

ESCROW AND TRUST AGREEMENT

THIS ESCROW AND TRUST AGREEMENT (the "Escrow and Trust Agreement"), dated for convenience as of May 21, 2019, but effective on the Escrow Funding Date described herein, is made and entered into by and between the HIDALGO COUNTY, TEXAS, a political subdivision of the State of Texas (together with any successor to its duties and functions, the "County"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Dallas, Texas, as Escrow Agent (together with any successor or assign in such capacity, the "Escrow Agent").

WHEREAS, the County has heretofore issued certain bonds (hereinafter defined as the "Refunded Bonds") that it desires to refund in advance of their maturities; and

WHEREAS, Chapter 1207, Texas Government Code, as amended, (the "Act") authorizes and empowers the County to issue, sell and deliver refunding bonds payable from ad valorem taxes and to deposit with any place of payment for the Refunded Bonds from the proceeds of such bonds an amount sufficient to provide for the payment or redemption of the Refunded Bonds; and

WHEREAS, the Escrow Agent is the paying agent for the Refunded Bonds, and this Escrow and Trust Agreement constitutes an escrow agreement of the kind authorized and required by the Act; and

WHEREAS, the County's Commissioners Court has adopted an order ("Bond Order") authorizing the issuance, sale and delivery of the County's Limited Tax Refunding Bonds, Series 2019B, in the aggregate principal amount of \$20,645,000 (the "Bonds"), for the purpose of refunding a portion of the County's currently outstanding debt and to pay the costs of issuance of the Bonds; and

WHEREAS, to provide for the payment of the Refunded Bonds, the County has provided for the transfer to the Escrow Agent, pursuant to this Escrow and Trust Agreement, of proceeds of the Bonds together with other lawfully available funds of the County; and

WHEREAS, the County's Commissioners Court has further determined to effectuate the refunding of the Refunded Bonds pursuant to this Escrow and Trust Agreement, under which provision is made for the safekeeping, investment, reinvestment, administration and disposition of proceeds of the Bonds so as to provide firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and in order to secure the full and timely payment of the principal of and interest on the Refunded Bonds, the County and the Escrow Agent contract and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Escrow and Trust Agreement:

"Bond Order" shall mean the County's order adopted May 21, 2019 authorizing the issuance, sale, and delivery of the Bonds.

"Bonds" shall mean the Hidalgo County, Texas Limited Tax Refunding Bonds, Series 2019B, dated May 15, 2019, in the principal amount of \$20,645,000.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"County" shall mean Hidalgo County, Texas and any successor to its duties and functions.

"Escrow Agent" shall mean The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow agent hereunder, and any successor or assign in such capacity.

"Escrow and Trust Agreement" shall mean this escrow and trust agreement.

"Escrow Deposit" shall mean the initial deposit in the Escrow Fund, as more particularly described in Section 2.01.

"Escrow Fund" shall mean the fund created in Section 3.01 of this Escrow and Trust Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow and Trust Agreement.

"Escrow Funding Date" shall mean the date on which the County deposits with the Escrow Agent the cash, if any, and Escrowed Securities described in Section 2.01.

"Escrowed Securities" shall mean the Open Market Securities.

"Open Market Securities" shall mean the noncallable, nonprepayable direct obligations of, including obligations that timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, as more fully described in the Report attached hereto, together with all reinvestments of the proceeds thereof as may be directed in Section 4.02 or permitted in Section 4.03(b).

"Paying Agent for the Refunded Bonds" shall mean The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

"Refunded Bonds" shall mean the following bonds (see Exhibit "A"):

Hidalgo County, Texas Certificates of Obligation, Taxable Series 2009C (Build America Bonds – Direct Payment)

Hidalgo County, Texas Certificates of Obligation, Taxable Series 2010B (Build America Bonds – Direct Payment)

"Refunded Bonds Order" shall mean the County's orders adopted September 29, 2009 and July 13, 2010, respectively, authorizing the issuance, sale, and delivery of the Refunded Bonds.

"Report" shall mean the Verification Report prepared by Causey, Demgen and Moore, certified public accountants, relating to the refunding of the Refunded Bonds, a copy of which is attached hereto, and any subsequent verification report required by Section 4.03.

