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November 17, 2014

Mayor and City Council Members  
City of Glendale, Arizona  
5850 West Glendale Avenue  
Glendale, Arizona 85301

Re: Not to Exceed \$15,000,000 The Industrial Development Authority of  
the City of Glendale, Arizona Student Loan Program Revenue Bonds,  
(Midwestern University Foundation)

Ladies and Gentlemen:

As you are aware, our firm serves as legal counsel to The Industrial Development Authority of the City of Glendale, Arizona (the "Authority") and I am writing to you on behalf of the Authority.

The Authority is requesting that on December 18, 2014, the City Council adopt a resolution approving the issuance of the Authority's revenue bonds, as described above (the "Bonds"), for the benefit of Midwestern University Foundation ("Midwestern Foundation"). The purpose of this letter is to provide you with a report from the Authority regarding the proposed financing.

#### ***The Authority and Its Powers***

The Authority is an Arizona nonprofit corporation incorporated under the provisions of the Industrial Development Financing Act, Title 35, Chapter 5, and Title 10, Arizona Nonprofit Corporation Act, Arizona Revised Statutes, as amended. The Authority is designated by law as a political subdivision of the State of Arizona. Under the provisions of the Industrial Development Financing Act (the "Act"), the City Council of the City of Glendale is the governing body of the Authority, is responsible for electing the Directors of the Authority, and must approve the issuance of the Bonds by the Authority.

The Authority is empowered to issue the bonds and loan the proceeds from the sale of the bonds for the purposes provided for in the Act.

Under the provisions of A.R.S. § 35-742, the City of Glendale is not liable or obligated for the payment of bonds or other debt obligations issued by the Authority.

***Applicant for Financing***

The Applicant for financing is Midwestern University Foundation, an Illinois nonprofit corporation recognized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is an affiliate under common control with Midwestern University.

***Midwestern University***

Midwestern University was founded in 1900 as the Chicago School of Osteopathy and in 1992 changed its name to Midwestern University. It has campuses in Downers Grove, Illinois and in Glendale, Arizona.

The University's total enrollment for the 2014-15 academic year is 6,063 students with 3,146 students enrolled at the Glendale, Arizona. The University provides graduate education in the health sciences including osteopathic medicine, pharmacy, physician's assistant studies, physical therapy, occupational therapy, biomedical sciences, dentistry, optometry, clinical psychology, nurse anesthesia, cardiovascular sciences, and veterinary medicine.

Since selecting Glendale in the mid-1990's as the location for a campus, the University has secured financing through the Authority, on numerous occasions, for capital projects at the Glendale Campus.

***The Student Loan Bond Program***

The Act provides that the Authority may issue its revenue bonds pursuant to a plan (the "Student Loan Bond Program Plan" or the "Plan") to provide funds with which to make loans to eligible students attending in this case, Midwestern University.

The Act requires that the Plan be approved by the Governor of the State of Arizona or her delegate. Approval of the Plan is pending.

Student loans originated with the proceeds of the Bonds issued by the Authority will only be made to students attending Midwestern University at its Glendale, Arizona, campus or to students who are residents of the State of Arizona and are attending Midwestern University at its Downers Grove, Illinois, campus.

It is anticipated that the Bonds will initially be issued in two series, approximately \$12,500,000 of Senior Bonds and approximately \$2,500,000 of Subordinate Bonds. It is anticipated the Senior Bonds will be rated "AAA" by Standards & Poor's Rating Services ("S&P") and the Subordinate Bonds will be rated "A" by S&P.

Principal and interest on the Bonds will be paid from the proceeds received by Midwestern Foundation from the loans which are originated. Midwestern Foundation will also be contributing approximately \$3,000,000 to assure that sufficient funds will be available to provide for the payment of the Bonds and loan program costs.

The student loan program will be administered by Midwestern Foundation and Midwestern University and their respective agents, including the Loan Services and Loan Originator shown below. To help keep the loan program costs at a minimum, Midwestern Foundation, and Midwestern University will not charge for their respective services.

Through the use of tax exempt funds to originate student loans and based on neither the Midwestern Foundation nor Midwestern University charging fees to administer the loan program, it is anticipated that loans can and will be made to eligible students at lower interest rates than available in private or federal student loan programs. The student loans will bear interest at fixed, rather than variable rates.

