2012

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 Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority)
Revenue Bonds,
Loyola University of Chicago, Series 1997C

and

the Continuing Disclosure Agreement
dated as of July 16, 2003,
in connection with the Illinois Finance Authority (as successor to the Illinois Educational Facilities Authority)
Revenue Bonds,
Loyola University of Chicago, Series 2003A and Series 2003B

and

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

and

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

and

the Continuing Disclosure Agreement
dated as of May 31, 2012,
in connection with the Illinois Finance Authority Revenue Bonds,
Loyola University of Chicago, Series 2012B

November 2012

This Annual Report (this "Annual Report") is prepared by Loyola University of Chicago, an Illinois not for profit corporation (the "University"), in compliance with (a) the Continuing Disclosure Agreement (the "2012B Continuing Disclosure Agreement") dated as of May 31, 2012, entered into in connection with the Illinois Finance Authority (the "Authority") Revenue Bonds, Loyola University of Chicago, Series 2012B (the "Series 2012B Bonds"); (b) the Voluntary Continuing Disclosure Undertaking Agreement (the "2011 Voluntary Continuing Disclosure Agreement") dated as of August 15, 2011, entered into in connection with the Authority Commercial Paper Revenue Notes (Loyola University of Chicago Financing Program) (the "2008 Commercial Paper Revenue Notes"); (c) the Continuing Disclosure Agreement (the "2007 Continuing Disclosure Agreement") dated as of April 12, 2007, entered into in connection with the Authority Revenue Bonds, Loyola University of Chicago, Series 2007 (the "Series 2007 Bonds"); (d) the Continuing Disclosure Agreement (the "2003 Continuing Disclosure Agreement") dated as of July 16, 2003, entered into in connection with the Authority (as successor to the Illinois Educational Facilities Authority) Revenue Bonds, Loyola University of Chicago, Series 2003A (the "Series 2003A Bonds") and Series 2003B (the "Series 2003B Bonds"); and (e) the Continuing Disclosure Agreement (the "1997C Continuing Disclosure Agreement") dated as of July 9, 1997, entered into in connection with the Authority (as successor to the Illinois Educational Facilities Authority) Revenue Bonds, Loyola University of Chicago, Series 1997C (the "Series 1997C Bonds"). The 2012B Continuing Disclosure Agreement, the 2011 Voluntary Continuing Disclosure Agreement, the 2007 Continuing Disclosure Agreement, the 2003 Continuing Disclosure Agreement and the 1997C Continuing Disclosure Agreement are collectively referred to in this Annual Report as the "Continuing Disclosure Agreements". Capitalized terms used herein but not defined herein will have the meanings ascribed to them in the Official Statement dated May 16, 2012 relating to the Series 2012B Bonds (the "2012B Official Statement").

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 "significant events" as defined or referenced 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 15,700 full-time and part-time students on four campuses as of Fall 2012. 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 defined below), as shown in the most recent audited financial statements of the University.

Financial Statement Information

Enclosed with this Annual Report are: Consolidated Statements of Financial Position as of June 30, 2012 and 2011; Consolidated Statements of Activities and Changes in Net Assets for the two years ended June 30, 2012 and 2011; Consolidated Statements of Cash Flows for the two years ended June 30, 2012 and 2011; Notes to Consolidated Financial Statements for the years ended June 30, 2012 and 2011; and the independent auditors' reports thereon.

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"). In fiscal year 2012, LMC had no activity and was dissolved. Also in fiscal year 2012, the Loyola Rome Center Foundation, an Italian entity owned and controlled by the University (the "Rome Center Foundation"), was created to support the activities of the University's John Felice Rome Center and programs in Italy. In fiscal year 2012, the Rome Center Foundation had no activity.

The University's historical audited consolidated financial statements provided in previous years' annual reports submitted for purposes of continuing disclosure included the financial position and results of operations of Loyola University Health System (the "Health System") and its healthcare affiliates. Following the closing of the Trinity Transaction (defined below) on June 30, 2011, the University's audited consolidated financial statements no longer include the financial position and results of operations of the Health System or the other healthcare affiliates.

Only the University 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 below under "Management's Discussion of Financial Results – Trinity Transaction", the Health System and its healthcare affiliates are no longer affiliates of the University or an available source of funds except for the limited purposes described below under the caption "Trinity Transaction – Relationship with Health System" pursuant to the Academic Affiliation Agreement described below. The University has no legal obligation to make payments of debt service on any indebtedness of the Health System or any of its affiliates.

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. The Loyola University of Chicago Taxable Fixed Rate Bonds, Series 2012A (the "Series 2012A Bonds") and the Series 2012B Bonds were not issued under the Master Indenture, as described further under "Outstanding Long-Term Indebtedness – Tests for the Incurrence of Additional Indebtedness" below.

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

<u>Summary University Financial Information: 2012 and 2011</u>. The following tables present summary financial information of the University for the 2012 and 2011 fiscal years. The following financial information for fiscal years 2012 and 2011 is qualified in its entirety by reference to the audited financial statements of the University. See "Management's Discussion of Financial Results" below.

<u>Selected Consolidated Financial Information</u>
($000's)

	Fiscal Year Ended June 30	
	2012	**2011**
Operating Revenues	$490,172	$473,276
Operating Expenses	445,893	418,996
Results of Operations	44,279	54,280
Non-Operating Activities	21,749	78,994
Change in Net Assets from Continuing Operations	66,028	133,274
Change in Net Assets from Discontinued Operations	8,910	42,269
Change in Net Assets	$74,938	$175,543
Debt Service Requirements	$23,357	$17,823
Capital Expenditures	$157,704	$113,396

Selected Consolidated Financial Information
($000's)

	Fiscal Year Ended June 30	
	2012	**2011**
Cash Equivalents and Short-Term Investments	$370,806	$80,354
Endowment and Other Long-Term Investments	444,047	400,304
Land, Building and Equipment (net of depreciation)	912,629	788,048
Receivable from Trinity Health	75,000	212,003
Other Assets	172,658	77,532
Total Assets	$1,975,140	$1,558,241
Indebtedness	593,865	285,905
Other Liabilities	212,532	178,531
Net Assets	1,168,743	1,093,805
Total Liabilities and Net Assets	$1,975,140	$1,558,241

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 the Notes to Consolidated Financial Statements for the years ended June 30, 2012 and 2011 for a summary of significant accounting policies.

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"). Pursuant to the Definitive Agreement, 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"). 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 former healthcare affiliates, and these entities no longer are included in the audited consolidated financial statements of the University. 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. The education and research components of the University's health sciences, including the Stritch School of Medicine (the "Medical School") and the Marcella Niehoff School of Nursing (the "Nursing School"), remain part of the University following the 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 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 $49.6 million on October 21, 2011. In addition, Trinity is required to make a payment of up to $75 million to the University toward the construction and related start-up expenses of a new research enterprise facility.

The financial statement effects of the Trinity Transaction are as follows: (a) on the fiscal year 2011 financial statements, the Trinity Transaction increased the University's net assets by $42.3 million and the operations of the healthcare affiliates were reported as discontinued operations; and (b) on the fiscal year 2012 financial statements, the University increased net assets from discontinued operations by $8.9 million, which included recognition of a $20.0 million gain related to the Indemnification Escrow Agreement, a $7.4 million loss related to a reduction in the post-closing reconciliation payment, and a $3.7 million loss related to the net impact of property transfers on the Health Sciences/Medical Center Campus, all as described in Note 14 of the Notes to Consolidated Financial Statements for the years ended June 30, 2012 and 2011.

For more information regarding the Trinity Transaction, see "Trinity Transaction – Relationship with Health System" below.

Fiscal Year 2012 Compared to Fiscal Year 2011. During fiscal year 2012, net assets for the University increased overall by $74.9 million, which included an increase of $66.0 million from continuing operations and an additional $8.9 million gain on disposal of discontinued operations. This is compared to an overall increase in net assets of $175.5 million and an increase in continuing operations of $133.3 million in 2011. An operating surplus of $44.3 million was recorded compared to the previous fiscal year's operating surplus of $54.3 million. For fiscal year 2012, the investment return on the endowment portfolio was a positive 1.1%, compared to the fiscal year 2011 return of positive 21.7%.

The fiscal year 2012 operating surplus is due primarily to conservative fiscal policies and revenues from enrollment growth. A 2.4% or $7.4 million increase in net tuition and fees revenue was the result of a combination of record enrollments and a tuition increase of approximately 3.7% for undergraduate schools and a range of 3.6%-5.1% for graduate and professional school tuition. In fiscal year 2012, total enrollment reached 16,040, representing both full- and part-time students. The number of undergraduate students increased 1.1% to 9,856 students compared to 9,747 in the prior year. Graduate and professional enrollments decreased 0.3% over the prior year to 6,184 students.

Total operating revenues increased 3.6% or $16.9 million from $473.3 million in fiscal year 2011 to $490.2 million in fiscal year 2012, and operating expenses increased 6.4% or $26.9 million from $419.0 million in fiscal year 2011 to $445.9 million in fiscal year 2012. The increase in operating revenues was primarily the result of an increase in net tuition and fees of $7.4 million, an increase in academic support of $4.5 million, and an increase in other income of $4.3 million. The increase in operating expenses was primarily the result of an increase in salaries and wages of $11.4 million, an increase in fringe benefits of $4.3 million, and an increase in non-salary operating expenses of $8.6 million.

With a positive 1.1% investment return in fiscal year 2012, the market value of the University's endowment fund assets increased to $406.0 million at June 30, 2012 from $388.7 million at June 30, 2011. 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 2.7% for 2012 and 3.1% for 2011.

Unrestricted net assets from continuing operations increased $30.5 million in fiscal year 2012. Strong results of operations were partially offset by unfavorable retirement plan related changes. This is compared to an increase of unrestricted net assets of $102.9 in fiscal year 2011. This decline is primarily due to strong investment gains and favorable retirement plan related changes in the prior year. Temporarily restricted net assets from continuing operations increased $28.3 million in fiscal year 2012 compared to an increase of $23.8 million in fiscal year 2011. Permanently restricted net assets from continuing operations increased $7.3 million in fiscal year 2012 compared to an increase of $6.6 million in fiscal year 2011. Gifts totaled $54.3 million in fiscal year 2012 compared to $18.7 million in fiscal year 2011.

The University had $593.9 million in outstanding debt as of June 30, 2012 compared to $285.9 million as of June 30, 2011. The University issued approximately $311.5 million in new debt as part of a six-year $750 million capital plan to significantly improve facilities for student residences, athletics, academics, and student life activities. Of the new debt, $113.5 million was issued in the form of a seven-year term loan from PNC Bank, National Association that was closed and funded on November 17, 2011 (the "2011 Term Loan"). The 2011 Term Loan was issued at a fixed rate of 2.36% with semi-annual principal amortization beginning in December 2013 and a final maturity in June 2018. The remainder of the new debt was issued in May 2012. The University issued $157.2 million of Series 2012A Bonds on May 16, 2012, and the Authority issued $92.2 million of Series 2012B Bonds on May 31, 2012. Approximately $50.0 million of the Series 2012A Bonds and the Series 2012B Bonds were issued (and the University used other funds) to reduce interest expense by refunding all of the outstanding Series 2003A Bonds and all of the outstanding Authority Revenue Bonds, Loyola University of Chicago, Series 2004A (the "Series 2004A Bonds"). The refundings resulted in a non-operating loss of $3.9 million in fiscal year 2012 due to the early extinguishment of debt. The estimated present value savings associated with these refundings will result in a decreased cash flow requirement of $4.3 million. Debt service of $23.4 million in fiscal year 2012 was 5.2% of operating expenses.

Fiscal year 2012 capital expenditures totaled $157.7 million. Significant capital expenditures were related to academic and student life buildings. Cuneo Hall, which was completed in May 2012, is a four-story academic center that uses vanguard technology to reduce its carbon footprint and increase energy efficiency. The Center for Collaborative Studies/School of Nursing building was substantially completed in fiscal year 2012 and is home to new nursing classrooms and administrative offices, a state-of-the art clinical simulation center, and the health sciences library. The University also focused on various residence facilities' construction and renovations, including Messina Hall, San Francisco Hall, de Nobili Hall, Bellarmine Hall, and BVM Hall. Additionally, the University continued construction on the Mundelein Center, an academic building home to faculty offices and classrooms, and began building the new Alumni Student Center, which will be a new student union. 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 the University's new debt issuances as well as funds from operations, gifts and grants.

For fiscal year 2012, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value of $5,000 or less, which are expensed.

<u>Fiscal Year 2011 Compared to Fiscal Year 2010</u>. 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 the sale of the Health System to Trinity. This is compared to an overall increase in net assets of $152.1 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, the 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 was 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 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 year 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, PNC's 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. 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.

For fiscal year 2011, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value of $5,000 or less, which are expensed.

Enrollment; Tuition and Fees; Student Housing; Financial Aid

Enrollment. The following table, based on Fall term registration, sets forth head-count enrollments for the past four and the 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.

University Enrollment

Academic Year	Graduate and Professional	Undergraduate	Total
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
2012-13	5,997	9,723	15,720

Enrollment of freshmen at the University and the number of undergraduate student transfers for the academic years 2008-09 through 2012-13 are as follows:

Freshman and Transfer Enrollment

Academic Year	Freshman Enrollment	Undergraduate Transfers(1)	Total New Enrollment
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
2012-13	2,003	636	2,639

(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 year 2008-09, the number of ABSN students included in Undergraduate Transfers was 77.

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 2012-13.

Student Body Information

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Full-time Total Enrollment	13,561	13,626	13,490	13,494	13,299
Part-time Total Enrollment	2,109	2,253	2,461	2,546	2,421
Endowment per Full-time Student	$26,430	$19,451	$21,986	$25,868	$28,323
Freshman (Completed) Applications	17,287	17,383	17,671	17,828	19,657
Freshman Acceptances	12,755	13,583	10,529	9,793	11,395
Freshman Enrollment	2,176	2,076	2,063	1,930	2,003
Acceptance Rate (Completed Applications)	73.8%	78.1%	59.6%	54.9%	58.0%
Matriculation Rate	17.1%	15.3%	19.6%	19.7%	17.6%
Average ACT Score	26.4	26.5	26.9	26.9	27.2
Average SAT Score	1,178	1,186	1,191	1,187	1,190
Geographic Distribution (New Freshmen)					
-Chicago Metropolitan	49.3%	53.0%	54.0%	56.1%	55.2%
-State of Illinois (outside Chicago Metropolitan)	4.9%	5.0%	4.3%	3.6%	3.9%
-Out-of-State	45.8%	42.0%	41.7%	40.3%	40.9%

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 2012-13 academic year and the tuition charged in the preceding four academic years.

Tuition

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Undergraduate Schools	$28,700	$29,850	$31,040	$32,200	$33,810
Graduate School (per sem. hr.)	$750	$790	$830	$870	$905
Graduate School of Business (per course)	$3,315	$3,498	$3,672	$3,858	$4,011
Graduate School of Social Work (per sem. hr.)	$750	$790	$830	$870	$905
School of Law (Day Program)	$34,890	$36,290	$37,380	$38,780	$39,850
School of Medicine (MD Program)	$37,700	$39,200	$41,200	$43,700	$47,000

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 2012, approximately 3,900 students occupied on-campus residences. There are currently 18 residential facilities at the Lake Shore Campus, and there is one residential facility at the Water Tower Campus. For the current academic year, the standard double room and board fees, which include 19 meals per week, total $12,010. 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. Two new residence facilities will open on the Lake Shore Campus in Fall 2013, increasing capacity and allowing the University to address unmet demand for juniors and seniors who would like to live on the Lake Shore Campus.

