NEW ISSUE - BOOK ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2011B Bonds is includible in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2011A Bonds and the Series 2011B Bonds is exempt from District of Columbia taxation, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds and Series 2011B Bonds. See "TAX MATTERS" herein.

$225,250,000
District of Columbia Revenue Bonds (The Howard University Issue) Series 2011A

$65,065,000
District of Columbia Revenue Bonds (The Howard University Issue) Series 2011B (Taxable)

Dated: Date of Delivery **Due:** October 1, as shown on inside cover

The District of Columbia Revenue Bonds (The Howard University Issue), Series 2011A (the "*Series 2011A Bonds*") and the District of Columbia Revenue Bonds (The Howard University Issue), Series 2011B (Taxable) (the "*Series 2011B Bonds*," and together with the Series 2011A Bonds, the "*Series 2011 Bonds*") will be issued and secured under the provisions of an Indenture of Trust dated as of April 1, 2011 (the "*Indenture*") between the District of Columbia (the "*District*") and The Bank of New York Mellon, as trustee (the "*Trustee*"), and will be payable solely from the receipts and revenues of the District from the Loan Agreement between

The Howard University

(the "*University*") and the District, dated as of April 1, 2011 (the "*Loan Agreement*"). Promissory notes evidencing the obligation of the University to repay the loan of the proceeds of the Series 2011 Bonds (the "*Series 2011 Notes*") will be delivered by the University as security for its obligations under the Loan Agreement. The obligation of the University to make payments pursuant to the Loan Agreement and the Series 2011 Notes is a general, unconditional obligation of the University. The University will use the loan proceeds to (a) refund the District's outstanding Revenue Refunding Bonds (The Howard University Issue), Series 1998, the District's outstanding Revenue Bonds (The Howard University Issue), Series 2006A and the District's outstanding Multimodal Revenue Refunding Bonds (The Howard University Issue), Series 2006B, (b) pay for certain capital improvements, (c) pay for swap termination fees associated with the Series 2006B Bonds, (d) fund a debt service reserve fund for the Series 2011 Bonds, (e) pay capitalized interest on a portion of the Series 2011A Bonds and (f) pay certain costs related to the issuance of the Series 2011 Bonds. See "**PLAN OF FINANCING**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The Series 2011 Bonds are issuable only as registered bonds in denominations of $5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("*DTC*"). So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2011 Bonds, payments of the principal of and the premium, if any, and interest on the Series 2011 Bonds will be made, when due, directly to DTC by the Trustee, and the Trustee will have no obligation to make payments to any Beneficial Owner of any 2011 Bond. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. See "**THE SERIES 2011 BONDS--GENERAL**." An investment in the Series 2011 Bonds involves certain risks, certain of which are described in "**INVESTMENT CONSIDERATIONS**."

THE SERIES 2011 BONDS SHALL BE SPECIAL OBLIGATIONS OF THE DISTRICT. THE SERIES 2011 BONDS ARE WITHOUT RECOURSE TO THE DISTRICT. THE SERIES 2011 BONDS SHALL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT, SHALL NOT BE A PLEDGE OF OR INVOLVE THE FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT, SHALL NOT CONSTITUTE A DEBT OF THE DISTRICT AND SHALL NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY THE HOME RULE ACT. THE SERIES 2011 BONDS SHALL NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE DISTRICT AND THE DISTRICT SHALL HAVE NO OBLIGATION WITH RESPECT TO THE PURCHASE OF THE SERIES 2011 BONDS. PRINCIPAL OF, AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2011 BONDS WILL BE PAYABLE SOLELY FROM THE RECEIPTS AND REVENUES OF THE DISTRICT FROM THE LOAN AGREEMENT AND THE SERIES 2011 NOTES.

Interest on the Series 2011 Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2011. The Series 2011 Bonds are subject to optional, mandatory and extraordinary optional redemption prior to their maturities as set forth in the Indenture and as described under "**THE SERIES 2011 BONDS--REDEMPTION OF THE SERIES 2011 BONDS**" herein.

The Series 2011 Bonds are offered subject to prior sale when, as and if issued by the District, and accepted by the Underwriters subject to the receipt of the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the University by the General Counsel of the University and its special counsel, Ballard Spahr LLP and Lewis & Munday, A Professional Corporation, for the Underwriters by McGuireWoods LLP and McKenzie & Associates, and for the District by the Office of the Attorney General. Public Financial Management, Inc. has acted as financial advisor to the University in connection with the issuance of the Series 2011 Bonds. The Series 2011 Bonds are expected to be available for delivery to DTC in New York, New York, on or about April 27, 2011.

