

**Pricing Report  
for**

**HIDALGO COUNTY, TEXAS**



**\$27,850,000**

**\$10,065,000**  
**Certificates of Obligation,**  
**Series 2010A**

**\$17,785,000**  
**Certificates of Obligation,**  
**Taxable Series 2010B**  
**(Build America Bonds – Direct Payment)**



June 15, 2010

ESTRADA-HINOJOSA

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## Purpose

Proceeds from the sale of the bonds will be used to finance the following projects:

Project No.	Project Name	Project Purpose	Approximate Amount
1	Old Administration Building	Facility Renovation/Major Repair	3,500,000
2	Courthouse Renovations	Facility Renovation/Major Repair	3,615,000
3	Mediplex Office Complex	Facility Construction/Acquisition	2,850,000
4	Sheriff's Substation (East)	Facility Construction/Acquisition	1,275,000
5	Morgue	Facility Renovation/Major Repair	760,000
6	Precinct No. 1 - Road Projects	Road Improvement	4,000,000
7	Precinct No. 2 - Compound	Facility Construction/Acquisition	625,000
8	Precinct No. 2 - L.J. Park	Acquisition of Lands & Rights of Way	175,000
9	Precinct No. 2 - South Tower Road	Road Improvement	1,200,000
10	Precinct No. 2 - N. Cesar Chavez Road	Road Improvement	1,000,000
11	Precinct No. 2 - North Tower Road	Road Improvement	1,000,000
12	Precinct No. 3 - La Homa Road	Acquisition of Lands & Rights of Way	2,600,000
13	Precinct No. 3 - Administrative Facilities	Facility Construction/Acquisition	1,060,000
14	Precinct No. 3 - Sanitation Collection Site	Acquisition of Lands & Rights of Way	65,000
15	Precinct No. 3 - Drainage Equipment Yard	Acquisition of Lands & Rights of Way	275,000
16	Precinct No. 4 - San Carlos Drainage Project	Drainage Improvements	2,600,000
17	Precinct No. 4 - San Carlos Drainage Project	Acquisition of Lands & Rights of Way	1,400,000
<b>TOTAL</b>			<b>\$ 28,000,000</b>



## Financing Team

**ISSUER**

**Hidalgo County, Texas**

**FINANCIAL ADVISOR**

Estrada Hinojosa & Company, Inc.

**BOND COUNSEL**

Ramirez & Guerrero, L.L.P.

**UNDERWRITERS**

Stephens Inc.  
Southwest Securities  
Jefferies & Company

**UNDERWRITERS' COUNSEL**

Locke Lord Bissell & Liddell LLP

**PAYING AGENT**

The Bank of New York Mellon Trust  
Company

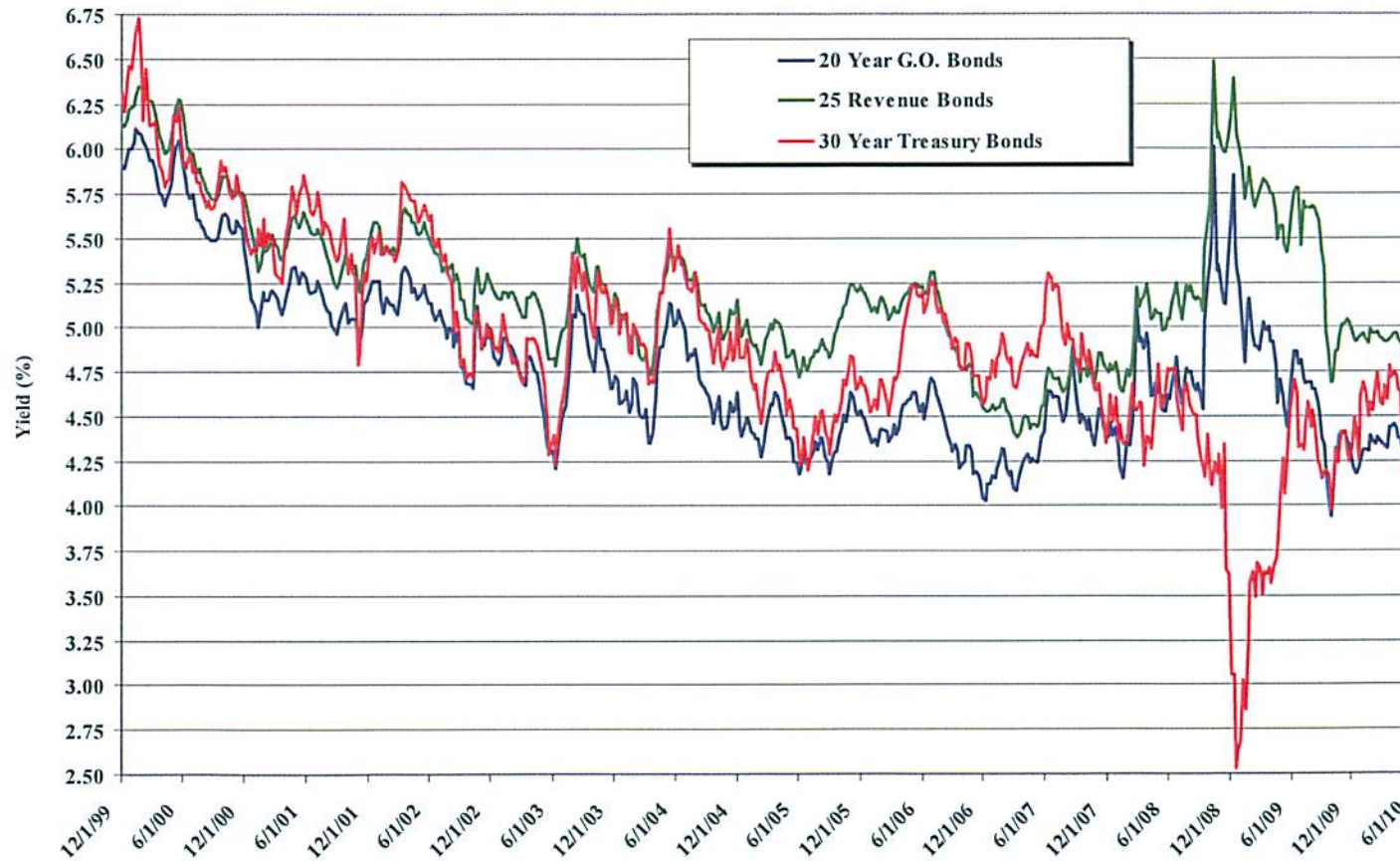


# Historical Analysis

## Bond Buyer Indices

30-Year Treasury, 25-Revenue Bond Index, and 20-GO Bond Index

December 1999 - Present



## Ratings

Hidalgo County, Texas *Certificates of Obligation, Series 2010A and Taxable Series 2010B* received the following ratings.

