2016

ANNUAL REPORT
OF
LOYOLA UNIVERSITY OF CHICAGO

Prepared in compliance with

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 23, 2016

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"); and (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"). The 2012B Continuing Disclosure Agreement, the 2011 Voluntary Continuing Disclosure Agreement, the 2007 Continuing Disclosure Agreement and the 2003 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 a not for profit institution of higher education in the State of Illinois, with a total enrollment in excess of 16,400 full-time and part-time students on four campuses as of Fall 2016. 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, 2016 and 2015; Consolidated Statements of Activities and Changes in Net Assets for the two years ended June 30, 2016 and 2015; Consolidated Statements of Cash Flows for the two years ended June 30, 2016 and 2015; Notes to Consolidated Financial Statements for the years ended June 30, 2016 and 2015; 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, Mundelein College, an Illinois not for profit corporation ("Mundelein"), and the Loyola Rome Center Foundation, an Italian entity owned and controlled by the University (the "Foundation"). Together, Mundelein and the Foundation are referred to as the "LU Affiliates". In fiscal year 2012, the Foundation was created to support the activities of the University's John Felice Rome Center and programs in Italy.

The University's historical audited consolidated financial statements provided in previous years' annual reports (prior to fiscal year 2011) 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 under the caption "Trinity Transaction — Relationship with Health System") 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 LU Affiliate 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 LU Affiliate should be viewed as an available source of funds for the University. 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 LU 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 LU 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.

Summary University Financial Information: 2016 and 2015. The following tables present summary financial information of the University for the 2016 and 2015 fiscal years. The following financial information for fiscal years 2016 and 2015 is qualified in its entirety by reference to the audited financial statements of the University. See "Management's Discussion of Financial Results" below.

Selected Consolidated Financial Information
($000's)

	Fiscal Year Ended June 30	
	2016	**2015**
Operating Revenues	$558,371	$559,061
Operating Expenses	528,619	520,146
Results of Operations	29,752	38,915
Non-Operating Activities	(36,701)	(29,222)
Change in Net Assets	($6,949)	$9,693
Debt Service Requirements	$52,986	$51,360
Capital Expenditures	$68,382	$128,117

Selected Consolidated Financial Information
($000's)

	Fiscal Year Ended June 30	
	2016	**2015**
Cash Equivalents and Short-Term Investments	$184,460	$202,977
Endowment and Other Long-Term Investments	613,374	602,642
Land, Building and Equipment (net of depreciation)	1,141,468	1,150,830
Receivable from Trinity Health Corporation	13,983	30,428
Other Assets	112,679	117,633
Total Assets	$2,065,964	$2,104,510
Indebtedness	485,203	520,484
Other Liabilities	210,239	206,555
Net Assets	1,370,522	1,377,471
Total Liabilities and Net Assets	$2,065,964	$2,104,510

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, 2016 and 2015 for a summary of significant accounting policies.

Trinity Transaction. During fiscal year 2011, the University recorded an overall increase in net assets of $42.2 million related to the sale of the Health System to Trinity. In fiscal year 2012, an increase in net assets from discontinued operations of $8.9 million was recorded. In fiscal year 2013, there was no impact of the Trinity Transaction (see below under the caption "Trinity Transaction – Relationship with Health System"), other than the annual academic support payments from Trinity described below. In fiscal year 2016 and 2015, the University received $16.4 million and $41.8 million, respectively, from Trinity for construction expenditures related to the new Center for Translational Research and Education ("CTRE") at the University's Health Sciences Campus in Maywood, Illinois. The University has received from Trinity annual academic support payments since 2012, as described in "Trinity Transaction – Relationship with Health System" below. For more information regarding the Trinity Transaction, see "Trinity Transaction – Relationship with Health System" below.

Fiscal Year 2016 Compared to Fiscal Year 2015. During fiscal year 2016, net assets for the University decreased overall by $6.9 million. This is compared to an overall increase in net assets of $9.7 million in 2015. An operating surplus of $29.8 million was recorded compared to the previous fiscal year's operating surplus of $38.9 million. For fiscal year 2016, the investment return on the endowment portfolio was a negative 0.6%, compared to the fiscal year 2015 return of positive 0.3%.