BofA Merrill Lynch **Loop Capital Markets**

Goldman, Sachs & Co. **J.P.Morgan** **Rice Financial Products Company**

Siebert Brandford Shank & Co., L.L.C. **The Williams Capital Group, L.P.**

Dated: April 7, 2011

$225,250,000
District of Columbia
Revenue Bonds
(The Howard University Issue)
Series 2011A

$47,775,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2020	$1,595,000	5.250%	5.000%	101.857	25483VDS0
2021	5,040,000	5.000%	5.230%	98.165	25483VDL5
2022	5,360,000	5.250%	5.390%	98.812	25483VDM3
2023	5,740,000	6.250%	5.520%	105.517*	25483VDN1
2024	6,165,000	6.250%	5.660%	104.429*	25483VDP6
2025	7,120,000	5.625%	5.800%	98.300	25483VDQ4
2026	8,110,000	5.750%	5.920%	98.290	25483VDR2
2027	8,645,000	5.750%	6.010%	97.304	25483VDV3

* Priced to first par optional redemption date of April 1, 2021.

$47,960,000 6.250% Term Bonds due October 1, 2032 - Yield 6.450% Price 97.688% - CUSIP 25483VDU5
$40,490,000 6.500% Term Bonds due October 1, 2037 - Yield 6.700% Price 97.531% - CUSIP 25483VDT8
$89,025,000 6.500% Term Bonds due October 1, 2041 - Yield 6.750% Price 96.780% - CUSIP 25483VDK7

$65,065,000
District of Columbia
Revenue Bonds
(The Howard University Issue)
Series 2011B (Taxable)

$15,740,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2015	$1,400,000	4.313%	4.313%	100	25483VDW1
2016	1,915,000	4.713%	4.713%	100	25483VDX9
2017	2,110,000	5.175%	5.175%	100	25483VDY7
2018	2,785,000	5.375%	5.375%	100	25483VDZ4
2019	4,405,000	5.741%	5.741%	100	25483VEA8
2020	3,125,000	5.991%	5.991%	100	25483VEB6

$49,325,000 7.625% Term Bonds due October 1, 2035 - Yield 7.898% Price 97.055% - CUSIP 25483VEC4

The Series 2011 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts.

No dealer, broker, salesperson or other person has been authorized by the District, the University or the Underwriters to give any information or to make any representations with respect to the Series 2011 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds by or to any person in any jurisdiction in which it is unlawful to do so.

Certain information with respect to the University has been obtained from the University and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the District or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE DISTRICT CONTAINED IN **"THE DISTRICT"** AND **"LITIGATION"** HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE DISTRICT, AND THE DISTRICT MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement, including without limitation the Appendices hereto, constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended, and Section 27A of the United States *Securities Act of 1933*, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "projection" or other similar words. Such forward-looking statements include, among others, certain of the information in "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS, CASH FLOWS AND CHANGES IN NET ASSETS" in Appendix A and "INVESTMENT CONSIDERATIONS" herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS CHANGE OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR.

DISTRICT OF COLUMBIA

MAYOR

Vincent C. Gray

EXECUTIVE OFFICERS

Allen Y. Lew, City Administrator
Victor L. Hoskins, Acting Deputy Mayor for Planning and Economic Development
Irvin B. Nathan, Acting Attorney General
Natwar M. Gandhi, Chief Financial Officer

COUNCIL OF THE DISTRICT OF COLUMBIA

Kwame R. Brown, Chairman

Mary M. Cheh	Ward 3/Chair Pro Tempore
Sekou Biddle	At Large
David Catania	At Large
Phil Mendelson	At Large
Michael Brown	At Large
Jim Graham	Ward 1
Jack Evans	Ward 2
Muriel Bowser	Ward 4
Harry Thomas, Jr.	Ward 5
Tommy Wells	Ward 6
Yvette M. Alexander	Ward 7
Marion Barry	Ward 8

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
Washington, D.C.

