

DEVRY INC  
Form 10-Q  
November 04, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission file number: 1-13988

**DeVry Inc.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
Incorporation or organization)

**36-3150143**  
(I.R.S. Employer  
Identification No.)

**3005 HIGHLAND PARKWAY**

**DOWNERS GROVE, ILLINOIS**  
(Address of principal executive offices)

**60515**  
(Zip Code)

**Registrant's telephone number; including area code:**

**(630) 515-7700**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: October 28, 2011  
67,276,972 shares of Common Stock, \$0.01 par value

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**DEVRY INC.**

**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011**

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**Table of Contents****DEVRY INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	September 30, 2011	June 30, 2011	September 30, 2010
	(Dollars in thousands)		
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 322,918	\$ 447,145	\$ 450,994
Marketable Securities and Investments	2,337	2,575	2,330
Restricted Cash	5,697	2,308	11,142
Accounts Receivable, Net	151,428	114,689	161,323
Deferred Income Taxes, Net	21,712	24,457	24,202
Prepaid Expenses and Other	41,139	33,476	30,784
<b>Total Current Assets</b>	<b>545,231</b>	<b>624,650</b>	<b>680,775</b>
<b>Land, Buildings and Equipment:</b>			
Land	61,378	54,404	54,097
Buildings	352,043	314,274	288,858
Equipment	426,345	402,179	347,689
Construction In Progress	51,860	63,310	47,441
	891,626	834,167	738,085
Accumulated Depreciation	(375,841)	(365,923)	(339,565)
<b>Land, Buildings and Equipment, Net</b>	<b>515,785</b>	<b>468,244</b>	<b>398,520</b>
<b>Other Assets:</b>			
Intangible Assets, Net	321,250	195,462	193,898
Goodwill	589,780	523,620	516,104
Perkins Program Fund, Net	13,450	13,450	13,450
Other Assets	26,431	25,077	20,158
<b>Total Other Assets</b>	<b>950,911</b>	<b>757,609</b>	<b>743,610</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,011,927</b>	<b>\$ 1,850,503</b>	<b>\$ 1,822,905</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 65,678	\$ 63,611	\$ 74,527
Accrued Salaries, Wages and Benefits	77,925	107,829	73,565
Accrued Expenses	50,128	47,097	79,399
Advance Tuition Payments	18,135	22,362	19,653
Deferred Tuition Revenue	250,830	75,532	245,269
<b>Total Current Liabilities</b>	<b>462,696</b>	<b>316,431</b>	<b>492,413</b>
<b>Other Liabilities:</b>			
Deferred Income Taxes, Net	75,490	69,029	45,307
Deferred Rent and Other	67,851	68,772	55,638

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Total Other Liabilities	143,341	137,801	100,945
<b>TOTAL LIABILITIES</b>	<b>606,037</b>	<b>454,232</b>	<b>593,358</b>
<b>NON-CONTROLLING INTEREST</b>	<b>7,176</b>	<b>6,755</b>	<b>5,633</b>
<b>SHAREHOLDERS EQUITY:</b>			
Common Stock, \$0.01 Par Value, 200,000,000 Shares Authorized; 67,765,000; 68,635,000 and 70,271,000 Shares Issued and Outstanding at September 30, 2011, June 30, 2011 and September 30, 2010, Respectively	739	738	735
Additional Paid-in Capital	256,159	248,418	229,688
Retained Earnings	1,424,866	1,367,972	1,128,326
Accumulated Other Comprehensive Income	5,348	15,729	12,704
Treasury Stock, at Cost (6,171,000; 5,148,000 and 3,216,000 Shares, Respectively)	(288,398)	(243,341)	(147,539)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>1,398,714</b>	<b>1,389,516</b>	<b>1,223,914</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 2,011,927</b>	<b>\$ 1,850,503</b>	<b>\$ 1,822,905</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****DEVRY INC.****CONSOLIDATED STATEMENTS OF INCOME****(Dollars in Thousands Except Per Share Amounts)****(Unaudited)**

	<b>For the Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>REVENUES:</b>		
Tuition	\$ 486,487	\$ 486,339
Other Educational	32,551	35,089
Total Revenues	519,038	521,428
<b>COSTS AND EXPENSES:</b>		
Cost of Educational Services	238,248	228,081
Student Services and Administrative Expense	200,925	181,532
Total Operating Costs and Expenses	439,173	409,613
<b>Operating Income</b>	<b>79,865</b>	<b>111,815</b>
<b>INTEREST AND OTHER (EXPENSE) INCOME:</b>		
Interest Income	184	423
Interest Expense	(522)	(254)
Net Interest and Other (Expense) Income	(338)	169
<b>Income Before Income Taxes</b>	<b>79,527</b>	<b>111,984</b>
<b>Income Tax Provision</b>	<b>22,215</b>	<b>38,623</b>
<b>NET INCOME</b>	<b>57,312</b>	<b>73,361</b>
Net Loss Attributable to Non-controlling Interest	172	240
<b>NET INCOME ATTRIBUTABLE TO DEVRY INC.</b>	<b>\$ 57,484</b>	<b>\$ 73,601</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO DEVRY INC. SHAREHOLDERS:</b>		
<b>Basic</b>	<b>\$ 0.84</b>	<b>\$ 1.04</b>
<b>Diluted</b>	<b>\$ 0.83</b>	<b>\$ 1.03</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****DEVRY INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	<b>Three Months Ended September 30, 2011                  2010 (Dollars in Thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 57,312	\$ 73,361
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Stock-Based Compensation Expense	4,899	5,250
Depreciation	17,513	13,721
Amortization	2,483	1,522
Provision for Refunds and Uncollectible Accounts	21,297	26,368
Deferred Income Taxes	9,256	(172)
(Gain) Loss on Disposals of Land, Buildings and Equipment	(63)	10
Changes in Assets and Liabilities:		
Restricted Cash	(3,389)	(9,040)
Accounts Receivable	(58,627)	(68,248)
Prepaid Expenses and Other	(6,668)	(1,651)
Accounts Payable	1,145	(15,839)
Accrued Salaries, Wages, Benefits and Expenses	(25,110)	13,367
Advance Tuition Payments	(3,930)	(1,312)
Deferred Tuition Revenue	170,518	158,642
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>186,636</b>	<b>195,979</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital Expenditures	(33,820)	(23,010)
Marketable Securities Purchases	(10)	(33)
Marketable Securities Sales		13,495
Payment for Purchase of Business, Net of Cash Acquired	(227,828)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(261,658)</b>	<b>(9,548)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Exercise of Stock Options	2,581	429
Proceeds from Stock Issued Under Employee Stock Purchase Plan	388	317
Repurchase of Common Stock for Treasury	(44,450)	(36,332)
Cash Dividends Paid	(8,285)	(7,117)
Excess Tax Benefit from Stock-Based Payments	313	11
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(49,453)</b>	<b>(42,692)</b>
Effects of Exchange Rate Differences	248	(447)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(124,227)</b>	<b>143,292</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>447,145</b>	<b>307,702</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 322,918</b>	<b>\$ 450,994</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

**Cash Paid During the Period For:**

Interest	\$ 239	\$ 70
Income Taxes, Net	3,130	5,936
<b>Non-cash Investing Activity:</b>		
Accretion of Non-controlling Interest Put Option	593	866

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****DEVRY INC.****Notes to Consolidated Financial Statements (Unaudited)****NOTE 1: INTERIM FINANCIAL STATEMENTS**

The interim consolidated financial statements include the accounts of DeVry Inc. ( DeVry ) and its wholly-owned and majority-owned subsidiaries. These financial statements are unaudited but, in the opinion of management, contain all adjustments, consisting only of normal, recurring adjustments, necessary to present fairly the financial condition and results of operations of DeVry. The June 30, 2011 data that is presented is derived from audited financial statements.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in DeVry's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, as filed with the Securities and Exchange Commission.

The results of operations for the three months ended September 30, 2011, are not necessarily indicative of results to be expected for the entire fiscal year.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

**Marketable Securities and Investments**

DeVry owns investments in marketable securities that have been designated as available for sale in accordance with authoritative guidance. Available for sale securities are carried at fair value with the unrealized gains and losses reported in the Consolidated Balance Sheets as a component of Accumulated Other Comprehensive Income.

Marketable securities and investments consist of investments in mutual funds. The following is a summary of our available-for-sale marketable securities at September 30, 2011 (dollars in thousands):

<b>September 30, 2011</b>	<b>Cost</b>	<b>Gross Unrealized (Loss)</b>	<b>Gain</b>	<b>Fair Value</b>
<b>Marketable Securities:</b>				
Bond Mutual Fund	\$ 910	\$	\$ 79	\$ 989
Stock Mutual Funds	2,008	(660)		1,348
<b>Total Marketable Securities</b>	<b>\$ 2,918</b>	<b>\$ (660)</b>	<b>\$ 79</b>	<b>\$ 2,337</b>

Investments are classified as short-term if they are readily convertible to cash or have other characteristics of short-term investments such as highly liquid markets or maturities within one year. All mutual fund investments are recorded at fair market value based upon quoted market prices. At September 30, 2011, all of the Bond and Stock mutual fund investments are held in a rabbi trust for the purpose of paying benefits under DeVry's non-qualified deferred compensation plan.

As of September 30, 2011, all unrealized losses in the above table have been in a continuous unrealized loss position for more than one year. When evaluating its investments for possible impairment, DeVry reviews factors such as length of time and extent to which fair value has been less than cost basis, the financial condition of the issuer, and DeVry's ability and intent to hold the investment for a period of time that may be sufficient for anticipated recovery in fair value. The decline in value of the above investments is considered temporary in nature and,

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accordingly, DeVry does not consider these investments to be other-than-temporarily impaired as of September 30, 2011.

As of June 30, 2010, DeVry held auction-rate debt securities in the aggregate principal amount of \$13.5 million. These outstanding securities were purchased by DeVry's broker, UBS, in early July 2010.

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Realized gains and losses are computed on the basis of specific identification and are included in Interest and Other income/(expense) in the Consolidated Statements of Income. DeVry has not recorded any realized gains or realized losses for fiscal 2012. See Note 4 for further disclosures on the Fair Value of Financial Instruments.

**Prepaid Clinical Fees**

Clinical rotation costs for Ross University medical students are included in Cost of Educational Services. Previously, Ross University had entered into long-term contracts with a hospital group to secure clinical rotations for its students at fixed rates in exchange for prepayment of the rotation fees. Under the contracts, the established rate-per-clinical rotation was being deducted from the prepaid balance and charged to expense as the medical students utilized the clinical clerkships. The hospital group closed two of its hospitals due to financial difficulties in February 2009. To date, the hospital group has provided Ross with a limited number of additional clinical clerkships at its remaining hospital, but not nearly enough to offset the void created by the closure of its other two hospitals. During April 2009, Ross filed a lawsuit against the hospital group to enforce the contract. The suit seeks specific performance of the hospital group's obligations to provide Ross with the prepaid clinical clerkships. As of September 30, 2011, the outstanding balance of prepaid clinical rotations with this hospital group was approximately \$6.2 million. Though DeVry believes that Ross has a contractual right to utilize other clinical rotations within the hospital group's system, given the business uncertainty of this situation, a reserve of \$1.6 million has been provided against the prepaid balance.

**Internal-Use Software Development Costs**

DeVry capitalizes certain internal-use software development costs that are amortized using the straight-line method over the estimated lives of the software, not to exceed five years. Capitalized costs include external direct costs of equipment, materials and services consumed in developing or obtaining internal-use software and payroll-related costs for employees directly associated with the internal-use software development project. Capitalization of such costs ceases at the point at which the project is substantially complete and ready for its intended purpose. Capitalized internal-use software development costs for projects not yet complete are included as construction in progress in the Land, Buildings and Equipment section of the Consolidated Balance Sheets. Costs capitalized during the three months ended September 30, 2011 and September 30, 2010, were approximately \$4.4 million and \$4.8 million, respectively, primarily related to Project DELTA (a new student information system for DeVry University and Chamberlain College of Nursing). As of September 30, 2011 and 2010, the net balance of capitalized software development costs was \$68.8 million and \$42.9 million, respectively.

**Perkins Program Fund**

DeVry University is required, under federal aid program regulations, to make contributions to the Perkins Student Loan Fund, most recently at a rate equal to 33% of new contributions by the federal government. No new federal contributions have been received in fiscal 2012 or were received in fiscal 2011. DeVry carries its investment in such contributions at original values, net of allowances for expected losses on loan collections, of \$2.6 million at September 30, 2011 and 2010. The allowance for future loan losses is based upon an analysis of actual loan losses experienced since the inception of the program. As previous borrowers repay their Perkins loans, their payments are used to fund new loans, thus creating a revolving loan fund. The federal contributions to this revolving loan program do not belong to DeVry and are not recorded on its financial statements. Under current law, upon termination of the program by the federal government or withdrawal from future program participation by DeVry University, subsequent student loan repayments would be divided between the federal government and DeVry University to satisfy their respective cumulative contributions to the fund.

