss.

14. PERSONAL PROPERTY. The Equipment is and will remain personal property and will not be deemed to be affixed or attached to real estate or any building thereon. If requested by Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the Equipment from any party having an interest in any such real estate or building.

15. INSURANCE. Lessee, will, at its expense, maintain at all times during the Lease Term, fire and extended coverage, public liability and property damage insurance with respect to the Equipment in such amounts, covering such risks, and with such insurers satisfactory to Lessor, or may self-insure against any or all such risks under a self-insurance program satisfactory to Lessor. In no event will the insurance limits be less than the amount of the then applicable Concluding Payment with respect to such Equipment. Each insurance policy will name Lessee as an insured and Lessor as an additional insured, and will contain a clause requiring the insurer to give Lessor at least thirty (30) days prior written notice of any alteration in the terms of such policy or the cancellation thereof. The proceeds of any such policies or self-insurance will be payable to Lessee and Lessor as their interests may appear. Upon acceptance of the Equipment and upon each insurance renewal date, Lessee will deliver to Lessor a certificate evidencing such insurance. In the event that Lessee has been permitted to self-insure, Lessee will furnish Lessor with a letter or certificate to such effect. In the event of any loss, damage, injury or accident involving the Equipment, Lessee will promptly provide Lessor with written notice thereof and make available to Lessor all information and documentation relating thereto and shall permit Lessor to participate and cooperate with Lessee in making any claim for insurance in respect thereof.

16. INDEMNIFICATION. Since Lessor's sole responsibility in connection with this transaction is to provide an amount equal to the principal portion of the Lease Payments to pay costs of the acquisition and lease of the Equipment, the parties intend that Lessor incur no liability, cost or expense with respect to Lessee's possession, use or operation of the Equipment. Accordingly, Lessee agrees, to the extent permitted by law, to indemnify Lessor against, and hold Lessor harmless from, any and all claims, actions, proceedings, expenses, damages or liabilities, including attorney's fees and court costs, arising in connection with the Equipment, including, but not limited to, its selection, purchase, delivery, installation, possession, use, operation, rejection, or return and the recovery of claims under insurance policies thereon. The indemnification provided under this Section shall survive the full payment of all obligations under this Master Agreement or the termination of the Lease Term for any reason.

17. ASSIGNMENT. Without Lessor's prior written consent, Lessee will not either (a) assign, transfer, pledge, hypothecate, grant any security interest in or otherwise dispose of this Master Agreement or the Equipment or any interest in this Master Agreement or the Equipment or (b) sublet or lend the Equipment or permit it to be used by anyone other than Lessee or Lessee's employees. Lessor may assign its rights, title and interest in and to this Master Agreement, the Equipment and any documents executed with respect to this Master Agreement and/or grant or assign a security interest in this Master Agreement and the Equipment, in whole or in part (including without limitations the rights and interests of Lessor under and related to any Schedule and the Equipment thereunder), and Lessee's rights will be subordinated thereto. Any such assignees shall have all of the rights of Lessor under this Master Agreement with respect to the rights and interest assigned. Subject to the foregoing, this Master Agreement inures to the benefit of and is binding upon the successors and assigns of the parties hereto. Lessee covenants and agrees not to assert against the assignee any claims or defenses by way of abatement, setoff, counterclaim, recoupment or the like which Lessee may have against Lessor. Upon assignment of Lessor's interests herein, Lessor will cause written notice of such assignment to be sent to Lessee which will be sufficient if it discloses the name of the assignee and address to which further payments hereunder should be made. No further action will be required by Lessor or by Lessee to evidence the assignment, but Lessee will acknowledge such assignments in writing if so requested. Lessee shall retain all notices of assignment and maintain a book-entry record (as referred to in Section 21) which identifies each owner of Lessor's interest in the Master Agreement. Upon Lessee's receipt of written notice of Lessor's assignment of all or any part of its interest in the Master Agreement, the term "Lessor," when used herein with respect to any rights assigned, shall mean the assignee to whom those rights are assigned and Lessee agrees to attorn to and recognize any such assignee as the owner of Lessor's interest in this Master Agreement, and Lessee shall thereafter make such payments, including without limitation such Lease Payments, as are indicated in the notice of assignment, to such assignee.

18. EVENT OF DEFAULT. The term "Event of Default," as used herein, means the occurrence of any one or more of the following events: (a) Lessee fails to make any Lease Payment (or any other payment) as it becomes due in accordance with the terms of this Master Agreement, and any such failure continues for ten (10) days after the due date thereof; (b) Lessee fails to perform or observe any other covenant, condition, or agreement to be performed or observed by it hereunder and such failure is not cured within thirty (30) days after written notice thereof by Lessor; (c) the discovery by Lessor that any statement, representation, or warranty made by Lessee in this Master Agreement or in any writing ever delivered by Lessee pursuant hereto or in connection herewith was false, misleading, or erroneous in any material respect; (d) Lessee becomes insolvent, or is unable to pay its debts as they become due, or makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or liquidator of Lessee or of any of its assets, or a petition

for relief is filed by Lessee under any bankruptcy, insolvency, reorganization or similar laws, or a petition in, or a proceeding under, any bankruptcy, insolvency, reorganization or similar laws is filed or instituted against Lessee and is not dismissed or fully stayed within thirty (30) days after the filing or institution thereof; (e) Lessee fails to make any payment when due or fails to perform or observe any covenant, condition, or agreement to be performed by it under any other agreement or obligation with Lessor or an affiliate of Lessor and any applicable grace period or notice with respect thereto shall have elapsed or been given; or (f) an attachment, levy or execution is threatened or levied upon or against the Equipment.

19. REMEDIES. Upon the occurrence of an Event of Default under any Lease, and as long as such Event of Default under any Lease is continuing, Lessor may, at its option, exercise any one or more of the following remedies: (a) by written notice to Lessee, declare an amount equal to all amounts then due under that Lease, and all remaining Lease Payments due under that Lease during the fiscal year of Lessee in which the default occurs to be immediately due and payable, whereupon the same shall become immediately due and payable; (b) by written notice to Lessee, request Lessee to (and Lessee agrees that it will), at Lessee's expense, promptly return the Equipment under that Lease to Lessor in the manner set forth in Section 5 hereof, or Lessor, at its option, may enter upon the premises where the Equipment under that Lease is located and take immediate possession of and remove the same; (c) sell or lease the Equipment under that Lease or sublease it for the account of Lessee, holding Lessee liable for all Lease Payments and other payments due to the effective date of such selling, leasing or subleasing and for the difference between the amounts otherwise payable by Lessee under that Lease and the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease; and (d) exercise any other right, remedy or privilege which may be available to it under applicable laws of the state where the Equipment is then located or any other applicable law or proceed by appropriate court action to enforce the terms of that Lease or to recover damages for the breach of that Lease or to rescind that Lease as to any or all of the Equipment under that Lease. In addition, Lessee will remain liable for all covenants and indemnities under this Master Agreement and, to the extent permitted by law, for all legal fees and other costs and expenses, including court costs, incurred by Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor.

20. PURCHASE OPTION. Upon at least thirty (30) days prior written notice from Lessee to Lessor, and provided that no Event of Default has occurred and is continuing, Lessee will have the right to purchase the Equipment under any Schedule at a purchase price equal to the sum of (a) the Concluding Payment for the immediately preceding Lease Payment date as set forth in the applicable Schedule, (b) the accrued interest portion of the next Lease Payment through the date the purchase price is paid, and (c) any other amounts then due under this Master Agreement. Upon satisfaction by Lessee of such purchase conditions, Lessor will transfer any and all of its right, title and interest in the Equipment to Lessee as is, without warranty, express or implied, except Lessor will warrant that the Equipment is free and clear of any liens created by Lessor.

21. TAX COVENANTS; INDEMNITY. (a) Tax Assumptions and Covenants. The parties assume that, and Lessor is entering into this Master Lease with the expectation that, Lessor can exclude from Federal gross income the interest portion of each Lease Payment set forth in the Schedule under the column captioned "Interest Portion." Lessee covenants that it will (a) execute the appropriate Form 8038 for each Schedule prepared on behalf of Lessee by Lessor, who will register this Master Agreement and transfers thereof in accordance with section 149(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, (b) not permit the property financed by this Master Agreement to be directly or indirectly used for a private business use within the meaning of section 141 of the Code, (c) not take any action which results, directly or indirectly, in the interest portion of any Lease Payment not being excludable from Federal gross income pursuant to section 103 of the Code and will take any reasonable action necessary to prevent such result, and (d) not take any action which results in this Master Agreement becoming, and will take any reasonable action to prevent this Master Agreement from becoming an arbitrage obligation within the meaning of section 148 of the Code or federally guaranteed within the meaning of section 149 of the Code.

(b) Tax Indemnity. In the event that Lessor either (a) receives notice from the Internal Revenue Service, or (b) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and not reasonably objected to by Lessee within ten (10) days after notice from Lessor of the selection, that the interest portion of any of the Lease Payments set forth in the Schedules is includable in Lessor's gross income for Federal income tax purposes, then Lessee will pay Lessor within 30 days after receiving notice from Lessor of such determination, the amount which, with respect to such Lease Payments previously paid, will restore the after-tax yield (after taking into account all taxes, interest and penalties) on the transactions evidenced by this Master Agreement to that which would have been had such interest portion not been includable in Lessor's gross income for Federal income tax purposes, and pay as an additional Lease Payment on succeeding Lease Payment due dates such amount as will maintain such after-tax yield. Notwithstanding the earlier termination or expiration of this Master Agreement or Lease Term of the Equipment, the obligations provided for in this Section 21 shall survive such earlier termination or expiration.

22. MISCELLANEOUS. (a) Notices. All notices to be given under this Master Agreement shall be made in writing and mailed by certified mail, return receipt requested, to the other party at its address set forth herein or at such address as the party may provide in writing from time to time. Any such notice shall be deemed to have been received five days subsequent to mailing.

(b) Section Headings. All section headings contained herein are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Master Agreement.

(c) Governing Law. This Master Agreement shall be construed in accordance with, and governed by, the laws of the state of the Equipment Location.

(d) Delivery of Related Documents. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transaction contemplated by this Master Agreement.

(e) Entire Agreement. The Lease Documents constitute the entire agreement between the parties with respect to the lease of the Equipment, and this Master Agreement shall not be modified, amended, altered, or changed except with the written consent of Lessee and Lessor. Any provision of this Master Agreement found to be prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remainder of this Master Agreement. The waiver by Lessor of any breach by Lessee of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach thereof.

(f) Interest Rate Limitations. It is the intention of the parties hereto to comply with any applicable usury and other interest rate limitation laws; accordingly, notwithstanding any provisions to the contrary in this Master Agreement, in no event shall this Master Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

(g) Counterparts. This Master Agreement or any Schedule may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument and either of the parties hereto may execute this Master Agreement or any Schedule by signing any counterpart, except that to the extent that this Master Agreement or any Schedule constitutes chattel paper, no security interest therein may be perfected through possession except by possession of Counterpart No. 1 of a Schedule with respect to that Schedule and the Master Agreement as it relates to that Schedule.

IN WITNESS WHEREOF, the parties have executed this Master Agreement as of 06/18/2007.

Lessee: **County of Hidalgo, Texas**

Lessor: **Ford Motor Credit Company**

By: _____
Juan D. Salinas

By: _____
Frank Mastrella

Title: **County Judge**

Title: **Operations Manager, Municipal Finance**

OPINION OF COUNSEL

With respect to that certain Master Equipment Lease-Purchase Agreement 8636800 dated 06/18/2007 by and between Ford Motor Credit Company (Lessor) and County of Hidalgo, Texas (Lessee) as Supplemented by Schedule 8636800 thereto (the "Master Agreement"), I am of the opinion that:

- (1) Lessee is a political subdivision of the State, and has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and (c) police power;
- (2) Lessee has the requisite power and authority to purchase the Equipment (as defined in the Master Agreement) and to execute and deliver the Master Agreement and to perform its obligations under the Master Agreement;
- (3) the execution, delivery and performance by Lessee of the Master Agreement have been duly authorized by all necessary action on the part of Lessee;
- (4) the Uniform Commercial Code of the state where the Equipment is located and/or the certificate of title laws of such state will govern the method of perfecting Lessor's security interest in the Equipment;
- (5) the Master Agreement has been duly executed and delivered by Lessee and constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms;
- (6) there are no suits, proceedings or investigations pending or, to my knowledge, threatened against or affecting Lessee, at law or in equity, or before or by any governmental or administrative agency or instrumentality which, if adversely determined, would have a material adverse effect on the transaction contemplated in the Master Agreement or the ability of Lessee to perform its obligations under the Master Agreement and Lessee is not in default under any material obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement which either individually or in the aggregate would have the same such effect; and
- (7) all required public bidding procedures regarding the award of the Master Agreement and the purchase of the Equipment have been followed by Lessee and no governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of the Master Agreement.

Attorney for Lessee
Stephen L. Crain

ADDENDUM TO MASTER EQUIPMENT LEASE-PURCHASE AGREEMENT

Lease No. 8636800

Texas

THIS **ADDENDUM**, which is entered into as of 06/18/2007 between Ford Motor Credit Company ("Lessor") and County of Hidalgo, Texas ("Lessee"), is intended to modify and supplement the Master Equipment Lease-Purchase Agreement between Lessor and Lessee of even date herewith (the "Master Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Agreement.

1. **Section 2. LEASE PAYMENTS.** Section 2 is amended in its entirety to state as follows:

For the lease of the Equipment listed in each Schedule, Lessee shall pay to Lessor the lease payments and other charges (the "Lease Payments") set forth in the applicable Schedule and this Master Agreement. As set forth in the applicable Schedule, each Lease Payment includes a principal portion and an interest portion. The Lease Payments will be payable without notice or demand at the office of Lessor (or such other place as Lessor or its assignee may from time to time designate in writing) on the first Lease Payment Date and thereafter as set forth in the applicable Schedule. If any Lease Payment is received later than ten (10) days after the due date, Lessee will pay a late payment charge equal to 1.8% of the amount of the Lease Payment or the maximum amount permitted by law, whichever is less. Except as specifically provided in Section 6 hereof, the obligation of Lessee to make the Lease Payments hereunder and perform all of its other obligations hereunder will be absolute and unconditional in all events and will not be subject to any setoff, defense, counterclaim, or recoupment for any reason whatsoever including, without limitation, any failure of the Equipment to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Equipment or any accident, condemnation or unforeseen circumstances. Lessee reasonably believes that sufficient funds can be obtained to make all Lease Payments during the applicable Lease Term. It is Lessee's intent to make Lease Payments for the full Lease Term if funds are legally available therefor and in that regard Lessee represents that the use of the Equipment is essential to its proper, efficient and economic operation. The foregoing provisions shall not be construed to require Lessee's governing body or other governmental body charged with budgeted or appropriating funds for Lessee to budget or appropriate funds to make Lease Payments. Lessor and Lessee understand and intend that the obligation of Lessee to pay Lease Payments hereunder and each Schedule hereto shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee.

As modified hereby, this Master Agreement is and shall remain in full force and effect and, except as modified hereby, the rights and obligations of the parties thereunder are not modified or affected in any way.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed in their names by their duly authorized representatives as of the date first above written.

Lessee: **County of Hidalgo, Texas**

Lessor: **Ford Motor Credit Company**

By: _____
Juan D. Salinas

By: _____
Frank Mastrella

Title: **County Judge**

Title: **Operations Manager, Municipal Finance**

SCHEDULE 8636800 - MASTER EQUIPMENT LEASE-PURCHASE AGREEMENT

Lease No. 8636800

AMENDMENT

That certain Master Equipment Lease-Purchase Agreement, by and between Ford Motor Credit Company ("Lessor") and County of Hidalgo, Texas ("Lessee"), dated as of 06/18/2007 (the "Lease") is hereby amended as follows:

Lessee has not issued, and reasonably anticipates that it and its subordinate entities will not issue, tax-exempt obligations (including this Lease) in the amount of more than \$10,000,000 during the current calendar year; hereby designates this Lease as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, ("Code"); and agrees that it and its subordinate entities will not designate more than \$10,000,000 of their obligations as "qualified tax-exempt obligations" during the current calendar year.

Except as amended hereby, the Lease shall otherwise remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the 18th day of June, 2007.

LESSEE: County of Hidalgo, Texas

LESSOR: Ford Motor Credit Company

By: _____
Juan D. Salinas
Title: County Judge

By: _____
Frank Mastrella
Title: Operations Manager, Municipal Finance

SCHEDULE 8636800 - MASTER EQUIPMENT LEASE-PURCHASE AGREEMENT

Lease No. 8636800

This Equipment Schedule dated as of 06/18/2007, is being executed by Ford Motor Credit Company ("Lessor"), and County of Hidalgo, Texas ("Lessee"), as a supplement to, and is hereby made a part of that certain Master Equipment Lease-Purchase Agreement dated as of 06/18/2007 ("Lease"), between Lessor and Lessee.

Lessor hereby leases to Lessee under and pursuant to the Lease, and Lessee hereby accepts and leases from Lessor under and pursuant to the Lease, subject to and upon the terms and conditions set forth in the Lease and upon the terms set forth below, and following items of Equipment:

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
1	2007 Ford F650 Extended Cab #3FRNX65F87V516046	Philpott Motors
60	2008 Ford Expeditions	
1	Buyboard Fee	
EQUIPMENT LOCATION: County of Hidalgo, Texas Sheriff's Office 100 East Cano Edinburg, TX 78539		

Initial Term: 36 Months Commencement Date: 06/18/2007

Periodic Rent: 2 Consecutive Annual in Arrear Payments of \$710,842.91 each (including interest), followed by one final payment of \$710,843.83, due under this Lease. The Periodic Rent Payment also includes any applicable sales/use tax due and payable on the Lease Payment Dates, set forth in Schedule 8636800, Page 2.

EXECUTED as of the date first herein set forth.

LESSEE: County of Hidalgo, Texas

LESSOR: Ford Motor Credit Company

By: _____
Juan D. Salinas
Title: County Judge

By: _____
Frank Mastrella
Title: Operations Manager, Municipal Finance

Counterpart No. 1 of 1 manually executed and serially numbered counterparts. To the extent this Schedule constitutes chattel paper, no security interest herein may be perfected through the possession of any counterpart other than Counterpart No. 1.

Hidalgo County

Nominal Annual Rate : 5.400 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	06/18/2007	1,921,384.00	1		
2 Payment	06/18/2008	710,842.91	1		
3 Payment	06/18/2009	710,842.91	1		
4 Payment	06/18/2010	710,843.83	1		

AMORTIZATION SCHEDULE - U.S. Rule (no compounding), 360 Day Year

Date	Payment	Interest	Principal	Balance
Loan 06/18/2007				1,921,384.00
1 06/18/2008	710,842.91	103,754.74	607,088.17	1,314,295.83
2 06/18/2009	710,842.91	70,971.97	639,870.94	674,424.89
3 06/18/2010	710,843.83	36,418.94	674,424.89	0.00
Grand Totals	2,132,529.65	211,145.65	1,921,384.00	

(Rev. May 1999) Department of the Treasury Internal Revenue Service

Caution: Use Form 8038-GC if the issue price is under \$100,000.

Part I Reporting Authority

If Amended Return, check here

1 Issuer's name: County of Hidalgo, Texas; 2 Issuer's employer identification: 74-6000717; 3 Number and street: 100 East Cano; 4 Report number: G2007-8636800; 5 City, town, or post office, state, and ZIP code: Edinburg, TX 78539; 6 Date of Issue: 06/18/2007; 7 Name of issue; 8 CUSIP number: NONE; 9 Name title of officer or legal representative whom the IRS may call for more information: Stephen L. Crain; 10 Telephone number of officer or legal representative

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 Education; 12 Health and hospital; 13 Transportation; 14 Public safety (checked) 1,921,384.00; 15 Environment; 16 Housing; 17 Utilities; 18 Other; 19 If obligations are TANs or RANs, check box; 20 If obligations are in the form of a lease or installment sale, check box (checked)

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

Table with 5 columns: (a) Final maturity date, (b) Issue price, (c) Stated redemption price at maturity, (d) Weighted average maturity, (e) Yield. Row 21: 06/18/2010, \$ 1,921,384.00, \$ N/A, 3 years, 5.4%

Part IV Uses of Proceeds of Bonds Issue (including underwriters' discount)

N/A

22 Proceeds used for accrued interest; 23 Issue Price of entire issue; 24 Proceeds used for bond issuance costs; 25 Proceeds used for credit enhancement; 26 Proceeds allocated to reasonably require reserve or replacement fund; 27 Proceeds used to currently refund prior issues; 28 Proceeds used to advance refund prior issues; 29 Total; 30 Nonrefunding proceeds of the issue

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

N/A

31 Enter the remaining weighted average maturity of the bonds to be currently refunded; 32 Enter the remaining weighted average maturity of the bonds to be advanced refunded; 33 Enter the last date on which the refunded bonds will called; 34 Enter the dates(s) the refunded bonds were issued

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141 (b)(5); 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract; b Enter the final maturity date of the guaranteed investment contract; 37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units; b If this issue is a loan made from the proceeds of another tax-exempt issue, check box; 38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box; 39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box; 40 If the issuer has identified a hedge, check box

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge And belief, they are true, correct, and complete.

Please Sign Here

Issuer's authorized representative, Date, Juan D. Salinas, County Judge, Type or print name and title

INSURANCE FACT SHEET

We require a Certificate of Insurance or Declaration Page shown in the name of the Municipality listed below. If more than one insurance company is used, indicate each and for what type coverage. Per the Master Equipment Lease-Purchase Agreement, Lease No. 8636800, we require Liability and Physical Damage on all vehicles, Liability and Property Damage on all other Equipment and FORD MOTOR CREDIT COMPANY named as Loss Payee and Additional Insured. **RETURN TO: Ford Motor Credit Company, Municipal Finance, PO Box 1739 - MD 7500, Dearborn, MI 48121-1739.**

SCHEDULE NO: 8636800

PLEASE NOTE: FORD MOTOR CREDIT COMPANY REQUIRES A MINIMUM OF \$1,000,000 PUBLIC LIABILITY COVERAGE; OR THE STATE MAXIMUM (IF LOWER) IS REQUIRED

MUNI: County of Hidalgo, Texas
ADDRESS: Sheriff's Office
100 East Cano
CITY: Edinburg, TX 78539