Financial Aid. During the 2011-12 academic year, approximately 14,040 students of the University received approximately $377 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 (34%) and direct awards to students from various sources (6%). Approximately 88% of the University's full-time students received some form of financial aid. Financial aid information for the 2012-13 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
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
2011-12	213,982	11,070	127,004	25,227	377,283

All financial aid programs furnished by the federal government and the State of Illinois are subject to appropriation and funding by the U.S. Congress and the Illinois General Assembly. Federal and state appropriations to financial aid programs nationally have been stable in recent years; however, cuts in federal and state aid are expected to occur in the future as the federal and state budgets 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, 2012. 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.

In fiscal year 2012, Michael R. Quinlan, Chairman of the University's Board of Trustees, and Marilyn Quinlan pledged a gift to the University of $40 million. $20 million of this gift will be paid on or before May 26, 2014, and the remaining $20 million will be paid in increments of $1 million each year for twenty consecutive years beginning in 2013. In recognition of this gift, the University has named its school of business the Michael R. Quinlan School of Business. This pledge was recorded in fiscal year 2012 at a net present value of $31.9 million and is included in the chart below as temporarily restricted for fiscal year 2012.

In fiscal year 2010, the University received a $50.1 million gift of property, artwork, cash and securities from The Cuneo Foundation. $29.8 million was recorded as unrestricted while the remaining $20.3 million was recorded as temporarily restricted.

Gifts and Bequests
($000's)

Fiscal Year Ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2008	$3,054	$13,816	$9,572	$26,442
2009	8,532	10,926	6,105	25,563
2010	35,851	39,985	5,779	81,615
2011	2,027	11,934	4,785	18,746
2012	4,912	45,237	4,125	54,274

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2008 through June 30, 2012 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]
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
2012………………	55,395	348,098	157,737	253,623	814,853	4,596

(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 2008 through 2012. The actual replacement value of the University's physical plant, as determined for insurance purposes as of February 1, 2012, was approximately $1.4 billion.

Fiscal Year Ended June 30	Land, Buildings and Equipment - Net ($000's)
2008	$572,776
2009	596,269
2010	705,707
2011	788,048
2012	912,629

Outstanding Long-Term Indebtedness

The following table sets forth the total outstanding long-term indebtedness of the University as of June 30, 2012. 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.

Long-Term Indebtedness

	Year of Final Maturity [1]	Interest Rates	Amount Outstanding (June 30, 2012) ($000's)
Installment Note, 6542-48 N. Sheridan	2015	9.50%	$ 298
City of Chicago Loan[2]	2012	0.00%	62
Series 1997C Bonds[3]	2012	7.10%	5,380
Fixed-Rate Medium-Term Notes	2017	7.52%	21,100
Series 2003B Bonds	2021	5.60%	37,520
Series 2003C Bonds	2018	4.80%-5.30%	40,805
Series 2007 Bonds[4]	2024	4.00%-5.00%	26,670
2008 Commercial Paper Revenue Notes[5]	2038	0.20%	74,040
Installment Note, Rome Center[6]	2029	1.51%	11,925
2011 Term Loan	2018	2.36%	113,500
Series 2012A Bonds[7]	2042	3.199-4.626%	157,220
Series 2012B Bonds[8]	2042	2.00-5.00%	92,215
Total			$580,735
Adjustment for unamortized bond premium/(discount)			13,130
Total indebtedness net of unamortized premium/(discount)			$593,865

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

(2) The City of Chicago Loan was paid in full on August 1, 2012 and is no longer outstanding.

(3) The Series 1997C Bonds were paid in full on July 1, 2012 and are no longer outstanding.

(4) In August 2012, the University prepaid a portion of the Direct Note Obligation, Series 2007 (Illinois Finance Authority) in the principal amount of $2,500,000 in order to effect the payment and redemption on July 1, 2017 of a portion of the Series 2007 Bonds.