**Non-Controlling Interest**

DeVry maintains an 83.5 percent ownership interest in DeVry Brasil with the remaining 16.5 percent owned by the current DeVry Brasil management group. Beginning January 2013, DeVry has the right to exercise a call option and purchase any remaining DeVry Brasil stock from DeVry Brasil management. Likewise, DeVry Brasil management has the right to exercise a put option and sell its remaining ownership interest in DeVry Brasil to DeVry. These options may become exercisable prior to January 2013 if DeVry Brasil's management ownership interest falls below five percent. Since the put option is out of the control of DeVry, authoritative guidance requires the non-controlling interest, which includes the value of the put option, to be displayed outside of the equity section of the consolidated balance sheet.

The DeVry Brasil management put option, which is not currently redeemable but is probable of becoming redeemable, is being accreted to its expected redemption value according to a fair market value formula contained in the stock purchase agreement. The adjustment to increase or decrease the put option to its expected redemption value each reporting period is recorded to retained



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earnings in accordance with the authoritative guidance. The adjustment to increase or decrease the DeVry Brasil non-controlling interest each reporting period for its proportionate share of DeVry Brasil's profit/loss will continue to flow through the consolidated income statement based on DeVry's historical non-controlling interest accounting policy.

The following is a reconciliation of the non-controlling interest balance (in thousands):

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Balance at Beginning of period	\$ 6,755	\$ 5,007
Net Income (Loss) Attributable to Non-controlling Interest	(172)	(240)
Accretion of Non-controlling Interest Put Option	593	866
Balance at End of period	\$ 7,176	\$ 5,633

**Earnings per Common Share**

Basic earnings per share is computed by dividing net income attributable to DeVry Inc. by the weighted average number of common shares outstanding during the period plus unvested participating restricted shares. Diluted earnings per share is computed by dividing net income attributable to DeVry Inc. by the weighted average number of shares assuming dilution. Dilutive shares are computed using the Treasury Stock Method and reflect the additional shares that would be outstanding if dilutive stock options were exercised during the period. Excluded from the computations of diluted earnings per share were options to purchase 937,000 and 979,000 shares of common stock for the three months ended September 30, 2011 and 2010, respectively. These outstanding options were excluded because the option exercise prices were greater than the average market price of the common shares or the assumed proceeds upon exercise under the Treasury Stock Method resulted in the repurchase of more shares than would be issued; thus, their effect would be anti-dilutive.

The following is a reconciliation of basic shares to diluted shares (in thousands):

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Weighted Average Shares Outstanding	68,390	70,701
Unvested Participating Restricted Shares	365	297
Basic shares	68,755	70,998
Effect of Dilutive Stock Options	712	656
Diluted Shares	69,467	71,654

**Treasury Stock**

DeVry's Board of Directors has authorized stock repurchase programs on six occasions (see Note 6 Dividends and Stock Repurchase Program). The first five repurchase programs were all completed as of June 2011. The sixth repurchase program was approved by the DeVry Board of Directors on May 20, 2011, and was commenced in late June 2011. Shares that are repurchased by DeVry are recorded as Treasury Stock at cost and result in a reduction of Shareholders' Equity.

From time to time, shares of its common stock are delivered back to DeVry under a swap arrangement resulting from employees' exercise of incentive stock options and for payment of withholding taxes from employees for vesting restricted shares. These actions are both pursuant to the terms of the DeVry Stock Incentive Plans (see Note 3 Stock-Based Compensation). These shares are recorded as Treasury Stock at cost and result in a reduction of Shareholders' Equity.

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Treasury shares are reissued on a monthly basis at market value, to the DeVry Employee Stock Purchase Plan in exchange for employee payroll deductions. When treasury shares are reissued, DeVry uses an average cost method to reduce the Treasury Stock balance. Gains on the difference between the average cost and the reissuance price are credited to Additional Paid-in Capital. Losses on the difference are charged to Additional Paid-in Capital to the extent that previous net gains from reissuance are included therein; otherwise such losses are charged to Retained Earnings.

**Table of Contents****Accumulated Other Comprehensive Income and Comprehensive Income**

Accumulated Other Comprehensive Income is composed of the change in cumulative translation adjustments and unrealized gains and losses on available-for-sale marketable securities, net of the effects of income taxes. The following are the amounts recorded in Accumulated Other Comprehensive Income for the three months ended September 30 (dollars in thousands):

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Balance at Beginning of Period	\$ 15,729	\$ 9,896
Net Unrealized Investment (Losses) Gains	(153)	78
Net Unrealized Investment Losses Recognized		
Translation Adjustments:		
Attributable to DeVry Inc.	(8,346)	2,219
Attributable to Non-controlling Interest	(1,882)	511
Balance at End of Period	\$ 5,348	\$ 12,704

The Accumulated Other Comprehensive Income balance at September 30, 2011, consists of \$5.7 million (\$4.5 million attributable to DeVry Inc. and \$1.2 million attributable to non-controlling interests) of cumulative translation gains and \$0.4 million of unrealized losses on available-for-sale marketable securities, net of tax of \$0.2 million and all attributable to DeVry Inc. At September 30, 2010, this balance consisted of \$13.0 million (\$10.6 million attributable to DeVry Inc. and \$2.4 million attributable to non-controlling interests) of cumulative translation gains and \$0.3 million of unrealized losses on available-for-sale marketable securities, net of tax of \$0.2 million and all attributable to DeVry Inc.

Comprehensive income is the total of (1) net income plus (2) all other changes in net assets arising from non-owner sources, which are referred to as other comprehensive income. Other comprehensive income is equal to the changes in Accumulated Other Comprehensive Income as detailed in the table above. Comprehensive income for the three months ended September 30, 2011 and 2010 was \$47.1 million and \$76.4 million, respectively.

**Advertising Expense**

Advertising costs are recognized as expense in the period in which materials are purchased or services are performed. Advertising expense, which is included in student services and administrative expense in the Consolidated Statements of Income, was \$70.7 million and \$62.0 million for the three months ended September 30, 2011 and 2010, respectively.

**Recent Accounting Pronouncements**

In September 2011, the FASB issued authoritative guidance which amends the application of existing guidance on testing goodwill for impairment. The amended guidance will allow, but not require, an initial assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount for purposes of determining whether it is even necessary to perform further goodwill impairment testing. This guidance will be effective for our interim and annual impairment tests performed for reporting periods beginning July 1, 2012. Management has not yet determined the effect that the application of this guidance will have on DeVry's consolidated financial statements.

In June 2011, the FASB issued authoritative guidance updating the disclosure requirements for Comprehensive Income. This update requires total comprehensive income, the components of net income and the components of other comprehensive income to be presented either in a single continuous statement or in two separate but consecutive statements. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2012. The application of this guidance will require presentation of comprehensive income on a consolidated financial statement which is different than it is currently presented.

In May 2011, the FASB issued authoritative guidance clarifying the application of existing fair value measurements and disclosure requirements. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2012. Management has not yet determined the effect that the application of this guidance will have on DeVry's consolidated financial statements.





**Table of Contents****NOTE 3: STOCK-BASED COMPENSATION**

DeVry maintains four stock-based award plans: the 1994 Stock Incentive Plan, the 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2005 Incentive Plan. Under these plans, directors, key executives and managerial employees are eligible to receive incentive stock or nonqualified options to purchase shares of DeVry's common stock. The 2005 Incentive Plan also permits the award of stock appreciation rights, restricted stock, performance stock and other stock and cash based compensation. Though options remain outstanding under the 1994 and 1999 Stock Incentive Plans, no further stock based awards will be issued from these plans. The 1999 and 2003 Stock Incentive Plans and the 2005 Incentive Plan are administered by the Compensation Committee of the Board of Directors. Options are granted for terms of up to 10 years and can vest immediately or over periods of up to five years. The requisite service period is equal to the vesting period. The option price under the plans is the fair market value of the shares on the date of the grant.

DeVry accounts for options granted to retirement eligible employees that fully vest upon an employee's retirement under the non-substantive vesting period approach to these options. Under this approach, the entire compensation cost is recognized at the grant date for options issued to retirement eligible employees.

At September 30, 2011, 7,221,960 authorized but unissued shares of common stock were reserved for issuance under DeVry's stock incentive plans.

Stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period, reduced by an estimated forfeiture rate.

The following is a summary of options activity for the three months ended September 30, 2011:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (\$000)
Outstanding at July 1, 2011	2,804,397	\$ 35.78		
Options Granted	445,300	\$ 41.87		
Options Exercised	(73,799)	\$ 34.58		
Options Canceled	(19,541)	\$ 44.52		
Outstanding at September 30, 2011	3,156,357	\$ 35.99	6.44	\$ 17,088
Exercisable at September 30, 2011	1,868,354	\$ 32.34	5.07	\$ 15,528

The total intrinsic value of options exercised for the three months ended September 30, 2011 and 2010 was \$1.9 million and \$0.2 million, respectively.

The fair value of DeVry's stock-based awards was estimated using a binomial model. This model uses historical cancellation and exercise experience of DeVry to determine the option value. It also takes into account the illiquid nature of employee options during the vesting period.

The weighted average estimated grant date fair values, for options granted at market price under DeVry's stock option plans during first three months of fiscal years 2012 and 2011 were \$17.50 and \$16.53, per share, respectively. The fair values of DeVry's stock option awards were estimated assuming the following weighted average assumptions:

	Fiscal Year	
	2012	2011
Expected Life (in Years)	6.65	6.67
Expected Volatility	42.27 %	41.88 %

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Risk-free Interest Rate	1.52 %	1.99 %
Dividend Yield	0.38 %	0.29 %
Pre-vesting Forfeiture Rate	5.00 %	5.00 %

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The expected life of the options granted is based on the weighted average exercise life with age and salary adjustment factors from historical exercise behavior. DeVry's expected volatility is computed by combining and weighting the implied market volatility, the most recent volatility over the expected life of the option grant, and DeVry's long-term historical volatility. The pre-vesting forfeiture rate is based on DeVry's historical stock option forfeiture experience.

If factors change and different assumptions are employed in the valuation of stock-based awards in future periods, the stock-based compensation expense that DeVry records may differ significantly from what was recorded in previous periods.

During the first three months of fiscal year 2012, DeVry granted 237,850 shares of restricted stock to selected employees and non-employee directors. Of these, 62,280 are performance based shares which are earned by the recipients over a three year period based on achievement of specified DeVry return on invested capital targets. The remaining 175,570 shares and all other previously granted shares of restricted stock are not performance-based and are subject to restrictions which lapse ratably over three and four-year periods on the grant anniversary date based on the recipient's continued service on the Board of Directors or employment with DeVry, or upon retirement. During the restriction period, the recipient of the non-performance based shares shall have a beneficial interest in the restricted stock and all associated rights and privileges of a stockholder, including the right to receive dividends. These rights do not pertain to the performance based shares. The following is a summary of restricted stock activity for the three months ended September 30, 2011:

	<b>Restricted Stock Outstanding</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested at July 1, 2011	437,374	\$ 44.20
Shares Granted	237,850	\$ 41.78
Shares Vested	(79,598)	\$ 44.96
Shares Canceled	(8,133)	\$ 44.43
Nonvested at September 30, 2011	587,493	\$ 43.11

The following table shows total stock-based compensation expense included in the Consolidated Statement of Earnings:

	<b>For the Three Months Ended September 30, 2011                      2010 (Dollars in thousands)</b>	
Cost of Educational Services	\$ 1,568	\$ 1,680
Student Services and Administrative Expense	3,331	3,570
Income Tax Benefit	(1,528)	(1,487)
Net Stock-Based Compensation Expense	\$ 3,371	\$ 3,763

As of September 30, 2011, \$33.9 million of total pre-tax unrecognized compensation costs related to non-vested awards is expected to be recognized over a weighted average period of 2.8 years. The total fair value of options and shares vested during the three months ended September 30, 2011 and 2010 was approximately \$7.4 million and \$5.6 million, respectively.

There were no capitalized stock-based compensation costs at September 30, 2011 and 2010.

DeVry has an established practice of issuing new shares of common stock to satisfy share option exercises. However, DeVry also may issue treasury shares to satisfy option exercises under certain of its plans.

**NOTE 4: FAIR VALUE MEASUREMENTS**

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As permitted by the authoritative guidance, DeVry has elected not to measure any assets or liabilities at fair value other than those required to be measured at fair value such as financial assets and liabilities required to be measured at fair value on a recurring basis and assets measured at fair value on a non-recurring basis such as goodwill and intangible assets. Management has fully considered all authoritative guidance when determining the fair value of DeVry's financial assets as of September 30, 2011.

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Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The guidance specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The guidance establishes fair value measurement classifications under the following hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.

Level 3 Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, DeVry uses quoted market prices to determine fair value, and such measurements are classified within Level 1. In some cases where market prices are not available, DeVry makes use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates and yield curves. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

The following tables present DeVry's assets at September 30, 2011, that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (dollars in thousands).

<b>September 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and Cash Equivalents	\$ 322,918	\$	\$
Available for Sale Investments:			
Marketable Securities, short-term	2,337		
 Total Financial Assets at Fair Value	 \$ 325,255	 \$	 \$

Cash Equivalents and investments in short-term Marketable Securities are valued using a market approach based on the quoted market prices of identical instruments.