CONTACT: Ray Eufrazio, Accts. Payable 318-2511 PHONE: (956) 292-7000

EQUIP DESC: (1) 2007 Ford F650 Extended Cab #3FRNX65F87V516046, (60) 2008 Ford Expeditions and Buyboard Fee

INSURANCE COMPANY: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

PHONE: _____ CONTACT PERSON: _____

POLICY NO: _____ EXPIRATION DATE: _____

LIABILITY AMT: _____ **PROPERTY DAMAGE AMT:** _____

PHYSICAL DAMAGE AMT: COMPREHENSIVE DEDUCTIBLE: _____
COLLISION DEDUCTIBLE: _____

INSURANCE COMPANY: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

PHONE: _____ CONTACT PERSON: _____

POLICY NO: _____ EXPIRATION DATE: _____

LIABILITY AMT: _____ **PROPERTY DAMAGE AMT:** _____

PHYSICAL DAMAGE AMT: COMPREHENSIVE DEDUCTIBLE: _____
COLLISION DEDUCTIBLE: _____

SELF-INSURED:

IF YOU ARE SELF-INSURED FOR ANY COVERAGE, PLEASE PROVIDE THE NAME OF YOUR INSURANCE POOL/FUND.

NAME OF INSURANCE POOL/FUND: _____

SELF-INSURED FOR: LIABILITY: \$ _____ PROPERTY: \$ _____ PHYSICAL: \$ _____

CONTINUOUS COVERAGE: FROM: _____ TO: _____

PLEASE SIGN: _____

Juan D. Salinas, County Judge

ESCROW AGREEMENT

This Escrow Agreement (the "Escrow Agreement"), dated as of June 18, 2007 and entered into among Ford Motor Credit Company ("Lessor"), County of Hidalgo, Texas ("Lessee") and KeyBank National Association (the "Escrow Agent").

RECITALS:

- A. Lessor and Lessee are parties to a Master Tax-Exempt Lease/ Purchase Agreement, dated as of June 18, 2007 and Schedule No. 86368-00 thereunder, dated as of June 18, 2007 (the "Lease") whereunder Lessee is acquiring from Lessor certain personal property more particularly described therein (the "Property").
- B. Lessor and Lessee intend to cause or have caused certain funds to be deposited with Escrow Agent to pay for costs of the Property, and Escrow Agent has agreed to disburse said funds in accordance with the terms and conditions of this Agreement.
- C. Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize the execution of this Agreement by the officers whose signatures are hereto.

NOW, THEREFORE, the parties agree as follows:

1. Appointment of Escrow Agent. Lessor, Lessee and Escrow Agent agree that Escrow Agent shall act as sole Escrow Agent under the Lease and this Escrow Agreement, in accordance with the terms and conditions set forth in this Escrow Agreement. The Escrow Agent, in its capacity as escrow agent hereunder, shall not be deemed to be a party to the Lease, and this Escrow Agreement shall be deemed to constitute the entire agreement regarding the Acquisition Fund (as hereinafter defined) among Lessor, Lessee and Escrow Agent.
2. Acquisition Fund. There is hereby established in the custody of Escrow Agent a special trust fund designated as the "County of Hidalgo, Texas Acquisition Fund" (the "Acquisition Fund") to be held and administered by Escrow Agent in trust for Lessee in accordance with this Escrow Agreement, subject to Lessor's rights under Section 3 hereof. It is anticipated that the funds in the Acquisition Fund and earnings thereon shall be sufficient to pay the cost of acquisition of the Property. In the event such sums are insufficient, Lessee shall be responsible for the timely payment of any deficiency.

The moneys and investments held by Escrow Agent under this Agreement are irrevocably held in trust for the benefit of Lessee and Lessor, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of Lessee (other than Lessor) or Lessor. Lessor, Lessee and Escrow Agent intend that the Acquisition Fund constitute an escrow account in which Lessee has no legal or equitable right, title or interest until satisfaction in full of all conditions contained herein and in the Lease for the disbursement of funds by Escrow Agent therefrom. However, if the parties' intention that Lessee shall have no legal or equitable right, title or interest until all conditions for disbursement are satisfied in full is not respected in any legal proceeding, the parties hereto intend that Ford Motor Credit Company have a security interest in such account, and such security interest is hereby granted to Ford Motor Credit Company by Lessee, to secure payment of all sums due to Lessor under the Lease. For such purpose, Escrow Agent hereby agrees to act as agent for Lessor in connection with the perfection of such security interest and agrees to note, or cause to be noted, on all books and records relating to such accounts, Lessor's interest therein.

2.A. Deposit in Acquisition Fund. There shall be deposited in the Acquisition Fund the sum of \$1,855,596.00. Escrow Agent shall maintain accounting records sufficient to permit calculation of the income on investments and interest earned on deposit of amounts held in the Acquisition Fund, and such income and interest shall become part of the Acquisition Fund and may be expended as provided herein.

2.B. Disbursements from Acquisition Fund. Escrow Agent shall make payments from the Acquisition Fund to pay costs of the Property upon receipt of requisitions from Lessee, signed by an authorized

individual substantially in the form attached hereto as Exhibit A, which is incorporated by reference herein. In the event Escrow Agent is directed or requested by Lessee to hold or deposit any retained funds or to accept a retainage bond (in lieu of funds) as may be required by law or the terms of the acquisition contract to which Lessee is a party, Escrow Agent shall act in accordance with Lessee's instructions, and such retained funds (or performance bond) and any interest thereon shall be paid as provided in instructions to Escrow Agent from Lessee. The final requisition shall include the final acceptance certificate required in the Lease, which shall be executed by the Lessee and delivered to the Escrow Agent. Where requisitions involve titled motor vehicles, the requisition shall also include:

- (i) Manufacturers Certificate of Origin.
- (ii) Motor vehicle paperwork appropriate to state of registration, noting Ford Motor Credit Company as lien holder.
- (iii) Insurance certificate naming Ford Motor Credit Company, its successors and assigns as sole loss payee and additional insured for the specified equipment.

