

November 18, 2014



Hidalgo County, Texas

Post-Pricing Presentation

Certificates of Obligation, Series 2014
Limited Tax Refunding Bonds, Series 2014C
Tax Notes, Series 2014

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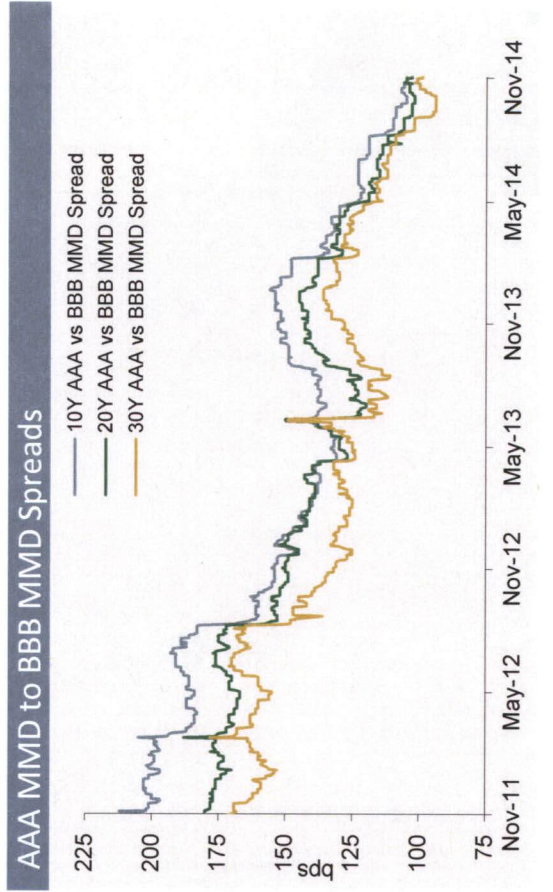
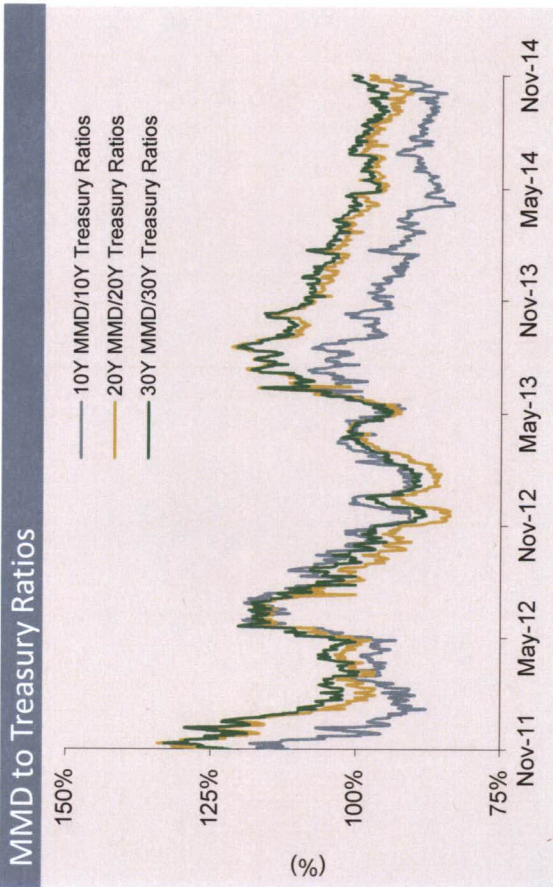
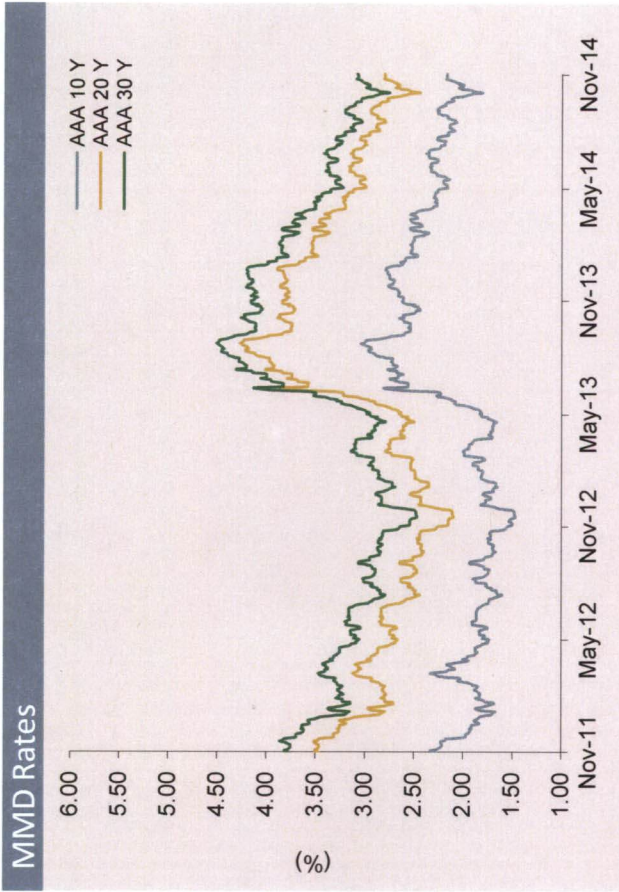
VERIFICATION AGENT