The fiscal year 2016 operating surplus is due primarily to conservative fiscal policies and revenues from enrollment. A 2.0% or $7.1 million increase in net tuition and fees revenue was the result of a tuition increase of approximately 2.5% for continuing undergraduate students, 5.0% for new entering undergraduate students, and a range of 2.4%-4.0% for graduate and professional school tuition. Additionally, in fiscal year 2016, total enrollment equaled 16,437, representing both full- and part-time students. The number of undergraduate students increased 7.3% to 11,079 students compared to 10,322 in the prior year. Graduate and professional enrollments decreased 4.0% from the prior year to 5,358 students.

Total operating revenues decreased 0.1% or $0.7 million from $559.1 million in fiscal year 2015 to $558.4 million in fiscal year 2016, and operating expenses increased 1.6% or $8.5 million from $520.1 million in fiscal year 2015 to $528.6 million in fiscal year 2016. Net tuition and fees increased by $7.1 million over the prior year and other income increased by $2.1 million. However, operating revenues were affected by a decrease in grants and contracts of $12.0 million compared to the prior year. In particular, in fiscal year 2015, grants and contracts included a grant of $7.8 million received from The Independent Colleges Capital Program (ICCAP) which did not extend to fiscal year 2016. The increase in operating expenses was the result of an increase in salaries and wages of $7.3 million, an increase in fringe benefits of $3.5 million, and an increase in depreciation of $4.1 million, offset by a decrease in non-salary operating expenses of $7.0 million.

With an investment return of approximately negative 0.6% in fiscal year 2016, the market value of the University's endowment fund assets decreased to $533.6 million at June 30, 2016 from $541.7 million at June 30, 2015. 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 2.6% for 2016 and 2.4% for 2015.

Unrestricted net assets decreased $1.5 million in fiscal year 2016. This is compared to an increase of unrestricted net assets of $21.3 million in fiscal year 2015. Temporarily restricted net assets decreased $11.3 million in fiscal year 2016 compared to a decrease of $19.6 million in fiscal year 2015. Permanently restricted net assets increased $5.8 million in fiscal year 2016 compared to an increase of $8.0 million in fiscal year 2015. Gifts totaled $19.0 million in fiscal year 2016 compared to $20.7 million in fiscal year 2015.

The University had $485.2 million in outstanding debt as of June 30, 2016 compared to $520.5 million as of June 30, 2015. Debt service of $53.0 million in fiscal year 2016 was 10.0% of operating expenses.

Fiscal year 2016 capital expenditures totaled $68.4 million. The University completed the construction of two new facilities, the CTRE and The John and Kathy Schreiber Center ("Schreiber Center"), home of the Quinlan School of Business. The 225,000-square-foot CTRE building, located at the Health Sciences Campus, opened its doors in April 2016, and houses more than 500 faculty, staff and students from the University's Stritch School of Medicine, the University's Graduate School, and the University's Marcella Niehoff School of Nursing. The 10-story Schreiber Center, located at the Water Tower Campus and completed in August 2015, is a Leadership in Energy and Environmental Design (LEED) Silver-certified building that provides a dedicated space for students, faculty and staff of the Quinlan School of Business.

For fiscal year 2016, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value under $5,000, which are expensed.

Fiscal Year 2015 Compared to Fiscal Year 2014. During fiscal year 2015, net assets for the University increased overall by $9.7 million. This is compared to an overall increase in net assets of $111.5 million in 2014. An operating surplus of $38.9 million was recorded compared to the previous fiscal year's operating surplus of $34.8 million. For fiscal year 2015, the investment return on the endowment portfolio was a positive 0.3%, compared to the fiscal year 2014 return of positive 14.5%.

The fiscal year 2015 operating surplus is due primarily to conservative fiscal policies and revenues from enrollment. A 3.1% or $10.6 million increase in net tuition and fees revenue was the result of a tuition increase of approximately 2.5% for continuing undergraduate students, 5.0% for new entering undergraduate students, and a range of 2.5%-6.1% for graduate and professional school tuition. Additionally, in fiscal year 2015, total enrollment equaled 15,902, representing both full- and part-time students. The number of undergraduate students increased 1.5% to 10,322 students compared to 10,168 in the prior year. Graduate and professional enrollments decreased 3.6% over the prior year to 5,580 students.

Total operating revenues increased 3.5% or $19.0 million from $540.0 million in fiscal year 2014 to $559.1 million in fiscal year 2015, and operating expenses increased 2.9% or $14.9 million from $505.3 million in fiscal year 2014 to $520.1 million in fiscal year 2015. The increase in operating revenues was primarily the result of an increase in net tuition and fees of $10.6 million, an increase in other income of $2.2 million, and an increase in auxiliary services of $4.3 million. The increase in operating expenses was primarily the result of an increase in salaries and wages of $4.5 million, an increase in fringe benefits of $5.8 million, an increase in depreciation of $1.8 million, and an increase in non-salary operating expenses of $2.7 million. The increase in fringe benefit costs is primarily due to higher healthcare costs resulting from unfavorable claims experience.

