NOTICE OF INTENT TO CONTRACT FOR SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT PROJECT

In accordance with the Public Property Finance Act, Section 271.001, et seq., Texas Local Government Code, as amended (the "Act"), notice is hereby given that it is the intent of the Board of Directors of the South Texas Independent School District situated in Cameron, Hidalgo, and Willacy Counties, Texas (the "District"), to enter into one or more lease/purchase contracts with a public facility corporation (the "Corporation") created by the District pursuant to Chapter 303, Texas Local Government Code, for the use, purchase, or other acquisition of real property or an improvement to real property for public school purposes, consisting of: (1) the construction and equipment of school facilities consisting of a new middle school, a bus barn and athletic fields to be located on the southwest corner of FM 509 and Shafer Road, San Benito, Cameron County, Texas; and (2) other improvements functionally related to the above (collectively, the "Projects").

The District tentatively proposes to enter into one or more contracts in an aggregate amount not to exceed $87,000,000, the presently estimated amount of costs to be incurred for construction, engineering, architectural, legal, and other professional fees in connection with the Projects, excluding any operations and maintenance costs. Proceeds from the contract(s) may also be used to fund a reserve fund. In accordance with the Act, the term of the contract(s) shall not exceed 25 years and the net effective interest rate shall not exceed the amount provided in Chapter 1204, as amended, Texas Government Code. The District presently proposes to provide for payment of the contract(s) from money biennially appropriated to the District by the Texas Legislature which may be used for capital outlay or debt service, unintended surplus maintenance taxes, or any other lawfully available funds of the District, subject to annual appropriation by the District. Such contract(s) shall never be a charge on such revenues, except in accordance with its terms, which include the right not to appropriate payments for payment of such contract(s).

To finance the Projects, the District will sell certain land (valued at the approximate amount of $3,580,000) for the site on which the Projects will be constructed, to the Corporation. The Project and the land on which it will be located will be subject to one or more mortgages and, therefore, will be subject to foreclosure if the District fails to make lease payments to the Corporation. The District will apply the land sale proceeds it will receive from the Corporation to the Projects.

The Board intends to consider matters related to approval of the lease/purchase contract(s) on or about (but not earlier than) the 60th day after the date of publication of this notice. In accordance with the Act, if, within 60 days of the date of publication of this notice, a written petition signed by at least 5% of the registered voters of the District is filed with the Board of Directors requesting that the Board order a referendum on the question of whether the lease/ purchase contract(s) should be approved, the Board may not approve the lease/purchase contract(s) unless the question is approved by a majority of the votes received in a referendum ordered and held on the question.

BOARD OF DIRECTORS OF THE SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT