2011

ANNUAL REPORT
OF
LOYOLA UNIVERSITY OF CHICAGO

Prepared in compliance with

the Continuing Disclosure Agreement
dated as of July 9, 1997,
in connection with the Revenue Bonds Series 1997A-C
(Loyola University of Chicago) of the Authority

and

the Continuing Disclosure Agreement
dated as of July 16, 2003,
in connection with the Revenue Bonds Series 2003A&B
(Loyola University of Chicago) of the Authority

and

the Continuing Disclosure Agreement
dated as of December 2, 2004,
in connection with the Revenue Bonds Series 2004A
(Loyola University of Chicago) of the Authority

and

the Continuing Disclosure Agreement
dated as of April 12, 2007,
in connection with the Revenue Bonds Series 2007
(Loyola University of Chicago) of the Authority

and

the Voluntary Continuing Disclosure Undertaking Agreement
dated as of August 15, 2011,
in connection with the Commercial Paper Revenue Notes
(Loyola University of Chicago Financing Program) of the Authority

This Annual Report is prepared by Loyola University of Chicago, an Illinois not for profit corporation (the "University"), in compliance with (a) the Voluntary Continuing Disclosure Undertaking Agreement (the "2011 Voluntary Continuing Disclosure Agreement") dated as of August 15, 2011, in connection with the Commercial Paper Revenue Notes (Loyola University of Chicago Financing Program) (the "2008 Commercial Paper Revenue Notes") of the Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority, the "Authority"); (b) the Continuing Disclosure Agreement (the "2007 Continuing Disclosure Agreement") dated as of April 12, 2007, entered into in connection with the Revenue Bonds Series 2007 (Loyola University of Chicago) (the "Series 2007 Bonds") of the Authority; (c) the Continuing Disclosure Agreement (the "2004A Continuing Disclosure Agreement") dated as of December 2, 2004, entered into in connection with the Revenue Bonds Series 2004A (Loyola University of Chicago) (the "Series 2004A Bonds") of the Authority; (d) the Continuing Disclosure Agreement (the "2003 Continuing Disclosure Agreement") dated as of July 16, 2003, entered into in connection with the Revenue Bonds Series 2003A and Series 2003B (Loyola University of Chicago) (the "Series 2003A&B Bonds") of the Authority; and (e) the Continuing Disclosure Agreement (the "1997 Continuing Disclosure Agreement", and together with the 2011 Voluntary Continuing Disclosure Agreement, the 2007 Continuing Disclosure Agreement, the 2004A Continuing Disclosure Agreement, and the 2003 Continuing Disclosure Agreement, the "Continuing Disclosure Agreements") dated as of July 9, 1997, entered into in connection with the Revenue Bonds Series 1997A, Series 1997B and Series 1997C (Loyola University of Chicago) (the "Series 1997A, B & C Bonds" and, together with the 2008 Commercial Paper Revenue Notes, the Series 2007 Revenue Bonds, the Series 2004A Bonds, and Series 2003A&B Bonds, the "Bonds") of the Authority. Capitalized terms used herein but not defined herein will have the meanings ascribed to them in Appendix A ("Appendix A") of the Authority's Amended and Restated Offering Memorandum dated August 8, 2011 relating to the 2008 Commercial Paper Revenue Notes (the "2011 Offering Memorandum").

This document contains updated financial and operating data in those areas required to be updated by the Continuing Disclosure Agreements. **It is not intended to, and does not, represent a complete discussion of all the affairs of the University for the past fiscal year, or periods subsequent thereto, include further information that may be relevant, or attempt to update any information other than as required under the Continuing Disclosure Agreements.** In addition to this Annual Report, under the Continuing Disclosure Agreements the University is obligated to disclose separately the occurrence of certain "Material Events" or "Listed Events" as defined therein.

The University was founded in 1870 as St. Ignatius College. The founders were members of the Society of Jesus, an order of Roman Catholic priests devoted to education. The University is the third-largest independent not-for-profit institution of higher education in the State of Illinois on the basis of enrollment, with a total enrollment in excess of 16,000 full-time and part-time students on four campuses as of Fall of 2011. The University is a coeducational institution offering undergraduate, graduate and professional degree-granting programs. Unless otherwise indicated, financial and statistical information provided herein comprises information of the University and the LU Affiliates, as shown in the most recent audited financial statements of the University, and excludes information relating to Loyola University Health System (the "Health System").

Enrollment; Tuition and Fees; Student Housing; Financial Aid

The following table, based on Fall term registration, sets forth enrollments for the past four and current academic years, representing full-time and part-time students in degree-granting programs. A majority of these students are full-time students registered for the normal course load for the chosen field of study.

	Enrollment		
Academic Year	**Graduate and Professional**	**Undergraduate**	**Total**
2007-08	5,595	9,950	15,545
2008-09	5,546	10,124	15,670
2009-10	5,802	10,077	15,879
2010-11	6,204	9,747	15,951
2011-12	6,184	9,856	16,040

Enrollment of freshmen at the University and the number of undergraduate student transfers for the academic years 2007-08 through 2011-12 are as follows:

Freshman and Transfer Enrollment

Academic Year	Freshman Enrollment	Undergraduate Transfers(1)	Total New Enrollment
2007-08	2,035	613	2,775
2008-09	2,176	538	2,791
2009-10	2,076	590	2,666
2010-11	2,063	512	2,575
2011-12	1,930	585	2,515

(1) Prior to the 2009-10 academic year, Undergraduate Transfers included students enrolled in the Accelerated Bachelor of Science in Nursing ("ABSN") program. Subsequent years' reporting will no longer include that group of students. For academic years 2007-08 and 2008-09, the ABSN students included in Undergraduate Transfers numbered 127 and 77, respectively.

The University expects enrollment to remain stable. Various factors will affect future enrollment, including: shifts in demographics, the number of students starting their degree at a community college, the number of applications, the number of accepted students who enroll, the academic qualifications of admitted students, admissions counseling, and the financial need of students. Although the University believes that such factors, in addition to its urban location and diversity of programs, indicate that a generally stable demand for its educational programs will continue, no assurance can be given regarding future enrollment levels.

The following table gives enrollment and other information regarding the student body for the five academic years ending 2011-12.