3. Termination of Escrow.

(a) Acquisition of Property. Upon the final acceptance of the Property by Lessee, as evidenced by execution by Lessee of a final acceptance certification pursuant to the Lease and delivered to Escrow Agent, and the payment of all costs related thereto (i) any retainage shall be disbursed as directed by Lessee, and (ii) any amounts remaining in the Acquisition Fund (including the earnings from investments thereof) shall be transferred to Lessee and be applied toward reimbursement of Lessee for funds advanced for the Property. To the extent that additional moneys in excess of those needed to reimburse Lessee for the acquisition of the Property exist in the Acquisition Fund, such amounts shall be paid to Lessee and applied first to the next payment due on the Lease and then to Lessor and applied to prepayment of the principal component of installment payments and Lessor shall recalculate the lease payment schedule for the remaining term such that the remaining lease payments shall be level. Upon disbursement of all sums in the Acquisition Fund, this Escrow Agreement shall terminate, provided that the indemnifications by Lessee shall survive the termination of this Escrow Agreement.

(b) Eighteen Months. This Escrow Agreement shall terminate eighteen (18) months from the date of this Escrow Agreement. It may, however, be extended by mutual consent of the Lessee and Lessor in writing to the Escrow Agent either in advance of the termination or retroactively. Any money remaining in the Acquisition Fund at the time of termination under this subsection (b) shall be transferred to Lessor and shall be applied first to the next payment due under the Lease, and then, if there are amounts remaining, applied to the prepayment the Lease being applied to principal and Lessor shall recalculate the lease payment schedule for the remaining term such that the remaining lease payments shall be level. Lessee shall be deemed to have accepted all Property paid for from the Acquisition Fund at the time of termination under this subsection (b). Upon disbursement of all sums in the Acquisition Fund, this Escrow Agreement shall terminate, provided that the indemnifications by Lessee shall survive the termination of this Escrow Agreement.

(c) Event of Default; Nonappropriation. Upon receipt of written notice from Lessor of an event of default by Lessee under the Lease or an event of nonappropriation, if provided for under the Lease, Escrow Agent shall disburse the funds in the Acquisition Fund to Lessor for application in accordance with the Lease. Upon such payments from the Acquisition Fund, this Escrow Agreement shall terminate, provided that the indemnifications by Lessee shall survive the termination of this Escrow Agreement.

4. Investment of Acquisition Fund; Arbitrage Rebate.

(a) Investment of Acquisition Fund. Monies held by Escrow Agent hereunder shall be invested and reinvested by Escrow Agent upon written instructions from Lessee in an investment which is a permitted investment for Lessee under the laws of the state in which Lessee is organized. Escrow Agent shall have no responsibility for advising Lessee or Lessor as to the permissibility of any investment of monies in the Acquisition Fund. If Escrow Agent does not receive a written direction from Lessee as to the investment or reinvestment of monies in the Acquisition Fund, Escrow Agent may hold such monies uninvested until such direction is received. Escrow Agent shall have no responsibility for any losses suffered from any investment of monies on deposit in the Acquisition Fund authorized by Lessee.

(b) Arbitrage Rebate. Lessee hereby represents, covenants and warrants that pursuant to Treasury Regulations Section 1.148-7(d), the gross proceeds of the Lease will be expended for the governmental purposes for which the Lease was entered into, as follows: at least 15% within six months after the Commencement Date, such date being the date of deposit of funds into the Acquisition Account under Section 2.A., hereof, at least 60% within 12 months after the Commencement Date, and 100% within 18 months after the Commencement Date. If Lessee is unable to comply with Section 1.148-7(d) of the Treasury Regulations, Lessee shall, at its sole expense and cost, compute rebatable arbitrage on the Lease and pay rebatable arbitrage to the United States at least once every five years, and within 60 days after payment of the final rental or installment payment due under the Lease.

5. Amendment and Modification. This Escrow Agreement may not be amended, modified, altered, supplemented or waived except by a written instrument executed by Lessor, Lessee and Escrow Agent.

6. Regarding the Escrow Agent.

(a) Duties of Escrow Agent. Escrow Agent undertakes to perform only such duties as are specifically set forth in this Escrow Agreement. Escrow Agent shall be under no implied obligation or subject to any implied liability hereunder. Escrow Agent shall incur no liability whatsoever except for its gross negligence or willful misconduct so long as it is acting in good faith. Escrow Agent shall not be required to take notice of any of the provisions of the Lease or any document or instrument executed in connection therewith, except as expressly set forth in this Escrow Agreement. The permissive right of the Escrow Agent to do things enumerated in this Escrow Agreement shall not be construed as a duty.

(b) Escrow Agent Reliance. Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited with it, nor as to the identity, authority or right of any person executing the same; and its duties hereunder shall be limited to those specifically provided herein.

(c) Counsel and Fees. If Escrow Agent believes it to be reasonably necessary to consult with counsel concerning any of its duties in connection herewith, or in case the Escrow Agent becomes involved in litigation on account of acting hereunder, then, in either case, its cost, expenses and reasonable attorneys fees shall be paid by Lessee. Escrow Agent's right to receive its attorneys fees and expenses shall survive the termination of this Escrow Agreement.