<i>Agency</i>	<i>Rating</i>
<i>Moody's</i>	<b>Aa2 (affirmed / recalibration)</b>
<i>S &amp; P</i>	<b>AA- (affirmed)</b>
<i>Fitch</i>	<b>AA- (affirmed / recalibration)</b>

These ratings represent very high quality ratings from each of the rating agencies.

Bond insurance was evaluated for use on the Series 2010A Certificates but it was not beneficial.



**New Issue: MOODY'S ASSIGNS Aa2 TO HIDALGO COUNTY'S (TX) \$28.6 MILLION CERTIFICATES OF OBLIGATION, SERIES 2010A AND TAXABLE CERTIFICATES, SERIES 2010B**

Global Credit Research - 01 Jun 2010

**Aa2 RATING AFFECTS \$210.2 MILLION IN POST-SALE PARITY DEBT**

County  
TX

**Moody's Rating**

ISSUE	RATING
Certificates of Obligation, Series 2010A	Aa2
<b>Sale Amount</b>	\$10,340,000
<b>Expected Sale Date</b>	06/02/10
<b>Rating Description</b>	General Obligation Limited Tax
Certificates of Obligation, Taxable Series 2010B (Build America Bonds - Direct Payment)	Aa2
<b>Sale Amount</b>	\$18,225,000
<b>Expected Sale Date</b>	06/02/10
<b>Rating Description</b>	General Obligation Limited Tax

**Opinion**

NEW YORK, Jun 1, 2010 – Moody's Investors Service has assigned a Aa2 rating to the upcoming sale of Hidalgo County's (TX) \$10.3 million Certificates of Obligation, Series 2010A and \$18.2 million Certificates of Obligation (Build America Bonds), Taxable Series 2010B. In conjunction with these rating assignments, Moody's has affirmed the Aa2 rating on the county's parity general obligation debt of \$181.6 million. The bonds are secured by an annual ad valorem tax, levied against all taxable property in the County, within the limits prescribed by law. The rating assignments reflect the county's sizable tax base growth despite a recent slowdown consistent with national economic trends; favorable financial management practices; and affordable debt levels. Proceeds from the transactions will be used to finance costs related to the installation and construction of drainage and road systems, and to pay the costs associated with the issuance of the bonds.

**SIZEABLE TAX BASE EXPERIENCES SLOWER GROWTH RATES CONSISTENT WITH NATIONAL TRENDS**

We expect the county's tax base to exhibit modest growth over the long term due to the availability of land remaining for development, as international trade activity with Mexico remains healthy and as rebuilding efforts from Hurricane Dolly continue. Located on the Texas/Mexico border, the county includes the cities of McAllen (rated Aa2) and Edinburg (Aa3). The county's economy is diversified by agribusiness and international trade with Mexico. Hidalgo County has historically exhibited strong growth in taxable values due to increasing demographic trends (with population growing to nearly 775,000 in 2008 - a 36% increase since the 2000 census), and large commercial and residential developments. The county's tax base, valued at a substantial \$25.8 billion in fiscal year 2010, has increased a favorable 10.3% on average annually over the last five years. Despite damage caused by Hurricane Dolly in July 2008, which affected property values for the 2009 levy year, new construction continues, although at a much slower pace. For fiscal year 2011, officials anticipate a tax base increase of between 1% - 1.5% as rebuilding from the Hurricane and new construction is added to the tax roll. Going forward, officials indicate only about 25% of the county's land is developed, leaving a substantial amount remaining for future construction. Despite an increasing population and favorable international trade activity, the county's socioeconomic indicators continue to trend well-below the state and nation. The 2000 per capita income for the county was low at \$9,899 which was 50.5% of the state and 45.9% of the nation. The county has historically exhibited higher unemployment rates despite a low of 6.2% reported in September 2007. As of March 2010, the rate has crept up to a notable 11.6%, which was higher than the state's at 8.2% and the nation's at 10.2% during the same time period. We believe the increasing demographic trend and sizable economy are mitigating factors, despite the county's challenge of low wealth levels.

**HEALTHY FINANCIAL OPERATIONS DESPITE A DRAW ON RESERVES FOR HURRICANE DOLLY**

The county has exhibited a trend of sound financial management which bolstered the General Fund balance from \$11.5 million (an adequate 12.4% of General Fund revenues) in fiscal year 2003, to \$26.5 million (a healthy 18.3% of General Fund revenues) at fiscal year end 2007. In fiscal year 2008, the county drew down its reserves to \$17.3 million (a satisfactory 11% of General Fund revenues) to pay for repairs caused by the damages from Hurricane Dolly, in anticipation of the reimbursement from FEMA. Despite the draw in 2008 to offset emergency related expenditures, the ending fund balance remains in excess of the county's policy to maintain between 10% and 15% of expenditures in reserve. Unaudited figures for fiscal year 2009, indicate an increase in the General Fund balance to \$28.7 million (a favorable 20.3% of General fund reserves) due to receipt of \$8.5 million from FEMA and as conservative budgeting and tight expenditure monitoring resulted in an operating surplus of approximately \$2.9 million. Of the total fund balance, \$22 million is the unreserved, undesignated portion, which represents 14.1% of General Fund revenues. For fiscal year 2010, officials report that revenues and expenditures are on track with budget assumptions, and anticipate ending the year with a balanced budget. Moody's believes the county's healthy financial operations and conservative budgeting techniques will provide for maintenance of sufficient general fund reserves over the long term.

**AFFORDABLE DEBT BURDENS; NO FUTURE ISSUANCE PLANS**

All of the county's debt is fixed rate, and the county has not entered into any derivative agreements. Currently, the county's direct debt burden is a minimal 0.9%. The overall debt burden of 4.1% is reflective of significant borrowing by cities and school districts within the county, which Moody's believes will keep the county's debt burden leveraged over the long term. Principal retirement is above average with 57.7% retired within ten

years. With no future borrowing plans in the near term, we expect the county's direct debt position to remain manageable.