Student Body Information

	2007-08	2008-09	2009-10	2010-11	2011-12
Full-time Total Enrollment	13,364	13,561	13,626	13,490	13,494
Part-time Total Enrollment	2,181	2,109	2,253	2,461	2,546
Endowment per Full-time Student	$26,805	$26,430	$19,451	$21,986	$25,868
Freshman (Completed) Applications	17,357	17,287	17,383	17,671	17,828
Freshman Acceptances	12,723	12,755	13,583	10,529	9,793
Freshman Enrollment	2,035	2,176	2,076	2,063	1,930
Acceptance Rate (Completed Applications)	73.3%	73.8%	78.1%	59.6%	54.9%
Matriculation Rate	16.0%	17.1%	15.3%	19.6%	19.7%
Average ACT Score	25.8	26.4	26.5	26.9	26.9
Average SAT Score	1,168	1,178	1,186	1,191	1,187
Geographic Distribution (New Freshmen)					
-Chicago Metropolitan	52.9%	49.3%	53.0%	54.0%	56.1%
-State of Illinois	5.8%	4.9%	5.0%	4.3%	3.6%
-Out-of-State	41.3%	45.8%	42.0%	41.7%	40.3%

Tuition and Fees. The University meets the costs of its educational programs primarily through tuition, fees, gifts and grants. Tuition is charged at different rates depending on the college or school in which the student is enrolled. The following table sets forth the publicly announced base tuition to be charged by the principal colleges and schools of the University in the 2011-12 academic year and the tuition charged in the preceding four academic years.

Tuition

	2007-08	2008-09	2009-10	2010-11	2011-12
Undergraduate Schools.............	$27,200	$28,700	$29,850	$31,040	$32,200
Graduate School	$710/ sem.hr.	$750/ sem.hr.	$790/ sem.hr.	$830/ sem.hr.	$870/ sem.hr.
Graduate School of Business.....	$3,141/course	$3,315/course	$3,498/course	$3,672/course	$3,858/course
Graduate School of Social Work..	$710/sem.hr	$750/ sem.hr.	$790/ sem.hr.	$830/ sem.hr.	$870/ sem.hr.
School of Law (Day Program)...	$33,070	$34,890	$36,290	$37,380	$38,780
School of Medicine (MD Program)...................................	$36,600	$37,700	$39,200	$41,200	$43,700

The University reserves the right to revise its charges from time to time, as determined by the Board of Trustees. Future economic and other conditions may affect the University's ability to increase its tuition and fees. Although the University has increased tuition in recent years and believes that it would be able to increase its tuition and fees without adversely affecting its future enrollment, there can be no assurance that it will be able to do so.

Student Housing. In Fall 2011, approximately 3,900 students occupied on-campus residences. There are currently 18 residential facilities at the Lake Shore Campus, and in 2006 the University opened its first student residence facility at its Water Tower Campus. For the current academic year, the standard double room and board fees, which include 19 meals per week, total $11,570. Pursuant to the University's strategic housing plan, the University expects to continue to improve its residential facilities to accommodate demand and enhance the student experience.

Financial Aid. During the 2010-11 academic year, approximately 13,900 students of the University received approximately $367 million in financial aid. The sources of these funds were: the State of Illinois (3%), federal programs (57%), University Funds which include scholarships and grants (33%) and direct awards to students from various sources (7%). Approximately 88% of the University's full-time students received some form of financial aid. Financial aid information for the 2011-12 academic year is not yet available. The following table presents total student financial aid by source.

Total Student Financial Aid
($000's)

Academic Year	Federal	Illinois	University	Other	Total
2006-07..................................	121,889	13,059	90,582	43,403	268,933
2007-08..................................	138,544	12,631	98,154	40,848	290,177
2008-09..................................	158,461	12,776	105,746	41,647	318,630
2009-10..................................	187,760	12,582	110,564	31,152	342,058
2010-11..................................	210,784	11,560	119,299	25,390	367,033

All financial aid programs furnished by the federal and state governments are subject to appropriation and funding by the U.S. Congress and the Illinois General Assembly. Federal appropriations to financial aid programs nationally have been stable in recent years; however, cuts in federal aid are expected to occur in the future as the federal budget and debt ceiling continue to come under increasing pressure. The effect of any such changes on the University may be adverse and there is no assurance that the current levels of state, federal or University financial aid will be maintained in future years. Changes in the availability of financial aid may adversely affect enrollment.

Gifts and Bequests

The following table sets forth the amount of gifts and private bequests received by the University for the five fiscal years ended June 30, 2011. Amounts shown below are calculated based on generally accepted accounting principles as set forth in the University's audited financial statements and therefore reflect the amount accrued at the time a pledge is made. Actual cash payments may occur over several-year periods. A bequest is recognized when the cash is received.

Gifts and Bequests
($000's)

Fiscal Year Ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2007	1,634	9,927	9,231	20,792
2008	3,054	13,816	9,572	26,442
2009	8,532	10,926	6,105	25,563
2010 [1]	35,851	39,985	5,779	81,615
2011	2,027	11,934	4,785	18,746

[1] 2010 includes a one-time $50.1 million gift of property, artwork, cash and securities from the Cuneo Foundation, the largest gift in the University's history. $29.8 million was recorded in unrestricted gifts while the remaining $20.3 million was recorded in temporarily restricted gifts.

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2007 through 2011 and the total return on Total Investments for the fiscal years then ended are set forth in the table below. The University records investment results net of management fees.

Market Value of Total Investments and Total Return
($000's)

Fiscal Year Ended June 30	Real Assets[1]	Cash and Cash Equivalents[2]	Fixed Income	Equity[3]	Total Investments	Total Return [4]
2007	14,906	153,619	81,375	276,529	526,429	69,626
2008	16,986	119,917	85,151	279,131	501,185	(16,121)
2009	13,717	104,891	67,584	185,344	371,536	(101,341)
2010	23,865	104,145	107,779	197,589	433,378	36,132
2011	45,615	86,560	107,105	241,378	480,658	71,229

[1] Real Assets investments include private real estate funds and other investments expected to function as hedges against inflation.

[2] Includes amounts not included in Cash and Cash Equivalents on the balance sheet at fiscal year-end.

[3] Equity investments include marketable equities, private capital and marketable alternative investments.

[4] Total return on investments includes interest, dividends and realized and unrealized gains and losses on long-term investments and interest earned on cash and cash equivalents.

Land, Buildings and Equipment

The following table sets forth the book value of the land, buildings and equipment of the University (net of depreciation) as of June 30 in the years 2007 through 2011. The actual replacement value of the University's physical plant, as determined for insurance purposes as of May 1, 2011, was approximately $1.3 billion.

Fiscal Year Ended June 30	Land, Buildings and Equipment - Net ($000's)
2007	479,154
2008	572,776
2009	596,269
2010	705,707
2011	788,048

Outstanding Long-Term Indebtedness

The following table sets forth the total outstanding long-term indebtedness of the University as of June 30, 2011. No indebtedness of any University affiliate is included, and short-term indebtedness, including a 364-day Credit Agreement with PNC Bank, National Association, under which the University may borrow up to $20 million on a revolving loan basis, is excluded. The University routinely assesses its capital needs and borrowing plans on a regular basis and expects to incur additional Long-Term Indebtedness as and when such financing is deemed prudent and useful to the University in satisfying these capital needs. The University is currently assessing the possibility of borrowing additional funds later in FY 2012, possibly up to $200 million, to fund additional capital projects including the construction of two dormitories at the Lake Shore Campus. The structure and terms of that borrowing have not yet been determined.

	Year of Final Maturity [1]	Interest Rates	Amount Outstanding (June 30, 2011) ($000's)
Installment Note, 6542-48 N. Sheridan	2015	9.50%	377
City of Chicago Loan	2012	0.00%	188
Series 1997C Taxable Bonds	2012	7.10%-7.12%	12,210
Medium-Term Notes	2017	7.52%	21,100
Series 2003A Bonds	2026	5.00%	28,155
Series 2003B Bonds	2021	5.60%	37,520
Series 2003C Bonds	2018	4.80%-5.30%	40,805
Series 2004A Bonds	2025	5.00%-5.25%	23,330
Series 2007 Bonds	2024	4.00%-5.00%	26,925
2008 Commercial Paper Revenue Notes[2]	2038	Variable	80,000
Installment Note, Rome Center[3]	2029	1.51%	13,868
Total [4][5]			284,478
Adjustment for unamortized bond premium/(discount)			1,427
Total indebtedness net of unamortized premium/(discount)			285,905

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(1) Final maturities reflect calendar year information whereas the University's audited financial statements show fiscal year data.

(2) The University's 2008 Commercial Paper Revenue Notes program has a final mandatory prepayment date of June 1, 2038 and is treated by the University as long-term indebtedness. The 2008 Commercial Paper Revenue

Notes program is supported by a direct pay letter of credit from PNC Bank, National Association (the "PNC Commercial Paper Facility").

(3) Principal amount outstanding is subject to currency (Euro) fluctuations.

(4) The University maintained a $50 million unsecured bank line of credit with JPMorgan Chase Bank, N.A., until it expired on November 30, 2010. On February 28, 2011, the University entered into a 364-day credit agreement with PNC Bank, National Association (the "PNC Revolving Credit Facility"), under which the University may now borrow up to $20 million (previously $50 million as described in footnote 5 below) on a revolving loan basis. Borrowings under the line of credit may bear interest at rates based on LIBOR, the Prime Rate, or other negotiated rates. During the fiscal year ended June 30, 2011, there was no balance outstanding nor any interest paid on any line of credit.

(5) **SUBSEQUENT EVENT: On November 17, 2011, the University entered into a Term Loan Agreement (the "Term Loan Agreement") under which $113.5 million was loaned to the University by PNC Bank, National Association, at a fixed rate of 2.36% and with semi-annual principal amortization beginning in 2013 and a final maturity in June of 2018. In connection with the execution of the Term Loan Agreement, the PNC Revolving Credit Facility was reduced from $50 million to $20 million, although the University may request increases in such amount, subject to PNC Bank's right to refuse the same, periodically in connection with the expected annual renewal of such PNC Revolving Credit Facility**.

Tests for the Incurrence of Additional Indebtedness

The Master Indenture requires that the University comply with one of two alternative tests as a condition precedent to the incurrence of Additional Indebtedness under the Master Indenture. Capitalized terms used but not otherwise defined under this caption shall have the meanings assigned thereto in APPENDIX H to the 2011 Offering Memorandum.

Under the first alternative, a capitalization test, the University must demonstrate that Funded Indebtedness, including any contemplated new debt, does not exceed 50% of total University capitalization (defined as the sum of indebtedness plus net assets). Under the second alternative, a debt service coverage test, the Maximum Annual Long-Term Debt Service on all Funded Indebtedness of the University, including the debt to be issued, may not exceed 10% of (a) the average of University operating Revenues (as defined under the Master Indenture) for the two most recent Fiscal Years or (b), if the University elects, and the new debt is to finance capital improvements, the average of "Adjusted Revenues" (as defined under the Master Indenture) calculated by a consultant to include projected revenues from such capital improvements.

The following tables provide the actual capitalization and maximum annual debt service coverage of the University (excluding any affiliate) as of June 30, 2011.

All calculations in the two tables below are made as required or allowed under the Master Indenture.

Capitalization
($000's)

	June 30, 2011
Unrestricted Net Assets	822,888
Temporarily Restricted Net Assets	139,290
Permanently Restricted Net Assets	131,627
Total Net Assets	1,093,805
Indebtedness	285,905
Indebtedness plus Net Assets	1,379,710
Ratio (Not to exceed 50%)	20.7%*

*Taking into account the incurrence of the $113.5 million debt under the Term Loan Agreement, this ratio would be 26.7%.

Maximum Annual Debt Service Coverage
($000's)

	June 30, 2011
Average University Revenues (fiscal year 2010 and 2011)	469,885
Maximum Annual Long-Term Debt Service Requirements[1]	23,981
Ratio (Not to exceed 10%)	5.1%[2]

(1) The Master Indenture permits the computation of long-term debt service requirements of Balloon Indebtedness, such as that represented by the 2008 Commercial Paper Revenue Notes program, assuming that such debt is amortized on level debt service basis over 30 years at an assumed interest rate required by the Master Indenture, which has been done for purposes of the computations of maximum annual debt service included above, while the data in the table below entitled "Debt Service Schedule" is based on actual debt service and an assumed annual interest rate on the outstanding 2008 Commercial Paper Revenue Notes going forward of 3.5%.
(2) Taking into account the incurrence of the $113.5 million debt under the Term Loan Agreement, this ratio would be 6.37%.

