

Memorandum of Understanding

1. The purpose of this Memorandum of Understanding (Memorandum) is to confirm the understanding and agreement between Loyola University New Orleans (University) and Loyola University New Orleans School of Law (Law School) to permit stable and predictable financial planning by both the University and the Law School and to ensure that the Law School has the resources necessary to accomplish the objectives of its educational program. This Memorandum does not affect the present administrative (non-financial) relationship between the University and Law School or alter the Law School's relationship to the University as one of its constituent schools.
2. This Memorandum aims to strengthen the prevailing collegial relationship between the Law School and the University rather than single out the Law School for special treatment. The University acknowledges that the reputation and success of the Law School enhances its own standing among other universities and that the reverse is equally true. The University is committed to support the Law School's efforts to provide a sound legal education and accomplish the objectives of its educational program. The Law School is equally committed to support the University in achieving its purpose and goals.
3. This Memorandum is a three year operating agreement beginning with the 2003-2004 fiscal year. Over the term of the Memorandum (August 1, 2003 - July 31, 2005) the University will receive 20% of gross tuition revenue, including summer revenue, generated by the Law School. The remainder of the gross tuition revenue, including summer, generated by the Law School (80%) will be made available to the Law School in each of the three years covered by the Memorandum. All projections utilized in the discussions leading up to the drafting of this final agreement are based on the assumption of 250 student (head count) entering classes for each year of the Memorandum, which is considered to be the optimal class size for the Law School, given its physical size, present faculty and other instructional resources. The University and the Law School will jointly agree upon Law School tuition rates.
4. Tuition generated in excess of the 250 student projection will be shared on the same 80%/20% basis as explained above. For example, if 310 students matriculate to the Law School, 80% of the gross tuition revenue from the additional 60 students will be credited to Law School and 20% of the gross tuition revenue from the additional 60 students will be credited to the University.
5. All Law School unrestricted expenses, including financial aid are to be funded by its 80% share of revenues. Financial Aid awarded in excess of the budgeted amounts of financial aid will be paid from the accumulated surplus. Unrestricted expenses include: all Law School department operating budgets, the Law Dean operating budget, faculty and staff salary budgets (including fringe benefits), newly created faculty and staff positions (including fringe benefits), retirement "buy out" salaries and fringe benefits, incentive publication grants, summer research grants, Law School student worker salaries (including those in the Law Library), Academic Success Program, Public Law Center funding and academic and minority law scholarships (not

funded by donations from outside sources or funded by restricted endowment drawdown amounts).

6. In addition to the Law School's 80% share of gross tuition revenue, including summer, the Law School will be allocated 100% of the revenues from the Continuing Legal Education program, applications fees and forfeitures and revenues from the sales of the Loyola Law Review. The Law School will be allocated 100% of the tuition revenues from the Foreign Summer Programs and all other restricted and agency account revenues within the Law School, including all restricted and unrestricted gifts to the Law School and the annual income allocated to the Law School from its restricted endowment funds. Likewise, the Law School is responsible for all expenses related to the Foreign Summer Programs and the expenses of all restricted and agency accounts within the Law School.

7. In addition to the University's 20% share of gross tuition revenues, including summer, the University will be allocated 100% of Law School faculty, staff and student parking fees, vending machine revenues, copy card revenues and all student fees (including technology fees and graduation fees) with the exception of the Student Bar Association fee (a one-time \$150 charged to each incoming student) and student activity fees (SGA fees) allocated to law student organizations.

8. All other restricted and designated revenues, including grants received on behalf of the Law School, shall be for the exclusive benefit and use of the Law School, except those grants and contracts which include indirect costs, which shall be allocated in accordance with University policies on the calculation and division of indirect costs.

9. The Law School will determine the amounts to be allocated among items in its current unrestricted expenditure budget, including tuition-derived financial aid. In developing its annual budget, the Law School will participate in the University budget process, and cooperate fully with University personnel charged with budget responsibility. The annual budget of the Law School will be subject to approval of the Board of Trustees of the University as part of the University budget.