Section 1.02. Interpretations. The titles and headings of the articles and sections of this Escrow and Trust Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Escrow and Trust Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits to Escrow Fund. On the Escrow Funding Date, the County shall deposit, or cause to be deposited, to the Escrow Fund the Escrow Deposit, consisting of the following:

- (a) as the beginning cash balance for the Escrow Fund as shown in the Report, \$550.28;
- (b) Open Market Securities in the par amount of \$24,666,635.94;

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. On the Escrow Funding Date the Escrow Agent will create on its books a special fund and irrevocable escrow to be known as the "Hidalgo County, Texas Limited Tax Refunding Bonds, Series 2019B Escrow Account" (the "Escrow Fund"). On the Escrow Funding Date, the Escrow Deposit described in Section 2.01 will be deposited to the credit of the Escrow Fund. The Escrow Deposit and all proceeds therefrom shall be the property of the Escrow Fund and shall be applied only in strict conformity with the terms and conditions hereof. All Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfer to the applicable Paying

Agent for the Refunded Bonds of such amounts at such times as are provided in Section 3.02. When the final transfers have been made to the applicable Paying Agent for the Refunded Bonds for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the County, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. (a) The Escrow Agent is hereby irrevocably instructed to transfer to the applicable Paying Agent for the Refunded Bonds from the cash balance from time to time on deposit in the Escrow Fund the amounts required to pay the principal of and interest on the Refunded Bonds.

(b) Except for amounts transferred to a Paying Agent for the Refunded Bonds pursuant to Section 3.02(a), the Escrow Agent agrees that it shall never make any withdrawals from the Escrow Fund or assert any claims, liens or charges against the Escrow Fund.

Section 3.03. Sufficiency of Escrow Fund. The County represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the applicable Paying Agent(s) for the Refunded Bonds at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and to pay the principal of the Refunded Bonds as the Refunded Bonds mature. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow fund shall be insufficient to transfer the amounts required by the applicable Paying Agent for the Refunded Bonds to make payments set forth in Section 3.02, the County shall timely deposit into the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or for the County's failure to make additional deposits thereto.

Section 3.04. Security of Escrow Fund. The Escrow Agent at all times shall hold the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund always shall be maintained by the Escrow Agent as funds for the benefit of the holders of the Refunded Bonds; and a special account evidencing such fact shall be maintained at all times on the books of the Escrow Agent. The holders of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the Escrow Fund to which they are entitled as holders of the Refunded Bonds. The amounts received by the Escrow Agent under this Escrow and Trust Agreement shall not be considered as a banking deposit by the County, and the Escrow Agent shall have no right or title with respect thereto except as escrow agent under the terms hereof. The amounts received by the Escrow Agent hereunder shall not be subject to warrants, drafts or checks drawn by the County or, except to the extent expressly herein provided, by the Paying Agents for the Refunded Bonds.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value of at least equal to such cash balances.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Duty to Invest. Except for the initial investment of the proceeds of the Bonds in the Escrowed Securities, and except as provided in Sections 4.02, 4.03, and 4.04, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, make substitutions of the Escrowed Securities, or sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow Funds by Escrow Agent. Except as provided in Section 4.03 hereof, the Escrow Agent shall have no authority to substitute Escrowed Securities for the Escrowed Securities identified in **Exhibit B** hereto, provided that on the respective dates identified in **Exhibit C** the Escrow Agent and the Issuer agree to make timely subscriptions for and apply such amounts to the purchase of United States Treasury Securities--State and Local Government Securities having a zero percent (0%) interest rate (Zero Interest SLGS), on the respective dates, in the respective amounts, and scheduled to mature as provided on Exhibit C by executing and filing subscription forms prepared thereof in such form as may be then required by the United States Department of the Treasury; provided that the then existing rules and regulations and policy of the United States Department of the Treasury permit and authorize such investments. Should the policies, rules, and regulations of the United States Department of the Treasury not permit or authorize the purchase of Zero Interest SLGS at such time or times, such cash balance or balances shall remain uninvested and held in trust for the benefit of the holders of the Refunded Bonds and used for the payment of the Refunded Bonds on the dates and in the amount such money would have been expended had such Zero Interest SLGS been acquired and matured.

