



**NAMAN HOWELL  
SMITH & LEE**

A REGISTERED LIMITED LIABILITY PARTNERSHIP

*MEMORANDUM*  
*from*  
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**TO:** Keith Self  
Collin County Judge

**DATE:** August 29, 2016

**RE:** Trinity Higher Educational Facilities Corporation Tax-Exempt Promissory Note,  
Series 2016 (McKinney Christian Academy Project)

The purpose of this memo is to request the approval by Collin County of a tax exempt financing for McKinney Christian Academy, McKinney, Texas. The bonds will not constitute a liability of Collin County or the City of McKinney and neither the County or the City are responsible for any expenses related to the bond issue, but an approval is required under the Internal Revenue Code for the transaction to go forward.

The Borrower:

McKinney Christian School (the "School" or the "Borrower") is a Texas nonprofit corporation exempt from federal income taxes. The School has received a determination letter that it is an exempt letter which covers the school. This allows the School to finance the Project, as described below, on a tax-exempt basis (lowering the interest rate on its borrowing).

The School was founded in 1992 as a K-1 school with 12 children attending the first year. The School started in leased facilities until a former bank building on Graves Street was purchased and renovated for the school's use. In April 2001 the School purchased 60 acres of land on Bois D'Arc Road in McKinney, and shortly thereafter commenced construction on permanent facilities for the upper school. In 2005, the school consolidated locations, constructed additional classroom buildings and moved all operations to the Bois D'arc location. The School is accredited by Association of Christian Schools International (ACSI) and Southern Association of Colleges and School Counsel on Accreditation and School Improvement (SACS-CASI)

The Project:

As the School continues its growth, driven by its reputation for academic excellence and sound values, it is challenged to continue improving and expanding its facilities. Currently, the

School is embarking on a campus development project that will add additional secondary classroom space and administrative office space. The proposed financing will fund this project.

The project construction is scheduled to begin in September. The entire project will be located at the School's campus on Bois D'Arc Road in McKinney.

The Financing:

The Borrower proposes to finance the project through the issuance of up to \$4,000,000 Trinity Higher Educational Facilities Corporation Tax-Exempt Promissory Note, Series 2016 (McKinney Christian Academy Project) (such amount currently estimated to be approximately \$3,700,000 but could be adjust slightly prior to closing). Under the terms of the financing documents, all liability to repay the debt falls on the Borrower. The Trinity Higher Education Facilities Corporation has limited liability in regard to the debt, with that liability being limited solely to payments first furnished to the corporation by the Borrower. The Borrower anticipates an interest rate savings through the use of tax exempt debt that will allow it to borrow at a substantially lower rate of interest than if it borrowed through a conventional bank loan.

Approval by Collin County:

The County's approval is required by a provision in the Internal Revenue Code, Section 147(f). That section of the Code requires that a public hearing be held in connection with the issuance of the bonds both in Mart, Texas (where the bonds will be issued) and in Collin County (where the project is located). After the hearing, the bond issue must be approved by the mayor and/or city council of Mart and the County Judge and/or Commissioners Court of Collin County.

Notice of the public hearing must be published in a newspaper at least 14 days before the hearing is conducted. There is wide flexibility on how the public hearing is conducted so long as it occurs before the County's "approval" is given. We have scheduled the hearing at the school prior to the September 12 Commissioner's Court meeting on September 9.

Impact on Collin County:

The bonds will have no effect on Collin County. The bonds are not a liability of the County but only of the School and, to a limited extent, the Trinity Higher Education Facilities Corporation. The documents prepared in connection with the issuance of the debt will make that clear.

We would be happy to speak with you about this memo and the further approval of the County at your convenience.

Thank you very much for your assistance.