Grant Thornton

Market Update

Commentary for the week of November 17th

- Trading in the tax-exempt market remained high last week even though it was shortened by the Veteran's Day holiday.
- A sell-off last week pushed the benchmark 10-year triple-A general obligation bond's yield seven basis points higher to 2.17% on Nov. 7th from Nov. 3rd. The 30-year yield increased by three basis points to 3.07% during the same period.
- Investor's appetite for tax-exempt bonds was apparent in a sevenfold increase in inflows for all municipal bond funds. Funds that report weekly had \$649 million of inflows for the period ending Nov. 12, up from \$85.3 million the prior week.
- Incentive to buy municipal bonds was heightened as their yields held steady across the curve through Thursday's market close. On Friday bonds weakened with yields on securities maturing in seven to 19 years rising by one basis point, while bonds maturing in 27 to 30 years rose by one basis point. The rest of the yield-curve held steady.
- Volume in the primary market this week will increase to \$7.7 billion, well above the \$5.5 billion weekly average.



Source: Municipal Market Data
Thomson Reuters TM3

Sources and Uses of Funds

	The Certificates	The Refunding Bonds	The Tax Notes
Sources of Funds:			
Principal Amount of the Bonds	\$ 20,085,000.00	\$ 22,795,000.00	\$ 5,530,000.00
Net Premium	2,187,996.05	3,877,364.40	572,262.85
Total Sources of Funds	\$ 22,272,996.05	\$ 26,672,364.40	\$ 6,102,262.85
Uses of Funds:			
Project Fund Deposit	\$ 22,000,000.00	\$ 283.90	\$ 6,000,000.00
Escrow Fund Deposit		26,367,167.45	
Cost of Issuance	144,452.05	167,459.20	77,599.05
Underwriters' Discount	128,544.00	137,453.85	24,663.80
Total Uses of Funds	\$ 22,272,996.05	\$ 26,672,364.40	\$ 6,102,262.85

Ratings & Credit Enhancement

The Hidalgo County Certificates of Obligation, Series 2014, Limited Tax Refunding Bonds, Series 2014C, and Tax Notes, Series 2014 received the following ratings:

Agency	Rating
S&P	AA- / Stable Outlook
Moody's	Aa2 / No Outlook

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

Note, the County also maintains a rating from AA- from Fitch Ratings on other outstanding bonds.

RatingsDirect®

Summary:

Hidalgo County, Texas; General Obligation

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Hidalgo County, Texas; General Obligation

Credit Profile

US\$23.595 mil Limited Tax Rfdg Bnds ser 2014C dtd 11/15/2014 due 08/15/2026		
<i>Long Term Rating</i>	AA-/Stable	New
US\$19.95 mil Certs of Obligation ser 2014 dtd 11/15/2014 due 08/15/2034		
<i>Long Term Rating</i>	AA-/Stable	New
US\$5.72 mil Tax Notes ser 2014 dtd 11/15/2014 due 08/15/2019		
<i>Long Term Rating</i>	AA-/Stable	New
Hidalgo Cnty ltd tax rfdg bnds		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to Hidalgo County, Texas' series 2014 certificates of obligation, series 2014C limited-tax refunding bonds, and series 2014 tax notes. At the same time, we affirmed our 'AA-' long-term rating on the county's general obligation (GO) debt. The outlook is stable.

The certificates of obligations are secured by an ad valorem tax levied against all taxable property in the county, within limits prescribed by law. Surplus revenues from the operations of county parks, not to exceed \$1,000, further secure the certificates. Proceeds from the certificates will be utilized for various county projects, including the construction of mechanical shops, a community resource center, road and drainage system improvements, equipment purchases, and facility renovations. The 2014C bonds will refund outstanding debt for debt service savings, while the 2014 tax notes will finance the purchase of county vehicles.

The rating reflects our assessment of the following factors for the county:

- Very weak economy, with projected effective buying income at 54% of the U.S. average;
- Very strong budgetary flexibility, with 2013 audited reserves at 24% of general fund expenditures;
- Adequate budgetary performance;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong management with good financial policies; and
- Weak debt and contingent liabilities position.

Very weak economy

We consider Hidalgo County's economy characteristically very weak, with per capita market value and projected per capita effective buying income at roughly \$32,700 and 54% of the national averages, respectively. However, in our opinion, the county's economic strengths are not fully captured by these metrics. Hidalgo County is in south Texas along the Rio Grande and Mexican border. The 1,583-square-mile county encompasses McAllen, Pharr, Edinburg (county seat), Mission, Weslaco, and Mercedes. Total population is roughly 874,000, with McAllen, Edinburg, and Mission being the largest municipalities and economic centers. With five international ports of entry for commercial

and pedestrian traffic, international trade with Mexico dominates area's economy. The concentration of twin plants (maquiladoras) in Mexico fuels commercial traffic into the U.S. In addition, agribusiness, tourism, and mineral production (oil and natural gas), continue to support the county's economic base. Higher education opportunities include the University of Texas-Rio Grande Valley (formally UT-Pan American) and South Texas College. In the next two years, a new medical school will be established as part of UT-Rio Grande Valley. Management indicated planning and development has remained on schedule. Assessed valuation (AV) trends remain positive with fiscal 2015 growth of 2.5%, to \$28.6 billion. Management expects AV to grow 2%-3% per year for the next two years. The tax base is very diverse, with the 10 leading taxpayers accounting for 3.8% of fiscal 2015 AV. In the last three fiscal years, county unemployment has remained above 10% although it did drop in calendar 2014.

Very strong budgetary flexibility

In our opinion, Hidalgo County's budgetary flexibility remains very strong, with reserves exceeding 15% of expenditures, which we view as a credit strength. Fiscal 2013 reserves stood at \$43 million, or 24.4% of expenditures. While fiscal 2014 reserves are expected to decline to roughly \$38.2 million due to one-time expenditures, we expect reserves to remain above 15% of expenditures for the next two fiscal years.

Adequate budgetary performance

Budgetary performance has been adequate overall, in our view, with break-even general fund operating results and a total governmental funds deficit of 2.7%, after adjusting out bond proceed utilization and one-time capital expenditures, in fiscal 2013. Similar results are expected for fiscal 2014. The county has traditionally budgeted conservatively by overestimating expenditures and underestimating revenues, resulting in operating surplus in previous fiscal years. The county continues to work to maximize revenues, including selling underutilized property and contracting third-party representatives to collect unpaid fees and fines. Given the county's policy of having structurally balanced budgets, we anticipate adequate budgetary performance in future years.

Very strong liquidity

Very strong liquidity supports the county's finances, with total government available cash at 40.2% of total government fund expenditures and at approximately 4.8x debt service. Based on past issuance of debt, we believe that the county has strong access to capital markets to provide for liquidity needs if necessary.

Strong management conditions

We view the county's management conditions as strong, with "good" financial practices under our Financial Management Assessment. The county uses conservative revenue and expenditure assumptions based on five-year historical trend analysis. It also reports financial performance to the governing body monthly and has the ability to make amendments as needed. The county also maintains a formal debt management policy and a reserve policy with plans to correct any problems should the need arise. The county is beginning the process of formalizing its long-term financial and capital planning by the first quarter of 2015.