Section 4.03. Substitutions and Reinvestment. The Escrow Agent shall be authorized to accept initially and temporarily cash and/or substituted securities pending the delivery of the Escrowed Securities identified in Exhibit B, or shall be authorized to sell, exchange, or redeem the Escrowed Securities and reinvest the proceeds thereof, together with other money held in the Escrow Fund, provided that the Escrow Agent receives the following:

(a) an opinion by an independent certified public accountant to the effect that (i) the initial and/or temporary substitution of cash and/or securities (which shall be Escrowed Securities) for one or more of the Escrowed Securities identified in Exhibit B pending the receipt and delivery thereof to the Escrow Agent or (ii) the sale, exchange, or redemption of one or more of the Escrowed Securities and the reinvestment of such funds in one or more

substituted securities (which shall be Escrowed Securities and permitted by the laws of the State of Texas and the order authorizing the Refunded Bonds to be held in the Escrow Fund), together with the interest thereon and other available investments and money then held in the Escrow Fund, will, in either case, be sufficient, without reinvestment, to pay as the same become due in accordance with Exhibit C, the principal of, premium, if any, and interest on, the Refunded Bonds which have not previously been paid, and

(b) with respect to an early sale, exchange, or redemption of Escrowed Securities and the reinvestment of the proceeds thereof, an opinion of nationally-recognized municipal bond counsel to the effect that (i) such investment will not cause interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes, under the Internal Revenue Code of 1986, as amended, and applicable related regulations, and (ii) such reinvestment complies with the laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Bonds and the Bonds.

Section 4.04. Excess Balance. Except with respect to final transfers of amounts held in the Escrow Fund (which shall be controlled by Section 3.01), the Escrow Agent shall transfer excess amounts held in the Escrow Fund to or on the order of the County provided that the County delivers to the Escrow Agent the following:

(a) an opinion by an independent certified public accountant that, after the transfer of the excess amounts, the principal amount of securities in the Escrow Fund, together with the interest thereon and other available money, will be sufficient, without reinvestment, to pay, as the same become due, in accordance with Exhibit A, the principal of, premium, if any, and interest on the Refunded Bonds which have not previously been paid, and

(b) an unqualified opinion of nationally-recognized bond counsel to the effect that (a) such transfer will not make the interest on the Bonds or the Refunded Bonds relating to such Escrow Fund subject to federal income taxation, and (b) such transfer complies with the laws of the State of Texas and with all relevant documents relating to the issuance of such Refunded Bonds and the Bonds.

Section 4.05. Allocation of Certain Escrowed Securities. The maturing principal of and interest on the Escrowed Securities in the Escrow Fund may be applied to the payment of any Refunded Bonds relating to the Escrow Fund, and no allocation or segregation of the receipts of principal or interest from such Escrowed Securities is required.

Section 4.06. Restriction on Escrow Fund Investment - Reinvestment. Except as provided in Section 4.02 and 4.03 hereof, moneys in the Escrow Fund will be invested only in the Escrowed Securities listed in Exhibits B and C and neither the County nor the Escrow Agent shall reinvest any moneys deposited in the Escrow Fund except as specifically provided by this Escrow and Trust Agreement.

Section 4.07. Arbitrage. The County hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the

Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any of the Bonds to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V

RECORDS AND REPORTS

Section 5.01. Records. The Escrow Agent shall keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the County and the holders of the Refunded Bonds.

Section 5.02. Reports. For the period beginning on the Escrow Funding Date and ending on August 31, 2019, and for each twelve (12) month period thereafter while this Escrow and Trust Agreement remains in effect, the Escrow Agent shall prepare and send to the County within thirty (30) days following the end of such period a written report summarizing all transactions relating to the Escrow Fund during such period, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Paying Agent for the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and cash balances on deposit in the Escrow Fund as of the end of such period.

ARTICLE VI

CONCERNING THE ESCROW AGENT

Section 6.01. Representations of Escrow Agent. The Escrow Agent represents that it has all necessary power and authority to enter into this Escrow and Trust Agreement and undertake the obligations and responsibilities imposed upon it herein and that it will carry out all of its obligations hereunder.

Section 6.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds to the Paying Agent for the Refunded Bonds for the payments of the principal of, redemption premium, if any, and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the County promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the

statements of the County and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Refunded Bonds Order and in its capacity as Escrow Agent, it is agreed that the Escrow Agent look only to the terms and provisions of this Escrow and Trust Agreement.

The Escrow Agent makes no representation as to the value, condition or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the County thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility with respect to any of such matters.

It is the intention of the County and Escrow Agent that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Escrow and Trust Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or default, nor for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically provided otherwise herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the County with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Escrow and Trust Agreement. If, however, the Escrow Agent is called upon by the terms of this Escrow and Trust Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated in making such determination, only to exercise reasonable care and diligence, and in the event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the County or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquires of, and consult with the County, among others, at any time.

The Escrow Agent shall not be required to use or advance its own funds or otherwise incur any financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

In the absence of bad faith, the Escrow Agent may rely conclusively upon the truth, completeness and accuracy of the statements, certificates, opinions, resolutions and other documents conforming to the requirements of this Escrow and Trust Agreement, and shall not be obligated to make any independent investigation with respect thereto.

To the full extent permitted by law, the County agrees to indemnify, defend and hold the Escrow Agent harmless from and against any and all loss, damage, tax, liability and expense that may be incurred by the Escrow Agent arising out of or in connection with its acceptance or appointment as escrow agent hereunder, including attorneys fees and expenses of defending itself against any claim or liability in connection with its performance hereunder except that the Escrow Agent shall not be indemnified for any loss, damage, tax, liability and expense resulting from its own negligence or willful misconduct.

Section 6.03. Compensation. (a) Concurrently with the sale and delivery of the Bonds, the County shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Escrow and Trust Agreement, the amount set forth in Exhibit D, attached hereto, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the County hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) For all paying agency services necessary to the date of final payment of the Refunded Bonds, the Paying Agent for the Refunded Bonds is the place of payment for the Refunded Bonds. The County covenants to timely pay for all future paying agency services of the Paying Agent for the Refunded Bonds in accordance with the paying agent fee schedule now in effect through the final payment of the Refunded Bonds.

Section 6.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the County, by appropriate action, shall promptly appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the County within 60 days, a successor may be appointed by the holders of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the County, signed by such holders or by their duly authorized attorneys. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provision of this section within ninety (90) days after a vacancy shall have occurred, the holder of any Refunded Bond then outstanding may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a bank, trust company or other financial institution that is duly qualified under applicable law (the Act, or other appropriate statute) to serve as Escrow Agent hereunder and authorized and empowered to perform the duties and obligations contemplated by this Escrow and Trust Agreement and organized and empowered to perform the

duties and obligations contemplated by this Escrow and Trust Agreement and organized and doing business under the laws of the United States or one of the states, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Texas or in the County of New York, New York having a combined capital and surplus of at least \$50,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the County and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Escrow and Trust Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the County shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee paid hereunder.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from this Escrow and Trust Agreement hereby created by giving not less than (60) days' written notice to the County. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of the Refunded Bonds or by the County as herein provided and such successor Escrow Agent shall have accepted such appointment, in which even such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

The Escrow Agent may be removed at any time with thirty (30) days' prior notice by an instrument or concurrent instruments in writing delivered to the Escrow Agent and to the County and signed by the holders of not less than a majority in principal amount of the Refunded Bonds then outstanding.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Escheatment. Subject to the unclaimed property laws of the State of Texas, any money deposited with the Escrow Agent for the payment of the principal, premium (if any), or interest on security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be reported and disposed of by the Escrow Agent in accordance with the provision of Title Six of the Texas Property Code and all liability of the Escrow Agent with respect to such moneys shall thereupon cease.

Section 7.02. Indemnification. To the extent permitted by law, the County shall indemnify, defend and hold harmless the Escrow Agent, its directors, officer, employees, agents and affiliates (each an "indemnified person") against all liabilities, expenses (including the fees and expenses of in house and outside counsel), judgments, claims, taxes (other than income taxes imposed on fees earned by the Escrow Agent hereunder) and other losses of any kind whatsoever ("losses") incurred by an indemnified person in connection with (a) the Escrow Agent's execution, delivery and performance of the Escrow and Trust Agreement, except with respect to any indemnified person to the extent that a court of competent jurisdiction determines that any

such loss was due to the negligence or willful misconduct of such indemnified person, or (b) any action taken or inaction suffered by an indemnified person in connection with this Escrow and Trust Agreement as the result of any instruction, order, request, notice or other communication from the County, except for any action or inaction caused by the Escrow Agent's negligence or willful misconduct.