(5) The University's 2008 Commercial Paper Revenue Notes have a final mandatory prepayment date of June 1, 2038 and are treated by the University as long-term indebtedness. The 2008 Commercial Paper Revenue Notes are fully backed by PNC Bank, National Association, pursuant to an agreement that expires on August 15, 2014 (the "PNC Commercial Paper Facility"). The interest rate shown for the 2008 Commercial Paper Revenue Notes represents the weighted average outstanding interest rate at June 30, 2012. In June 2012, the University opted to retire $5.96 million of the 2008 Commercial Paper Revenue Notes, and the PNC Commercial Paper Facility was reduced commensurately.

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

(7) Approximately $50.0 million of the Series 2012A Bonds and the Series 2012B Bonds were issued (and the University used other funds) to reduce interest expense by refunding all of the outstanding Series 2003A Bonds and all of the outstanding Series 2004A Bonds.

(8) See footnote 7 above.

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. The Series 2012A Bonds and the Series 2012B Bonds were not issued under the Master Indenture. However, the University has covenanted in the Trust Indenture dated as of May 1, 2012 between the University and U.S. Bank National Association (the "Indenture") for the Series 2012A Bonds and in the Loan Agreement dated as of May 1, 2012 between the University and the Authority (the "Loan Agreement") for the Series 2012B Bonds to comply with the Additional Indebtedness test in the Master Indenture (as amended solely through the Sixth Supplemental Master Indenture), but only for such period that Obligations remain outstanding under the Master Indenture. In the event that the Master Indenture is discharged in full and no Obligations remain outstanding thereunder in accordance with its terms, the provisions of the Indenture and the Loan Agreement applying the Additional Indebtedness test will terminate and be of no further force and effect.

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, 2012.

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

Capitalization
($000's)

	June 30, 2012
Unrestricted Net Assets	$862,251
Temporarily Restricted Net Assets	167,559
Permanently Restricted Net Assets	138,933
Total Net Assets	1,168,743
Indebtedness	593,865
Indebtedness plus Net Assets	$1,762,608
Ratio (Not to exceed 50%)	33.7%

Maximum Annual Debt Service Coverage
($000's)

	June 30, 2012
Average University Revenues (fiscal years 2011 and 2012)	$481,724
Maximum Annual Long-Term Debt Service Requirements(1)	35,587
Ratio (Not to exceed 10%)	7.4%

(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, 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.

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, 2012.

In addition, so long as (a) the 364-day revolving credit agreement dated February 28, 2011 between the University and PNC Bank, National Association remains in effect; or (b) the Term Loan Agreement dated November 17, 2011 between the University and PNC Bank, National Association (the "Term Loan Agreement"), in connection with the 2011 Term Loan, remains in effect; or (c) any 2008 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 that the University may not 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.

In addition, so long as the 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. The Debt Service Coverage Ratio of the University at June 30, 2012 is 5.42 to 1.00.

The maximum annual debt service coverage of the University at June 30, 2012 is 2.65 to 1.00 and the unrestricted plus temporarily restricted net assets minus investment in plant at that date is 120% of long-term debt, each calculated as required by the Master Indenture.

While the Series 1997C Bonds were outstanding (as of July 1, 2012, the Series 1997C Bonds were paid in full and are no longer outstanding), the Master Indenture also provided that the University could not issue Additional Indebtedness, without the consent of Ambac, the bond insurer for the Series 1997C Bonds, unless the University satisfied the conditions described in the second preceding paragraph above. Since the Series 1997C Bonds are no longer outstanding and have been paid in full, these conditions are no longer applicable for the Series 1997C Bonds.