10. All current services and functions performed by the University for the benefit of the Law School will continue to be provided by the University. These services have included and shall continue to include physical plant services (plant building and maintenance, equipment maintenance, contractor coordination, janitorial and landscaping services), financial aid administration (scholarship and loan processing), personnel (Human Resources), accounting and finance (accounts payable, Bursar), purchasing, registrar, technology and instructional media, utilities, security, legal, insurance coverage, general publications, safety and ADA compliance measures, and all other agreed upon overhead items and services currently provided to the Law School by the University. Expenses for capital acquisitions (such as building purchases, major equipment purchases, furnishings and renovations) and capital fund raising programs will be handled on an ad hoc basis.

11. The Law School will fund all faculty and staff (both current and new position) salary increases, including fringe benefits from its 80% share of revenues. Faculty salary equity increases as recommended by the Law School's office in conjunction with Human Resources will be funded from the Law School surplus. The Law School and the University agree that law faculty salaries are presently below the median salaries of its various "reference groups." The Law School and University agree to develop a plan to resolve the faculty salary equity issue over a period to be determined.

12. At the end of each fiscal year, the final, actual surplus or deficit of the Law School will be calculated based on actual Law School revenues generated and expenses incurred during that year. Surplus generated as a result of this Memo will be applied as follows

- A. For scholarship and financial aid amounts awarded in excess of the annual budgeted amount, excess amounts will be paid from the calculated surplus;
- B. Salary equity increases awarded to faculty will be paid from the calculated surplus;
- C. Any remaining surplus funds will be placed in a restricted capital account. Expenses from the restricted capital account may not be made without approval of the University President.

13. A restricted capital account will be established for major capital improvements. After all Law School expenses are funded by the Law School's 80% share of revenues, including any financial aid amounts in excess of the amount budgeted and payment of salary equity increases to faculty, the Law School must deposit these surplus funds into a restricted capital account. Funds in the restricted capital account are dedicated specifically for capital projects and may be expended only with the approval of the University President.

14. In the event that the Law School's 80% share of revenues does not cover all of its expenses, the deficit will be funded with other Law School resources (prior year surplus funds in the Law School Memo account, donations to the Law Dean discretionary account and/or the Law Annual Fund) or by Law School department budget reductions. If the funds needed from the Law School Memo account to pay the University its 20% share of revenues are insufficient, the Provost will authorize transfers from the Law School budget or current Law School Reserve account after consultation with the Law School Dean.


15. A budget committee, elected from among the Law School faculty, will advise on directions the Law School should take in terms of raising and spending revenues in order to enhance quality with the ultimate purpose of achieving Order of the Coif in accordance with the Law School Academic Plan and the Academic Affairs Strategic Planning Agenda.


16. The University and the Law School will cooperate together in any capital campaign undertaken by the University. The University and the Law School will jointly agree upon the amount of the capital campaign proceeds to be designated for Law School use and the use of the proceeds.

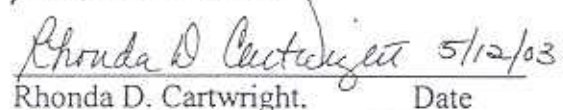
17. This Memorandum may be modified by mutual agreement of the University and the Law School. It will be implemented beginning with the 2003-2004 fiscal year. Renegotiation of this Memorandum will begin in Academic Year 2004-2005. It is anticipated that both the University and the Law School endeavor in good faith to implement its provisions. This is not intended to be a legally enforceable contract, since the School of Law remains as a constitutive element of the University, and not a separate legal entity.

18. The University President reserves the right to terminate this agreement if he judges that circumstances for the good of the University so warrant.


Rev. Bernard P. Knoth, S. J. Date
President


James M. Klebba Date
Dean, School of Law


Dr. Lydia Voigt Date
Interim Provost


Rhonda D. Cartwright. Date
Vice President Business and Finance