**KEY STATISTICS:**

2010 Taxable Valuation: \$25.8 million

2010 Full Value Per Capita: \$33,204

1999 Per Capita Income: \$9,899 (45.9% of US)

Hidalgo County Unemployment (March 2010): 11.6% (8.2% TX; 10.2% US)

Direct Debt Burden: 0.9%

Overall Debt Burden: 4.1%

Payout of Principal (10 years): 57.7%

Unaudited 2009 General Fund Balance: \$28.7 million (20.3% of General Fund revenues)

Budgeted 2010 General Fund Balance: \$28.7 million (20.3% of General Fund revenues)

Post-sale general obligation limited tax parity debt: \$ 210.2 million

The principal methodology used in assigning the rating was Moody's General Obligation Bonds Issued by U.S. Local Government, published in October 2009, and available on [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to Hidalgo County (TX) was on September 22, 2009 when a municipal finance scale rating of A1 was assigned to the county's Certificates of Obligation, Series 2009B and C. That rating was subsequently recalibrated to Aa2 on April 23, 2010.

**Analysts**

Adebola Kushimo  
Analyst  
Public Finance Group  
Moody's Investors Service

Kristin Button  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

**Contacts**

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653



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## Hidalgo County, Texas

**Primary Credit Analysts:**

Jim Tchou  
New York  
(1) 212-438-3821  
jim\_tchou@  
standardandpoors.com

**Secondary Credit Analysts:**

Horacio Aldrete-Sanchez  
Dallas  
(1) 214-871-1426  
horacio\_aldrete@  
standardandpoors.com

**RatingsDirect  
Publication Date**  
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**Credit Profile**

**US\$18.225 mil Certificates of Obligation (Build America Bonds-Direct Payment), Taxable Series 2010B dated 06/01/2010, due 08/15/2030**

Long Term Rating	AA-/Stable	New
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**US\$10.34 mil Certificates of Obligation, Series 2010A dated 06/01/2010, due 08/15/2019**

Long Term Rating	AA-/Stable	New
Outstanding Combination Limited Tax and Revenue and Refunding Bonds, 2002, 2005, 2006, 2007, 2009A		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Outstanding Combination Limited Tax and Limited Pledge Revenue and Refunding Certificates of Obligation, Series 1998, 2000, 2001, 2004, 2006, 2009, 2009B, 2009C		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance

**Rationale**

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating, and stable outlook, to Hidalgo County, Texas' series 2010A certificates of obligation and series 2010B taxable certificates of obligation (Build America Bonds) and affirmed its 'AA-' underlying rating (SPUR), with a stable outlook, on the county's existing general obligation (GO) debt.

If the county sells the series 2010B bonds as Build America Bonds, the county will receive a subsidy from the U.S. Treasury equal to 35% of the stated interest paid. The U.S. Treasury subsidy for the Build America Bonds, if issued, will be paid directly to the county; the county has not pledged this subsidy as additional security for the payment of interest on the bonds.

In our opinion, the rating reflects the county's:

- Rapidly growing economy, which benefits from trade with Mexico;
- Very diverse property tax base that continues to expand; and
- Good financial performance trend, evidenced by maintaining strong reserves.

In our view, these credit strengths are mitigated, in part, by the county's:

- Low wealth and income levels, which are common for Texas border municipalities; and
- Growth-related capital needs, resulting in additional debt financing plans.

The county's limited ad valorem property tax pledge, in addition to a limited pledge from surplus net revenues from the operations of the county's parks, secures the bonds. Officials plan to use series 2010A and 2010B bond proceeds primarily to acquire certain lands and rights of way and fund certain road and drainage system improvements.

Hidalgo County is in south Texas, along the Rio Grande River and Mexican border. The 1,583-square-mile county encompasses McAllen, Texas; Pharr, Texas; Edinburg, Texas; Mission, Texas; Weslaco, Texas; and Mercedes, Texas. The local economy is, in large part, focused on cross-border trade and natural gas production while manufacturing, agriculture, and government provide varied employment opportunities. The past decade's increase in cross-border trade has positioned Hidalgo County as one of the nation's fastest-growing counties. County population has grown by an average of 2% annually since 2006 to 773,152 for 2010. The county's day-to-day population increases to roughly one million daily due to migration in the county. Like many Texas border municipalities, income levels are, in our opinion, low: Median household effective buying income indicators are just 64% of the national average. A market value of roughly \$33,321 per capita also reflects, in our opinion, low county wealth levels. In our view, employment growth trends have been very strong over the past few years, especially in the education and health service industries. County unemployment, however, increased to 11.8% in February 2010 from 7.3% in 2008 due to the downsizing of the manufacturing industry.

In our view, the county's very diverse property tax base continues to expand despite the national economic slowdown, providing a stable revenue stream for the county. Total county assessed value (AV) has increased by 3.9% to \$25.7 billion for fiscal 2010. Officials attribute tax base growth primarily to ongoing residential and commercial development. The 10 leading taxpayers, seven of which are oil and gas companies and electric and telephone utilities, account for 5.8% of total fiscal 2010 AV, which we view as very diverse.

The county has historically maintained strong general fund balances compared to expenditures. Unexpected expenses following Hurricane Dolly caused a \$9.2 million general fund deficit in fiscal 2008 and a significant drawdown to reserves. At fiscal year-end 2008, the unreserved fund balance totaled \$11 million, or 7.7% of expenditures, which we still view as good. With the receipt of the majority of the county's hurricane-related Federal Emergency Management Agency (FEMA) reimbursements, unaudited fiscal 2009 results indicate an \$11.4 million general fund surplus that management believes boosted unreserved fund balance to roughly \$22.0 million, or, in our opinion, a very strong 15.7% of expenditures. Officials are projecting break-even operations by fiscal year-end 2010, along with the receipt of the remaining \$2 million FEMA reimbursement the county intends to add to fund balance. The county's total tax rate has remained stable at 59 cents per \$100 of AV, or 74% of the 80-cent constitutional limit, since fiscal 2003.