In addition, under the Master Indenture, the University is authorized to establish long-term revolving lines of credit with one or more banks in amounts not to exceed $20 million outstanding at any time, without the need to satisfy any incurrence test, which authority was unused at June 30, 2011. So long as any of the Series 1997C Taxable Bonds or the Series 2004A Bonds are outstanding, the Master Indenture also provides that the University may not, without the consent of the respective bond insurer for those issues (Ambac and XL Capital Assurance (now Syncora Guarantee, Inc.), respectively), issue Additional Indebtedness unless the University satisfies either of the following:

♦ if the University elects to satisfy the capitalization test described above, then it must also comply with either the maximum annual long-term debt service coverage test described above, or one of the following two tests:

  — the Maximum Annual Debt Service Coverage Ratio of the University for the most recent Fiscal Year on all Funded Indebtedness, including the debt to be issued, must be not less than 1.20 to 1, or
  — the Debt Service Coverage Ratio of the University for the most recent Fiscal Year on all Funded Indebtedness, but not the debt to be incurred, is not less than 1.20 to 1 and a consultant's report shows that taking the proposed debt into account, the Projected Debt Service Coverage Ratio for the two full Fiscal Years following the issuance (or, for a capital project, the two full Fiscal Years following completion) is not less than 1.20 to 1. If the Projected Debt Service Coverage Ratio is at least 1.30 to 1, the University may deliver an officer's certificate in lieu of such consultant's report;

or

♦ if the University elects to satisfy the Maximum Annual Long-Term Debt Service Coverage test first described above, then it must also comply with either the capitalization test or the University's unrestricted net assets plus temporarily restricted net assets minus net investment in plant must be at least 65% of all long-term debt, including the debt to be issued.

The requirements described immediately above may be waived or modified by each respective bond insurer at any time and are not for the benefit of the Authority or the holders of any bonds.

The maximum annual debt service coverage of the University at June 30, 2011 is 4.24 to 1.00 and the unrestricted plus temporarily restricted net assets minus investment in plant at that date is 161% of long-term debt, each calculated as required by the Master Indenture. Taking into account the incurrence of the $113.5 million debt under the Term Loan Agreement, these ratios would be 3.40 to 1.00 and 144%, respectively.

So long as (a) the PNC Revolving Credit Facility remains in effect; or (b) the Term Loan Agreement remains in effect; or (c) any Commercial Paper Revenue Notes remain outstanding that are secured by the PNC Commercial Paper Facility, the University is required to meet the same tests for the incurrence of Additional Indebtedness as those required under the Master Indenture, including those summarized in the third preceding paragraph. In addition, effective November 17, 2011, as long as the 2011 Term Loan Agreement remains in effect, the University must maintain a Debt Service Coverage Ratio at the end of each fiscal year, for the fiscal year then ended, of at least 1.20 to 1.0.

Annual Debt Service Requirements

The following table sets forth the actual (subject to assumptions described below) annual amounts required for the payment of principal at maturity or by mandatory sinking fund redemption and for the payment of interest on the outstanding indebtedness of the University for each year ending June 30.

Debt Service Schedule(1)

Fiscal Year	2008 Commercial Paper(2)	Series 2007 Bonds	Series 2004A Bonds	Series 2003A, B & C Bonds	Series 1997C Bonds	All Other(3)	Total
2012	$2,800,000	$1,565,806	$ 1,176,925	$5,593,770	$7,211,980	$2,204,576	$20,553,057
2013	2,800,000	1,565,206	1,176,925	5,593,770	5,380,000	2,142,076	18,657,977
2014	2,800,000	1,569,006	1,176,925	12,053,090	-	2,064,816	19,663,837
2015	2,800,000	1,567,406	1,176,925	12,039,210	-	2,064,816	19,648,357
2016	2,800,000	1,563,906	3,100,350	12,014,990	-	1,962,283	21,441,529
2017	2,800,000	1,564,731	3,098,000	11,995,490	-	1,952,960	21,411,181
2018	2,800,000	1,564,881	958,000	4,120,490	-	21,505,908	30,949,279
2019	2,800,000	1,564,356	3,095,500	15,048,870	-	366,240	22,874,966
2020	2,800,000	1,563,156	2,455,750	14,657,510	-	1,098,720	22,575,136
2021	2,800,000	1,566,056	3,116,750	14,642,790	-	1,098,720	23,224,316
2022	2,800,000	1,563,281	3,111,500	14,622,750	-	1,098,720	23,196,251
2023	2,800,000	9,186,281	3,104,750	1,407,750	-	1,098,720	17,597,501
2024	2,800,000	14,630,531	3,101,000	1,407,750	-	1,098,720	23,038,001
2025	2,800,000	355,000	3,090,250	1,407,750	-	1,098,720	8,751,720
2026	2,800,000	-	1,505,000	14,446,500	-	1,098,720	19,850,220
2027	2,800,000	-	-	14,430,000	-	1,098,720	18,328,720
2028	2,800,000	-	-	-	-	1,098,720	3,898,720
2029	2,800,000	-	-	-	-	1,098,720	3,898,720
2030	2,800,000	-	-	-	-	-	2,800,000
2031	2,800,000	-	-	-	-	-	2,800,000
2032	2,800,000	-	-	-	-	-	2,800,000
2033	2,800,000	-	-	-	-	-	2,800,000
2034	2,800,000	-	-	-	-	-	2,800,000
2035	2,800,000	-	-	-	-	-	2,800,000
2036	2,800,000	-	-	-	-	-	2,800,000
2037	2,800,000	-	-	-	-	-	2,800,000
2038	82,566,667	-	-	-	-	-	82,566,667

(1) Interest payments due on July 1 each year are included in the prior fiscal year's debt service requirements.

(2) Assumes an average variable rate of 3.50% for outstanding 2008 Commercial Paper Revenue Notes. Although the 2008 Commercial Paper Revenue Notes program has a final mandatory prepayment date of June 1, 2038, which is reflected as a bullet maturity in this chart, management expects that the principal will be retired or refunded from time to time in earlier years.