**NOTE 5: FINANCING RECEIVABLES**

DeVry's institutional loan programs are available to students at its DeVry University, Chamberlain College of Nursing, Carrington College and Carrington College of California schools as well as selected students at Ross University School of Medicine. These loan programs are designed to assist students who are unable to completely cover educational costs by other means. These loans may be used for tuition, books, and fees, and are available only after all other student financial assistance has been applied toward those purposes. In addition, Ross University School of Medicine loans may be used for students' living expenses. Repayment plans for institutional loan program balances are developed to address the financial circumstances of the particular student. Interest charges accrue each month on the unpaid balance. After a student leaves school, the student typically will have a monthly installment repayment plan with all balances due within 12 to 60 months. In addition, the Becker CPA Review Course can be financed through Becker with a zero percent, 18-month term loan.

Reserves for uncollectible loans are determined by analyzing the current aging of accounts receivable and historical loss rates of loans at each educational institution. In addition, management considers projections of future receivable levels and collection loss rates. Management performs this analysis periodically throughout the year. Since all of DeVry's financing receivables are generated through the extension of credit to students to fund educational costs, all such receivables are considered part of the same loan portfolio.



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The following table details the institutional loan balances along with the related allowances for credit losses as of September 30, 2011 and 2010.

	As of September 30, 2011                      2010 (Dollars in thousands)	
Gross Institutional Student Loans	\$ 51,251	\$ 37,891
Allowance for Credit Losses	(18,896)	(16,878)
Net Institutional Student Loans	\$ 32,355	\$ 21,013

Of the net balances above, \$19.3 million and \$11.8 million were classified as Accounts Receivable, Net in the Consolidated Balance Sheets at September 30, 2011 and 2010, respectively, and \$13.0 million and \$9.2 million were classified in the Consolidated Balance Sheets as Other Assets at September 30, 2011 and 2010, respectively.

The following tables detail the credit risk profiles of the institutional student loan balances based on payment activity and provide an aging analysis of past due institutional student loans as of September 30, 2011 and 2010. Loans are considered nonperforming if they are more than 120 days past due (dollars in thousands).

	As of September 30, 2011                      2010	
Institutional Student Loans:		
Performing	\$ 37,837	\$ 27,895
Nonperforming	13,414	9,996
Total Institutional Student Loans	\$ 51,251	\$ 37,891

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Institutional Student Loans
Institutional Student Loans:						
September 30, 2011	\$ 3,409	\$ 1,456	\$ 14,691	\$ 19,556	\$ 31,695	\$ 51,251
September 30, 2010	\$ 2,903	\$ 1,833	\$ 11,698	\$ 16,434	\$ 21,457	\$ 37,891

**NOTE 6: DIVIDENDS AND STOCK REPURCHASE PROGRAM**

During fiscal year 2011, the DeVry Board of Directors (the Board) declared the following cash dividends.

Declaration	Record	Payment	Dividend	Total Dividend Amount
Date	Date	Date	Per Share	(In Thousands)
November 11, 2010	December 10, 2010	January 7, 2011	\$0.12	\$8,412
May 20, 2011	June 20, 2011	July 11, 2011	\$0.12	\$8,285

The dividend paid on July 11, 2011 of \$8.3 was recorded as a reduction to retained earnings as of June 30, 2011. On November 2, 2011, the Board declared a cash dividend of \$0.15 per share payable on January 10, 2012 to shareholders of record on December 8, 2011. The policy of the Board is that any payment of dividends will be at the discretion of the Board and will be dependent on the earnings and financial

requirements of DeVry and other factors as the Board deems relevant.



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DeVry has repurchased shares under the following programs as of September 30, 2011:

<b>Date Authorized</b>	<b>Shares Repurchased</b>	<b>Total Cost (millions)</b>
November 15, 2006	908,399	\$ 35.0
May 13, 2008	1,027,417	50.0
November 11, 2009	972,205	50.0
August 11, 2010	1,103,628	50.0
November 10, 2010	968,105	50.0
May 20, 2011	1,151,207	52.8
<b>Totals</b>	<b>6,130,961</b>	<b>\$ 287.8</b>

On May 20, 2011, the DeVry Board of Directors authorized a sixth share repurchase program, which will allow DeVry to repurchase up to \$100 million of its common stock through June 30, 2013. On November 2, 2011, the Board authorized a seventh share repurchase program, which will allow DeVry to repurchase up to \$100 million of its common stock through December 31, 2013. The timing and amount of any repurchase will be determined by management based on its evaluation of market conditions and other factors. These repurchases may be made through the open market, including block purchases, or in privately negotiated transactions, or otherwise. The buyback will be funded through available cash balances and/or borrowings, and may be suspended or discontinued at any time.

Shares of stock repurchased under the programs are held as treasury shares. These repurchased shares have reduced the weighted average number of shares of common stock outstanding for basic and diluted earnings per share calculations.

**NOTE 7: BUSINESS COMBINATIONS****ATC International**

On April 30, 2011, Becker Professional Education, a subsidiary of DeVry Inc., acquired the operations of Accountancy Tuition Centre International ( ATC ), a leading provider of professional accounting and finance training with centers in Central and Eastern Europe as well as Central Asia. ATC provides training for professional designations such as ACCA (Association of Chartered Certified Accountants), CIMA (Chartered Institute of Management Accountants) and the Diploma in International Financial Reporting. The acquisition expanded Becker s global accounting training platform, allowing it to further leverage its relationships with global accounting firms. The results of ATC s operations have been included in the consolidated financial statements of DeVry since the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (dollars in thousands).

	<b>At April 30, 2011</b>
Current Assets	\$ 2,534
Property and Equipment	23
Other Long-term Assets	61
Intangible Assets	4,639
Goodwill	5,010
<b>Total Assets Acquired</b>	<b>12,267</b>
<b>Liabilities Assumed</b>	<b>7,513</b>
<b>Net Assets Acquired</b>	<b>\$ 4,754</b>



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Goodwill was all assigned to the Becker Professional Review reporting unit which is classified within the International, K-12 and Professional Education segment. None of the goodwill acquired is expected to be deductible for income tax purposes. The acquired intangible assets have all been determined to be subject to amortization and their values and estimated useful lives are as follows (dollars in thousands):

	At April 30, 2011	
	Value Assigned	Estimated Useful Lives
Customer Relationships	\$ 3,230	12 years
Curriculum and Course Materials	1,071	5 years
Trade Names and Trademarks	140	2 years
Non-Compete Agreements	116	2 years
Non-Compete Agreements	82	6 months

There is no pro forma presentation of operating results for this acquisition due to the insignificant effect on consolidated operations.

**American University of the Caribbean**

On August 3, 2011, AUC School of Medicine B.V. ( AUC BV ) a wholly owned St. Maarten subsidiary of DeVry Inc. acquired the international business operations of privately held American University of the Caribbean ( AUC ). DeVry Medical International, Inc. ( DMI ), a wholly owned U.S. subsidiary of DeVry Inc. acquired the Florida business operations of Medical Education Services, Inc. ( MES ). Under the terms of the agreement, AUC BV and DMI paid a combined \$228 million in cash in exchange for the business assets of AUC and MES.

AUC's medical school campus is located in St. Maarten, and its administrative offices are located in Coral Gables, Florida. AUC's total enrollment is approximately 1,200 students. Since 1978, AUC has provided its students with medical education, and now has more than 4,000 graduates who are licensed and practicing medicine throughout the world. The school is accredited by the Accreditation Commission on Colleges of Medicine (ACCM), and its students are eligible to sit for the United States Medical Licensing Examination, obtain U.S. Federal Financial Aid if qualified, become members of the American Medical Student Association (AMSA) and, upon graduation, obtain residency and licensure throughout the United States. AUC is one of only three Caribbean medical schools whose students are eligible to receive federal student aid. AUC utilizes the same curriculum as U.S. medical schools, with two years of basic sciences taught at the St. Maarten campus, followed by two years of clinical sciences taught at affiliated hospitals in the U. S. and England. AUC graduates are eligible to practice medicine in all 50 states.

The acquisition of AUC is consistent with DeVry's growth and diversification strategy, increasing its presence in medical and healthcare education and expanding its academic offerings at the post-baccalaureate level.

AUC will continue to operate as an independent institution. The operations of AUC are included in DeVry's Medical and Healthcare segment. The results of AUC's operations have been included in the consolidated financial statements of DeVry since the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (dollars in thousands).

	At August 3, 2011
Current Assets	\$ 3,901
Property and Equipment	35,125
Intangible Assets	131,400
Goodwill	70,246
<b>Total Assets Acquired</b>	<b>240,672</b>
Liabilities Assumed	12,844
<b>Net Assets Acquired</b>	<b>\$ 227,828</b>



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Goodwill was all assigned to the AUC reporting unit which is classified within the Medical and Healthcare segment. None of the goodwill acquired is expected to be deductible for income tax purposes. Of the \$131.4 million of acquired intangible assets, \$100 million was assigned to Title IV Eligibility and Accreditations and \$17.1 million was assigned to Trade Names, both of which have been determined not to be subject to amortization. The remaining acquired intangible asset was determined to be subject to amortization and its value and estimated useful life is as follows (dollars in thousands):

	At August 3, 2011	
	Value Assigned	Estimated Useful Lives
Student Relationships	\$ 14,300	4 years

There is no pro forma presentation of operating results for this acquisition due to the insignificant effect on consolidated operations.

**NOTE 8: INTANGIBLE ASSETS**

Intangible assets relate mainly to acquired business operations. These assets consist of the acquisition fair value of certain identifiable intangible assets acquired and goodwill. Goodwill represents the excess of the purchase price over the fair value of assets acquired less liabilities assumed.

Intangible assets consist of the following (dollars in thousands):

	As of September 30, 2011		Weighted Avg. Amortization Period
	Gross Carrying Amount	Accumulated Amortization	
<b>Amortizable Intangible Assets:</b>			
Student Relationships	\$ 78,417	\$ (62,642)	(1)
Customer Relationships	3,037	(118)	12 years
Customer Contracts	7,000	(5,402)	6 years
License and Non-compete Agreements	2,869	(2,770)	6 years
Class Materials	2,900	(2,100)	14 years
Curriculum/Software	4,617	(2,683)	5 years
Outplacement Relationships	3,900	(789)	15 years
Trade Names	8,167	(6,089)	(2)
Other	639	(639)	6 years
<b>Total</b>	<b>\$ 111,546</b>	<b>\$ (83,233)</b>	
<b>Indefinite-lived Intangible Assets:</b>			
Trade Names	\$ 37,472		
Trademark	1,645		
Ross Title IV Eligibility and Accreditations	14,100		
Intellectual Property	13,940		
Chamberlain Title IV Eligibility and Accreditations	1,200		
Carrington Title IV Eligibility and Accreditations	112,300		
AUC Title IV Eligibility and Accreditations	100,000		
DeVry Brasil Accreditations	12,280		
<b>Total</b>	<b>\$ 292,937</b>		

- (1) The respective Ross University, Chamberlain College of Nursing, and the Carrington Student Relationships were fully amortized at December 31, 2009. The total weighted average estimated amortization period for Student Relationships is 5 years for DeVry Brasil and 4

years for AUC.

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- (2) The Apollo College and Western Career College trade names were fully amortized at December 31, 2009. The Stalla trade name was fully amortized at June 30, 2011. The total weighted average estimated amortization period for the DeVry Brasil Trade Names (Fanor, Ruy Barbosa and AREA1) is 8.5 years.

	As of September 30, 2010	
	Gross Carrying Amount	Accumulated Amortization
<b>Amortizable Intangible Assets:</b>		
Student Relationships	\$ 64,841	\$ (60,106)
Customer Contracts	7,000	(4,163)
License and Non-compete Agreements	2,684	(2,684)
Class Materials	2,900	(1,950)
Curriculum/Software	3,639	(1,885)
Outplacement Relationships	3,900	(529)
Trade Names	8,305	(5,021)
Other	639	(639)
<b>Total</b>	<b>\$ 93,908</b>	<b>\$ (76,977)</b>
<b>Indefinite-lived Intangible Assets:</b>		
Trade Names	\$ 20,372	
Trademark	1,645	
Ross Title IV Eligibility and Accreditations	14,100	
Intellectual Property	13,940	
Chamberlain Title IV Eligibility and Accreditations	1,200	
Carrington Title IV Eligibility and Accreditations	112,300	
DeVry Brasil Accreditation	13,410	
<b>Total</b>	<b>\$ 176,967</b>	

Amortization expense for amortized intangible assets was \$2.3 million and \$1.5 million for the three months ended September 30, 2011 and 2010, respectively. Estimated amortization expense for amortized intangible assets for the next five fiscal years ending June 30 by reporting unit, is as follows (dollars in thousands):

Fiscal Year	Advanced Academics	Becker	DeVry Brasil	Carrington	AUC	Total
2012	\$ 1,538	\$ 836	\$ 2,238	\$ 420	\$ 5,593	\$ 10,625
2013	618	765	1,663	420	4,973	8,439
2014	369	665	715	295	3,347	5,391
2015		665	193	260	387	1,505
2016		471	193	260		924

All amortizable intangible assets, except for the Advanced Academics Customer Contracts, the DeVry Brasil Student Relationships and the AUC Student Relationships, are being amortized on a straight-line basis.