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OFFICIAL STATEMENT

$225,250,000
DISTRICT OF COLUMBIA
REVENUE BONDS
(THE HOWARD UNIVERSITY ISSUE)
SERIES 2011A

$65,065,000
DISTRICT OF COLUMBIA
REVENUE BONDS
(THE HOWARD UNIVERSITY ISSUE)
SERIES 2011B (TAXABLE)

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside cover page and the Appendices attached hereto, is provided to furnish certain information relating to the issuance by the District of Columbia (the *"District"*) of its $225,250,000 Revenue Bonds (The Howard University Issue), Series 2011A (the *"Series 2011A Bonds"*) and its $65,065,000 Revenue Bonds (The Howard University Issue), Series 2011B (Taxable) (the *"Series 2011B Bonds,"* and together with the Series 2011A Bonds, the *"Series 2011 Bonds"*). The Series 2011 Bonds are being issued pursuant to an Indenture of Trust dated as of April 1, 2011 (the *"Indenture"*), between the District and The Bank of New York Mellon, as Trustee (the *"Trustee"*). The proceeds of the Series 2011 Bonds will be loaned (the *"Loan"*) to The Howard University, a non-profit educational institution organized under the laws of the United States of America and recognized as a 501(c)(3) organization by the Internal Revenue Service (the *"University"*), pursuant to the Loan Agreement dated as of April 1, 2011 (the *"Loan Agreement"*), between the University and the District. To evidence its obligations to repay the Loan, the University will issue its promissory note in the amount of the Series 2011A Bonds (the *"Series 2011A Note"*) and its promissory note in the amount of the Series 2011B Bonds (the *"Series 2011B Note,"* and together with the Series 2011A Note, the *"Series 2011 Notes"*). The Series 2011 Notes will be general, unconditional obligations of the University. As security for the Series 2011 Bonds, the District will assign to the Trustee the Series 2011 Notes, all of its rights under the Loan Agreement (except for the Reserved Rights of the District), all amounts in certain of the funds and accounts held by the Trustee under the Indenture, including certain investment earnings thereon, and all other property constituting the Trust Estate. See "**SECURITY AND SOURCES OF PAYMENT**" herein.

The University will use the Loan proceeds, together with other available funds, to (a) refund the District's outstanding Revenue Refunding Bonds (The Howard University Issue), Series 1998 (the *"Series 1998 Bonds"*), the District's outstanding Revenue Bonds (The Howard University Issue), Series 2006A (the *"Series 2006A Bonds"*), and the District's outstanding Multimodal Revenue Refunding Bonds (The Howard University Issue), Series 2006B (the *"Series 2006B Bonds,"* and together with the Series 2006A Bonds, the *"Series 2006 Bonds"*), (b) pay for certain capital improvements, (c) pay for swap termination fees associated with the Series 2006B Bonds, (d) fund a debt service reserve fund for the Series 2011 Bonds, (e) pay capitalized interest on a portion of the Series 2011A Bonds and (f) pay certain costs related to the issuance of the Series 2011 Bonds. See "**PLAN OF FINANCING**" and "**ESTIMATED SOURCES AND USES OF FUNDS**."

THE SERIES 2011 BONDS SHALL BE SPECIAL OBLIGATIONS OF THE DISTRICT. THE SERIES 2011 BONDS ARE WITHOUT RECOURSE TO THE DISTRICT. THE SERIES 2011 BONDS SHALL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT, SHALL NOT BE A PLEDGE OF OR INVOLVE THE FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT, SHALL NOT CONSTITUTE A DEBT OF THE DISTRICT AND SHALL NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY THE HOME RULE ACT. THE SERIES 2011 BONDS SHALL NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE DISTRICT AND THE DISTRICT SHALL HAVE NO OBLIGATION WITH RESPECT TO THE PURCHASE OF THE SERIES 2011 BONDS. PRINCIPAL OF, AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2011 BONDS WILL BE PAYABLE SOLELY FROM THE RECEIPTS AND REVENUES OF THE DISTRICT FROM THE LOAN

AGREEMENT AND THE SERIES 2011 NOTES AND ARE SECURED BY A PLEDGE OF THE TRUST ESTATE, ALL OF WHICH SHALL, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED IN THE INDENTURE, BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, THE BONDS.

Summaries of certain provisions of the Indenture, the Loan Agreement and the Series 2011 Notes are set forth in Appendix C. These summaries do not purport to be complete and are qualified in their entirety by reference to, and should be read only in conjunction with, the documents themselves, copies of which are on file with the Trustee. Capitalized terms not otherwise defined in this Official Statement have the meanings given them in "**DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES**" in Appendix C. The *"Bonds"* means, collectively, the Series 2011 Bonds and any Additional Bonds. The *"Notes"* means, collectively, the Series 2011 Notes and any Additional Notes.