Weak debt and contingent liability profile

The debt and contingent liability profile is weak with total governmental fund debt service at 8.3% of total governmental funds expenditures and net direct debt at 108.9% of total governmental funds revenue. Overall net debt is 6.1% of market value. The county is scheduled to retire approximately 42% of its debt in 10 years and the remainder by 2034. The county is in the process of evaluating its debt plans, including financing a new county courthouse at an

estimated cost of \$157 million.

The county participates in the Texas County & District Retirement System (TCDRS). The county met the annual required pension contribution to TCDRS of about \$12.6 million, or roughly 3.6% of adjusted governmental expenses, in fiscal 2013. It also offers other postemployment benefits to retirees in the form of health care insurance for which it paid \$585,000, or less than 1%, of total expenditures in fiscal 2013.

Strong Institutional Framework

We consider the Institutional Framework score for Texas counties strong.

Outlook

The stable outlook reflects our view that Hidalgo County officials will maintain very strong reserves and sustain adequate budgetary performance. The outlook also reflects our anticipation that growth from international trade, agribusiness, and retail-related sectors will continue to support the county's economic metrics. We do not anticipate raising the rating within the next two years, given the county's very low wealth and income.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of November 5, 2014)

Hidalgo Cnty GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Hidalgo Cnty GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Hidalgo Cnty GO		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Hidalgo County's, TX, Multiple Series 2014 Obligations

Global Credit Research - 07 Nov 2014

Affirms Aa2 of outstanding parity debt

HIDALGO (COUNTY OF) TX
Counties
TX

Moody's Rating

ISSUE	RATING
Limited Tax Refunding Bonds, Series 2014C	Aa2
Sale Amount \$23,595,000	
Expected Sale Date 11/17/14	
Rating Description General Obligation Limited Tax	
Tax Notes, Series 2014	Aa2
Sale Amount \$5,720,000	
Expected Sale Date 11/17/14	
Rating Description General Obligation Limited Tax	
Certificates of Obligation, Series 2014	Aa2
Sale Amount \$19,950,000	
Expected Sale Date 11/17/14	
Rating Description General Obligation Limited Tax	

Moody's Outlook NOO

Opinion

NEW YORK, November 07, 2014 --Moody's Investors Service has assigned a Aa2 underlying rating to Hidalgo County's, TX, \$19.95 million Certificates of Obligation Series 2014, \$23.59 million Limited Tax Refunding Bonds Series 2014C, and \$5.72 million Tax Notes Series 2014. At the same time, we have affirmed the Aa2 rating of \$127.3 million in outstanding parity debt. Proceeds from the sale of Certificates will fund various construction projects as well as road and drainage improvements. Proceeds from the sale of Bonds will refund certain maturities of the County's outstanding debt for a projected net present value savings with no extension of the final maturity. Proceeds from the sale of Tax Notes will fund the acquisition of sheriff vehicles. The obligations are payable from ad valorem taxes levied against all taxable property in the County, within the limits prescribed by law. The Certificates are additionally secured by a pledge of not more than \$1,000 derived from surplus net revenues from the operations of the County's parks.

SUMMARY RATING RATIONALE

Moody's rating of Aa2 reflects continued stable growth in the County's sizeable tax base located on the Texas / Mexico border, stable financial operations and position despite a planned use of reserves in fiscal 2014, and manageable debt profile with an average payout of principal outstanding. The stable outlook reflects our belief that the County's tax base and financial strength will continue in the near-term.

STRENGTHS

- * Sizeable tax base at \$28.6 billion
- * Sound financial operations and reserve levels
- * Manageable debt profile