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The amount being amortized for the Advanced Academics Customer Contracts is based on the estimated renewal probability of the contracts, giving consideration to the revenue and discounted cash flow associated with both types of customer relationships. This results in the basis being amortized at an annual rate for each of the years of estimated economic life as follows:

<b>Fiscal Year</b>	<b>Direct to Student</b>	<b>Direct to District</b>
2008	12%	14%
2009	18%	24%
2010	19%	25%
2011	17%	21%
2012	14%	16%
2013	11%	
2014	9%	

The amount being amortized for the DeVry Brasil Student Relationships is based on the estimated progression of the students through the respective programs, giving consideration to the revenue and cash flow associated with both existing students and new applicants. This results in the basis being amortized at an annual rate for each of the years of estimated economic life as follows:

<b>Fiscal Year</b>	
2009	8.3%
2010	30.3%
2011	24.7%
2012	19.8%
2013	13.6%
2014	3.3%

The amount being amortized for the AUC Student Relationships is based on the estimated progression of the students through the respective programs, giving consideration to the revenue and cash flow associated with both existing students and new applicants. This results in the basis being amortized at an annual rate for each of the years of estimated economic life as follows:

<b>Fiscal Year</b>	
2012	38.0%
2013	38.5%
2014	21.6%
2015	1.9%

Indefinite-lived intangible assets related to Trademarks, Trade Names, Title IV Eligibility, Accreditations and Intellectual Property are not amortized, as there are no legal, regulatory, contractual, economic or other factors that limit the useful life of these intangible assets to the reporting entity.

Authoritative guidance provides that goodwill and indefinite-lived intangibles arising from a business combination are not amortized and charged to expense over time. Instead, goodwill and indefinite-lived intangibles must be reviewed annually for impairment or more frequently if circumstances arise indicating potential impairment. This impairment review was most recently completed during the fourth quarter of fiscal year 2011 at which time there was no impairment loss associated with recorded goodwill or indefinite-lived intangible assets, as estimated fair values exceeded the carrying amount.

DeVry did not perform an interim impairment review during the first quarter of fiscal year 2012, as no impairment indicators were noted through the period ended September 30, 2011. The estimated fair values of the reporting units and indefinite-lived intangible assets exceeded their carrying values by at least 15% as of the end of fiscal year 2011 except those indefinite-lived intangible assets acquired with the acquisition of Carrington where fair values exceeded carrying values by 8%. Though some reporting units experienced a decline in operating results from the previous year, management did not believe business conditions had deteriorated in any of its reporting units to the extent that the fair values of the reporting units or indefinite-lived intangible assets would have differed materially from their fiscal year 2011 fair values.





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At Carrington, which carries a goodwill balance of \$185.7 million, first quarter fiscal 2012 revenue declined by approximately 24% from the prior year period. The revenue decline at Carrington was the result of lower spring and summer term student enrollments. Management believes these declines were due to economic uncertainties and the prolonged economic downturn, which has resulted in reductions in the volume of inquiries from potential students. To address this issue, Carrington has shifted its focus from building brand awareness associated with its recent name change to communications designed to produce a direct consumer response. Carrington is also making additional investments in its website interface and admissions processes to better serve prospective students. The revenue decline also resulted in an operating loss for the first quarter of fiscal 2012. The fair value of the Carrington reporting unit exceeded its carrying value by 21% as of the fiscal year 2011 impairment analysis. Management believes the negative trends at Carrington will be temporary and believes its planned business and operational strategies will reverse this negative trend in the foreseeable future. However, if operating improvements are not realized, all or some of the goodwill could be impaired in the future.

At Advanced Academics, which carries a goodwill balance of \$17.1 million, first quarter fiscal 2012 revenues increased by approximately 4% from the prior year period. The resulting first quarter of fiscal 2012 operating loss was approximately equal to that of the prior year period. The fair value of the Advanced Academics reporting unit exceeded its carrying value as of the fiscal year 2011 impairment analysis by approximately 27%. Management believes the negative operating results at Advanced Academics will be temporary and believes its planned business and operational strategies will continue to lead to further improvements in the foreseeable future. However, if operating improvements are not realized, all or some of the goodwill could be impaired in the future.

Management does consider certain triggering events when evaluating whether interim impairment analysis is warranted. Among these would be a significant long-term decrease in the market capitalization of DeVry based on events specific to DeVry's operations. As of September 30, 2011, DeVry's market capitalization exceeded its book value by approximately 180%. This premium was consistent with that as of June 30, 2011. Other triggering events that could be cause for an interim impairment review would be changes in the accreditation, regulatory or legal environment; unexpected competition; and changes in the market acceptance of our educational programs and the graduates of those programs.

Determining the fair value of a reporting unit or an intangible asset involves the use of significant estimates and assumptions. Management bases its fair value estimates on assumptions it believes to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Actual results may differ from those estimates.

The table below summarizes the goodwill balances by reporting unit as of September 30, 2011 (dollars in thousands):

<b>Reporting Unit</b>	<b>As of September 30, 2011</b>
DeVry University	\$ 22,196
Becker Professional Review	29,467
Ross University	237,173
Chamberlain College of Nursing	4,716
Advanced Academics	17,074
Carrington	185,717
American University of the Caribbean	70,246
DeVry Brasil	23,191
<b>Total</b>	<b>\$ 589,780</b>

The table below summarizes goodwill balances by reporting segment as of September 30, 2011 (dollars in thousands):

<b>Reporting Segment:</b>	
Business, Technology and Management	\$ 22,196
Medical and Healthcare	497,852
International, K-12 and Professional Education	69,732
<b>Total</b>	<b>\$ 589,780</b>

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Total goodwill increased by \$66.2 million from June 30, 2011. This increase is the result of the addition of \$70.3 million of goodwill associated with the acquisition of AUC and changes in the values of the Brazilian Real and the British Pound Sterling as compared to the U.S. dollar. Since DeVry Brasil and ATC goodwill is recorded in their respective local currencies, fluctuations in their value in relation to the U.S. dollar will cause changes in the balance of this asset.

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The table below summarizes the changes in the carrying amount of goodwill, by segment as of September 30, 2011 (dollars in thousands):

	<b>Business, Technology and Management</b>	<b>Medical and Healthcare</b>	<b>International, K-12 and Professional Education</b>	<b>Total</b>
<b>Balance at June 30, 2011</b>	\$ 22,196	\$ 427,606	\$ 73,818	\$ 523,620
Acquisitions		70,246		70,246
Foreign currency exchange rate changes and other			(4,086)	(4,086)
<b>Balance at September 30, 2011</b>	<b>\$ 22,196</b>	<b>\$ 497,852</b>	<b>\$ 69,732</b>	<b>\$ 589,780</b>

The table below summarizes the indefinite-lived intangible asset balances by reporting unit as of September 30, 2011 (dollars in thousands):

<b>Reporting Unit:</b>	<b>As of September 30, 2011</b>
DeVry University	\$ 1,645
Becker Professional Review	27,912
Ross University	19,200
Chamberlain College of Nursing	1,200
Advanced Academics	1,300
Carrington	112,300
American University of the Caribbean	117,100
DeVry Brasil	12,280
<b>Total</b>	<b>\$ 292,937</b>

Total indefinite-lived intangible assets increased by \$116 million from June 30, 2011. This increase is the result of the addition of \$117.1 million of indefinite-lived intangibles associated with the acquisition of AUC offset by the effects of foreign currency translation on the DeVry Brasil assets. Since DeVry Brasil intangible assets are recorded in the local Brazilian currency, fluctuations in the value of the Brazilian Real in relation to the U.S. dollar will cause changes in the balance of these assets.

**NOTE 9: INCOME TAXES**

DeVry's effective income tax rate reflects benefits derived from significant operations outside the United States. Earnings of these international operations are not subject to U.S. federal or state income taxes, so long as such earnings are not repatriated, as discussed below. Three of DeVry's larger subsidiaries, Ross University School of Medicine (the Medical School) incorporated under the laws of the Commonwealth of Dominica; Ross University School of Veterinary Medicine (the Veterinary School) incorporated under the laws of the Federation of St. Christopher, Nevis, St. Kitts in the West Indies; and DeVry Brasil incorporated under the laws of Brazil, all benefit from local tax incentives. The Medical and Veterinary Schools have agreements with the respective governments that exempt them from local income taxation through the years 2043 and 2023, respectively, while DeVry Brasil's effective tax rate reflects benefits derived from their participation in PROUNI, a Brazilian program for providing scholarships to a portion of its undergraduate students.

DeVry has not recorded a U.S. federal or state tax provision for the undistributed earnings of its international subsidiaries. It is DeVry's intention to indefinitely reinvest accumulated cash balances, future cash flows and post-acquisition undistributed earnings and profits to improve the facilities and operations of its international Schools and pursue future opportunities outside the United States. In accordance with this plan, cash held by the international subsidiaries will not be available for general company purposes and under current laws will not be subject to U.S. taxation. As of September 30 2011 and 2010, cumulative undistributed earnings attributable to international operations were approximately \$350.2 million and \$280.4 million, respectively.

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The effective tax rate was 27.9% for the first quarter of fiscal year 2012, compared to 34.5% for the prior year. The lower effective income tax rate in fiscal year 2012 was due primarily to an increase in the proportion of income generated by the offshore operations of Ross University, AUC and DeVry Brasil versus U.S. operations as compared to the prior year. In addition, the income tax rate in the current year period also benefited from a favorable resolution of an uncertain tax position from prior years, as well as an ongoing benefit relating to the treatment of revenue from DeVry's online operations.

As of September 30, 2011, the total amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, was \$8.9 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$8.9 million. As of September 30, 2010, gross unrecognized tax benefits, including positions impacting only the timing of benefits, was \$5.8 million. The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was \$5.8 million. We expect that our unrecognized tax benefits will increase by an insignificant amount during the next twelve months. DeVry classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. The total amount of interest and penalties accrued at June 30, 2011 was \$1.0 million. The corresponding amount at September 30, 2011 was not materially different from the amount at June 30, 2011.

**NOTE 10: DEBT**

DeVry had no outstanding borrowings at September 30, 2011 and September 30, 2010.

**Revolving Credit Facility**

All of DeVry's borrowings and letters of credit under its \$400 million revolving credit facility are through DeVry Inc. The revolving credit facility became effective on May 10, 2011, and replaced an existing \$175 million credit facility that was set to expire in January 2012. At the request of DeVry, the maximum borrowings and letters of credit can be increased to \$550 million. There are no required payments under this revolving credit agreement and all borrowings and letters of credit mature in May 2016. As a result of the agreement extending beyond one year, any borrowings would be classified as long-term with the exception of amounts expected to be repaid in the 12 months subsequent to the balance sheet date. DeVry Inc. letters of credit outstanding under this agreement were \$1.9 million as of September 30, 2011, and were \$4.5 million as of September 30, 2010 under the previous agreement. As of September 30, 2011, if there were outstanding borrowings under this agreement they would bear interest, payable quarterly or upon expiration of the interest rate period, at the prime rate plus 0.75% or at a LIBOR rate plus 1.75%, at the option of DeVry. As of September 30, 2011, outstanding letters of credit under the revolving credit agreement are charged an annual fee equal to 1.75% of the undrawn face amount of the letter of credit, payable quarterly. The agreement also requires payment of a commitment fee equal to 0.2% of the undrawn portion of the credit facility as of September 30, 2011. The interest rate, letter of credit fees and commitment fees are adjustable quarterly, based upon DeVry's achievement of certain financial ratios. Interest rate margins can be raised as high as 1.5% on prime rate loans and 2.5% on LIBOR rate loans.

The revolving credit agreement contains certain covenants that, among other things, require maintenance of certain financial ratios, as defined in the agreement. These financial ratios include a consolidated fixed charge coverage ratio, a consolidated leverage ratio and a composite Equity, Primary Reserve and Net Income, Department of Education, financial responsibility ratio (DOE Ratio). Failure to maintain any of these ratios or to comply with other covenants contained in the agreement will constitute an event of default and could result in termination of the agreement and require payment of all outstanding borrowings. DeVry was in compliance with all debt covenants as of September 30, 2011.

The stock of certain subsidiaries of DeVry is pledged as collateral for the borrowings under the revolving credit facility

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

DeVry is subject to occasional lawsuits, administrative proceedings, regulatory reviews and investigations associated with financial assistance programs and other matters arising in the normal conduct of its business. The following is a description of pending litigation that may be considered other than ordinary and routine litigation that is incidental to the business.

The Boca Raton Firefighters and Police Pension Fund filed a complaint (the Shareholder Case) in the United States District Court for the Northern District of Illinois on November 1, 2010 (Case No. 1:10-cv-07031). The complaint was filed on behalf of a putative class of persons who purchased DeVry common stock between October 25, 2007, and August 13, 2010. Plaintiffs filed an amended complaint (the Amended Complaint) on March 7, 2011 alleging the same categories of claims in the initial complaint. The plaintiffs claim DeVry, Daniel Hamburger and Richard M. Gunst violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by failing to disclose abusive and fraudulent recruiting and financial aid lending practices, thereby increasing DeVry's student enrollment and revenues and artificially inflating DeVry's stock price during the class



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period. DeVry and its executives believe the allegations contained in the Amended Complaint are without merit and they are defending them vigorously. On May 6, 2011, DeVry filed a Motion to Dismiss the Amended Complaint, which is pending before the Court.