With an investment return of approximately 0.3% in fiscal year 2015 the market value of the University's endowment fund assets increased to $541.7 million at June 30, 2015 from $538.5 million at June 30, 2014. 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 2.4% for 2015 and 2.2% for 2014.

Unrestricted net assets increased $21.3 million in fiscal year 2015. This is compared to an increase of unrestricted net assets of $79.2 in fiscal year 2014. Temporarily restricted net assets decreased $19.6 million in fiscal year 2015 compared to an increase of $23.5 million in fiscal year 2014. Both of these declines are primarily attributable to the decline in investment return from 14.5% to 0.3%. Permanently restricted net assets increased $8.0 million in fiscal year 2015 compared to an increase of $8.7 million in fiscal year 2014. Gifts totaled $20.7 million in fiscal year 2015 compared to $28.2 million in fiscal year 2014.

The University had $520.5 million in outstanding debt as of June 30, 2015 compared to $557.4 million as of June 30, 2014. Debt service of $51.4 million in fiscal year 2015 was 9.9% of operating expenses.

Fiscal year 2015 capital expenditures totaled $128.1 million, primarily due to the University's investment in two new facilities. The University continued construction on the CTRE building at the Health Sciences Campus, and significant progress was also made on the construction of the John and Kathy Schreiber Center, a 10-story facility that will feature advanced classrooms and innovative social spaces that will house the Quinlan School of Business at the Water Tower Campus. Both of these projects are scheduled to be completed in fiscal year 2016 and were funded from operations, gifts and grants, as well as proceeds from the Trinity transaction.

For fiscal year 2015, capital expenditures do not include, in accordance with University management policy, equipment purchases with a value under $5,000, 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
2012-13	5,997	9,723	15,720
2013-14	5,789	10,168	15,957
2014-15	5,580	10,322	15,902
2015-16	5,358	11,079	16,437
2016-17	5,293	11,129	16,422

Enrollment of freshmen at the University and the number of undergraduate student transfers for the academic years 2012-13 through 2016-17 are as follows:

Freshman and Transfer Enrollment

Academic Year	Freshman Enrollment	Undergraduate Transfers	Total New Enrollment
2012-13	2,003	627[(1)]	2,630[(1)]
2013-14	2,512	558[(1)]	3,070[(1)]
2014-15	2,292	488	2,780
2015-16	2,194	519	2,713
2016-17	2,622	549	3,171

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(1) Revised in 2014 to exclude certain non-traditional students reported for 2012-13 through 2013-14. All years shown now include only traditional new transfers.

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 2016-17.

Student Body Information

	2012-13	2013-14	2014-15	2015-16	2016-17
Full-time Total Enrollment	13,299	13,463	13,431	13,733	14,286
Part-time Total Enrollment	2,421	2,494	2,471	2,704	2,136
Endowment per Full-time Student	$28,323	$31,532	$36,852	$36,488	$35,141
Freshman (Completed) Applications[(1)]	14,042	15,438	20,414	21,555	22,712
Freshman Acceptances	11,395	13,128[(2)]	12,931	15,360	16,482
Freshman Enrollment	2,003	2,512	2,292	2,194	2,622
Acceptance Rate (Completed Applications)	81.1%	85.0%[(2)]	63.3%	71.3%	72.6%
Matriculation Rate	17.6%	19.1%	17.7%	14.3%	15.9%
Average ACT Score	27.2	26.6	26.8	26.3	26.5
Average SAT Score	1,190	1,161	1,153	1,148	1,146
Geographic Distribution (New Freshmen)					
-Chicago Metropolitan	55.2%	55.8%	53.9%	54.3%	52.4%
-State of Illinois (outside Chicago Metropolitan)	3.9%	3.6%	3.4%	3.4%	3.2%
-Out-of-State	40.9%	40.6%	42.7%	42.3%	44.4%

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(1) "Freshman (Completed) Applications" was restated in 2013 for the year 2012-13 and was restated in 2014 for the year 2013-14.
(2) Change from previous report(s).

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 2016-17 academic year and the tuition charged in the preceding four academic years.