CHALLENGES

- * Weak socioeconomic profile
- * Use of reserves expected in fiscal 2014

DETAILED CREDIT DISCUSSION

STRENGTH IN TAX BASE THAT CONTINUES TO EXPAND

We believe the sizeable tax base of the County is a particular credit strength as well as its stability which is reflected in a third consecutive year of stable growth. Hidalgo County is located in south Texas and borders Mexico. The County is home to the cities of Edinburg (GOLT rated Aa3), McAllen, and Mission (A1). The current County has historically been supported by cross border trade and manufacturing operations across the border in Reynosa Mexico. For fiscal 2015 the county's total taxable value increased 2.5% over the previous year to reach a sizeable \$28.6 billion. The County's top ten taxpayers are relatively diverse and make up a modest portion of the County's overall tax base. For fiscal 2015 the County's tax base was primarily comprised of single-family residential properties (41.3% of the total tax base), commercial and industrial properties (17.2%), and acreage (9.3%). Officials expect to benefit from the University of Texas-Pan American and the University of Texas at Brownsville uniting in 2015 to form the University of Texas Rio Grande Valley, which will include a new medical school. Officials also report a new IMAX movie theater is under development in Edinburg and new big-box chains and retail outlets are locating in the County.

In July 2014 Moody's Economy reported that consumer confidence will pick up in McAllen-Edinburg-Mission as the unemployment rate improves and income growth accelerates, fueling demand for housing in the next couple of years. Moody's Economy further reported that the forthcoming changes to federal immigration policy will alter MCA's outlook for population growth if they result in less immigration over the long run.

Historically the County's socioeconomic profile has lagged well behind state and national averages, which is a credit negative. Socioeconomic indices for the county remain below average, evidenced by a per capita income and median family income of 50.4% and 55.2% of national levels, respectively. The August 2014 unemployment rate for the county was unfavorable at 9.8%, which was above that of the state (5.5%) and the national average (6.3%) for the same time frame.

STABLE FINANCIAL POSITION AND PERFORMANCE DESPITE PLANNED USE OF RESERVES IN 2014

At fiscal year-end 2013 the County's total General Fund balance was \$50.0 million (or a healthy 28.5% of General Fund revenues). Of the total amount, roughly \$21.2 million was unassigned. Fiscal year 2013 General Fund revenues were primarily derived from taxes (81.3% of total General Fund revenues) and charges for services (8.8%). The county's financial operations have historically been stable, with reserve levels above its policy requirement range between 10% and 15%. Earlier in the fiscal year, officials projected that the county would expend \$13 million of reserves with \$5 million due to operating pressures from rising health care costs. County officials now report solid year-to-date financial performance with positive budget variances. Increases above budget in tax collections as well as fines and fees, along with positive impacts from a scofflaw program and health care savings all contributed to positive performance. Officials now anticipate only a \$4.5 to \$4.8 million reduction in Fund balance at year-end. Future credit reviews will focus on the county's ability to maintain stable financial performance as well as grow liquidity in line with a modestly expanding budget.

DEBT PROFILE ABOVE AVERAGE

Post-sale the County will have \$176 million in limited tax parity debt outstanding. The County's direct debt burden is above average yet manageable at 0.6%, which is calculated from fiscal 2015 taxable value and includes capital leases. Payout is average with 77.1% of principal debt retired over the next ten years with all debt maturing in 2034. The County has no variable rate debt nor any swaps. The county's overall debt burden is high at 8.9% which is impacted by various school districts and other issuers in the County. We believe the debt profile of the County will remain above average yet manageable in the near-term. Officials report no additional near-term

borrowing plans.

We anticipate near-term budgetary pressure due to the County's participation in the Texas County and District Retirement System (TCDRS) pension plan to remain minimal in the near term. The 3 year average of Moody's adjusted net pension liability (ANPL) is a slightly below average 0.93x County operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported contribution information, or the reported liability information of the statewide cost-sharing plans, but to improve comparability with other rated entities.

OUTLOOK

The stable outlook reflects our belief that the County's sizeable and stable tax base of \$28.6 billion is a certain credit positive that could sustain losses and remain more expansive than tax bases of similarly rated credits. The outlook also incorporates a history of strong financial strength and our expectation that it will continue in the near-term.