Three derivative cases similar to the Shareholder Case also have been filed ( Derivative Actions ). Two of the Derivative Actions were filed in the Circuit Court of Cook County, Illinois, Chancery Division: DeVry shareholder Timothy Hald filed a derivative complaint on behalf of DeVry on January 3, 2011 (*Hald v. Hamburger et al.*, Case No. 11 CH 0087) and Matthew Green (also a DeVry shareholder) filed a derivative complaint on behalf of DeVry on January 7, 2011 (*Green v. Hamburger et al.*, Case No. 11 CH 0770). The *Hald* and *Green* cases (the Consolidated Cases ) were consolidated by court order dated February 9, 2011. Maria Dotro, another DeVry shareholder, filed a third derivative complaint on DeVry s behalf in the Delaware Court of Chancery on March 11, 2011 (*Dotro v. Hamburger et al.*, Case No. 6263). Both the Consolidated cases and the *Dotro* case have been stayed by agreement of the parties pending resolution of DeVry s forthcoming Motion to Dismiss the Shareholder Case ( Motion to Dismiss ).

The Derivative Actions allege that Daniel Hamburger, Richard M. Gunst, David J. Pauldine, Sharon T. Parrott, Ronald L. Taylor, Lisa W. Pickrum, Darren R. Huston, David S. Brown, William T. Keevan, Fernando Ruiz, Harold D. Shapiro, Lyle Logan, Connie R. Curran, and Julia McGee breached their fiduciary duties to DeVry by failing to disclose the same allegedly abusive and fraudulent recruiting and financial aid lending practices alleged in the Shareholder Case. The Derivative Actions also allege that DeVry s officers and directors unjustly enriched themselves and wasted DeVry s assets by (i) causing DeVry to incur substantial costs in defending the Shareholder Case; (ii) causing DeVry to pay compensation and benefits to individuals who breached their fiduciary duties; (iii) causing potential losses from certain of DeVry s programs no longer being eligible for federal financial aid; and (iv) damaging DeVry s corporate image and goodwill. DeVry and its executives and directors believe the allegations contained in the Derivative Actions are without merit and intend to defend them vigorously.

Although DeVry believes that the Shareholder Case and the Derivative Actions are without merit, the ultimate outcome of pending litigation is difficult to predict. At this time, DeVry does not expect that the outcome of any such matter will have a material effect on its cash flows, results of operations or financial position.

**NOTE 12: SEGMENT INFORMATION**

DeVry s principal business is providing secondary and post-secondary education. The services of our operations are described in more detail in Note 1- Nature of Operations to the consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended June 30, 2011. DeVry presents three reportable segments: Business, Technology and Management , which includes DeVry University undergraduate and graduate operations; Medical and Healthcare which includes the operations of Ross University medical and veterinary schools, American University of the Caribbean, Chamberlain College of Nursing and Carrington; and International, K-12 and Professional Education , which includes the operations of DeVry Brasil, Advanced Academics and the professional exam review and training operations of Becker Professional Review.

These segments are consistent with the method by which the Chief Operating Decision Maker (DeVry s President and CEO) evaluates performance and allocates resources. Performance evaluations are based, in part, on each segment s operating income, which is defined as income before interest income and expense, amortization, non-controlling interest and income taxes. Intersegment sales are accounted for at amounts comparable to sales to nonaffiliated customers and are eliminated in consolidation. The accounting policies of the segments are the same as those described in Note 2 Summary of Significant Accounting Policies to the consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

The segments described above have changed from those previously reported, effective with the beginning of the fourth quarter of fiscal year 2011. The two largest segments, Business, Technology and Management and Medical and Healthcare, remained unchanged and consist of our two U.S. postsecondary educational segments. The former Other Educational Services segment was combined with the former Professional Education segment to create the International, K-12 and Professional Education segment. The combining of the former Professional Education and Other Educational Services segments reflects the realignment of DeVry s management structure with DeVry Brasil, Advanced Academics and Becker Professional Education reporting to one executive. The new segment structure is consistent with how the Chief Operating Decision Maker evaluates performance and allocates resources to DeVry s operating segments. In addition, the new structure combines those educational institutions outside of our United States postsecondary educational segments into one segment.

The consistent measure of segment operating income excludes interest income and expense, amortization and certain corporate-related depreciation and expenses. As such, these items are reconciling items in arriving at income before income taxes. The consistent measure of segment assets excludes deferred income tax assets and certain depreciable corporate assets. Additions to long-lived assets have been measured in this same manner. Reconciling items are included as corporate assets.





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Following is a tabulation of business segment information based on the current segmentation for each of the three months ended September 30, 2011 and 2010. Corporate information is included where it is needed to reconcile segment data to the consolidated financial statements (dollars in thousands).

	<b>For the Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Business, Technology and Management	\$ 337,596	\$ 352,918
Medical and Healthcare	147,453	136,658
International, K-12 and Professional Education	33,989	31,852
<b>Total Consolidated Revenues</b>	<b>\$ 519,038</b>	<b>\$ 521,428</b>
<b>Operating Income:</b>		
Business, Technology and Management	\$ 61,362	\$ 84,519
Medical and Healthcare	23,289	28,162
International, K-12 and Professional Education	(2,987)	(1,143)
<b>Reconciling Items:</b>		
Amortization Expense	(2,318)	(1,475)
Depreciation and Other	519	1,752
<b>Total Consolidated Operating Income</b>	<b>\$ 79,865</b>	<b>\$ 111,815</b>
<b>Interest and Other Income (Expense):</b>		
Interest Income	\$ 184	\$ 423
Interest Expense	(522)	(254)
<b>Net Interest and Other Income (Expense)</b>	<b>(338)</b>	<b>169</b>
<b>Total Consolidated Income Before Income Taxes</b>	<b>\$ 79,527</b>	<b>\$ 111,984</b>
<b>Segment Assets:</b>		
Business, Technology and Management	\$ 533,942	\$ 525,685
Medical and Healthcare	1,107,856	990,404
International, K-12 and Professional Education	242,910	214,657
Corporate	127,219	92,159
<b>Total Consolidated Assets</b>	<b>\$ 2,011,927</b>	<b>\$ 1,822,905</b>
<b>Additions to Long-lived Assets:</b>		
Business, Technology and Management	\$ 14,175	\$ 4,561
Medical and Healthcare	245,019	5,305
International, K-12 and Professional Education	4,723	2,696
Corporate	6,674	10,448
<b>Total Consolidated Additions to Long-lived Assets</b>	<b>\$ 270,591</b>	<b>\$ 23,010</b>
<b>Reconciliation to Consolidated Financial Statements:</b>		
Capital Expenditures	\$ 33,820	\$ 23,010
Increase in Capital Assets from Acquisitions	35,125	
Increase in Intangible Assets and Goodwill	201,646	

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Total Increase in Consolidated Long-lived Assets	\$ 270,591	\$ 23,010
Depreciation Expense:		
Business, Technology and Management	\$ 8,958	\$ 6,270
Medical and Healthcare	4,989	4,035
International, K-12 and Professional Education	1,332	911
Corporate	2,234	2,505
Total Consolidated Depreciation	\$ 17,513	\$ 13,721
Intangible Asset Amortization Expense:		
Business, Technology and Management	\$	\$
Medical and Healthcare	1,122	105
International, K-12 and Professional Education	1,196	1,370
Total Consolidated Amortization	\$ 2,318	\$ 1,475

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DeVry conducts its educational operations in the United States, Canada, the Caribbean countries of Dominica, St. Kitts/Nevis and St. Maarten, Brazil, Europe, Russia, the Middle East and the Pacific Rim. Other international revenues, which are derived principally from Brazil and Canada, were less than 5% of total revenues for the quarters ended September 30, 2011 and 2010. Revenues and long-lived assets by geographic area are as follows (dollars in thousands):

	<b>For the Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue from Unaffiliated Customers:</b>		
Domestic Operations	\$ 442,169	\$ 461,496
<b>International Operations:</b>		
Dominica and St. Kitts/Nevis, St. Maarten	61,879	48,288
Other	14,990	11,644
<b>Total International</b>	<b>76,869</b>	<b>59,932</b>
<b>Consolidated</b>	<b>\$ 519,038</b>	<b>\$ 521,428</b>
<b>Long-lived Assets:</b>		
Domestic Operations	\$ 807,224	\$ 738,948
<b>International Operations:</b>		
Dominica and St. Kitts/Nevis, St. Maarten	584,055	333,824
Other	75,417	69,358
<b>Total International</b>	<b>659,472</b>	<b>403,182</b>
<b>Consolidated</b>	<b>\$ 1,466,696</b>	<b>\$ 1,142,130</b>

No one customer accounted for more than 10% of DeVry's consolidated revenues.

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Through its website, DeVry offers (free of charge) its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other reports filed with the United States Securities and Exchange Commission. DeVry's Web site is <http://www.devryinc.com>.

The following discussion of DeVry's results of operations and financial condition should be read in conjunction with DeVry's Consolidated Financial Statements and the related Notes thereto in Item 1, FINANCIAL STATEMENTS in this Quarterly Report on Form 10-Q and DeVry's Consolidated Financial Statements and related Notes thereto in Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA in DeVry's Annual Report on Form 10-K for the fiscal year ended June 30, 2011. DeVry's Annual Report on Form 10-K includes a description of critical accounting policies and estimates and assumptions used in the preparation of DeVry's financial statements. These include, but are not limited to, revenue and expense recognition; allowance for uncollectible accounts; internally developed software; land, buildings and equipment; stock-based compensation; impairment of goodwill and other intangible assets; impairment of long-lived assets and income taxes.

The somewhat seasonal pattern of DeVry's enrollments and its educational program starting dates affect the results of operations and the timing of cash flows. Therefore, management believes that comparisons of its results of operations should be made to the corresponding period in the preceding year. Comparisons of financial position should be made to both the end of the previous fiscal year and to the end of the corresponding quarterly period in the preceding year.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Quarterly Report on Form 10-Q, including those that affect DeVry's expectations or plans, may constitute forward-looking statements subject to the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as DeVry Inc. or its management anticipates, believes, estimates, expects, forecasts,

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foresees, intends, plans or other words or phrases of similar import. Such statements are inherently uncertain and may involve risks and uncertainties that could cause future results to differ materially from

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those projected or implied by these forward-looking statements. Potential risks and uncertainties that could affect DeVry's results are described throughout this Report, including those in Note 10 to the Consolidated Financial Statements and in Part II, Item 1, "Legal Proceedings", and in DeVry's Annual Report on Form 10-K for the fiscal year ended June 30, 2011 and filed with the Securities and Exchange Commission on August 26, 2011 including, without limitation, in Item 1A, "Risk Factors" and in the subsections of Item 1 "Business" entitled "Competition," "Student Admissions," "Accreditation," "Approval and Licensing," "Tuition and Fees," "Financial Aid and Financing Student Education," "Student Loan Defaults," "Career Services," "Seasonality," and "Employees."

All forward-looking statements included in this report are based upon information presently available, and DeVry assumes no obligation to update any forward-looking statements.

## **OVERVIEW**

DeVry's financial results for the first quarter of fiscal 2012 reflect continued revenue deceleration, which resulted in a decline in earnings as compared to the prior year. Despite these near-term challenges, DeVry remains focused on academic quality, successful student outcomes, and continued execution of its diversification strategy which will position it well to meet the long-term demand for education. Operational and financial highlights for the first quarter of fiscal year 2012 include:

The continued economic downturn has resulted in declining student enrollments at DeVry University, Carrington College and Carrington College California.

In July 2011, Chamberlain College of Nursing ( "Chamberlain") began offering nursing programs at its new campus in Miramar, Florida, which is tri-located with DeVry University and Ross University School of Medicine. Also, Chamberlain received approval from the Illinois Board of Higher Education for its doctorate of nursing practitioner program.

On August 3, 2011, DeVry acquired the business operations of the American University of the Caribbean Medical School ( "AUC") for \$235 million. AUC, which was founded in 1978, confers the Doctor of Medicine degree and its campus is located in the country of St. Maarten.

For the September 2011 term, total student enrollments at DeVry Brasil increased 17.8% to a record 14,099 students as compared to the same term last year. DeVry Brasil continues to expand its curriculum and invest in its programs, student services and campus locations.

During the quarter, DeVry repurchased 1,007,207 shares of its common stock under its sixth buyback program at an average cost of \$44.12 per share.

DeVry's financial position remained strong generating \$186.6 million of operating cash flow during the first quarter of fiscal year 2012 driven by operating performance and working capital management. As of September 30, 2011, cash and marketable securities balances totaled \$325.3 million and there were no outstanding borrowings.

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The following table presents information with respect to the relative size to revenue of each item in the Consolidated Statements of Income for the first three months of both the current and prior fiscal year. Percentages may not add because of rounding.