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	Series 2012A Bonds	Series 2012B Bonds	2008 Commercial Paper[2]	Series 2007 Bonds	Series 2003B &C Bonds	Series 1997C Bonds	All Other[3]	Total Debt Service
2013	7,263,526	4,574,300	370,200	3,958,450	4,186,020	5,380,000	4,855,922	30,588,418
2014	6,456,468	5,177,000	740,400	1,445,031	10,645,340	-	23,529,758	47,993,997
2015	6,456,468	5,168,250	2,591,400	1,443,431	10,631,460	-	29,441,763	55,732,772
2016	6,456,468	6,604,750	2,591,400	1,439,931	10,607,240	-	28,738,747	56,438,536
2017	6,456,468	6,581,750	2,591,400	1,440,756	10,587,740	-	28,120,665	55,778,779
2018	6,456,468	4,959,000	2,591,400	1,440,906	2,712,740	-	40,756,078	58,916,592
2019	6,456,468	6,536,000	2,591,400	1,406,956	13,641,120	-	378,859	31,010,803
2020	6,456,468	5,962,000	2,591,400	1,402,556	13,249,760	-	1,133,358	30,795,543
2021	6,456,468	6,409,500	2,591,400	1,407,256	13,235,040	-	1,133,213	31,232,877
2022	6,456,468	6,405,750	2,591,400	1,406,281	13,215,000	-	1,133,065	31,207,964
2023	61,846,000	6,400,500	2,591,400	8,266,531	-	-	1,132,915	80,237,346
2024	4,626,000	6,398,250	2,591,400	13,168,781	-	-	1,132,762	27,917,193
2025	4,626,000	6,389,000	2,591,400	315,000	-	-	1,132,607	15,054,007
2026	4,626,000	22,755,500	2,591,400	-	-	-	1,132,450	31,105,350
2027	4,626,000	14,113,250	2,591,400	-	-	-	1,132,291	22,462,941
2028	8,789,075	3,188,500	2,591,400	-	-	-	1,132,129	15,701,104
2029	8,782,667	3,185,000	2,591,400	-	-	-	1,131,965	15,691,032
2030	8,771,544	3,182,500	2,591,400	-	-	-	-	14,545,444
2031	8,755,475	3,176,000	2,591,400	-	-	-	-	14,522,875
2032	8,743,767	3,170,250	2,591,400	-	-	-	-	14,505,417
2033	8,735,725	3,165,000	2,591,400	-	-	-	-	14,492,125
2034	8,721,118	3,164,750	2,591,400	-	-	-	-	14,477,268
2035	8,704,483	3,159,500	2,591,400	-	-	-	-	14,455,383
2036	8,690,126	3,154,000	2,591,400	-	-	-	-	14,435,526
2037	8,677,355	3,148,000	2,591,400	-	-	-	-	14,416,755
2038	8,660,705	3,141,250	76,415,450	-	-	-	-	88,217,405
2039	8,644,483	3,133,500	-	-	-	-	-	11,777,983
2040	8,627,996	3,129,250	-	-	-	-	-	11,757,246
2041	8,610,549	3,123,250	-	-	-	-	-	11,733,799
2042	8,591,448	3,115,250	-	-	-	-	-	11,706,698
2043	8,570,000	3,105,000	-	-	-	-	-	11,675,000

(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 (except for years 2013 and 2014 in which the assumed interest rates are 0.50% and 1.00%, respectively). Although the 2008 Commercial Paper Revenue Notes have 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 $298,000 of 9.50% installment notes with a final maturity in 2015; $62,500 outstanding on an interest-free loan from the City of Chicago with a final installment payment in 2012 (which loan was paid in full on August 1, 2012 and is no longer outstanding); $113.5 million outstanding under the 2011 Term Loan at a rate of 2.36% and with a final maturity in 2018; and a mortgage denominated in Euros due in 2029 on the Rome Center property with an effective rate of 1.51% and approximately $11,925,000 outstanding (subject to fluctuations in the Euro).

Trinity Transaction – Relationship with Health System

As described above under the caption "Management's Discussion of Financial Results – 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 $49.6 million 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 effective July 1, 2011 (the "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 sixth 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 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: (a) 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, (b) 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 (c) 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 Health Sciences/Medical Center Campus. This central part is the "Academic/Health Sciences Zone" and includes, among other facilities, the Medical School's Cuneo Center, 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 building 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.

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 Academic Affiliation Agreement now in effect.