Standard & Poor's considers Hidalgo County's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

The overall net debt burden includes a high amount of overlapping debt from many growing county school districts. After accounting for an average 63% of debt service support provided to these school

districts by the state, the county's overall net debt is, in our opinion, a moderate 4.9% of market value, or a low \$1,619 per capita. Carrying charges are, in our view, moderate at roughly 12% of general fund expenditures. Amortization of debt is above average with officials planning to retire 60% of principal over 10 years. Management is contemplating issuing about \$35 million of additional debt within the next 12 months.

***Outlook***

The stable outlook reflects Standard & Poor's expectation that the county should maintain its strong financial position, supported by good financial management practices and prudent budgeting, given the region's general economic slowdown. We also expect officials will continue to manage growth-related expenses and the capital program successfully while keeping debt levels moderate.

***Related Criteria And Research***

USPF Criteria: GO Debt, Oct. 12, 2006

Tax Supported  
New Issue

Hidalgo County, Texas

**Ratings**

New Issues	
Certificates of Obligation, Series 2010A	AA-
Certificates of Obligation, Series 2010B (Taxable Build America Bonds – Direct Payment)	AA-
Outstanding Debt	
Limited Tax Bonds	AA-

**Rating Outlook**

Stable

**Analysts**

Jose Acosta  
+1 512 215-3726  
jose.acosta@fitchratings.com

Rebecca Moses  
+1 512 215-3739  
rebecca.moses@fitchratings.com

**New Issue Details**

**Sale Information:** \$10,340,000 Certificates of Obligation, Series 2010A, and \$18,225,000 Certificates of Obligation, Series 2010B (Taxable Build America Bonds – Direct Payment), to sell during the week of June 14 via negotiation.

**Security:** Annual property tax levy, limited to \$0.80 per \$100 taxable assessed valuation. Additionally payable from net revenues (limited to \$1,000) of county's park system.

**Purpose:** To finance various public improvements.

**Final Maturity:** Aug. 15, 2025.

**Related Research**

**Applicable Criteria**

- *Tax-Supported Rating Criteria, Dec. 21, 2009*
- *U.S. Local Government Tax-Supported Rating Criteria, Dec. 21, 2009*

**Other Research**

- *Hidalgo County, Texas, Sept. 25, 2009*

**Rating Rationale**

- Hidalgo County's debt profile is positive, as evidenced by a very low direct debt burden, good payout rate, moderate overall debt burden, and manageable capital plans.
- The county's financial reserves have grown steadily although storm-related expenditures resulted in a notable drawdown in 2008; however, reimbursements from the federal government restored its financial position in 2009. The county enhanced its fund balance policy, providing additional flexibility in meeting unexpected challenges.
- Rapid population growth fueled the county's residential development and steady tax base growth, although it will also place operating and capital pressures on the county.
- International trade activity has benefited the county's economy but also poses a source of uncertainty during the current economic downturn.
- Despite significant employment growth, the county's historically high unemployment rate persists due to a large agricultural component in the local economy.
- The county's socioeconomic indicators remain well below-average but have improved somewhat over the last five years, aided by growth in the retail, international trade, healthcare, and higher education sectors.

**Key Rating Drivers**

- The maintenance of adequate financial reserves is key to preserving credit quality.
- As currently contemplated, the future development of its first strategic plan, which will incorporate multiyear financial forecasting and a formal capital plan, may lead to positive credit considerations.

**Credit Summary**

Hidalgo County, located in the southernmost region of Texas bordering Mexico, has a 2010 estimated population of 773,152. McAllen (general obligation [GO] bonds rated 'AA+' by Fitch Ratings), Mission, and Edinburg (GO bonds rated 'AA-' by Fitch) are the largest cities in the county. The leading sectors of commerce are tourism, agribusiness, and trade with Mexico. In particular, the tourism and trade sectors have led to rapid population growth,

**Considerations for Taxable/Build America Bonds Investors**

This sector credit profile is provided as background for investors new to the municipal market.

**Local Government General Obligation Bonds**

The unlimited taxing power of most local government general obligation pledges is the broadest security a U.S. local government can provide to the repayment of its long-term borrowing and, therefore, is the best indicator of its overall credit quality. The average local government general obligation rating is 'AA', with approximately 85% rated at or above 'AA-' and 1% rated 'BBB+' or below. The relatively high ratings reflect local governments' inherent strengths: the authority to levy property taxes, nonpayment of which can result in property foreclosures; additional taxing power that can include sales, utility, and income taxes; and essentiality of and lack of competition for services provided by local governments. Those with low investment-grade or below-investment-grade ratings generally have a combination of a limited or highly volatile economic base, high levels of long-term liabilities, including debt and post-employment benefits, and/or unusually limited financial flexibility. For additional information on these ratings, see "U.S. Local Government General Obligation Rating Guidelines," dated Dec. 21, 2009 and available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com).

**Rating History**

Rating	Action	Outlook/ Watch	Date
AA-	Affirmed	Stable	6/4/10
AA-	Revised	Stable	4/30/10
A+	Affirmed	Stable	9/22/09
A+	Affirmed	Stable	2/3/09
A+	Upgraded	Stable	1/6/09
A	Affirmed	Stable	11/15/06
A	Affirmed	Stable	8/23/06
A	Affirmed	Stable	3/21/05
A	Affirmed	Stable	8/23/04
A	Affirmed	Negative	7/26/02
A	Affirmed	—	4/17/01
A	Assigned	—	6/12/00

rising approximately 48% from 1990–2000 and another estimated 35% through 2009. Manufacturing plants are a significant factor on both sides of the U.S.-Mexico border, with a major presence of maquiladoras, or “twin plant” manufacturers, in Reynosa, Mexico. Income levels remain significantly below those of the state and U.S., although the area’s relatively low cost of living offsets some concern about wealth levels. Unemployment remains above-average but declined to a record low level, totaling 6.6% in 2007; subsequently, it has increased notably to 11.6% by March 2010 due to the economic slowdown.

Annual growth in taxable assessed valuation (TAV) has averaged a strong 9.5% over the last five years, although gains moderated in 2010 to a modest 3.9% due to the building slowdown. The county conservatively projects next year’s growth to be even less at 1%–1.5% as residential reappraisal declines are expected to offset new construction. Although oil and gas mineral values comprise only 8% of total TAV, three of the top 10 tax payers are oil and gas producers.