Midwestern Foundation will also, through the Illinois Finance Authority be securing the issuance of bonds to fund student loans for students at the Downers Grove, Illinois, campus. However, no proceeds of the Authority's Bonds will be used to fund loans for students attending the Downers Grove campus unless a student is a resident of Arizona.

#### ***Authority Approval Process***

On February 27, 2014, the Authority Board Adopted a Resolution preliminarily approving the issuance of the Bonds. On December 10, 2014, the Authority Board is scheduled to act by Resolution to grant final approval to the financing and to approve the issuance of the Bonds. A copy of the Authority's approving Resolution will be provided to you.

#### ***Notification to Arizona Attorney General***

As required by the provisions of A.R.S. § 35-721.F., the Authority has notified the Arizona Attorney General of the Authority's intention to issue the Bonds and within the time period prescribed by law, the Arizona Attorney General has not objected.

#### ***Volume Cap Allocation for Tax Exempt Financing***

Midwestern Foundation will need to obtain, from the Arizona Commerce Authority, an allocation of \$15,000,000 of Arizona's volume cap or "state ceiling." For 2015, it is anticipated that under the current Arizona statutes, more than \$100,000,000 of such volume cap, dedicated for student loans, will be available.

#### ***Satisfaction of Public Hearing Requirement***

For the purpose of satisfying the requirements of Section 147(f) of the Internal Revenue Code of 1986, with respect to the issuance of the Bonds by the Authority, a

representative of the Governor of the State of Arizona will be conducting the required public hearing and approving the issuance of the Bonds based thereon.

***No Liability On The City Of Glendale***

Under the provisions of A.R.S. § 35-742, the City of Glendale shall not in any event be liable for the payment of the principal or interest on the bonds of the Authority or for the performance by the Authority of any of its obligations with respect to its bonds nor shall any agreements or obligations of the Authority constitute an indebtedness of the City of Glendale within the meaning of any constitutional or statutory provision whatsoever.

***Financing Participants***

<u>Document</u>	<u>Parties</u>
Applicant/Borrower	Midwestern University Foundation
Applicant/Borrower's Counsel	Locke, Lord, Bissell & Liddell
Authority/Issuer	The Industrial Development Authority of the City of Glendale, Arizona
Authority/Issuer Counsel	Ryley, Carlock & Applewhite
Bond Counsel	Squire Patton Boggs (US) LLP
Bond Trustee	The Bank of New York Mellon Trust Company, N.A.
Master Trustee	The Bank of New York Mellon Trust Company, N.A.
Underwriter	RBC Capital Markets LLC
Underwriter's Counsel	Kutak Rock, LLP
Loan Originator	Campus Door, Inc.
Loan Servicer	Heartland Campus Solutions

***Principal Financing Documents***

<u>Document</u>	<u>Parties</u>
Master Trust Indenture and One or more Supplemental Master Trust Indentures	Borrower and Master Trustee
One or more Bond Trust Indentures	Issuer and Bond Trustee
One or more Loan Agreements	Issuer and Borrower
Tax Exemption Certificate and Agreement	Issuer, Borrower and Bond Trustee

***Glendale City Council Approval***

Under the provisions of A.R.S. § 35-721.B., the issuance of the Bonds by the Authority requires the approval of the Glendale City Council, as the governing body of the Authority.

Through City staff, the Authority has requested this matter be on the Agenda for the Glendale City Council meeting on December 18, 2014.

The form of Resolution for adoption by the Glendale City Council has been submitted on a timely basis to the Glendale City Attorney.

***Transaction Closing***

If the required approvals of the Authority and the Glendale City Council of the City of Glendale are received, it is currently anticipated that the Bonds will be issued in January 2015.

Representatives of the Authority, Midwestern University, and Midwestern Foundation will be present at the City Council meeting on December 18, 2014. If, prior to the meeting, you have any questions, please feel free to contact me.

Yours very truly,



William F. Wilder

WFW:akr

cc: Mr. Brian Friedman  
Ms. Pam Hanna  
Ms. Brenda Fischer  
Office of the City Attorney  
Glendale IDA Board of Directors