



**NAMAN HOWELL
SMITH & LEE^{PLLC}**
ATTORNEYS AT LAW

MEMORANDUM
from
Dan Pleitz

(254) 755-4100
Fax (254) 754-6331
E-mail: pleitz@namanhowell.com

TO: Collin County Commissioners Court

DATE: June 25, 2012

RE: Tax Exempt Loan for Torah Day School

To the Members of the Commissioners Court:

Our firm is working as bond counsel to assist Torah Day School of Dallas, Inc. with a tax exempt loan in a maximum amount of \$2,300,000. The purpose of the loan is to refinance existing debt that was used to finance the school campus at 6921 Frankford Road, Dallas, Texas 75252, and to fund the cost of upgrades to a related modular building at the same address which houses classrooms and administrative space.

Regions Equipment Finance Corporation, an affiliate of Regions Bank, has agreed to make the loan. There is a penalty in federal tax law (Section 265(b) of the Internal Revenue Code) to banks that make a tax exempt loan unless the loan is originated in a governmental entity that issue less than \$10,000,000 in tax exempt debt during the calendar year. For this reason, we have originated the loan through an educational facilities corporation established by the City of Oglesby, Texas. Oglesby is a small town about 30 miles west of Waco and will not issue more than \$10,000,000 of tax exempt debt in 2012. Both the Oglesby Education Facilities Corporation (which issues the debt) and the Oglesby City Council (which has to approve this transaction for tax purposes) have already approved the transaction.

Under the provisions of another section of the Internal Revenue Code (Section 147(f)) for the loan to be tax exempt it must be approved by the "host" jurisdiction where the school is located. While the school has a Dallas address it is located in Collin County. We approached Dallas about the required approval but their staff said that due to scheduling problems we could not gain that approval from Dallas until at least August 8 (their council does not meet from June 27 until August 8). The school is located in

Collin County and under federal law the county can give this approval as well as the City of Dallas.

This loan does not constitute a liability of the county (or even the City of Oglesby) in any way whatsoever. The sole obligation to repay the loan is that of the school. The loan does count against the \$10,000,000 amount I mentioned in the second paragraph but only in the City of Oglesby, and it does not count against any limit on tax exempt obligations that can be issued by Collin County.

Federal law requires that we have a public hearing before this is approved in Collin County. That hearing was held after notice of this transaction was published on June 3 in the *Plano Star Courier* and the *McKinney Courier Gazette*. The hearing was held on June 18 and nobody attended except the hearing officer. I have attached the minutes of the hearing.

We have enclosed with this memo a proposed order for the County Commissioners and there is no necessity for the county to hold a public hearing in addition to the one already held.

We hope for your kind consideration of this matter. Your approval would lower substantially the interest rate on the loan to the school which will of course save them a lot of money.

If there are any questions about this matter we would be honored to answer them either here in the law firm (Dan Pleitz, 254-755-4100) or Mr. Richard Glazer who is Vice President at the school would also be happy to speak with you. Richard's phone number is 972-788-1367.

Thank you.