**Debt**

The direct debt burden is very low at \$272 per capita and less than 0.7% of market value. Overall debt is moderate at \$1,986 per capita and 4.8% of market value, adjusting for substantial state support for the debt issued by the county’s 15 school districts. The 10-year principal payout rate is favorable at 60%. The county’s near term debt plans include \$90 million–\$100 million over the next 12 months for drainage improvements and a new courthouse. The county’s capital plan totals a much larger \$252 million, but it plans to issue only what can be supported by the existing tax rate. For the series 2010B offering, the county did not set its tax levy to cover the full debt service on the Build America Bonds (BABs) as favored by Fitch. Instead, the tax levy was set

to cover debt service net of the BABs subsidy; however, any credit concern is mitigated by the modest size of the subsidy (\$200,000), a solid debt service fund balance (\$4.5 million), and a conservative TAV growth assumption (0% through maturity).

**Finances**

The county’s financial reserves have grown steadily, posting general fund essentially break-even or better operating results in five of the last six years. However, after adopting a balanced budget for 2008, the county posted a large \$9.2 million drawdown due mostly to Hurricane Dolly (the hurricane) related expenditures. On July 23, 2008, the hurricane made landfall in the adjacent county as a category two hurricane. Debris removal, totaling \$14 million, was the largest expenditure to the county, most of which has been reimbursed by the federal government. Also, the county cash-funded \$5 million in high-priority drainage improvements, which were subsequently reimbursed with proceeds from a January 2009 offering. As a result, unaudited 2010 results indicate a large \$11.5 million addition to fund balance, elevating the unreserved fund balance to a solid 13.3% of spending. As such, these results bring the county into compliance with its recently enhanced fund balance policy that requires its unreserved fund balance to equal 10%–15% of spending, up from the

**Debt Statistics**

(\$000)

These Issues	28,565
Outstanding Debt	181,685
Direct Debt	210,250
Overlapping Debt <sup>a</sup>	1,325,000
Total Overall Debt	1,535,250

**Debt Ratios**

Direct Debt Per Capita (\$) <sup>b</sup>	272
% of Market Value <sup>c</sup>	0.7
Overall Debt Per Capita (\$) <sup>b</sup>	1,986
% of Market Value <sup>c</sup>	4.8

<sup>a</sup>Adjusted to reflect state support for local school district debt.

<sup>b</sup>Population: 773,152 (2010 estimate). <sup>c</sup>Market value: \$31,878,885,000 (2010). Note: Numbers may not add due to rounding.

**General Fund Financial Summary**

(\$000, Audited Years Ended Dec. 31)

	2005	2006	2007	2008	2009*
Revenues	110,920	124,952	141,312	155,581	167,767
Expenditures	95,782	106,069	116,835	142,899	139,538
<b>Net Change</b>	<b>15,138</b>	<b>18,883</b>	<b>24,477</b>	<b>12,682</b>	<b>28,229</b>
Transfers In	102	620	18	622	5,310
Other Sources	1,882	512	3,480	183	229
Transfers Out	(16,907)	(20,119)	(17,827)	(22,689)	(22,285)
<b>Net Income/(Loss)</b>	<b>216</b>	<b>(104)</b>	<b>10,148</b>	<b>(9,202)</b>	<b>11,483</b>
Total Fund Balance	16,424	16,320	26,469	17,267	28,526
As % of Total Expenditures and Transfers Out	14.6	12.9	19.7	10.4	17.6
Unreserved Fund Balance	12,542	12,321	21,628	11,036	21,595
As % of Total Expenditures and Transfers Out	11.1	9.8	16.1	6.7	13.3

\*Unaudited. Note: Numbers may not add due to rounding.

previous 7%–10% range. With the expected receipt of additional hurricane-related reimbursements from the federal government, the county expects break-even results for 2010. Preliminarily, the county projects a modest drawdown for 2011 although it often outperforms its budgeted results.

**Property Value and Employment Trends**

(\$000, Years Ending Dec. 31)

Year	Taxable Assessed Valuation	% Change	Nonfarm Employment (000)	% Change	County Unemployment Rate (%)
2000	11,470,502	N.A.	157	6.8	9.2
2001	12,195,386	6.3	163	3.5	9.7
2002	13,700,530	12.3	168	3.4	10.4
2003	14,616,251	6.7	175	4.1	10.4
2004	15,764,808	7.9	186	5.9	9.1
2005	17,762,674	12.7	195	5.1	7.9
2006	17,935,867	1.0	202	3.6	7.4
2007	19,979,740	11.4	212	5.0	6.6
2008	22,767,015	14.0	219	3.3	7.3
2009	24,806,861	9.0	218	(0.5)	10.6
2010*	25,762,573	3.9	N.A.	—	11.1

\*April 2010. N.A. – Not available.

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## Sources and Uses of Funds

	Certificates of Obligation, Series 2010A	Certificates of Obligation, Taxable Series 2010B (BABs)	Total
<b>SOURCES</b>			
Par Amount	\$ 10,065,000.00	\$ 17,785,000.00	\$ 27,850,000.00
Net Premium	609,453.50		609,453.50
<b>Total Sources:</b>	<u>\$ 10,674,453.50</u>	<u>\$ 17,785,000.00</u>	<u>\$ 28,459,453.50</u>
<b>USES</b>			
Project Fund Deposit	\$ 10,515,487.77	\$ 17,484,512.23	\$ 28,000,000.00
Cost of Issuance	98,000.00	177,109.66	275,109.66
Underwriter's Discount	60,965.73	123,378.11	184,343.84
<b>Total Uses:</b>	<u>\$ 10,674,453.50</u>	<u>\$ 17,785,000.00</u>	<u>\$ 28,459,453.50</u>
<b>Delivery Date</b>	7/7/2010		
<b>True Interest Cost [TIC]*</b>	3.627%		

\*After taking into account the 35% federal interest subsidy on the Series 2010B Certificates (BABs).



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	<b>HIDALGO COUNTY, TEXAS</b>										<b>PRIOR TO ISSUANCE OF 2010 C/Os</b>				
2	<b>ESTIMATED TAX RATE IMPACT</b>											=[I]+[J]	=[K]		
3															
4					TIC:										
5					Par Amount:	\$ -									
6					Project Funds:	\$ -									
7		<b>Collections Rate:</b>		<b>92.50%</b>	<b>Delivery Date:</b>										
8															
9															
10		(NAV)			Certificates of Obligation, Series 2010A-B										
11	FYE	Net Assessed	NAV	Existing Debt	Total	Total	Federal	Total Net Debt	Total New Debt	Tranfers	Total Net Tax	Estimated	Marginal	FYE	
12	12/31	Valuation	Growth	Service <sup>(2)</sup>	Principal	Interest	Subsidy	Service	Service	from Other Sources	Supported Debt Service	Required I&S Tax Rate <sup>(5)</sup>	Tax Rate	12/31	
13	2010	\$ 25,762,573,203	<sup>(1)</sup>	\$ 21,029,541	\$ -	\$ -	\$ -	\$ -	\$ 21,029,541	\$ -	\$ 21,029,541	\$ 0.0773		2010	
14	2011	25,762,573,203	0.0%	18,609,827	-	-	-	-	18,609,827		18,609,827	0.0744	(0.0029)	2011	
15	2012	25,762,573,203	0.0%	17,346,119	-	-	-	-	17,346,119		17,346,119	0.0691	(0.0053)	2012	
16	2013	25,762,573,203	0.0%	17,640,184	-	-	-	-	17,640,184		17,640,184	0.0703	0.0012	2013	
17	2014	25,762,573,203	0.0%	17,785,884	-	-	-	-	17,785,884		17,785,884	0.0709		2014	
18	2015	25,762,573,203	0.0%	17,933,416	-	-	-	-	17,933,416		17,933,416	0.0715		2015	
19	2016	25,762,573,203	0.0%	16,632,193	-	-	-	-	16,632,193		16,632,193	0.0661		2016	
20	2017	25,762,573,203	0.0%	16,544,037	-	-	-	-	16,544,037		16,544,037	0.0657		2017	
21	2018	25,762,573,203	0.0%	16,543,612	-	-	-	-	16,543,612		16,543,612	0.0657		2018	
22	2019	25,762,573,203	0.0%	16,004,117	-	-	-	-	16,004,117		16,004,117	0.0634		2019	
23	2020	25,762,573,203	0.0%	16,003,744	-	-	-	-	16,003,744		16,003,744	0.0634		2020	
24	2021	25,762,573,203	0.0%	13,795,609	-	-	-	-	13,795,609		13,795,609	0.0542		2021	
25	2022	25,762,573,203	0.0%	13,363,023	-	-	-	-	13,363,023		13,363,023	0.0523		2022	
26	2023	25,762,573,203	0.0%	7,852,953	-	-	-	-	7,852,953		7,852,953	0.0292		2023	
27	2024	25,762,573,203	0.0%	7,846,916	-	-	-	-	7,846,916		7,846,916	0.0292		2024	
28	2025	25,762,573,203	0.0%	5,928,392	-	-	-	-	5,928,392		5,928,392	0.0211		2025	
29	2026	25,762,573,203	0.0%	5,931,851	-	-	-	-	5,931,851		5,931,851	0.0212		2026	
30	2027	25,762,573,203	0.0%	2,853,608	-	-	-	-	2,853,608		2,853,608	0.0082		2027	
31	2028	25,762,573,203	0.0%	2,853,243	-	-	-	-	2,853,243		2,853,243	0.0082		2028	
32	2029	25,762,573,203	0.0%	857,208	-	-	-	-	857,208		857,208	(0.0001)		2029	
33	2030	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2030	
34	2031	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2031	
35	2032	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2032	
36	2033	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2033	
37	<b>Total</b>			\$ 253,355,477	\$ -	\$ -	\$ -	\$ -	\$ 253,355,477	\$ -	\$ 253,355,477				
38	<sup>(1)</sup> Freeze-adjusted taxable value.														
39	<sup>(2)</sup> Includes 2008 SIB Loan. Net of 35% federal subsidy on the 2009C Build America Bonds.														
40	<sup>(3)</sup> Includes over 65 freeze adjustment of \$6,744,697 and disabled persons freeze adjustment of \$1,973,830.														
41															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O		
1	<b>HIDALGO COUNTY, TEXAS</b>											<b>AFTER ISSUANCE OF 2010 C/Os</b>					
2	<b>ESTIMATED TAX RATE IMPACT</b>											=[E]+[H]		=[I]+[J]		=[K]	
3																	
4					TIC:	3.63%											
5					Par Amount:	\$ 27,850,000											
6					Project Funds:	\$ 28,000,000											
7		Collections Rate:	92.50%		Delivery Date:	7/7/10											
8														Approx. Levy Adjustments <sup>(3)</sup> :	\$ 889,913		
9																	
10																	
11	FYE	(NAV) Net Assessed Valuation	NAV Growth	Existing Debt Service <sup>(2)</sup>	Certificates of Obligation, Series 2010A-B			Total Net Debt Service	Total New Debt Service	Tranfers from Other Sources	Total Net Tax Supported Debt Service	Estimated Required I&S Tax Rate	Marginal Tax Rate	FYE	12/31		
12	12/31				Total Principal	Total Interest	Subsidy										
13	2010	\$ 25,762,573,203	<sup>(1)</sup>	\$ 21,029,541	\$ -	\$ -	\$ -	\$ -	\$ 21,029,541	\$ -	\$ 21,029,541	\$ 0.0773		2010			
14	2011	25,762,573,203	0.0%	18,609,827	895,000	1,520,984	(395,405)	2,020,579	20,630,406	(1,317,567)	19,312,838	0.0773	0.0000	2011			
15	2012	25,762,573,203	0.0%	17,346,119	1,020,000	1,357,864	(357,652)	2,020,212	19,366,331	(55,196)	19,311,135	0.0773		2012			
16	2013	25,762,573,203	0.0%	17,640,184	1,040,000	1,337,464	(357,652)	2,019,812	19,659,996	(348,461)	19,311,535	0.0773	0.0000	2013			
17	2014	25,762,573,203	0.0%	17,785,884	1,070,000	1,306,264	(357,652)	2,018,612	19,804,496	(492,361)	19,312,135	0.0773		2014			
18	2015	25,762,573,203	0.0%	17,933,416	1,115,000	1,263,464	(357,652)	2,020,812	19,954,227	(641,293)	19,312,935	0.0773		2015			
19	2016	25,762,573,203	0.0%	16,632,193	1,160,000	1,218,864	(357,652)	2,021,212	18,653,405		18,653,405	0.0745		2016			
20	2017	25,762,573,203	0.0%	16,544,037	1,205,000	1,172,464	(357,652)	2,019,812	18,563,848		18,563,848	0.0742		2017			
21	2018	25,762,573,203	0.0%	16,543,612	1,255,000	1,124,264	(357,652)	2,021,612	18,565,223		18,565,223	0.0742		2018			
22	2019	25,762,573,203	0.0%	16,004,117	1,305,000	1,074,064	(357,652)	2,021,412	18,025,528		18,025,528	0.0719		2019			
23	2020	25,762,573,203	0.0%	16,003,744	1,355,000	1,021,864	(357,652)	2,019,212	18,022,955		18,022,955	0.0719		2020			
24	2021	25,762,573,203	0.0%	13,795,609	1,395,000	956,553	(334,794)	2,016,759	15,812,368		15,812,368	0.0626		2021			
25	2022	25,762,573,203	0.0%	13,363,023	1,440,000	889,314	(311,260)	2,018,054	15,381,077		15,381,077	0.0608		2022			
26	2023	25,762,573,203	0.0%	7,852,953	1,490,000	812,706	(284,447)	2,018,259	9,871,212		9,871,212	0.0377		2023			
27	2024	25,762,573,203	0.0%	7,846,916	1,545,000	733,438	(256,703)	2,021,735	9,868,651		9,868,651	0.0377		2024			
28	2025	25,762,573,203	0.0%	5,928,392	1,595,000	651,244	(227,935)	2,018,309	7,946,701		7,946,701	0.0296		2025			
29	2026	25,762,573,203	0.0%	5,931,851	1,650,000	564,795	(197,678)	2,017,117	7,948,968		7,948,968	0.0296		2026			
30	2027	25,762,573,203	0.0%	2,853,608	1,720,000	460,845	(161,296)	2,019,549	4,873,157		4,873,157	0.0167		2027			
31	2028	25,762,573,203	0.0%	2,853,243	1,790,000	352,485	(123,370)	2,019,115	4,872,358		4,872,358	0.0167		2028			
32	2029	25,762,573,203	0.0%	857,208	1,865,000	239,715	(83,900)	2,020,815	2,878,022		2,878,022	0.0083		2029			
33	2030	25,762,573,203	0.0%	-	1,940,000	122,220	(42,777)	2,019,443	2,019,443		2,019,443	0.0047		2030			
34	2031	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2031			
35	2032	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2032			
36	2033	25,762,573,203	0.0%	-	-	-	-	-	-		-	-		2033			
37	<b>Total</b>			\$ 253,355,477	\$ 27,850,000	\$ 18,180,875	\$ (5,638,437)	\$ 40,392,438	\$ 293,747,915	\$ (2,854,880)	\$ 290,893,036						
38	<sup>(1)</sup> Freeze-adjusted taxable value.																
39	<sup>(2)</sup> Includes 2008 SIB Loan. Net of 35% federal subsidy on the 2009C Build America Bonds.																
40	<sup>(3)</sup> Includes over 65 freeze adjustment of \$6,744,697 and disabled persons freeze adjustment of \$1,973,830.																
41																	

## Yield Comparison – Series 2010A

<i>Issuer</i>	Hidalgo County Certificates of Obligation			City of Bonham, Texas Combination Tax & Revenue Certificates of Obligation			City of Snyder, Texas Combination Tax & Surplus Revenue Certificates of Obligation			Sugar Land 4B Corp Sales Tax Revenue Refunding Bonds		
<i>Issue</i>	Series 2010A			Series 2010			Series 2010			Series 2010		
<i>Amount</i>	\$10,065,000			\$2,420,000			\$3,495,000			\$9,195,000		
<i>Sale Date</i>	06/14/10			06/14/10			06/07/10			06/07/10		
<i>Insurance</i>	N/A			N/A			N/A			AGM		
<i>Rating</i>	Aa2/AA-/AA-			NR/A+/NR			NR/AA-/NR			Aa3/AAA/NR		
<i>Call</i>	08/15/2020 @ PAR			02/15/2020 @ PAR			03/01/2016 @ PAR			02/15/2020 @ PAR		
<i>Date</i>	<i>Coupon</i>	<i>Yield</i>	<i>Coupon</i>	<i>Yield</i>	<i>Difference</i>	<i>Coupon</i>	<i>Yield</i>	<i>Difference</i>	<i>Coupon</i>	<i>Yield</i>	<i>Difference</i>	
2011	2.000%	0.750%							2.000%	0.850%	0.100%	
2012	2.000%	1.050%				4.000%	1.100%	0.050%	2.000%	1.150%	0.100%	
2013	3.000%	1.400%				4.000%	1.460%	0.060%	2.000%	1.500%	0.100%	
2014	4.000%	1.800%				4.000%	1.800%	0.000%	2.000%	1.900%	0.100%	
2015	4.000%	2.150%				2.750%	2.140%	-0.010%	2.500%	2.250%	0.100%	
2016	4.000%	2.550%	3.000%	2.550%	0.000%	2.450%	2.450%	-0.100%	2.750%	2.625%	0.075%	
2017	4.000%	2.850%				2.750%	2.750%	-0.100%	3.000%	2.900%	0.050%	
2018	4.000%	3.100%				3.000%	3.000%	-0.100%	3.000%	3.100%	0.000%	
2019	4.000%	3.300%	3.500%	3.300%	0.000%	3.150%	3.150%	-0.150%	3.250%	3.300%	0.000%	
2020						3.300%	3.300%		3.375%	3.500%		
2021			4.000%	3.500%		3.450%	3.450%		3.625%	3.700%		
2022						3.550%	3.550%		3.700%	3.800%		
2023			4.000%	3.700%			3.650%					
2024			4.000%	3.800%			3.750%					
2025			4.000%	3.900%			3.850%					
2026			4.000%	4.000%								
2027			4.000%	4.050%								
2028												
2029												
2030												
2031												
2032												
2033												
2034												
2035												
<i>Underlying Rating</i>	Aa2/AA-/AA-			NR/A+/NR			NR/AA-/NR			Aa3/A+/NR		