THE DISTRICT

The District is a duly created and validly existing government constituted as a body corporate for municipal purposes under the District of Columbia Home Rule Act, approved December 24, 1973 (P.L. 93-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01 *et seq*., as amended (the *"Home Rule Act"*). The District was granted home rule authority over local matters by the Home Rule Act. The District has the power to contract and to be contracted with, to sue and to be sued, to plead and to be impleaded, to have a seal and to exercise all other powers of a municipal corporation not inconsistent with the United States Constitution, the laws of the United States of America and the laws of the District. The United States Congress retains the ultimate legislative authority over the District pursuant to Article 1, Section 8 of the United States Constitution and by the Home Rule Act.

The District government is organized with a Mayor exercising executive powers and the 13-member Council of the District (the *"Council"*) exercising legislative powers. The Council discharges the powers delegated in the Home Rule Act by enacting acts or adopting resolutions approved by a majority of its members present and voting. The Series 2011 Bonds have been duly authorized for issuance, sale and delivery pursuant to Section 490 of the Home Rule Act and The Howard University Revenue Bonds Project Approval Resolution of 2011, R19-46 adopted by the Council on March 1, 2011.

THE UNIVERSITY

The University is an independent, non-profit, co-educational, nonsectarian institution of higher education located principally on three campuses in the District, with a central campus located approximately two miles from the United States Capitol. The University was founded in 1866 and although widely regarded as the leading African American university in the United States, the University does not discriminate in matters relating to admission to its educational and medical programs or to employment on the basis of race, color, national or ethnic origin, sex, marital status, religion, age or disability. The University operates under a three-division structure – Academic Affairs, Health Sciences and Institutional Support. The *Academic Affairs* division includes nine non-health-related schools, colleges, programs and scholarly activities. The *Health Services* division includes four health-related colleges, programs and scholarly activities, the clinical services of faculty health practices and The Howard University Hospital. The *Institutional Support* division includes all student activities, administrative functions and physical facilities management. The University is designated a Research University (High Research Activity) by the Carnegie Foundation, one of only 27 private not-for-profit universities in the United States to receive this designation. For a more complete description of the University, see Appendix A.

THE SERIES 2011 BONDS

GENERAL

The Series 2011 Bonds will be dated their date of delivery, will be issued in denominations of $5,000 or any integral multiple thereof, and will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2011 Bonds will be payable on each April 1 and October 1 (the *"Interest Payment Dates"*), commencing October 1, 2011. The Series 2011 Bonds will bear interest from and including the date of delivery, if the date of authentication is prior to the first Interest Payment Date, and otherwise from the Interest Payment Date that is, or that immediately precedes, the date of authentication (unless payment of interest on the Series 2011 Bonds shall be in default, in which case such Series 2011 Bonds shall bear interest from the date to which interest has been paid or duly provided for).

The Series 2011 Bonds initially will be issued as one fully registered bond for each maturity in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (*"DTC"*), which will act as securities depository for the Series 2011 Bonds. Purchases of Series 2011 Bonds will be in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. As long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2011 Bonds, payments of principal of, premium, if any, on and interest on the Series 2011 Bonds will be made by the Trustee directly to Cede & Co. See Appendix F, "**BOOK-ENTRY-ONLY FORM**."

REDEMPTION OF THE SERIES 2011 BONDS

Optional Redemption. The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District, at the written direction of the University, in the University's sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

Make-Whole Optional Redemption. The Series 2011B Bonds are subject to optional redemption prior to maturity in whole or in part (and, if in part, in Authorized Denominations and on a pro rata basis) on any Business Day at the Make-Whole Redemption Price at the direction of the University. The University shall retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the University may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and determination of, the Make-Whole Redemption Price, and neither the Trustee nor the University will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Trustee, the University and the Owners of the Series 2011B Bonds. For purposes of this paragraph,

"Make-Whole Adjustment" means fifty (50) basis points;

"Make-Whole Redemption Price" means the greater of (a) 100% of the principal amount of a Series 2011B Bond to be redeemed and (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2011B Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2011B Bond is to be redeemed, discounted to the date on which such Series 2011B Bond is to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the adjusted Treasury Rate plus the Make-Whole Adjustment, plus, in each case, accrued and unpaid interest on such Series 2011B Bond to the redemption date; and

"Treasury Rate" means the yield to maturity as of the redemption date of a Series 2011B Bond of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to delivery of the notice of redemption of such Series 2011B Bond (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of such Series 2011B Bond; *provided, however,* that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption. The Series 2011A Bonds maturing on October 1, 2032, will be redeemed in part, prior to their scheduled maturity, on October 1 of the years and in the principal amounts shown below, by lot, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, without premium:

YEAR	AMOUNT
2028	$9,245,000
2029	9,900,000
2030	10,590,000
2031	12,325,000
2032*	5,900,000

* Maturity

The Series 2011A Bonds maturing on October 1, 2037, will be redeemed in part, prior to their scheduled maturity, on October 1 of the years and in the principal amounts shown below, by lot, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, without premium:

YEAR	AMOUNT
2035	$3,945,000
2036	17,680,000
2037*	18,865,000

* Maturity

The Series 2011A Bonds maturing on October 1, 2041, will be redeemed in part, prior to their scheduled maturity, on October 1 of the years and in the principal amounts shown below, by lot, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, without premium:

YEAR	AMOUNT
2038	$20,135,000
2039	21,490,000
2040	22,930,000
2041*	24,470,000

* Maturity

The Series 2011B Bonds maturing on October 1, 2035, will be redeemed in part, prior to their scheduled maturity, on October 1 of the years and in the principal amounts shown below, by lot, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, without premium:

YEAR	AMOUNT
2032	$7,280,000
2033	14,185,000
2034	15,305,000
2035*	12,555,000

* Maturity

In the event any Series 2011 Bonds subject to mandatory sinking fund redemption have been optionally redeemed or shall have been purchased by the University and delivered to the Trustee, the principal amount of Series 2011 Bonds subject to mandatory sinking fund redemption on each Sinking Fund Installment Date following such redemption shall be reduced by an amount specified with respect to each such Sinking Fund Installment by the University by written notice to the Trustee and the Paying Agent at the time such Series 2011 Bonds are selected for redemption, provided that the aggregate amount of such reductions shall not exceed the aggregate principal amount of Series 2011 Bonds optionally redeemed. If the University fails to make any such determination, the principal amount of Series 2011 Bonds subject to mandatory sinking fund redemption shall be reduced by applying the principal amount of Series 2011 Bonds optionally redeemed as a credit against the amounts required to be redeemed by mandatory sinking fund redemption in inverse order of their due dates.

Extraordinary Optional Redemption. The Series 2011 Bonds are subject to extraordinary optional redemption prior to maturity, at the option and at the written direction of the University in its sole discretion, in whole or in part, but only to the extent of the applicable Net Proceeds described below, if title to, or the temporary use of, any portion of the facilities financed with the Series 2011 Bonds shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or any portion of the facilities financed with the Series 2011 Bonds is damaged or destroyed by fire or casualty, and the University determines in accordance with the Loan Agreement to prepay the Series 2011 Notes, in whole or in part, with the Net Proceeds received in connection with such exercise or casualty within forty-five (45) days of the receipt of such proceeds; provided, however, that such prepayment shall be permitted only to the extent that the compensation, awards or other payments therefor are not applied to the repair, restoration, rebuilding or replacement of the portion of the facilities financed with the Series 2011 Bonds so affected, and the amount of the Net Proceeds prepayment does not exceed the amount of Series 2011 Bond proceeds originally used to finance the condemned or damaged facilities.

SELECTION OF SERIES 2011 BONDS FOR REDEMPTION

The Trustee shall select Series 2011 Bonds for redemption solely from funds available for that purpose in accordance with the provisions of the Indenture, in such order as the University in its discretion may determine by written instructions to the Trustee (no fewer than 45 days in advance of the redemption date, or such shorter period agreed to by the Trustee) and by lot within maturities; provided, however, that (a) the portion of any Series 2011 Bond to be redeemed shall be equal to an Authorized Denomination; and (b) in selecting Series 2011 Bonds for redemption, the Trustee shall treat each Series 2011 Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bonds by $5,000.

NOTICE OF REDEMPTION

In the event any of the Series 2011 Bonds are to be called for redemption, the Registrar shall give notice, in the name of the District, of the redemption of such Series 2011 Bonds. Each notice shall (a) specify the Series 2011 Bonds to be redeemed by CUSIP number, registration number, date of issue, interest rate, maturity date, the redemption date, the Redemption Price and the place or places where amounts due upon such redemption will be payable (which shall be the Principal Office of the Paying

Agent) and, if fewer than all of the Series 2011 Bonds are to be redeemed, the registration numbers or portions of such Series 2011 Bonds to be redeemed and, in the case of Series 2011 Bonds in a denomination other than the minimum Authorized Denomination, the portions of the Series 2011 Bonds which are to be redeemed in part, (b) state that on the redemption date the Series 2011 Bonds or portions thereof to be redeemed shall cease to bear interest, and (c) state any conditions to the redemption. The notice may set forth any additional information relating to the redemption.