(d) No Obligation to Take Legal Action. Escrow Agent shall not be under any obligation to take any legal action in connection with this Escrow Agreement or for its enforcement, or to appear, prosecute or defend any action or legal proceeding which, in its opinion, would or might involve it in any costs, expense, loss or liability, or to otherwise expend or risk its own funds or incur any financial liability in the performance of this Escrow Agreement, unless and as often required by it, it shall be furnished with security and indemnity satisfactory against all such costs, expenses, losses or liabilities. If any controversy arises between the parties hereto or with any third person, the Escrow Agent shall not be required to resolve the same or to take any action to do so (other than to use its best efforts to give notice of such controversy to Lessor and Lessee) but may, at its discretion, institute such interpleader or other proceedings as it deems proper.

(e) Quarterly Statement. Escrow Agent shall issue a quarterly accounting statement showing receipts to and disbursements from the Acquisition Fund. Such statement shall be mailed to Lessor and Lessee.

(f) Resignation and Termination. Escrow Agent may, upon providing thirty days written notice, resign its position as Escrow Agent and terminate its liabilities and obligations hereunder. In the event Escrow Agent is not notified within thirty days of a successor Escrow Agent, Escrow Agent shall be entitled to transfer all funds to a court of competent jurisdiction with a request to have a successor appointed, at the expense of Lessee. Upon filing such action and delivering such assets, Escrow Agent's obligations and responsibilities shall cease. Lessor and Lessee may jointly terminate Escrow Agent and appoint a successor Escrow Agent by providing 15 days written notice to Escrow Agent.

7. Indemnification. To the extent permitted by law, Lessee hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against, Escrow Agent at any time (whether or not also indemnified against the same by Lessee or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Acquisition Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant thereto, the retention of such securities or the proceeds thereof, and any payment, transfer or other application of moneys or securities by Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that Lessee shall not be required to indemnify, protect, save or keep harmless Escrow Agent against Escrow Agent's own gross negligence or willful misconduct or gross negligence or willful misconduct of Escrow Agent's respective successors, assigns, agents and employees or the material breach by Escrow Agent of the terms of this Escrow Agreement. The indemnities contained in this Section shall survive the termination of this Agreement.

8. Notices. Any notices permitted or required under this Escrow Agreement shall in writing and shall be deemed given upon the date of personal delivery or 48 hours after deposit in the United States mail, certified or registered, postage fully prepaid, return receipt requested, addressed to the addresses set forth on the signature page of this Escrow Agreement. The party to whom notices or copies of notices are to be sent shall have the right at any time and from time to time to change its address for notice or person to receive notice by giving notice in the manner specified in this paragraph.

9. Escrow Agent's Fee. Escrow Agent shall be paid no fee for setting up the escrow. In the event that Escrow Agent is made a party to litigation with respect to the Acquisition Fund, or brings an action in interpleader, or Escrow Agent is required to render any service not provided for in this Escrow Agreement, or there is any assignment of interests in this escrow or any modification hereof, Escrow Agent shall be entitled to reasonable compensation for such extraordinary services and reimbursement by Lessee for all fees, costs, liability and expenses, including attorney fees. Lessee also agrees to pay any investment fees or other charges of Escrow Agent, such as wire transfer charges and disbursement charges and agrees such fees and charges may be deducted by and paid to the Escrow Agent from funds in or to be deposited in the Acquisition investment earnings to be deposited in the Acquisition Fund.

10. Counterparts. This Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Escrow Agreement is to be executed by the parties hereto in sufficient numbers so that an Escrow Agreement bearing each party's original signature can be held by the Escrow Agent.

11. Waiver. Any waiver by any party of any breach of any term or condition of this Escrow Agreement shall not operate as a waiver of any other breach of such term or condition or any other term or condition, nor shall any failure to enforce such provision hereof operate as a waiver of such provision or of any other provision hereof, nor constitute nor be deemed a waiver or release of any other party for anything arising out of, connected with, or based on this Escrow Agreement.

12. Exhibits. All exhibits, schedules and lists attached to this Escrow Agreement or delivered pursuant to this Escrow Agreement shall be deemed a part of this Escrow Agreement and incorporated herein, where applicable, as if fully set forth herein.

13. Applicable Law. This Escrow Agreement shall be governed by the laws of the state in which County of Hidalgo, Texas is located.

14. Successors and Assigns. This Escrow Agreement shall be binding on and shall inure to the benefit of the parties and their respective successors and assigns. Any corporation or association into which the Escrow Agent may merge, or to which Escrow Agent may sell or transfer its banking business, shall automatically be and become successor Escrow Agent hereunder and vested with all powers as was its

predecessor without the execution or filing of any instruments or further act, deed or conveyance on the part of the parties hereto.

15. Severability. In the event any provision of this Escrow Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, Lessor, Lessee and Escrow Agent have caused this Escrow Agreement to be executed by their duly authorized representatives, all as of the date first above written.

Ford Motor Credit Company

County of Hidalgo, Texas

By _____
Authorized Officer

By _____

Title _____

Title _____

Address: One American Road, MD7500
Dearborn, MI 48126

Address: 100 East Cano
Edinburg, TX 78539

KEYBANK NATIONAL ASSOCIATION

By _____
Authorized Officer

Address: 60 State Street
Albany, NY 12201

[Please type on your letterhead]

EXHIBIT A

FORM OF REQUISITION
COSTS OF PROPERTY

KeyBank National Association
60 State Street
Albany, NY 12201

Amount Requested: \$ 66,188.00

Total Disbursements to Date: \$ 66,188.00

Requisition No.: 1

1. The undersigned, an officer or official of Lessee, hereby requests and authorizes KeyBank National Association, as Escrow Agent under the Escrow Agreement dated as of June 18, 2007, among County of Hidalgo, Texas (the "Lessee"), Ford Motor Credit Company (the "Lessor") and Escrow Agent, to pay to or upon the order of the Lessee the amount specified above for the payment or reimbursement of costs of Property described in Schedule 1 attached.

2. The Lessee hereby certifies that:

- (a) each obligation mentioned in Schedule 1 has been properly incurred, is a proper charge against the Acquisition Fund and has not been the basis of any previous disbursement;
- (b) no part of the disbursement requested hereby will be used to pay for materials not yet incorporated into the Property or for services not yet performed in connection therewith;
- (c) The insurance requirements of the Lease have been complied with and such coverage is in force;

(d) as of the date of this Requisition no event of default or event of nonappropriation, if any, as that such terms are is defined in the Lease between Lessor and Lessee has occurred and is continuing and no event which with notice or lapse of time, or both, has occurred and is continuing which would constitute such event of default or event of nonappropriation; and

(e) the Property acquired with this disbursement is functionally complete and operationally independent and is hereby accepted. If this is the final requisition, the final acceptance certification required in the Lease is attached hereto.

3. All capitalized terms herein shall have the meanings assigned to them in the Escrow Agreement

County of Hidalgo, Texas

By: _____

Name: Juan D. Salinas

Title: Hidalgo County Judge

Date: _____

Approved by Lessor, or in the event Lessor's right, title and interest in the Lease has been assigned, by the current assignee of Lessor's right, title and interest in the Lease:

Ford Motor Credit Company

By: _____

Title: _____

Name: _____

Date: _____

[Lessee to attach final acceptance certification if final disbursement request.]

SCHEDULE 1

DISBURSEMENT SCHEDULE

To Requisition No. 1 for the Acquisition Fund:

1. Amount: \$ 66,188.00

Payee: _____

By check _____ By wire transfer

If by check, Payee's address: _____

If by wire transfer, instructions as follows:

Pay to (name of bank): _____

For Account of: _____

Account No.: _____

ABA No.: _____

2. Amount: \$ _____

Payee: _____

By check _____ By wire transfer _____

If by check, Payee's address: _____

If by wire transfer, instructions as follows:

Pay to (name of bank): _____

For Account of: _____

Account No.: _____

ABA No.: _____

By: _____

Title: _____

Name: _____

Date: _____

LESSOR: FORD MOTOR CREDIT COMPANY
P. O. Box 1739
Dearborn, MI 48121-1739

DELIVERY AND ACCEPTANCE CERTIFICATE

The undersigned Lessee hereby acknowledges receipt of the Equipment described below ("Equipment") as fully installed and in good working condition; and Lessee hereby accepts the Equipment after full inspection thereof as satisfactory for all purposes of the Master Equipment Lease-Purchase Agreement ("Lease") executed by Lessee and Lessor.

MASTER LEASE DATE	MASTER LEASE NUMBER	SCHEDULE 8636800 DATE	DELIVERY NUMBER	PURCHASE DATE	PURCHASE ORDER NO.
06/18/2007	8636800	06/18/2007	1	_____	_____

EQUIPMENT INFORMATION

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
1	2007 Ford F650 Extended Cab #3FRNX65F87V516046	Philpott Motors

LESSEE: County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

BY: Lt. Richard Ozuna

Lieutenant Hidalgo County Sheriff's
(Title)

DATE ACCEPTED: _____

LESSOR: FORD MOTOR CREDIT COMPANY
P. O. Box 1739
Dearborn, MI 48121-1739

DELIVERY AND ACCEPTANCE CERTIFICATE

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MASTER LEASE DATE	MASTER LEASE NUMBER	SCHEDULE 8636800	DELIVERY NUMBER	PURCHASE DATE	PURCHASE ORDER NO.
06/18/2007	8636800	DATE 06/18/2007	2	_____	_____

EQUIPMENT INFORMATION

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
45	2008 Ford Expeditions	Philpott Motors

LESSEE: County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

BY: _____

(Title)

DATE ACCEPTED: _____

LESSOR: FORD MOTOR CREDIT COMPANY
P. O. Box 1739
Dearborn, MI 48121-1739

DELIVERY AND ACCEPTANCE CERTIFICATE

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MASTER LEASE DATE	MASTER LEASE NUMBER	SCHEDULE 8636800 DATE	DELIVERY NUMBER	PURCHASE DATE	PURCHASE ORDER NO.
06/18/2007	8636800	06/18/2007	3	_____	_____

EQUIPMENT INFORMATION

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
3	2008 Ford Expeditions	Philpott Motors

LESSEE: County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

BY: _____

(Title)

DATE ACCEPTED: _____

LESSOR: FORD MOTOR CREDIT COMPANY
P. O. Box 1739
Dearborn, MI 48121-1739

DELIVERY AND ACCEPTANCE CERTIFICATE

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MASTER LEASE DATE	MASTER LEASE NUMBER	SCHEDULE 8636800 DATE	DELIVERY NUMBER	PURCHASE DATE	PURCHASE ORDER NO.
06/18/2007	8636800	06/18/2007	4	_____	_____

EQUIPMENT INFORMATION

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
12	2008 Ford Expeditions	Philpott Motors

LESSEE: County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

BY: _____

(Title)

DATE ACCEPTED: _____

LESSOR: FORD MOTOR CREDIT COMPANY
P. O. Box 1739
Dearborn, MI 48121-1739

DELIVERY AND ACCEPTANCE CERTIFICATE

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MASTER LEASE DATE	MASTER LEASE NUMBER	SCHEDULE 8636800	DELIVERY NUMBER	PURCHASE DATE	PURCHASE ORDER NO.
06/18/2007	8636800	DATE 06/18/2007	5	_____	_____

EQUIPMENT INFORMATION

QUANTITY	DESCRIPTION (MANUFACTURER, MODEL AND SERIAL NO.)	SUPPLIER
1	Buyboard Fee	Philpott Motors

LESSEE: County of Hidalgo, Texas
Sheriff's Office
100 East Cano
Edinburg, TX 78539

BY: _____

(Title)

DATE ACCEPTED: _____