WHAT COULD MAKE THE RATING GO UP

- * Maintenance of sound financial operations and healthy reserves
- * Improvement in socioeconomic profile
- * Reduction in debt profile

WHAT COULD MAKE THE RATING GO DOWN

- * Significant contraction of the tax base
- * Weak financial performance leading to narrowing of reserves
- * Significant increase in debt profile

KEY STATISTICS:

FY 2015 full valuation: \$28.6 billion

FY 2015 full value per capita: \$35,065

Median Family Income: 55.2% of US

Operating Fund balance as a % of operating revenues: 23.03%

5 year dollar change in fund balance as a % of operating revenues: 12.69%

Cash balance as a % of operating revenues: 62.85%

5 year dollar change in cash balance as a % of Revenues: 21.96%

Institutional Framework: Aaa

Operating history: 5 year average of operating revenues/operating expenditures: 1.02x

Net direct debt/full value: 0.65%

Net direct debt/operating revenues: 0.86x

3 year average of Moody's adjusted pension liability/full value: 0.71%

3 year average of Moody's adjusted net pension liability/operating revenues: 0.93x

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2014

NEW ISSUE - Book-Entry-Only

RATINGS:
Moody's: "Applied For"
S&P: "Applied For"
 (See "OTHER INFORMATION – Ratings" herein.)

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the County after the date of initial delivery of the Obligations with certain covenants contained in the Order and subject to the matters set forth under "TAX MATTERS" herein, interest on the Obligations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Obligations, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.

\$19,950,000*
HIDALGO COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2014

Dated: November 15, 2014

Due: August 15, as shown below

Interest Accrues: Date of Initial Delivery

PAYMENT TERMS . . . Interest on the \$19,950,000* Hidalgo County, Texas Certificates of Obligation, Series 2014 (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, 2015, 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 OBLIGATIONS - Book-Entry-Only System" herein).

**STATED MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
 AND REDEMPTION PROVISIONS***

CUSIP Prefix: 429326

<u>Maturity (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield⁽¹⁾</u>	<u>CUSIP⁽²⁾ Suffix</u>	<u>Maturity (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield⁽¹⁾</u>	<u>CUSIP⁽²⁾ Suffix</u>
2016	\$ 180,000				2026	\$ 1,115,000			
2017	480,000				2027	1,165,000			
2018	775,000				2028	1,225,000			
2019	1,300,000				2029	1,285,000			
2020	1,640,000				2030	1,345,000			
2021	555,000				2031	1,420,000			
2022	400,000				2032	1,470,000			
2023	685,000				2033	1,535,000			
2024	720,000				2034	1,595,000			
2025	1,060,000								

(Interest to accrue from Date of Initial Delivery)

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . Hidalgo County, Texas (the "County") reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2025, in whole or in part, on August 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE OBLIGATIONS – Optional Redemption of the Certificates and/or Bonds").

SEPARATE ISSUES . . . The Certificates are being offered by the County concurrently with the "Hidalgo County, Texas, Limited Tax Refunding Bonds, Series 2014C" (the "Bonds") and the "Hidalgo County, Texas, Tax Notes, Series 2014" (the "Notes"). The Certificates, Bonds, and Notes are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Obligations." The Certificates, Bonds and Notes are separate and distinct securities offerings being issued and sold independently. While the Certificates, Bonds and Notes share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

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 The J. Ramirez Law Firm, San Juan, Texas, Bond Counsel. See Appendix C – "Form of Bond Counsel Opinions" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord 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 December 16, 2014.

BOFA MERRILL LYNCH

STEPHENS INC.

STIFEL NICOLAUS & COMPANY, INC.

* Preliminary, subject to change.

⁽¹⁾ Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 15, 2024, the first optional call date for such Certificates at a redemption price of par, plus accrued interest to the redemption date.

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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 sell or the solicitation of 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.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2014

NEW ISSUE - Book-Entry-Only

RATINGS:
 Moody's: "Applied For"
 S&P: "Applied For"
 (See "OTHER INFORMATION - Ratings" herein.)

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the County after the date of initial delivery of the Obligations with certain covenants contained in the Order and subject to the matters set forth under "TAX MATTERS" herein, interest on the Obligations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Obligations, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.

\$23,595,000*
HIDALGO COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS, SERIES 2014C

Dated: November 15, 2014

Due: August 15, as below

Interest Accrues: Date of Initial Delivery

PAYMENT TERMS . . . Interest on the \$23,595,000* Hidalgo County, Texas Limited Tax Refunding Bonds, Series 2014C (the "Bonds") will accrue from their date of initial delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2015, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the purchasers thereof.** Principal of and interest on the Bonds 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 Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein).