Such notice shall be given by first class mail, return receipt requested, not more than 45 days and not fewer than 30 days prior to the date fixed for redemption to the Owners of Series 2011 Bonds or portions of Series 2011 Bonds to be redeemed at the addresses shown on the registration books of the Registrar as of the third day next preceding the date on which notice by mail is given, or, if any such day is not a Business Day, the Business Day next preceding such day (a *"Redemption Record Date"*). The failure to give notice by mail to any Owner of any Series 2011 Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings for redemption of any other Series 2011 Bonds for which notice was properly given. Upon presentation and surrender of Series 2011 Bonds so called for redemption at the place or places of payment, such Series 2011 Bonds or such portions thereof shall be redeemed.

On the redemption date the principal amount of each Series 2011 Bond or portion thereof to be redeemed, together with the accrued interest on such Series 2011 Bonds or portion thereof to the redemption date, shall become due and payable. If notice of redemption has been given to the Owners of Series 2011 Bonds to be redeemed and if moneys to pay the Redemption Price are on deposit with the Trustee or the Paying Agent in accordance with the provisions of the Indenture, and if all conditions, if any, to the redemption are satisfied, then (1) no further interest shall accrue on any of the Series 2011 Bonds to be redeemed, whether or not such Series 2011 Bonds have been surrendered for payment, and (2) the Series 2011 Bonds to be redeemed shall no longer be Outstanding under the Indenture, and the District shall be under no further liability with respect to such Series 2011 Bonds.

With respect to any notice of redemption of Series 2011 Bonds, the notice may state that the redemption shall be conditional upon receipt by the Trustee of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2011 Bonds to be redeemed, and that if such moneys shall not have been so received, the Trustee shall give notice, in the manner redemption notice was given, that such moneys were not received and that the redemption will not occur.

NO PARTIAL REDEMPTION AFTER DEFAULT

If there has occurred and is continuing an Event of Default under the Indenture, and payment of the Series 2011 Bonds has been accelerated, there shall be no redemption of fewer than all the Series 2011 Bonds then Outstanding.

PURCHASE IN LIEU OF REDEMPTION

When the Series 2011 Bonds are subject to redemption, such Series 2011 Bonds may be purchased in lieu of redemption at the option of the University at a purchase price equal to the principal amount thereof, plus accrued interest to the date of such purchase, if the Trustee and the District have received written notice from the University and an opinion of Bond Counsel to the effect that the University's purchase of the Series 2011 Bonds will not, in and of itself, adversely affect the excludability from gross income for federal income tax purposes of interest on the Series 2011A Bonds.

SECURITY AND SOURCES OF PAYMENT

GENERAL

The descriptions and summaries of certain provisions of the Indenture and the Loan Agreement set forth herein and in Appendix C do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of the respective terms, conditions and covenants thereof. Copies of each document will be available for inspection on reasonable notice during regular business hours at the principal corporate trust office of the Trustee after the issuance of the Series 2011 Bonds.

SPECIAL OBLIGATIONS

As described on the cover of this Official Statement, the Series 2011 Bonds are special obligations of the District, payable solely from the Receipts and Revenues of the District from the Loan Agreement and the Series 2011 Notes. THE SERIES 2011 BONDS SHALL CONSTITUTE SPECIAL OBLIGATIONS OF THE DISTRICT, SHALL BE WITHOUT RECOURSE TO THE DISTRICT, SHALL NOT CONSTITUTE GENERAL OBLIGATIONS OF THE DISTRICT, SHALL NOT CONSTITUTE A PLEDGE OF OR INVOLVE THE FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT, SHALL NOT CONSTITUTE A DEBT OF THE DISTRICT AND SHALL NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY SECTION 602(A)(2) OF THE HOME RULE ACT.

THE LOAN AGREEMENT AND PAYMENT OBLIGATIONS

The Series 2011 Bonds will be special obligations of the District payable by the District, solely from Receipts and Revenues of the District from the Loan Agreement and the Notes (as such term is defined in Appendix C) issued by the University to the District. The obligation of the University to make Loan Payments and Additional Payments (both as described below) under the Loan Agreement is an unconditional general obligation of the University secured by the Notes, all of the District's rights under the Loan Agreement (except for the Reserved Rights of the District), all amounts in certain of the funds and accounts held by the Trustee under the Indenture, including certain investment earnings thereon, and all other property constituting the Trust Estate.

The Notes provide for payment of the principal, premium, if any, and interest corresponding to the payments due on the Bonds (*"Loan Payments"*) and Additional Payments, which include professional fees, litigation expenses, the Program Fee, Administrative Costs, Issuance Costs and redemption expenses, all as described in the Loan Agreement. The University's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions. See "**INVESTMENT CONSIDERATIONS**" below and Appendix A hereto.