Section 7.03 Escrow Agent Rights. No provision of this Escrow and Trust Agreement shall require the Escrow Agent to risk or expend its own funds. The Escrow Agent may rely and shall be protected in acting or refraining from acting upon any written opinion, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Escrow Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Escrow Agent's negligent or willful misconduct was the primary cause of any loss to the Issuer. The Escrow Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the Issuer. In the administration of this Escrow and Trust Agreement and the Escrow Fund hereunder, the Escrow Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants, and other skilled persons to be selected and retained by it. The Escrow Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

Section 7.04. Consequential Damages. Anything in this Escrow and Trust Agreement to the contrary notwithstanding, to the extent permitted by law, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of such loss or damage and regardless of the form of action.

Section 7.05. Term & Termination Language. This Escrow and Trust Agreement shall be effective from and after its date and may be terminated for any reason by the Issuer or the Escrow Agent at any time upon 60 days written notice; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Escrow Agent hereunder. However, the Escrow Agent reserves the right to petition a court of competent jurisdiction to appoint a successor Escrow Agent.

Section 7.06. Notices. Any notice, authorization, request or demand required or permitted to be given hereunder shall be made or given in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:

The Bank of New York Mellon
Trust Company, N.A.
2001 Bryan Street, 10th Floor
Dallas, Texas 75201

To the County:

County of Hidalgo
100 E. Cano
Edinburg, Texas 78539

Attention:
Corporate Trust

Attention:
County Judge

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Either party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten days' prior written notice thereof.

Section 7.07. Termination of Responsibilities. Upon the taking by the Escrow Agent of all the actions as described herein, the Escrow Agent shall have no further obligations or responsibilities hereunder to the County, the holders of the Refunded Bonds or to any other person or persons in connection with this Escrow and Trust Agreement.

Section 7.08. Binding Agreement; Amendment. This Escrow and Trust Agreement shall be binding upon the County and the Escrow Agent and their respective successors and legal representatives and shall inure solely to the benefit of the holders of the Refunded Bonds, the County, the Escrow Agent and their respective successors and legal representatives. This Escrow and Trust Agreement shall not be subject to amendment without the written consent of the holders of all Refunded Bonds then Outstanding.

Section 7.09. Severability. If any one or more provisions contained in this Escrow and Trust Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect provision of this Escrow and Trust Agreement, but this Escrow and Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.10. Governing Law. This Escrow and Trust Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.11. Time of Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Escrow and Trust Agreement.

Section 7.12. Pursuant to Chapter 2270, Texas Government Code (“Chapter 2270”), and solely for purposes relating to Chapter 2270, the Escrow Agent verifies, except to the extent otherwise required by applicable federal law, that it is not a company that boycotts or will boycott Israel through the term of the Escrow and Trust Agreement. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code. The Escrow Agent is a company as defined in Section 808.001(2) of the Texas Government Code, which means a for-profit sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit.

Additionally, pursuant to Chapter 2252, Texas Government Code (“Chapter 2252”), the Escrow Agent certifies, to the extent this Escrow and Trust Agreement constitutes a governmental contract within the meaning of Section 2252.151 of Chapter 2252, solely for purposes of compliance with Chapter 2252, except to the extent otherwise required by applicable federal law, that it is not, nor is any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Escrow Agent, a company that is on the lists prepared and maintained by the Texas Comptroller of Public Accounts under Sections 2270.0201, or 2252.153 of the Texas Government Code.

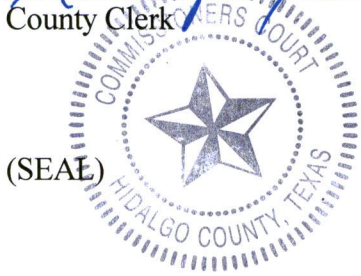
EXECUTED as of the date first written above, but effective as set forth herein.

HIDALGO COUNTY, TEXAS

By: Richard Flores
County Judge

ATTEST:

Arthur P. J.
County Clerk



THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Escrow Agent

By: _____

Name:

Title:

ATTEST:

Name:

Title:

EXHIBIT A

DEBT SERVICE OF THE REFUNDED BONDS

EXHIBIT B

ESCROWED SECURITIES

EXHIBIT C

ESCROW FUND CASH FLOW AND REINVESTMENT

EXHIBIT D