**STATED MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
 AND REDEMPTION PROVISIONS***

CUSIP Prefix: 429326

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix	Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield ⁽¹⁾	CUSIP ⁽²⁾ Suffix
2015	\$ 475,000				2021	\$ 2,360,000			
***					2022	2,455,000			
2017	1,740,000				2023	2,560,000			
2018	1,805,000				2024	2,665,000			
2019	2,095,000				2025	2,790,000			
2020	1,715,000				2026	2,935,000			

(Interest to accrue from Date of Initial Delivery)

OPTIONAL REDEMPTION OF THE BONDS . . . Hidalgo County, Texas (the "County") reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2025, in whole or in part, on August 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE OBLIGATIONS - Optional Redemption of the Certificates and/or Bonds").

SEPARATE ISSUES . . . The Bonds are being offered by the County concurrently with the "Hidalgo County, Texas, Certificates of Obligation, Series 2014" (the "Certificates") and the "Hidalgo County, Texas, Tax Notes, Series 2014" (the "Notes"). The Certificates, Bonds, and Notes are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Obligations." The Certificates, Bonds and Notes are separate and distinct securities offerings being issued and sold independently. While the Certificates, Bonds and Notes share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

LEGALITY . . . The Bonds 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 The J. Ramirez Law Firm, San Juan, Texas, Bond Counsel. See Appendix C - "Form of Bond Counsel Opinions" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be tendered for delivery to the Underwriters through the services of DTC on or about December 16, 2014.

BOFA MERRILL LYNCH

STEPHENS INC.

STIFEL NICOLAUS & COMPANY, INC.

* Preliminary, subject to change.

⁽¹⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2024, the first optional call date for such Bonds at a redemption price of par, plus accrued interest to the redemption date.

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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 sell or the solicitation of 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.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2014

NEW ISSUE - Book-Entry-Only

RATINGS:
 Moody's: "Applied For"
 S&P: "Applied For"
 (See "OTHER INFORMATION – Ratings" herein.)

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the County after the date of initial delivery of the Obligations with certain covenants contained in the Order and subject to the matters set forth under "TAX MATTERS" herein, interest on the Obligations for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Obligations, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "TAX MATTERS" herein.

\$5,720,000*
HIDALGO COUNTY, TEXAS
TAX NOTES, SERIES 2014

Dated: November 15, 2014

Due: August 15, as shown below

Interest Accrues: Date of Initial Delivery

PAYMENT TERMS . . . Interest on the \$5,720,000* Hidalgo County, Texas Tax Notes, Series 2014 (the "Notes") will accrue from their date of initial delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2015, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Notes 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 Notes may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Notes will be made to the purchasers thereof.** Principal of and interest on the Notes 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 Notes (see "THE OBLIGATIONS - Book-Entry-Only System" herein).

STATED MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS*

CUSIP Prefix: 429326

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽¹⁾ Suffix
2015	\$ 1,130,000			
2016	1,090,000			
2017	1,120,000			
2018	1,165,000			
2019	1,215,000			

(Interest to accrue from Date of Initial Delivery)

NO REDEMPTION OF THE NOTES . . . The Notes are NOT subject to redemption prior to stated maturity (see "THE OBLIGATIONS – No Optional Redemption of the Notes").

SEPARATE ISSUES . . . The Notes are being offered by the County concurrently with the "Hidalgo County, Texas, Certificates of Obligation, Series 2014" (the "Certificates") and the "Hidalgo County, Texas, Limited Tax Refunding Bonds, Series 2014C" (the "Bonds"). The Certificates, Bonds, and Notes are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Obligations." The Certificates, Bonds and Notes are separate and distinct securities offerings being issued and sold independently. While the Certificates, Bonds and Notes share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

LEGALITY . . . The Notes 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 The J. Ramirez Law Firm, San Juan, Texas, Bond Counsel. See Appendix C – "Form of Bond Counsel Opinions" herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Notes will be tendered for delivery to the Underwriters through the services of DTC on or about December 16, 2014.

BOFA MERRILL LYNCH

STEPHENS INC.

STIFEL NICOLAUS & COMPANY, INC.

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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