DEBT SERVICE RESERVE FUND

The Series 2011 Bonds will be secured by the Debt Service Reserve Fund, into which there will be deposited an amount equal to the Debt Service Reserve Fund Requirement. The amount of the Debt Service Reserve Fund Requirement is equal to $12,634,712.50. Any deficiencies or withdrawals from the Debt Service Reserve Fund are required to be replenished from payments made by the University in twelve substantially equal consecutive monthly installments. The Debt Service Reserve Fund will be used to make transfers to the Debt Service Fund to the extent amounts in the Debt Service Fund are insufficient to make required payments of principal and interest on the Series 2011 Bonds. The University is permitted to substitute a credit facility for funds on deposit in the Debt Service Reserve Fund upon the satisfaction of certain conditions. **The Debt Service Reserve Fund is security only for the Series 2011 Bonds and the Series 2011 Notes and is not security for any other obligations of the University.** See "**THE INDENTURE – CREATION OF FUNDS AND ACCOUNTS; DEPOSIT OF AND USE OF MONEYS – DEBT SERVICE RESERVE FUND**" in Appendix C.

ADDITIONAL BONDS

The District may issue Additional Bonds for the University under the conditions described in the Indenture and the Loan Agreement. The University may incur Long-Term General Obligation Indebtedness (including Additional Bonds) if a certificate from the Chief Financial Officer of the University is delivered to the Trustee demonstrating and concluding that after giving effect to such Long-Term General Obligation Indebtedness, the Debt Service Coverage Ratio will not be less than 1.10 to 1.00 (i) as of the date of the incurrence of such Long-Term General Obligation Indebtedness (using the most recent audited financial statements of the University for purposes of the calculation) and (ii) on a pro forma basis, as of the close of the next fiscal year. See "**THE LOAN AGREEMENT – LIMITATIONS ON ADDITIONAL GENERAL OBLIGATION INDEBTEDNESS**" in Appendix C.

RATE COVENANT

The University covenants in the Loan Agreement to set rates, fees and charges for its facilities, services and products such that the Debt Service Coverage Ratio (defined below), calculated at the end of each fiscal year, will not be less than 1.10 to 1.00. The covenant described in this paragraph is referred to herein as the "Rate Covenant."

If the University fails to satisfy the Rate Covenant in any fiscal year, then the University has agreed to retain a Consultant to make recommendations to increase the Debt Service Coverage Ratio to at least 1.10 to 1.00 in the following fiscal year. So long as the University has retained a Consultant and has followed the Consultant's recommendations to the extent feasible and permitted by law, then a failure to achieve a Debt Service Coverage Ratio of 1.10 to 1.00 at the end of any fiscal year will not constitute an Event of Default, provided, however, that the University maintains a Debt Service Coverage Ratio of at least 1.00 for any fiscal year.

Notwithstanding the provisions of the Loan Agreement described above, the University will not be required to retain a Consultant to make recommendations if:

(a) there is filed with the Trustee a written report addressed to it of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations are the sole reason that have prevented the University from generating income during such fiscal year in an amount sufficient to produce a Debt Service Coverage Ratio of 1.10 to 1.00 or higher;

(b) the report of such Consultant indicates that the tuition, fees and rates charged by the University are such that, in the opinion of the Consultant, the University has generated the maximum amount of revenues reasonably practicable given such laws or regulations; and

(c) the Debt Service Coverage Ratio was at least 1.00 for such fiscal year.

As used herein, "Debt Service Coverage Ratio" means as of the last day of any fiscal year, the quotient obtained by dividing (a) the sum of:

(i) the change in the non-permanently restricted net assets of the University for such fiscal year, provided, that there shall be excluded from the calculation thereof (A) any gains or losses realized upon the sale or disposition of Property of the University other than in the ordinary course of the University's operations and activities, (B) any non-recurring non-cash gains or losses realized or incurred by the University during such fiscal year, (C) any unrealized net gain or net loss, as the case may be, on any derivatives transactions, (D) any unrealized net gain or net loss, as the case may be, on investments, (E) any change in funded status of pension plan, (F) any change in post-retirement obligations, (G) any amortization of actuarial net gains or losses with respect to retirement plans, (H) any restructuring costs, and (I) any non-operating non-cash items, plus

(ii) depreciation expense and amortization of intangibles of the University for such fiscal year, plus