(3) Includes $21.1 million of 7.52% Fixed-Rate Medium-Term Notes with a final maturity in 2017; approximately $377,000 of 9.50% installment notes with a final maturity in 2015; $188,000 outstanding on an interest-free loan from the City of Chicago with a final installment payment in 2012; and a mortgage due in 2029 on the Rome Center property with an effective rate of 1.51% and approximately $13,868,000 outstanding (subject to fluctuations in the Euro). **Excludes $113.5 million of debt incurred on November 17, 2011 pursuant to the Term Loan Agreement for which debt service is as follows: $1,681,566 in FY 2012; $2,715,803 in FY 2013; $21,453,401 in FY 2014; $27,365,859 in FY 2015; $26,765,407 in FY 2016; $26,156,678 in FY 2017; and $19,238,761 in FY 2018.**

Management's Discussion of Financial Results

General. The University's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. See Note 3 of Notes to Consolidated Financial Statements for a summary of significant accounting policies.

Healthcare Affiliates - Trinity Transaction. Effective July 1, 2011, the University completed a transaction with Trinity Health Corporation ("Trinity"), an Indiana nonprofit corporation located in Novi, Michigan, pursuant to a Definitive Agreement dated March 31, 2011 (the "Definitive Agreement"). As part of the transaction, Trinity replaced the University as the sole member of the Health System, and all of its affiliates including Loyola University Medical Center ("LUMC"), Gottlieb Health Resources, Inc. ("GHR"), Gottlieb Memorial Hospital ("GMH"), and Loyola University of Chicago Insurance Company, Ltd. ("LUCIC") (the "Trinity Transaction"). Trinity assumed control of all the assets of the Health System and retained all of the liabilities of the Health System. As a result of the Trinity Transaction, the University is no longer the parent or an affiliate of the Health System, LUMC, GMH, LUCIC, or the other healthcare affiliates, and these entities no longer will be included in the consolidated audited financial statements of the University. The consolidated audited financial statements of the University for the year ended June 30, 2010 have been restated to reflect the impact of the Trinity Transaction. Effective July 1, 2011, Trinity controlled all of the assets of the Health System and its affiliates, and all of the liabilities remain with the Health System and its affiliates, except for any assets or liabilities excluded from the Trinity Transaction by the parties. One financial effect of the Trinity Transaction on the Fiscal Year 2011 financial statements was to increase the University's net assets by $42.3 million, and the operations of the Healthcare Affiliates are now reported as discontinued operations.

As part of the consideration under the Definitive Agreement, Trinity provided a payment to the University of $100 million, $80 million of which was paid on July 1, 2011, and the remaining $20 million of which was used to establish an escrow in order to secure the University's obligations under the Definitive Agreement, including, without limitation, the payment of any unrecorded, misstated or under-reserved pre-closing liabilities or the breach of any representations, warranties or covenants made by the University in the Definitive Agreement. The escrow will be released to the University over a period of four years if not required to cover these potential liabilities and/or the indemnification owed to Trinity. There was also a post-closing reconciliation based on a comparison of the Health System's net assets at June 30, 2011 and its net assets on December 31, 2010 and the reconciliation resulted in a payment from Trinity to the University in the amount of $49,553,000 on October 21, 2011.

For more information regarding the Trinity Transaction, see "Healthcare Affiliates - Trinity Transaction" below.

Fiscal Year 2011 Compared to Fiscal Year 2010. During Fiscal Year 2011, net assets for the University increased overall by $175.5 million, which included an increase of $133.3 million from continuing operations as well as an increase of $42.3 million from discontinued operations. This is compared to an overall increase in net assets of $148.8 million in 2010. An operating surplus of $54.3 million was recorded compared to the previous fiscal year's operating surplus of $63.8 million. For fiscal year 2011, investment return on the endowment portfolio was a positive 21.7%, compared to the fiscal year 2010 return of positive 12.4%.

The fiscal year 2011 operating surplus is attributable primarily to a 4.8% or $14.5 million increase in net tuition and fees revenue. This resulted from a combination of record enrollments and a tuition increase of approximately 4.0% for undergraduate schools and a range of 3.0%-5.1% for graduate and professional school tuition. In fiscal year 2011, total enrollment reached 15,951, representing both full- and part-time students. The number of undergraduate students decreased 3.3% to 9,747 students compared to 10,077 in the prior year. Graduate and professional enrollments increased 6.9% over the prior year to 6,204 students.

Total operating revenues increased 1.5% or $6.8 million from $466.5 million in fiscal year 2010 to $473.3 million in fiscal year 2011, and operating expenses increased 4.0% or $16.3 million from $402.7 million in fiscal year 2010 to $419.0 million in fiscal year 2011. The increase in operating revenues was primarily the result of an increase in net tuition and fees of $14.5 million, offset by a decrease in academic support of $5.8 million and a decrease in unrestricted gift revenue of $4.0 million. The increase in operating expenses was the primarily the result of an increase in salaries and wages of $8.0 million and an increase in fringe benefits of $5.4 million.

With a positive 21.7% investment return in fiscal year 2011, the market value of the University's endowment fund assets increased to $388.7 million at June 30, 2011 from $315.3 million at June 30, 2010. Under the Board of Trustees' current policy, the University limits its spending of endowment funds to 5.0% annually. For the last several years, actual spending has been less than 5.0% in an effort to grow the endowment. The effective spending rate was 3.1% for 2011 and 3.4% for 2010.

Unrestricted net assets from continuing operations increased $102.9 million in fiscal year 2011 primarily due to strong results of operations and investment performance. This is compared to an increase of unrestricted net assets of $132.8 in fiscal year 2010, which included a $29.8 million unrestricted contribution. Temporarily restricted net assets from continuing operations increased $23.8 million in fiscal year 2011 compared to an increase of $6.4 million in fiscal year 2010 primarily due to investment performance. Permanently restricted net assets from continuing operations increased $6.6 million in fiscal year 2011 compared to an increase of $9.5 million in fiscal year 2010. Gifts totaled $18.7 million in fiscal year 2011 compared to $81.6 million in fiscal year 2010.

The University had $285.9 million in outstanding debt as of June 30, 2011 compared to $291.6 million as of June 30, 2010. Debt service of $17.8 million in fiscal 2011 was 4.3% of operating expenses. The University maintained a $50 million unsecured bank line of credit with JPMorgan Chase Bank, N.A., until it expired on November 30, 2010. On February 28, 2011, the University entered into a 364-day credit agreement with PNC Bank, National Association, under which the University may borrow up to $20 million (effective November 17, 2011) on a revolving loan basis. Borrowings under the line of credit may bear interest at rates based on LIBOR, the Prime Rate, or other negotiated rates. During the fiscal year ended June 30, 2011, there was no balance outstanding nor any interest paid on any line of credit.