# Yield Comparison – Series 2010B

<i>Issuer</i>	Hidalgo County		Denton County		
<i>Issue</i>	Certificates of Obligation		Permanent Improvement Bonds		
<i>Issue Amount</i>	Taxable Series 2010B (BABs) \$17,785,000		Series 2010B (BABs) \$97,815,000		
<i>Sale Date</i>	06/14/10		06/07/10		
<i>Insurance</i>	N/A		N/A		
<i>Rating</i>	Aa2/AA-/AA-		Aaa/AAA/NR		
<i>Call Features</i>	08/15/2020 @ PAR		1/15/2020 @ PAR		
<i>Date</i>	<i>Coupon</i>	<i>Yield</i>	<i>Coupon</i>	<i>Yield</i>	<i>Difference</i>
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020			4.249%	4.249%	
2021	4.820%	4.820%	4.399%	4.399%	-0.421%
2022			4.549%	4.549%	
2023			4.699%	4.699%	
2024	5.320%	5.320%	4.849%	4.849%	-0.471%
2025	5.420%	5.420%	4.949%	4.949%	-0.471%
2026			5.838%	5.838%	
2027			5.968%	5.968%	
2028					
2029					
2030	6.300%	6.300%			
2031					
2032					
2033					
2034					
2035					
2036					
<i>Underlying Rating</i>	Aa2/AA-/AA-		Aaa/AAA/NR		



PRELIMINARY OFFICIAL STATEMENT DATED JUNE 3, 2010

NEW ISSUE - Book-Entry-Only

RATINGS:

Moody's: "Applied For"

S&P: "Applied For"

Fitch: "Applied For"

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

*In the opinion of Ramirez & Guerrero, L.L.P., Bond Counsel, assuming continuing compliance by the County after the date of initial delivery of the Series 2010A Certificates with certain covenants described in the Order authorizing the issuance thereof and subject to the matters described herein under "TAX EXEMPTION", (1) interest on the Series 2010A Certificates under existing statutes, regulations, rulings and court decisions will be excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (2) the Series 2010A Certificates are not private activity bonds (see "TAX EXEMPTION"). Based on the County's election to treat the 2010B Certificates, as defined and further described below, as Build America Bonds (Direct Payment), the 2010B Certificates will not be treated as obligations described in section 103(a) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS." Interest on the Series 2010B Certificates will not be excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended.*

THE 2010A CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$10,340,000\*  
HIDALGO COUNTY, TEXAS  
CERTIFICATES OF OBLIGATION, SERIES 2010A

\$18,225,000\*  
HIDALGO COUNTY, TEXAS  
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2010B  
(BUILD AMERICA BONDS - DIRECT PAYMENT)

Dated: June 1, 2010

Due: August 15, as shown on inside cover

Interest Accrues: Date of Initial Delivery

**AUTHORITY FOR ISSUANCE . . .** The \$10,340,000\* "Hidalgo County, Texas Certificates of Obligation, Series 2010A" (the "2010A Certificates") and the \$18,225,000\* Certificates of Obligation, Taxable Series 2010B (Build America Bonds - Direct Payment) (the "2010B Certificates" and together with the 2010A Certificates, 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 271.041 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. 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 from not more than \$1,000 derived from surplus net revenues from the operation of the County's park system.

Section 54AA of the Internal Revenue Code of 1986, as amended, authorizes the County to issue taxable certificates known as "Build America Bonds" to finance capital expenditures that could otherwise be financed with the issuance of tax-exempt obligations and to elect to treat such certificates as "qualified bonds" such that the County is eligible to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable obligations (the "Build America Bonds Election"). The County expects to sell and issue all of the 2010B Certificates as taxable obligations and to make the Build America Bonds Election in connection therewith. The available subsidy for the 2010B Certificates will be paid to the County. The subsidy payment, to the extent available, may be available for payment of debt service on the 2010B Certificates, but is not pledged as security to pay debt service on the 2010B Certificates. No holders of 2010B Certificates are entitled to such payment or to receive a tax credit with respect to the 2010B Certificates (see "THE CERTIFICATES - Designation of the Certificates as "Build America Bonds").

**PAYMENT TERMS . . .** Interest on the Certificates will accrue from their date of initial delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2011, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of and interest on the Certificates will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein).

**PURPOSE . . .** Proceeds from sale of the Certificates will be used to pay contractual obligations to finance the cost of the following: the acquisition of lands and rights of way to be used for installation, construction, and improvement of drainage systems and road systems (including traffic signaling); the payment of contractual obligations for professional services, including services provided by engineers, attorneys, financial advisors, and fiscal agents; the design and construction of drainage and road systems, to include purchases of materials and supplies; the purchase of equipment (including parks equipment) and machinery for authorized needs and purposes (including traffic signaling); the purchase of asphalt and street paving materials for the overlay of Mile 2 West Road; the acquisition of lands to be used for the purpose of parks and sanitation collection site(s); the acquisition of lands, with or without improvements, to be used for the purpose of storage facilities of road and bridge and/or drainage improvement equipment and materials; the construction of new county facilities and all construction related cost, including professional services, parking lot, and infrastructure equipment and fixtures related thereto; the acquisition of new County facilities, including parking lot, infrastructure equipment and fixtures, and professional services related thereto; building renovations and major building and/or facility repairs, including ADA compliance repairs, of existing or acquired County buildings and facilities, including professional services related thereto; the reconstruction of existing or acquired parking lots and/or parking facilities; and the payment of costs of issuance of the Certificates (see "THE CERTIFICATES - Purpose of the Certificates").

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

**INSURANCE . . .** The County has made application to municipal bond insurance companies to have the payment of the principal of and interest on the 2010A Certificates insured by a municipal bond guaranty policy. See "BOND INSURANCE". The County may use bond insurance to the extent that it is economical.

**LEGALITY . . .** The Certificates are offered for delivery when, as, and if issued and received by the original purchasers (the "Underwriters"), and subject to the approving opinion of the Attorney General of the State and the legal opinion of Ramirez & Guerrero, L.L.P., San Juan, Texas, Bond Counsel. See Appendix C - "Form of Bond Counsel Opinion" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord Bissell & Liddell LLP, Dallas, Texas.

**DELIVERY . . .** It is expected that the Certificates will be tendered for delivery to the Underwriters through the services of DTC on or about July 7, 2010.

STEPHENS INC.

SOUTHWEST SECURITIES

JEFFERIES & COMPANY

\* Preliminary, subject to change.

This Preliminary Official Statement and the information herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to buy, nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sales would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.