	<b>For the Three Months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Revenues	100.0%	100.0%
Cost of Educational Service	45.9%	43.7%
Student Services and Administrative Expense	38.7%	34.8%
Total Operating Costs and Expense	84.6%	78.6%
Operating Income	15.4%	21.4%
Interest Income	0.0%	0.1%
Interest Expense	(0.1%)	(0.0%)
Net Interest and Other Income (Expense)	(0.1%)	0.0%
Income Before Income Taxes	15.3%	21.5%
Income Tax Provision	4.3%	7.4%
Net Income	11.0%	14.1%
Net Loss Attributable to Non-controlling Interest	0.0%	0.0%
Net Income Attributable to DeVry Inc.	11.1%	14.1%

**REVENUES**

Total consolidated revenues for the first quarter of fiscal year 2012 of \$519.0 million decreased \$2.4 million, or 0.5%, as compared to the year-ago quarter. Revenues decreased within DeVry's Business, Technology and Management segment as a result of a decline in undergraduate student enrollments due to the challenging economic environment. This decrease was partially offset by revenue increases within DeVry's respective Medical and Healthcare and International, K-12 and Professional Education segments as a result of growth in total student enrollments, improved student retention and tuition price increases. In addition, AUC, which was acquired on August 3, 2011, contributed to offsetting the revenue decline during the quarter.

**Business, Technology and Management**

Business, Technology and Management segment revenues decreased 4.3% to \$337.6 million as compared to the year-ago period as a result of a decline in undergraduate student enrollments. The Business, Technology and Management segment is comprised solely of DeVry University. Key trends in enrollment and tuition pricing are set forth below.

**Undergraduate new student enrollment by term:**

Decreased by 4.7% from fall 2009 (18,878 students) to fall 2010 (17,983 students);

Decreased by 15.4% from spring 2010 (17,715 students) to spring 2011 (14,981 students);

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Decreased by 25.6% from summer 2010 (20,935 students) to summer 2011 (15,566 students).

### **Undergraduate total student enrollment by term:**

Increased by 14.9% from fall 2009 (64,003 students) to fall 2010 (73,543 students);

Increased by 5.9% from spring 2010 (66,909 students) to spring 2011 (70,863 students);

Decreased by 5.8% from summer 2010 (68,290 students) to summer 2011 (64,317 students).

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**Graduate coursetaker enrollment, including the Keller Graduate School of Management:**

The term *coursetaker* refers to the number of courses taken by a student. Thus, one student taking two courses is counted as two coursetakers.

Increased by 1.9% from the July 2010 session (21,165 coursetakers) to the July 2011 session (21,576 coursetakers); and

Increased by 2.3% from the September 2010 session (23,389 coursetakers) to the September 2011 session (23,937 coursetakers).

**Tuition rates:**

Effective with the summer 2011 term, DeVry University's U.S. undergraduate tuition is \$597 per credit hour for students enrolling in 1 to 11 credit hours. Tuition is \$360 per credit hour for each credit hour in excess of 11 credit hours. These tuition rates represent an increase of approximately 2.9% as compared to the summer 2010 term. These amounts do not include the cost of books, supplies, transportation and living expenses.

Effective with the July 2011 session, Keller Graduate School of Management program tuition per course is \$2,255. This represents an expected weighted average increase of 2.8% compared to the year-ago session.

Management believes the decreases in enrollments were driven mainly by the negative impact on student decision making of the prolonged economic downturn and economic conditions generally, resulting in a reduction of interest from potential students. In addition, management believes a near-term distraction of DeVry University employees associated with the implementation of new regulations also contributed to the decreases in DeVry University undergraduate enrollments. To address these issues, DeVry University is adding new programs and locations, and making investments to enhance the strength of its brand, improve customer service and increase awareness among potential students through new and innovative advertising campaigns.

**Medical and Healthcare**

Medical and Healthcare segment revenues increased 7.9% to \$147.5 million in the first quarter of fiscal year 2012. Higher total student enrollments at Chamberlain College of Nursing ( *Chamberlain* ) and Ross University were the key drivers of the segment revenue growth, which more than offset a decline in total student enrollments at Carrington Colleges Group, Inc. ( *Carrington* ). In addition, AUC, which was acquired on August 3, 2011, contributed to the revenue growth in the segment during the quarter. Key trends for DeVry Medical International (which is composed of Ross University Schools of Medicine and Veterinary Medicine and American University of the Caribbean School of Medicine), Chamberlain and Carrington are set forth below.

**DeVry Medical International new student enrollment by term:**

Increased by 22.9% from September 2010 (694 students) to September 2011 (853 students)

**DeVry Medical International total student enrollment by term:**

Increased by 6.3% from September 2010 (5,723 students) to September 2011 (6,082 students)

AUC's new student enrollment for the September 2011 and 2010 terms were 192 students and 204 students, respectively. AUC's total student enrollment for the September 2011 and 2010 terms were 1,226 students and 1,156 students, respectively.

**Chamberlain College of Nursing new student enrollment by term:**



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Increased by 42.0% from November 2009 (2,100 students) to November 2010 (2,981 students);

Increased by 31.5% from March 2010 (2,168 students) to March 2011 (2,852 students); and

Increased by 16.1% from July 2010 (2,416 students) to July 2011 (2,805 students).

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**Chamberlain College of Nursing total student enrollment by term:**

Increased by 57.8% from November 2009 (5,617 students) to November 2010 (8,862 students);

Increased by 47.9% from March 2010 (6,691 students) to March 2011 (9,897 students); and

Increased by 40.0% from July 2010 (7,108 students) to July 2011 (9,954 students).

**Carrington new student enrollment by term:**

Decreased by 19.2% from November 2009 (5,688 students) to November 2010 (4,595 students);

Decreased by 22.7% from March 2010 (4,218 students) to March 2011 (3,261 students); and

Decreased by 33.6% from July 2010 (4,291 students) to July 2011 (2,850 students).

**Carrington total student enrollment by term:**

Decreased by 6.4% from November 2009 (11,695 students) to November 2010 (10,942 students);

Decreased by 15.0% from March 2010 (12,009 students) to March 2011 (10,206 students); and

Decreased by 25.6% from July 2010 (11,234 students) to July 2011 (8,363 students).

**Tuition rates:**

Effective September 2011, tuition and fees for the beginning basic sciences portion of the programs at the medical and veterinary schools are \$16,575 and \$15,800, respectively, per semester. Tuition and fees for the final clinical portion of the programs are \$18,200 per semester for the medical school, and \$19,850 per semester for the veterinary school. These tuition rates represent an increase from September 2010 rates of 6.3% for the medical school and 5.3% for the veterinary school. These amounts do not include the cost of books, supplies, transportation, and living expenses.

Effective September 2011, tuition and fees for the beginning basic sciences and final clinical rotation portions of AUC's medical program is \$16,900 and \$18,900, respectively, per semester.

Effective July 2011, tuition is \$650 per credit hour for students enrolled in the Chamberlain BSN (onsite), ADN and LPN-to-RN programs. Students enrolled on a full-time basis (between 12 and 17 credit hours) are charged a flat tuition amount of \$7,800 per semester. This represents an increase from July 2010 rates of approximately 4.8%. These amounts do not include the cost of books, supplies, transportation and living expenses.

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Effective July 2011, tuition is \$590 per credit hour for students enrolled in the Chamberlain RN-to-BSN online degree program. This tuition rate represents an increase from July 2010 tuition rate of approximately 2.6%. Tuition for students enrolled in the online MSN program is \$650 per credit hour, which is unchanged from the prior year.

Effective July 2011, on a per credit hour basis, tuition for Carrington College and Carrington College California programs ranges from \$254 per credit hour to \$1,651 per credit hour for non-general education courses, with the wide range due to the nature of the programs. General Education courses are charged at \$325 per credit hour at Carrington College, and \$364 per credit hour at Carrington College California. Student tuition is reduced accordingly for any incoming academic credits that are applicable. Students are charged a non-refundable registration fee ranging from \$95 to \$100, and they are also charged separately for books and special (program specific) supplies and/or testing. A student services fee ranging from \$75 to \$150 is charged at Carrington College as well, depending on the program. Total program tuition ranges from approximately \$12,000 for certificate programs to over \$60,000 for some advanced programs.

An element of the growth strategy at Ross University School of Medicine was the planned development of a clinical education center located in Freeport, Grand Bahama. The Freeport site was expected to mitigate capacity constraints at the main campus in Dominica. However, the projected volume of Ross students studying in Freeport has not been realized due to factors including an unforeseen delay in the Medical Board of California licensing review process and delays in confirming the financial aid implications for students studying in Freeport. In November 2010, Ross University School of Medicine secured licensing approval for its Freeport clinical location from the Medical Board of California. It had been Ross' understanding that medical students would not be eligible to

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receive Title IV financial aid for their semesters in Freeport, but would be eligible to receive financial aid once they moved elsewhere to complete the remaining portions of their programs. However, this understanding was contradicted in a letter to the Ross University School of Medicine from the U.S. Department of Education ( ED ) indicating that Ross medical students attending any portion of their Foundation of Medicine program outside of the Ross Dominica campus would be excluded from participating in the Title IV financial aid program for the remainder of their programs. Currently, Ross University School of Medicine is delivering only its pre-medical review program courses at its Freeport location, while it continues to evaluate how best to utilize the location as part of its overall expansion strategy.

These near-term challenges resulted in lower new student enrollments in the January 2011 semester. Excluding the impact of the AUC acquisition, new student enrollment for the September 2011 semester increased 34.9%, as compared to the prior year semester, overlapping a 26.4% decrease in the new student growth rate in prior year.

Ross continues to invest in its Dominica facilities, programs and student services to meet the strong demand for its medical program.

The increase in student enrollments at Chamberlain was attributable to its growing RN-to-BSN online completion program, the addition of two new locations (Houston, Texas in March 2011, and Miramar, Florida, in July 2011), along with organic growth at existing locations. All of these campuses are co-located with DeVry University.

Management believes the decline in student enrollments at Carrington is the result of the impact of the prolonged economic downturn, which has resulted in reductions in the volume of inquiries from potential students. To address these issues, Carrington has implemented improvements to its marketing and recruiting processes. Carrington is also making additional investments in enhancing its students academic experience.

**International, K-12 and Professional Education**

International, K-12 and Professional Education segment revenues rose 6.7% to \$34.0 million in the first quarter of fiscal year 2012 as compared to the prior year. DeVry Brasil was the primary driver of revenue growth in this segment due to new and total student enrollment growth as compared to the year-ago period. Revenue increased modestly at Advanced Academics during the first quarter of fiscal year 2012 while Becker Professional Education revenues declined slightly. Becker is overlapping strong revenue growth rates from the prior year period which was driven by the rush to take the CPA exam in advance of the 2011 exam format change. Key enrollment trends for DeVry Brasil are set forth below.

**DeVry Brasil new student enrollment by term:**

Increased by 41.0% from spring 2010 (2,718 students) to spring 2011 (3,833 students); and

Increased by 29.2% from fall 2010 (2,347 students) to fall 2011 (3,033 students).

**DeVry Brasil total student enrollment by term:**

Increased by 16.1% from spring 2010 (11,789 students) to spring 2011 (13,688 students); and

Increased by 17.8% from fall 2010 (11,972 students) to fall 2011 (14,099 students).

**COSTS AND EXPENSES**

**Cost of Educational Services**

The largest component of Cost of Educational Services is the cost of employees who support educational operations. This expense category also includes the costs of facilities, adjunct faculty, supplies, bookstore and other educational materials, student education-related support activities, and the provision for uncollectible student accounts.

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DeVry's Cost of Educational Services increased 4.5% to \$238.2 million during the first quarter of fiscal year 2012 as compared to the year-ago quarter. AUC, which was acquired by DeVry on August 3, 2011, and ATC International, which was acquired on April 30, 2011, accounted for more than one-third of the increase in Cost of Educational Services during the first quarter of fiscal year 2011. Cost increases were also incurred in support of operating a higher number of campus locations for DeVry University, Chamberlain, Carrington and DeVry Brasil as compared to the prior year. Also, cost increases were incurred related to enrollment increases at the Ross University Schools. These increases were partially offset by savings from cost reduction measures (deferred hiring, matching workforce needs with student enrollments on a location-by-location basis, and deferred project spending).

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As a percent of revenue, Cost of Educational Services increased to 45.9% in the first quarter of fiscal year 2012 from 43.7% during the prior year period. The increase was the combined result of decreased operating leverage as a result of revenue declines primarily at DeVry University and Carrington, and the impact from incremental investments to maintain the high quality of DeVry's educational offerings and new campus openings to drive future enrollment growth.

**Student Services and Administrative Expense**

This expense category includes student admissions, marketing and advertising costs, general and administrative costs, expenses associated with curriculum development, and the amortization expense of finite-lived intangible assets related to acquisitions of businesses.

Student Services and Administrative Expense grew 10.7% to \$200.9 million during the first quarter of fiscal year 2012 as compared to the year-ago quarter. The increase in expenses represented additional investments in advertising and recruiting to drive enrollment growth and incremental marketing expenses associated with operating a higher number of campus locations as compared to the year ago quarter. In addition, cost increases were incurred in student services and home office support personnel. The balance of the increase in expenses resulted from the impact of the acquisitions of AUC and ATC International. These increases were partially offset by savings from cost reduction measures including deferred hiring and workforce reductions.