	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Undergraduate Schools	$33,810	$35,500	$37,270	$39,130	$40,700
Graduate School (per sem. hr.)........	$905	$930	$965	$1,003	$1,033
Graduate School of Business (per course)..	$4,011	$4,110	$4,275	$4,380	$4,488
Graduate School of Social Work (per sem. hr.)	$905	$930	$955	$978*	$1,007
School of Law (Day Program)	$39,850	$40,850	$43,350	$44,434	$45,546
School of Medicine (MD Program).	$47,000	$48,200	$51,570	$53,376	$54,710

* Updated from previously-reported number

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 2016, approximately 4,450 students occupied on-campus residences. There are currently 19 residential facilities at the Lake Shore Campus, and there is one residential facility at the Water Tower Campus. For the current academic year, the average cost for a traditional double room and 7-Day All Access meal plan totals $13,770.

Financial Aid. During the 2015-16 academic year, approximately 14,120 students of the University received approximately $406 million in financial aid. The sources of these funds were: the State of Illinois (2.4%), federal programs (50.8%), University funds which include scholarships and grants (39.5%) and direct awards to students from various sources (7.3%). Approximately 87% of the University's full-time students received some form of financial aid. Financial aid information for the 2016-17 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**
2011-12...............................	213,982	11,070	127,004	25,227	377,283
2012-13...............................	207,840	10,313	131,492	25,178	374,823
2013-14...............................	210,913	9,754	142,189	26,225	389,081
2014-15...............................	205,145	10,042	150,814	27,019	393,020
2015-16 ……………………	205,931	9,686	160,085	29,845	405,547

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 generally stable in recent years. For fiscal year 2016, however, the State of Illinois delayed funding the Monetary Award Program (MAP) need-based grants for students at Illinois colleges and universities, including the University. The University ultimately received all the expected MAP grant funds applicable to fiscal year 2016 from the State of Illinois by August 2016. In addition, 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, 2016. 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, then Chairman of the University's Board of Trustees, and Marilyn Quinlan pledged a gift to the University of $40 million. 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.

Gifts and Bequests
($000's)

Fiscal Year Ended June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012	4,912	45,237	4,125	54,274
2013	6,154	11,514	7,998	25,666
2014	2,542	18,605	7,016	28,163
2015	1,658	11,558	7,524	20,740
2016	2,300	10,951	5,770	19,021

Cash and Investments

The market value of the University's cash and investments (collectively, "Total Investments") at June 30, 2012 through June 30, 2016 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)
2012………………	55,395	348,098	157,737	253,623	814,853	4,596
2013………………	53,136	193,566	232,147	302,359	781,208	57,430
2014………………	56,947	96,651	300,930	388,020	842,548	78,248
2015………………	56,350	66,480	302,223	380,566	805,619	3,944
2016……………...	58,778	71,205	274,336	393,515	797,834	(1,039)

(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 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 2012 through 2016. The actual replacement value of the University's physical plant, as determined for insurance purposes as of June 1, 2016, was approximately $1.7 billion.

Fiscal Year Ended June 30	Land, Buildings and Equipment - Net ($000's)
2012	912,629
2013	1,029,530
2014	1,091,217
2015	1,150,830
2016	1,141,468

Outstanding Long-Term Indebtedness

The following table sets forth the total outstanding long-term indebtedness of the University as of June 30, 2016. No indebtedness of any LU 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, 2016) ($000's)
Fixed-Rate Medium-Term Notes	2017	7.52%	21,100
Series 2003B Bonds	2021	5.60%	37,520
Series 2003C Bonds	2018	5.20%-5.30%	19,415
Series 2007 Bonds	2024	4.38%-5.00%	23,035
2008 Commercial Paper Revenue Notes(2)	2038	0.47%	74,040
Installment Note, Rome Center(3)	2029	1.51%	9,812
2011 Term Loan	2018	2.36%	44,188
Series 2012A Bonds	2042	3.20-4.63%	157,220
Series 2012B Bonds	2042	3.00-5.00%	88,805
Capital Lease Obligation(4)	2020	4.99-5.03%	1,084
Total			$476,219
Adjustment for unamortized bond premium/(discount)			8,984
Total indebtedness net of unamortized premium/(discount)			$485,203

(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 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, as amended, expires on April 14, 2019 (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, 2016.

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

(4) The University leases equipment under leases classified as capital leases. In 2016, total accumulated amortization related to the leased equipment was $0.2 million.

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 LU Affiliate) as of June 30, 2016.