Fiscal year 2011 capital expenditures totaled $113.4 million. Significant improvements were made to the University's athletic facilities including the construction of the Norville Center for Intercollegiate Athletics, the renovation of the Gentile Center into an NCAA-class arena, and renovations to the Halas Sports Center. Another significant capital expenditure was related to the demolition of Damen Hall and the beginning of construction on Cuneo Hall in its place. The new four-story academic center will use vanguard technology to reduce its carbon footprint and increase energy efficiency. Lastly, the University invested in several strategic property acquisitions at the Lake Shore Campus, and other various building renovations and plant upgrades. These expenditures were financed primarily from operations, gifts, and grants.

Capital expenditures do not include, in accordance with University management policy, equipment purchases with a value of $5,000 or less, which are expensed.

Revenues and Expenses: Certain Financial Information

Enclosed with this Annual Report are: Consolidated Statements of Financial Position as of June 30, 2011 and 2010; Consolidated Statements of Activities and Changes in Net Assets for the two years ended June 30, 2011 and 2010; Consolidated Statements of Cash Flows for the two years ended June 30, 2011 and 2010; Notes to Consolidated Financial Statements; and the independent auditors' report thereon. **The audited financial statements of the University for the year ended June 30, 2010 have been restated to reflect the impact of the Trinity Transaction (in the manner described above under the caption "Management's Discussion of Financial Results --Healthcare Affiliates - Trinity Transaction", including the related increase in net assets from discontinued operations described therein).**

The audited consolidated financial statements of the University referenced in the preceding paragraph include the results of the University, Loyola Management Company ("LMC"), and Mundelein College ("Mundelein" and together with LMC, the "LU Affiliates"). **Only the University, however, is liable for Obligations incurred under the Master Indenture and other University indebtedness described herein. No affiliate of the University is liable for any indebtedness of the University including any Obligation incurred by the University under the Master Indenture or is subject to any of its covenants. Consequently, no affiliate of the University should be viewed as an available source of funds for the University, and, as described above under "Management's Discussion of Financial Results -- Healthcare Affiliates - Trinity Transaction", the Health System and LUMC are no longer affiliates of the University or an available source of funds except for the limited purposes described below under the caption "Healthcare Affiliates – Trinity Transaction"**

pursuant to the Academic Affiliation Agreement. The University has no legal obligation to make payments of debt service on any indebtedness of the Health System, LUMC or any affiliate.

Under the Master Indenture, except as otherwise expressly set forth, all financial tests or reports shall be based, at the University's option, but applied on a consistent basis with respect to a calculation made in a particular instance, on either (A) the unconsolidated financial statements of the University without regard to any Affiliate, as set forth in the unaudited consolidating schedules to the audited consolidated financial statements of the University, or (B) the audited financial statements of the University including the consolidated results of the University and any Affiliates; provided, however, that the University shall not use statements under this clause (B) if any amount used in the calculation differs by more than 5% (higher or lower) from the amount that would be used if the University had elected to perform the calculation as set out in clause (A) of this sentence.

Except where otherwise indicated, the information in this Annual Report is presented including the results of the University and the LU Affiliates.

Summary Unconsolidated University Financial Information: 2011 and 2010. The following tables present summary financial information of the University for the 2011 and 2010 fiscal years. The following financial information for fiscal years 2011 and 2010 is qualified in its entirety by reference to the audited financial statements of the University. See "Management's Discussion of Financial Results" above.

Selected Financial Information
($000's)

	Fiscal Year Ended June 30	
	2011	**2010**
Operating Revenues	473,276	466,494
Operating Expenses	418,996	402,689
Results of Operations	54,280	63,805
Non-Operating Activities	48,624	69,024
Increase in Unrestricted Net Assets	102,904	132,829
Increase in Temporarily Restricted Net Assets	23,779	6,406
Increase in Permanently Restricted Net Assets	6,591	9,518
Increase in Net Assets from Continuing Operations	133,274	148,753
Increase in Net Assets from Discontinued Operations	42,269	--
Increase in Net Assets	175,543	152,076
Debt Service Requirements	17,823	17,486
Capital Outlays	113,396	108,070

Selected Financial Information
($000's)

	June 30, 2011	June 30, 2010
Cash Equivalents and Short Term Investments	80,354	101,849
Endowment and Other Long-Term Investments	400,304	331,529
Land, Building and Equipment (net of depreciation)	788,048	705,707
Other Assets	289,535	71,896
Total Assets	1,558,241	1,210,981
Indebtedness	285,905	291,596
Other Liabilities	178,531	167,961
Net Assets	1,093,805	751,424
Total Liabilities and Net Assets	1,558,241	1,210,981

Healthcare Affiliates – Trinity Transaction

On March 4, 2011, the University entered into the Letter of Intent with Trinity and on March 31, 2011, the University entered into the Definitive Agreement with Trinity. As described above, pursuant to the Definitive Agreement, effective on July 1, 2011, Trinity replaced the University as the sole member of the Health System, and otherwise directly or indirectly assumed control of LUMC, GMH, LUCIC, an offshore captive insurance company that the University transferred to the Health System in 1997, and the other healthcare affiliates (other than Loyola University Physician Foundation) of the Health System.

As a result of the Trinity Transaction, the University is no longer the parent or an affiliate of the Health System, LUMC, GMH, LUCIC, or the other healthcare affiliates, and these entities no longer will be included in the consolidated audited financial statements of the University effective for the fiscal year beginning July 1, 2011. Effective July 1, 2011, Trinity controlled all of the assets of the Health System and its affiliates, and all of the liabilities remain with the Health System and its affiliates, except for any assets or liabilities excluded from the Trinity Transaction by the parties. Effective as of July 1, 2011, all assets and liabilities of the Health System and its affiliates were removed from the statement of net assets of the University. The financial effect of the Trinity Transaction on the University's Fiscal Year 2011 Financial Statements was to increase the University's net assets by $42.3 million, and the operations of the Healthcare Affiliates are now reported as discontinued operations.

As described above under the caption "Management's Discussion of Financial Results – Healthcare Affiliates – Trinity Transaction", as part of the consideration under the Definitive Agreement, Trinity provided a payment to the University of $100 million, $80 million of which was paid on July 1, 2011, and the remaining $20 million of which was used to establish an escrow. Trinity also made a payment to the University in the amount of $49,553,000 on October 21, 2011 as a result of the post-closing reconciliation required by the Definitive Agreement.

In addition to the consideration under the Definitive Agreement, Trinity has committed, under the Definitive Agreement and a Research Facility Funding Agreement, a matching sum equal to $75 million towards a new research facility to be owned by the University. The construction and related start-up operating costs of the facility are estimated to be $150 million. The University will be responsible for the balance of the costs of the facility as provided by the Research Facility Funding Agreement which was executed by the University and Trinity effective July 1, 2011 and which contains the specific terms regarding the funding of the new research facility.

The education and research components of the University's health sciences, including the Medical School and the Nursing School, remain with the University following the Trinity Transaction. The University, the Health System and LUMC have entered into an Academic Affiliation Agreement which includes negotiated terms and conditions and which provides for an annual academic support payment to the University from the Health System and LUMC (which payment is guaranteed by Trinity). The annual academic support payment amount is set at $22.5 million (subject to an inflation adjustment) for an initial term of 10 years. The specific terms and conditions of the continuing extensions and the ability to renegotiate, modify, or renew certain terms of the Academic Affiliation

Agreement are set forth in the Academic Affiliation Agreement. Among these provisions is one which provides that following the fifth anniversary of the Academic Affiliation Agreement, either party may give notice to the other party to that agreement that the support payment be modified. If so modified, the modified agreement would become effective as of the 6th year following the next anniversary of the Academic Affiliation Agreement following the completion of successful negotiations. Otherwise, the Academic Affiliation Agreement would automatically renew for an additional year unless the support payment is modified as described above, or unless the Academic Affiliation Agreement is terminated (triggering a right in the University described below to repurchase the Health System and its affiliates (as they are constituted at the time) at fair market value, during the next succeeding five years of the remaining term of the Academic Affiliation Agreement). The Academic Affiliation Agreement superseded and replaced the LUMC Affiliation Agreement (except as otherwise provided in the Academic Affiliation Agreement) effective July 1, 2011.

The Definitive Agreement also provides the University with certain repurchase rights. If any of the following events occurs, the University has the right to repurchase the Health System and its affiliates (as they are constituted at the time), at fair market value: (i) a change of control of Trinity, the Health System or LUMC as a result of which Trinity, the Health System or LUMC would no longer be bound by the Ethical and Religious Directives for Catholic Health Services as promulgated by the United States Conference of Catholic Bishops, (ii) any event that causes the failure of LUMC to maintain its status as an academic medical center as defined by and in accordance with the Academic Affiliation Agreement, or (iii) upon the expiration of the Academic Affiliation Agreement after failure of the parties to resolve a dispute related to the academic support payment amount or academic support payment calculation methodology for any period after the initial 10 year term of the Academic Affiliation Agreement. The specific terms and conditions of the University's right to repurchase the Health System and its affiliates are set forth in the Definitive Agreement and the Academic Affiliation Agreement.

In addition to the Research Facility Funding Agreement and the Academic Affiliation Agreement referred to above, other agreements delivered in connection with the Trinity Transaction included a Branding and Trademark License Agreement among the University, Trinity, the Health System, LUMC and certain of the other healthcare affiliates regarding the use of the Loyola name, logo, trademarks, service marks, and all related goodwill in connection with their healthcare operations; an Indemnification Escrow Agreement among Trinity, the University and an escrow agent; a Shared Services Agreement among the University, the Health System and/or LUMC regarding sharing certain services; a Real Estate Swap Agreement which resulted in transfers of real estate between the University and LUMC as described below; various leases and other real estate agreements among the University, the Health System and/or LUMC providing for the sharing or transfer of certain real estate on the Medical Center Campus; and other instruments and documents.

As a result of the Real Estate Swap Agreement, the University now owns the central part of the Medical Center Campus. This central part is the "Academic/Health Sciences Zone" and includes, among other facilities, the Cuneo Center for the Stritch School of Medicine, the Center for Collaborative Studies/School of Nursing, the Center for Health and Fitness, the Cardinal Bernardin Cancer Center (subject to a 99-year leasehold interest for the portion of the Bernardin Center currently used by LUMC) and the space for the new research facility. The north end of the campus is owned by LUMC, and includes the primary hospital building and other inpatient facilities and related infrastructure. The south end of the campus is also owned by LUMC and includes outpatient/ambulatory facilities.

<u>The Health System</u>. The healthcare operations of the University's affiliates prior to July 1, 2011 were conducted through the Health System. Thereafter, these operations became the operations of Trinity. Prior to the completion of the Trinity Transaction, the Health System controlled LUMC, GMH, LUCIC and various other healthcare related entities. The Health System's total assets were approximately $995.0 million as of June 30, 2010. Operating revenues were $1,065.3 million and results of operations were $0.4 million for the fiscal year ended June 30, 2010. Outstanding indebtedness was $350.1 million at that date.

LUMC operates the Hospital, a tertiary-care teaching hospital operated in conjunction with the academic programs of the University's Medical School. The Hospital is, and under the Definitive Agreement, will continue to be, staffed by the full-time medical faculty of the Medical School, which is augmented by a sizable part-time faculty with staffing privileges. LUMC also operates outpatient care centers and certain other primary care sites.

<u>Gottlieb Affiliates</u>. On January 25, 2008, Gottlieb Health Resources, Inc. ("GHR"), an Illinois not-for-profit corporation, and the Health System entered into a Membership Substitution Agreement. Under the terms of the Membership Substitution Agreement, on July 1, 2008, the Health System became the sole member of GHR, and the Health System was substituted for GHR as the sole member of GMH, an Illinois not-for-profit corporation.

Additionally, GMH was substituted for GHR as the sole member of two other Gottlieb related entities. Neither GHR, GMH nor any of its subsidiaries was prior to June 30, 2011, nor will any of such entities be liable thereafter, for any indebtedness of the University including any Obligation incurred by the University under the Master Indenture or is subject to any of its covenants. GHR was dissolved in 2010 but the Health System continued to be the sole member of GMH and the other Gottlieb related entities until June 30, 2011 and the completion of the Trinity Transaction.

LUPF. Loyola University Physician Foundation, an Illinois not for profit corporation ("LUPF"), was a medical faculty practice plan established in 1995 which predominantly consisted of the faculty of the Medical School. LUPF represented the incorporation of the physician services provider function of the Medical School and was responsible for the billing, collection and distribution of the professional fees generated by the Medical School faculty. The physician/employees of LUPF performed their clinical services by contractual arrangement with the University and LUMC. LUPF made certain payments to the University for research and education purposes. Financial results of LUPF are not currently, and have previously never been, included in the University's consolidated financial statements.

On January 1, 2009, pursuant to a Closing Agreement among the Health System, LUMC and LUPF, the LUPF portion of the employment of the clinical faculty transferred from LUPF to LUMC, and LUMC currently employs the clinical faculty for the portion of their employment related to their clinical duties and responsibilities; however, the University continues to employ the clinical faculty for the portion of their employment related to education and research. Additionally, on January 1, 2009, pursuant to an Amended and Restated Loyola Medical Practice Plan Agreement, LUMC became responsible for providing certain payments to the University in order to support the research and education purposes of the Medical School in the same manner that LUPF had been responsible for the support of the Medical School prior to that time. The Amended and Restated Loyola Medical Practice Plan Agreement was superseded and replaced by the Academic Affiliation Agreement described above.

LUMC Affiliation Agreement. The University and LUMC entered into an Affiliation and Operating Agreement dated October 1, 1995 (the "LUMC Affiliation Agreement") to provide for the financial relationship between the entities and to provide for various shared services and operating relationships. The LUMC Affiliation Agreement provided for the transfer by the University of certain real estate and other assets which were used solely by, or devoted exclusively to, healthcare operations to LUMC in connection with the transfer of healthcare operations to LUMC. The healthcare assets and operations were transferred to LUMC subject to the liabilities associated with those assets and operations. In addition to the transfer of real estate and other assets, under the LUMC Affiliation Agreement, the University also transferred $50 million in cash to LUMC, as well as other funds, including gifts, which were restricted for healthcare operations.

Under the LUMC Affiliation Agreement, LUMC was obligated to provide annual payments to the University for the Medical School prior to June 30, 2011. The annual payments to the University for the Medical School included (1) payments received by LUMC from third parties for direct graduate medical education reimbursement, (2) a portion of the salaries and benefits of certain Medical School faculty who also provide administrative or clinical services to LUMC, (3) support to the Medical School comprised of 2% of net patient revenues of the Hospital, (4) up to $2,000,000 for capital support of the Medical School, and (5) such other support equal to the operating deficit (as defined in the LUMC Affiliation Agreement) of the Medical School; provided that the total amount of such annual payments could not exceed LUMC's operating surplus (as defined in the LUMC Affiliation Agreement). LUMC was also obligated to transfer to the University 20% of such operating surplus after giving effect to the support for the Medical School. In any year in which the operating margin (as defined in the LUMC Affiliation Agreement) of LUMC exceeded 10%, LUMC was obligated to transfer to the University 30% of the amount of its operating surplus that exceeded the 10% operating margin. Prior to the transfer to LUMC, healthcare operations represented a significant portion of overall University excess of revenue over expenses and, as part of University consolidated results and through the operation of the LUMC Affiliation Agreement, were expected to continue to have a significant impact on University operating results. Total payments paid to the University by LUMC under the LUMC Affiliation Agreement during the five fiscal years ended June 30, 2010 are shown in the following table. Of such total payments, the amounts shown below under "Salary Expense" reflect amounts paid by LUMC to the University to compensate the University for salary and benefit expense attributable to work performed for LUMC related activities (which expenses the University would not incur absent the LUMC Affiliation Agreement).

Pursuant to an amendment to the LUMC Affiliation Agreement, beginning on January 1, 2009, LUMC no longer provided payments to the Medical School for the portion of the salaries and benefits of certain Medical

School faculty who also provided administrative or clinical services to LUMC. From January 1, 2009 (but ending with the Trinity Transaction on June 30, 2011, as described above), LUMC directly paid the salaries and benefits of any Medical School faculty who also provided administrative or clinical services to LUMC.

Fiscal Year	**Total LUMC Payments ($000's)**	**Salary Expense**
2006	32,838	10,153
2007	31,879	10,302
2008	37,174	11,868
2009	30,529	6,167
2010	20,485	0

In addition to the above payments, pursuant to the Amended and Restated Loyola Medical Practice Plan Agreement mentioned above, LUMC also made payments to the University during fiscal year 2010 totaling $4.2 million to support the research and education purposes of the Medical School. Upon the closing of the Trinity Transaction, the LUMC Affiliation Agreement and the Amended and Restated Loyola Medical Practice Plan Agreement were superseded and replaced by the Academic Affiliation Agreement described above.

Other than as set forth in the preceding paragraph, LUMC had no obligation to make any payments to the University, including under the Master Indenture. Neither Trinity, the Health System nor any other affiliate of the Health System other than LUMC has any obligation, pursuant to any affiliation agreement or otherwise, to make any payment to the University, except as described above with respect to the Trinity Transaction.

The University's audited consolidated financial statements provided in previous years' annual reports submitted for purposes of continuing disclosure have reflected the financial position and results of operations of the Health System and LUMC, as well as the other affiliates of the University referred to therein. Following the closing of the Trinity Transaction on June 30, 2011, the University's audited consolidated financial statements will no longer include the financial position and results of operations of the Health System, LUMC, GMH, LUCIC or the other healthcare affiliates. **The audited financial statements of the University for the year ended June 30, 2010 have been restated to reflect the impact of the Trinity Transaction (in the manner described above under the caption "Management's Discussion of Financial Results -- Healthcare Affiliates - Trinity Transaction", including the related non-operating loss described therein) as shown therein.**

Trinity, including the Health System and LUMC, derives a significant portion of its revenues from Medicare, Medicaid and other third-party payor programs. The receipt of future revenues by Trinity and the Health System, including LUMC, is subject to, among other factors, federal and state policies and procedures affecting the healthcare industry, increased competition and other conditions that are not possible to predict. Developments in the healthcare industry, including increases in managed care arrangements, have significantly increased competitive pressures and seek to restrain the growth in healthcare spending by employers, insurers, health maintenance organizations and other payors. No assurance can be given that Trinity, including the Health System and LUMC, will have sufficient revenues or operating income necessary to meet their respective obligations to the University under the new Academic Affiliation Agreement now in effect.