Amortization of finite-lived intangible assets in connection with acquisitions of businesses increased during the first quarter of fiscal year 2012 as compared to the year-ago period due to the acquisitions of AUC and ATC International. Amortization expense is included entirely in the Student Services and Administrative Expense category.

As a percent of revenue, Student Services and Administrative Expense increased to 38.7% in the first quarter of fiscal year 2012 from 34.8% during the year-ago quarter. The increase was the combined result of decreased operating leverage from declining enrollments and incremental investments in advertising and student services and home office support personnel.

**OPERATING INCOME**

Total consolidated operating income for the first quarter of fiscal year 2012 of \$79.9 million decreased 28.6% as compared to the prior year quarter. Operating income decreased within all three of DeVry's respective operating segments.

**Business, Technology and Management**

Business, Technology and Management segment operating income decreased 27.4% to \$61.4 million during the first quarter of fiscal year 2012, as compared to the year-ago period. The decrease in operating income was the result of lower revenue and decreased operating leverage.

**Medical and Healthcare**

Medical and Healthcare segment operating income declined 17.3% to \$23.3 million during the first quarter of fiscal year 2012 as compared to the prior year period. The decrease in operating income was the result of a decline in operating income at Carrington, which was partially offset by an increase in operating income at both Chamberlain and Ross University and the incremental contribution to operating income from AUC. Carrington operating income decreased as a result of lower student enrollments as compared to the year ago period, partially offset by cost reduction measures, as discussed above.

**International, K-12 and Professional Education**

For the first quarter of fiscal year 2012, the International, K-12 and Professional Education segment recorded an operating loss of \$3.0 million as compared to an operating loss of \$1.1 million in the prior year. The increase in the operating loss was the result of increased investments at DeVry Brasil for a new campus opening, which more than offset the improved revenue growth. In addition, the first quarter represents a seasonal low point for tuition revenue at DeVry Brasil, Advanced Academics and ATC International.

**NET INTEREST AND OTHER INCOME (EXPENSE)**

Interest income decreased 56.5%, to \$0.2 million during the first quarter of fiscal year 2012 as compared to the prior year period. Interest income decreased because of lower interest rates earned and a lower level of invested balances during the first quarter of fiscal year 2012. The decrease in invested cash balances was the result of cash used for the acquisition of AUC along with increased share repurchases over the past twelve

month period.

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Interest expense increased by \$0.3 million to \$0.5 million during the first quarter of fiscal year 2012 as compared to the prior year period. The increase in interest expense was attributable higher commitment fees and amortization of deferred financing costs related to DeVry's \$400 million revolving line of credit which was entered into during May 2011.

**INCOME TAXES**

Taxes on income were 27.9% of pretax income for the first quarter of fiscal year 2012, compared to 34.5% for the prior year period. The lower effective tax rate was attributable to a greater proportion of pre-tax income being generated by DeVry's international operations versus its U.S. operations in the current year as compared to the prior year. In addition, the income tax rate in the current year period also benefited from obtaining certainty with respect to the state tax treatment of revenue from DeVry's online operations for both the current and prior years.

DeVry's effective income tax rate reflects benefits derived from significant operations outside the United States. Earnings of these international operations are not subject to U.S. federal or state income taxes, so long as such earnings are not repatriated, as discussed below. Three of DeVry's larger subsidiaries, Ross University School of Medicine (the Medical School) incorporated under the laws of the Commonwealth of Dominica; Ross University School of Veterinary Medicine (the Veterinary School) incorporated under the laws of the Federation of St. Christopher, Nevis, St. Kitts in the West Indies; and DeVry Brasil incorporated under the laws of Brazil, all benefit from local tax incentives. The Medical and Veterinary Schools have agreements with the respective governments that exempt them from local income taxation through the years 2043 and 2023, respectively, while DeVry Brasil's effective tax rate reflects benefits derived from their participation in PROUNI, a Brazilian program for providing scholarships to a portion of its undergraduate students.

DeVry intends to indefinitely reinvest international earnings and cash flow to improve and expand facilities and operations at the Medical and Veterinary schools, and pursue other business opportunities outside the United States. Accordingly, DeVry has not recorded a provision for the payment of U.S. income taxes on these earnings.

**LIQUIDITY AND CAPITAL RESOURCES**

DeVry's primary source of liquidity is the cash received from payments for student tuition, books, other educational materials and fees. These payments include funds originating as financial aid from various federal, state and provincial loan and grant programs; student and family educational loans (private loans); employer educational reimbursements; and student and family financial resources. Private loans as a percentage of DeVry's total revenue are relatively small.

In connection with the turmoil in the credit markets and economic downturn over the past three years, some lenders changed or exited certain private loan programs. Also, certain lenders have tightened underwriting criteria for private loans. To date, these actions have not had a material impact on DeVry's students' ability to access funds for their educational needs and thus its enrollments. DeVry monitors the student lending situation very closely and continues to pursue all available financing options for its students, including DeVry's institutional loan programs.

The following table summarizes DeVry's cash receipts from tuition and related fee payments by fund source as a percentage of total revenue for the fiscal years 2010 and 2009, respectively. Final data for fiscal year 2011 are not yet available.

<b>Funding Source:</b>	<b>Fiscal Year</b>	
	<b>2010</b>	<b>2009</b>
Federal Assistance (Title IV) Program Funding:		
Grants and Loans	71%	73%
Federal Work Study	0%	1%
Total Title IV Program Funding	71%	74%
State Grants	2%	2%
Private Loans	1%	3%
Student accounts, cash payments, private scholarships, employer and military provided tuition assistance and other	26%	21%
Total	100%	100%





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During fiscal year 2010, the source of the funding from student accounts, cash payments, private scholarships, employer and military provided tuition assistance increased to 26% of DeVry's total tuition revenues as compared to 21% in the prior year. The primary reason for this increase was the full year impact of the financial results of DeVry Brasil in fiscal year 2010 as compared to the three month impact in fiscal year 2009. DeVry Brasil students do not participate in the Title IV program funding, resulting in a proportional increase in funding from student accounts and cash payments as compared to fiscal year 2009.

The pattern of cash receipts during the year is somewhat seasonal. DeVry's accounts receivable peak immediately after bills are issued each semester. Historically, accounts receivable reach their lowest level at the end of each semester/session, dropping to their lowest point during the year at the end of June 2011.

At September 30, 2011, total accounts receivable, net of related reserves, were \$151.4 million, compared to \$161.3 million at September 30, 2010. The decrease in net accounts receivable was attributable to revenue declines at DeVry University and Carrington along with improved collections, as receivables per account across DeVry's schools are generally in line with or lower than the prior year.

**Financial Aid**

Like other higher education institutions, DeVry is highly dependent upon the timely receipt of federal financial aid funds. All financial aid and assistance programs are subject to political and governmental budgetary considerations. In the United States, the Higher Education Act ( HEA ) guides the federal government's support of postsecondary education. If there are changes to financial aid programs that restrict student eligibility or reduce funding levels, DeVry's financial condition and cash flows could be materially and adversely affected. Please see Item 1A Risk Factors in DeVry's Annual Report on Form 10-K, for a discussion of student financial aid related risks.

In addition, government-funded financial assistance programs are governed by extensive and complex regulations in both the United States and Canada. Like any other educational institution, DeVry's administration of these programs is periodically reviewed by various regulatory agencies and is subject to audit or investigation by other governmental authorities. Any violation could be the basis for penalties or other disciplinary action, including initiation of a suspension, limitation or termination proceeding. Previous Department of Education and state regulatory agency program reviews have not resulted in material findings or adjustments against DeVry.

A U.S. Department of Education regulation known as the 90/10 Rule affects only proprietary postsecondary institutions, such as DeVry University, Ross University School of Medicine, Ross University School of Veterinary Medicine, American University of the Caribbean, Chamberlain, Carrington College and Carrington College California. Under this regulation, an institution that derives more than 90% of its revenues from Title IV student financial assistance programs in any year may not participate in these programs for the following year.

The following table details the percentage of revenue from federal financial assistance programs for each of DeVry's Title IV eligible institutions for fiscal years 2010 and 2009, respectively. Final data for fiscal year 2011 is not yet available.

	Fiscal Year	
	2010	2009
DeVry University:		
Undergraduate	77%	77%
Graduate	76%	70%
Ross University School of Medicine	81%	78%
Ross University School of Veterinary Medicine	89%	86%
Chamberlain College of Nursing	70%	69%
Carrington College	82%	85%
Carrington College California	86%	83%
American University of the Caribbean School of Medicine	78%	75%

Under the terms of DeVry's participation in financial aid programs, certain cash received from state governments and the U.S. Department of Education is maintained in restricted bank accounts. DeVry receives these funds either after the financial aid authorization and disbursement process for the benefit of the student is completed, or just prior to that authorization. Once the authorization and disbursement process for a particular student is completed, the funds may be transferred to unrestricted accounts and



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become available for DeVry to use in current operations. This process generally occurs during the academic term for which such funds have been authorized. At September 30, 2011, cash in the amount of \$5.7 million was held in restricted bank accounts, compared to \$11.1 million at September 30, 2010.

**Cash from Operations**

Cash generated from operations in the first quarter of fiscal year 2012 was \$186.6 million, compared to \$196.0 million in the prior year period. The decrease in cash flow from operations was due in part to a \$16.0 million decline in net income. In addition, cash flow from operations decreased by \$26.5 million compared to the prior year due to changes in levels of prepaid expenses, accounts payable and accrued expenses. These decreases in cash flow from operations were partially offset by an increase in non-cash expenses for depreciation, amortization and stock-based compensation which resulted in a \$4.4 million greater source of cash. An increase in net deferred income tax liabilities resulted in a \$9.4 million greater source of cash as compared to the prior year period. Also, an increase in deferred tuition revenue and advanced tuition payments driven by increased student enrollments, primarily at Chamberlain, Ross and AUC, generated \$9.3 million increase in cash flow. In addition, due to continued improvements in collections management, accounts receivable, net of related reserves, decreased and resulted in a \$4.6 million greater source of cash as compared to the year-ago period. Variations in the levels of accrued and prepaid expenses and accounts payable from period to period are caused, in part, by the timing of the period-end relative to DeVry's payroll and bill payment cycles.

**Cash Used in Investing Activities**

Capital expenditures in the first quarter of fiscal year 2012 were \$33.8 million compared to \$23.0 million in the year-ago period. The increase in capital expenditures was the result of new location openings for DeVry University, Chamberlain and DeVry Brasil; and facility expansions at the Ross University medical and veterinary schools. Management anticipates full year fiscal 2012 capital spending to be in the range of \$170 million.

On August 3, 2011, AUC School of Medicine B.V. ( AUC BV ) a wholly owned St. Maarten subsidiary of DeVry Inc. acquired the international business operations of privately held American University of the Caribbean ( AUC ). DeVry Medical International, Inc. ( DMI ), a wholly owned U.S. subsidiary of DeVry Inc. acquired the Florida business operations of Medical Education Services, Inc. ( MES ). Under the terms of the agreement, AUC BV and DMI paid a combined \$228 million in cash in exchange for the business assets of AUC and MES.

**Cash Used in Financing Activities**

During the first quarter of fiscal year 2012, DeVry repurchased a total of 1,007,207 shares of its stock, on the open market, for approximately \$44.5 million under its sixth share repurchase program. As of September 30, 2011, the total remaining authorization under the repurchase program was \$47.2 million. On November 2, 2011, the Board authorized a seventh share repurchase program, which will allow DeVry to repurchase up to \$100 million of its common stock through December 31, 2013. The timing and amount of any future repurchases will be determined by DeVry management based on its evaluation of market conditions and other factors. These repurchases may be made through the open market, including block purchases, or in privately negotiated transactions, or otherwise. The buyback will be funded through available cash balances and/or borrowings under its revolving credit agreement and may be suspended or discontinued at any time.

DeVry's Board of Directors declared a dividend on May 20, 2011 of \$0.12 per share to common stockholders of record as of June 20, 2011. The total dividend of \$8.3 million was paid on July 11, 2011. On November 2, 2011, the Board declared a cash dividend of \$0.15 per share payable on January 10, 2012 to shareholders of record on December 8, 2011.

DeVry's consolidated cash balances of \$322.9 million at September 30, 2011, included approximately \$81.5 million of cash attributable to DeVry's international operations. It is DeVry's intention to indefinitely reinvest this cash and subsequent earnings and cash flow to improve and expand facilities and operations of its international schools and pursue future business opportunities outside the United States. Therefore, cash held by international operations will not be available for domestic general corporate purposes. Management does not believe that this policy will adversely affect DeVry's overall liquidity.

Historically, DeVry has produced positive domestic cash flows from operating activities sufficient to fund the delivery of its domestic educational programs and services as well as to fund capital investment and other activities including share repurchases and dividend payments. In addition, DeVry maintains a \$400 million revolving line of credit which can be expanded to \$550 million at the option of DeVry. For the first quarter of fiscal year 2012, cash flows from domestic operating activities were approximately \$148 million which, in addition to funding other investment and financing activities, was sufficient to fund \$27.7 million of domestic capital investment, pay dividends of \$8.3 million and fund \$44.5 million of common stock repurchases.



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DeVry believes that it has sufficient liquidity despite the disruption in the credit markets over the past two years. Management believes that current balances of unrestricted cash, cash generated from operations and the revolving loan facility will be sufficient to fund both DeVry's current domestic and international operations and growth plans, and current share repurchase program, for the foreseeable future unless future significant investment opportunities, similar to the acquisition of AUC, should arise.

### **Revolving Credit Agreement**

On May 5, 2011, DeVry entered into a revolving credit facility which replaced the credit facility that was set to expire in January 2012. This new facility, which expires on May 5, 2016, provides aggregate commitments including borrowings and letters of credit of up to \$400 million and, at the request of DeVry, can be increased to \$550 million. Borrowings under this agreement will bear interest at the prime rate or at a LIBOR rate, at the option of DeVry, plus a pre-established margin. Outstanding letters of credit under the revolving credit agreement are charged a fee for the undrawn face amount of the letter of credit, payable quarterly. The agreement also requires payment of a commitment fee for the undrawn portion of the credit facility. The interest rate margin, letter of credit fees and commitment fees are adjustable quarterly, based upon DeVry's achievement of certain financial ratios. As of September 30, 2011, there were no outstanding borrowings under this agreement. DeVry's letters of credit outstanding under the revolving credit facility were approximately \$1.9 million as of September 30, 2011.

The revolving credit agreement contains certain covenants that, among other things, require maintenance of certain financial ratios, as defined in the agreements. These financial ratios include a consolidated fixed charge coverage ratio, a consolidated leverage ratio and a composite Equity, Primary Reserve and Net Income Department of Education financial responsibility ratio (DOE Ratio). Failure to maintain any of these ratios or to comply with other covenants contained in the agreement will constitute an event of default and could result in termination of the agreements and require payment of all outstanding borrowings. DeVry was in compliance with all debt covenants as of September 30, 2011.

### **Other Contractual Arrangements**

DeVry's long-term contractual obligations consist of its \$400 million revolving line of credit (discussed above), operating leases on facilities and equipment, and agreements for various services.

DeVry is not a party to any off-balance sheet financing or contingent payment arrangements, nor are there any unconsolidated subsidiaries. DeVry has not extended any loans to any officer, director or other affiliated person. DeVry has not entered into any synthetic leases, and there are no residual purchase or value commitments related to any facility lease. DeVry did not enter into any significant derivatives, swaps, futures contracts, calls, hedges or non-exchange traded contracts during fiscal year 2011. DeVry had no open derivative positions at September 30, 2011.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2011, the FASB issued authoritative guidance which amends the application of existing guidance on testing goodwill for impairment. The amended guidance will allow, but not require, an initial assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount for purposes of determining whether it is even necessary to perform further goodwill impairment testing. This guidance will be effective for our interim and annual impairment tests performed for reporting periods beginning July 1, 2012. Management has not yet determined the effect that the application of this guidance will have on DeVry's consolidated financial statements.

In June 2011, the FASB issued authoritative guidance updating the disclosure requirements for Comprehensive Income. This update requires total comprehensive income, the components of net income and the components of other comprehensive income to be presented either in a single continuous statement or in two separate but consecutive statements. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2012. The application of this guidance will require presentation of comprehensive income on a consolidated financial statement which is different than it is currently presented.

In May 2011, the FASB issued authoritative guidance clarifying the application of existing fair value measurements and disclosure requirements. This guidance will be effective for our interim and annual reporting periods beginning January 1, 2012. Management has not yet determined the effect that the application of this guidance will have on DeVry's consolidated financial statements.

## **ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

DeVry is not dependent upon the price levels, nor affected by fluctuations in pricing, of any particular commodity or group of commodities. However, more than 50% of DeVry's costs are in the form of employee wages and benefits. Changes in employment market conditions or

escalations in employee benefit costs could cause DeVry to experience cost increases at levels beyond what it has historically experienced.

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The financial position and results of operations of Ross University's Caribbean operations are measured using the U.S. dollar as the functional currency. Substantially all Ross University financial transactions are denominated in the U.S. dollar.

The financial position and results of operations of DeVry's Canadian educational programs are measured using the Canadian dollar as the functional currency. The Canadian operations have not entered into any material long-term contracts to purchase or sell goods and services, other than the lease agreement on a teaching facility. DeVry does not have any foreign exchange contracts or derivative financial instruments designed to mitigate changes in the value of the Canadian dollar. Because Canada-based assets constitute approximately 1.0% of DeVry's overall assets, and its Canadian liabilities constitute approximately 4% of overall liabilities, changes in the value of Canada's currency at rates experienced during the past several years are unlikely to have a material effect on DeVry's results of operations or financial position. Based upon the current value of the net assets in the Canadian operations, a change of \$0.01 in the value of the Canadian dollar relative to the U.S. dollar would result in a translation adjustment of approximately \$200,000.

The financial position and results of operations of DeVry's investment in DeVry Brasil are measured using the Brazilian Real as the functional currency. DeVry Brasil has not entered into any material long-term contracts to purchase or sell goods and services, other than the lease agreements on teaching facilities and contingencies relating to prior acquisitions. Currently, DeVry does not have any foreign exchange contracts or derivative financial instruments designed to mitigate changes in the value of the Brazilian Real. Because Brazilian-based assets constitute approximately 4.0% of DeVry's overall assets, and its Brazilian liabilities constitute less than 3% of overall liabilities, changes in the value of Brazil's currency at rates experienced during the past several years are unlikely to have a material effect on DeVry's results of operations or financial position. Based upon the current value of the net assets in DeVry Brasil's operations, a change of \$0.01 in the value of the Brazilian Real relative to the U.S. dollar would result in a translation adjustment of approximately \$1.1 million.

The interest rate on DeVry's debt is based upon LIBOR interest rates for periods typically ranging from one to three months. Based upon assumed borrowings of \$50.0 million at September 30, 2011, a 100 basis point increase in short-term interest rates would result in approximately \$0.5 million of additional annual interest expense. At September 30, 2011, DeVry had no outstanding borrowings. However, future investment opportunities and cash flow generated from operations may affect the level of outstanding borrowings and the effect of a change in interest rates.

DeVry's customers are principally individual students enrolled in its various educational programs. Accordingly, concentration of accounts receivable credit risk is small relative to total revenues or accounts receivable.

DeVry's cash is held in accounts at various large, financially secure depository institutions. Although the amount on deposit at a given institution typically will exceed amounts subject to guarantee, DeVry has not experienced any deposit losses to date, nor does management expect to incur such losses in the future.

## **ITEM 4 CONTROLS AND PROCEDURES**

### **Principal Executive and Principal Financial Officer Certificates**

The required compliance certificates signed by the DeVry's CEO and CFO are included as Exhibits 31 and 32 of this Quarterly Report on Form 10-Q.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to help ensure that all the information required to be disclosed in DeVry's reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified by the applicable rules and forms.

DeVry's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that DeVry's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act of 1934) are effective to ensure that information required to be disclosed in the reports that DeVry files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to DeVry's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.



**Table of Contents****Changes in Internal Control Over Financial Reporting**

There were no changes in internal control over financial reporting that occurred during the first quarter of fiscal year 2012 that materially affected, or are reasonably likely to materially affect, DeVry's internal control over financial reporting.

**PART II Other Information****ITEM 1 LEGAL PROCEEDINGS**

DeVry is subject to occasional lawsuits, administrative proceedings, regulatory reviews and investigations associated with financial assistance programs and other matters arising in the normal conduct of its business. The following is a description of pending litigation that may be considered other than ordinary and routine litigation that is incidental to the business.

The Boca Raton Firefighters and Police Pension Fund filed a complaint (the Shareholder Case) in the United States District Court for the Northern District of Illinois on November 1, 2010 (Case No. 1:10-cv-07031). The complaint was filed on behalf of a putative class of persons who purchased DeVry common stock between October 25, 2007, and August 13, 2010. Plaintiffs filed an amended complaint (the Amended Complaint) on March 7, 2011 alleging the same categories of claims in the initial complaint. The plaintiffs claim DeVry, Daniel Hamburger and Richard M. Gunst violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by failing to disclose abusive and fraudulent recruiting and financial aid lending practices, thereby increasing DeVry's student enrollment and revenues and artificially inflating DeVry's stock price during the class period. DeVry and its executives believe the allegations contained in the Amended Complaint are without merit and they are defending them vigorously. On May 6, 2011, DeVry filed a Motion to Dismiss the Amended Complaint, which is pending before the Court.

Three derivative cases similar to the Shareholder Case also have been filed ( Derivative Actions ). Two of the Derivative Actions were filed in the Circuit Court of Cook County, Illinois, Chancery Division: DeVry shareholder Timothy Hald filed a derivative complaint on behalf of DeVry on January 3, 2011 (*Hald v. Hamburger et al.*, Case No. 11 CH 0087) and Matthew Green (also a DeVry shareholder) filed a derivative complaint on behalf of DeVry on January 7, 2011 (*Green v. Hamburger et al.*, Case No. 11 CH 0770). The *Hald* and *Green* cases (the Consolidated Cases) were consolidated by court order dated February 9, 2011. Maria Dotro, another DeVry shareholder, filed a third derivative complaint on DeVry's behalf in the Delaware Court of Chancery on March 11, 2011 (*Dotro v. Hamburger et al.*, Case No. 6263). Both the Consolidated cases and the *Dotro* case have been stayed by agreement of the parties pending resolution of DeVry's forthcoming Motion to Dismiss the Shareholder Case ( Motion to Dismiss ).

The Derivative Actions allege that Daniel Hamburger, Richard M. Gunst, David J. Pauldine, Sharon T. Parrott, Ronald L. Taylor, Lisa W. Pickrum, Darren R. Huston, David S. Brown, William T. Keevan, Fernando Ruiz, Harold D. Shapiro, Lyle Logan, Connie R. Curran, and Julia McGee breached their fiduciary duties to DeVry by failing to disclose the same allegedly abusive and fraudulent recruiting and financial aid lending practices alleged in the Shareholder Case. The Derivative Actions also allege that DeVry's officers and directors unjustly enriched themselves and wasted DeVry's assets by (i) causing DeVry to incur substantial costs in defending the Shareholder Case; (ii) causing DeVry to pay compensation and benefits to individuals who breached their fiduciary duties; (iii) causing potential losses from certain of DeVry's programs no longer being eligible for federal financial aid; and (iv) damaging DeVry's corporate image and goodwill. DeVry and its executives and directors believe the allegations contained in the Derivative Actions are without merit and intend to defend them vigorously.

Although DeVry believes that the Shareholder Case and the Derivative Actions are without merit, the ultimate outcome of pending litigation is difficult to predict. At this time, DeVry does not expect that the outcome of any such matter will have a material effect on its cash flows, results of operations or financial position.

**Table of Contents****ITEM 1A RISK FACTORS**

In addition to the other information set forth in this report, and the update to the risk factor described below, the factors discussed in Part I Item 1A. Risk Factors in DeVry's Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which could materially affect DeVry's business, financial condition or future results, should be carefully considered. Such risks are not the only risks facing DeVry. Additional risks and uncertainties not currently known to DeVry or that management currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

*DeVry's goodwill and intangible assets could potentially be impaired if our business results and financial condition were materially and adversely impacted by the risks and uncertainties*

At September 30, 2011, intangible assets from business combinations totaled \$321.3 million, and goodwill totaled \$589.8 million. Together, these assets equaled approximately 45% of total assets as of such date. If DeVry's business results and financial condition were materially and adversely impacted, then such goodwill and intangible assets could be impaired, requiring possible write-off of up to \$321.3 million of intangible assets and up to \$589.8 million of goodwill.

**ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 2011	100,000	\$ 63.04	100,000	\$ 85,388,780
August 2011	342,600	\$ 45.39	342,600	69,839,712
September 2011	564,607	\$ 40.02	564,607	47,242,860
Total	1,007,207	\$ 44.13	1,007,207	\$ 47,242,860

- (1) On May 20, 2011, the Board of Directors authorized a share repurchase program to buy back up to \$100 million of DeVry common stock through June 30, 2013. The total remaining authorization under this share repurchase program was \$47,242,860 as of September 30, 2011.

**Other Purchases of Equity Securities**

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 2011		\$	N/A	N/A
August 2011	23,511	\$ 42.59	N/A	N/A
September 2011		\$	N/A	N/A
Total	23,511	\$ 42.59	N/A	N/A

- (2) Represents shares delivered back to the issuer for payment of withholding taxes from employees for vesting restricted shares pursuant to the terms of DeVry's stock incentive plans.

**ITEM 4 (REMOVED AND RESERVED)**

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**ITEM 6 EXHIBITS**

Exhibit 2.1	Asset Purchase Agreement, made as of August 3, 2011, by and among The American University of the Caribbean, N.V., Medical Education Services, Inc., AUC School of Medicine BV and DeVry Medical International, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K/A dated August 3, 2011)
Exhibit 31	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Amended
Exhibit 32	Certification Pursuant to Title 18 of the United States Code Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DeVry Inc.

Date: November 4, 2011

By /s/ Daniel M. Hamburger  
Daniel M. Hamburger  
Chief Executive Officer

Date: November 4, 2011

By /s/ Richard M. Gunst  
Richard M. Gunst  
Senior Vice President and Chief Financial Officer