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

Capitalization
($000's)

	June 30, 2016
Unrestricted Net Assets	$1,035,425
Temporarily Restricted Net Assets	165,132
Permanently Restricted Net Assets	169,965
Total Net Assets	1,370,522
Indebtedness	485,203
Indebtedness plus Net Assets	$1,855,725
Ratio (Not to exceed 50%)	26.1%

Maximum Annual Debt Service Coverage
($000's)

	June 30, 2016
Average University Revenues (fiscal years 2015 and 2016)	$558,716
Maximum Annual Long-Term Debt Service Requirements[(1)]	$27,028
Ratio (Not to exceed 10%)	4.84%

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(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, 2016.

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, 2016 is 1.98 to 1.00.

The maximum annual debt service coverage of the University at June 30, 2016 is 3.87 to 1.00 and the unrestricted plus temporarily restricted net assets minus investment in plant at that date is 112% of long-term debt, each calculated as required by the Master Indenture.

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	2012 Term Loan	Medium-Term Notes	Rome Center Mortgage[(3)]	Capital Lease Obligation[(4)]	Total Debt Service
2017	6,456,468	6,581,750	740,400	1,440,756	10,587,740	26,155,023	1,586,720	360,000	346,025	54,254,882
2018	6,456,468	4,959,000	1,110,600	1,440,906	2,712,740	19,237,519	21,139,668	360,000	346,025	57,762,926
2019	6,456,468	6,536,000	1,480,800	1,406,956	13,641,120	-	-	360,000	346,025	30,227,369
2020	6,456,468	5,962,000	1,851,000	1,402,556	13,249,760	-	-	1,080,000	144,177	30,145,961
2021	6,456,468	6,409,500	2,591,400	1,407,256	13,235,040	-	-	1,080,000	-	31,179,664
2022	6,456,468	6,405,750	2,591,400	1,406,281	13,215,000	-	-	1,080,000	-	31,154,899
2023	61,846,000	6,400,500	2,591,400	8,266,531	-	-	-	1,080,000	-	80,184,431
2024	4,626,000	6,398,250	2,591,400	13,168,781	-	-	-	1,080,000	-	27,864,431
2025	4,626,000	6,389,000	2,591,400	315,000	-	-	-	1,080,000	-	15,001,400
2026	4,626,000	22,755,500	2,591,400	-	-	-	-	1,080,000	-	31,052,900
2027	4,626,000	14,113,250	2,591,400	-	-	-	-	1,080,000	-	22,410,650
2028	8,789,075	3,188,500	2,591,400	-	-	-	-	1,080,000	-	15,648,975
2029	8,782,667	3,185,000	2,591,400	-	-	-	-	1,080,000	-	15,639,067
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 the year 2017 in which the assumed interest rate is 1.00%, year 2018 is 1.50%, year 2019 is 2.00%, and year 2020 is 2.50%). 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) Denominated in Euros due in 2029 on the Rome Center property with an effective rate of 1.51% and approximately $10,000,000 outstanding (subject to fluctuations in the Euro).

(4) The University leases equipment under leases classified as capital leases. In 2016, total accumulated amortization related to the leased equipment was $0.2 million and the interest rate was between 4.99% and 5.03%. Capital lease obligations at June 30, 2016 were $1.084 million and are included as part of Indebtedness.

Trinity Transaction – Relationship with Health System

Effective July 1, 2011, the University completed a transaction with Trinity Health Corporation ("Trinity"), an Indiana nonprofit corporation located in Livonia, 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., 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 was scheduled to 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 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. The University received \$10 million from the indemnification escrow account in fiscal year 2014 and \$10 million in fiscal year 2016, which is reported as net cash provided from discontinued operations in the consolidated statements of cash flows.

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 the CTRE. The construction and related start-up operating costs of the facility are projected to be \$150 million. The University is responsible for the balance of the costs of the CTRE 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 CTRE. The groundbreaking for the CTRE occurred in August 2013. In fiscal year 2016, the University received \$16.4 million from Trinity for construction expenditures related to the CTRE, and including this 2016 payment, the University has received to date a total of \$61 million from Trinity for the CTRE. The CTRE opened in April 2016 and any remaining payments from Trinity to the University for the CTRE are expected to be received in fiscal year 2017.

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 was set at \$22.5 million (subject to an inflation adjustment) in fiscal year 2012 for an initial term of 10 years. The University received \$23.4 million in fiscal year 2016 and \$23.6 million in fiscal year 2015 as the annual academic support payment. 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 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 CTRE. 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.