(iii) interest payments made during such fiscal year on Indebtedness of the University (including the interest portion of all payments on Capitalized Lease Obligations), excluding, however, any such payments on Indebtedness issued by or for the University for purposes of constructing or acquiring any Capital Addition if such payments were made from a capitalized interest fund or similar fund established with proceeds of the applicable Indebtedness for the purposes of providing for the payment of interest on such Indebtedness during the construction period or otherwise until such Capital Addition is placed into service, and plus

(iv) any letter of credit fees, commitment fees or similar fees payable in connection with any credit facility provided to the University in connection with Indebtedness issued by or for the University,

by (b) the sum of

(i) the amount of all payments required to have been made during such fiscal year to repay, redeem or repurchase the principal of Long-Term Indebtedness of the University, including the principal portion of all required payments on Capitalized Lease Obligations, and also including (but without duplication) all payments or deposits required to have been made during such fiscal year to any sinking fund or similar fund to provide for the repayment, redemption or repurchase of Long-Term Indebtedness of the University, plus

(ii) interest payments made during such fiscal year on Indebtedness of the University (including the interest portion of all payments on Capitalized Lease Obligations), excluding, however, any such payments on Indebtedness issued by or for the University for purposes of constructing or acquiring any Capital Addition if such payments were made from a capitalized interest fund or similar fund established with proceeds of the applicable Indebtedness for the purposes of providing for the payment of interest on such Indebtedness during the construction period or otherwise until such Capital Addition is placed into service, and plus

(iii) any letter of credit fees, commitment fees or similar fees payable in connection with any credit facility provided to the University in connection with Indebtedness issued by or for the University.

OTHER COVENANTS OF THE UNIVERSITY

Pursuant to the Loan Agreement, the University agreed to comply with certain covenants with respect to its finances, disposition of assets, its use of proceeds of the Series 2011 Bonds and its maintenance of tax-exempt status. See "**THE LOAN AGREEMENT**" in Appendix C.

PLAN OF FINANCING

The proceeds of the Series 2011A Bonds will be used to finance a portion of the costs of the 2011 Project, which is expected to include: general upgrades, renovations and construction of facilities located on the Main Campus, the East Campus and the West Campus including, but not limited to, heating, air conditioning, and sprinkler/fire systems, modernization of classrooms, upgrading laboratories for research, roof replacement and repairs, renovation of buildings for safety and access, installation of modern instructional and clinical equipment and the equipping of classrooms, teaching laboratories and other building learning spaces with enhanced multi-media technology, improved information systems, fiber optic wiring, camera surveillance and entry access systems, as well as new construction of a Science, Technology, Engineering and Mathematics Building and an Interdisciplinary Building. See "**FACILITIES**" in Appendix A for a more detailed description of the 2011 Project.

The proceeds of the Series 2011A Bonds will also be used to fund the interest payments on the portion of the Series 2011A Bonds related to the 2011 Project through approximately October 1, 2013; to fund a portion of the debt service reserve fund for the Series 2011 Bonds; to currently refund the Series 1998 Bonds maturing on October 1, 2020, which are currently outstanding in the principal amount of $10,770,000; to currently refund the Series 2006B Bonds, which are currently outstanding in the principal amount of $37,825,000; to advance refund a portion of the Series 1998 Bonds maturing on October 1, 2011 through October 1, 2018, which are currently outstanding in the principal amount of $7,935,000; and to advance refund a portion of the Series 2006A Bonds, which are currently outstanding in the principal amount of $29,395,000. The Series 1998 Bonds maturing on October 1, 2020 and the Series 2006B Bonds are expected to be redeemed on or about the delivery date of the Series 2011 Bonds.

The proceeds of the Series 2011B Bonds will be used to advance refund a portion of the Series 1998 Bonds maturing on October 1, 2011 through October 1, 2018, which are currently outstanding in the principal amount of $31,505,000; to advance refund a portion of the Series 2006A Bonds, which are currently outstanding in the amount of $24,095,000; and to fund a portion of the debt service reserve fund for the Series 2011 Bonds. A portion of the proceeds of the Series 2011B Bonds will be used to pay swap termination fees associated with the Series 2006B Bonds.

The proceeds of the Series 2011A Bonds and the Series 2011B Bonds will also be used to pay the costs of issuing the Series 2011A Bonds and Series 2011B Bonds, respectively.

A portion of the proceeds of the Series 2011A Bonds will be deposited into an account created within an escrow fund established with The Bank of New York Mellon, in its capacity as Escrow Agent (the *"Escrow Agent"*), under an escrow deposit agreement and will be applied to pay all principal, premium and interest due on the Series 1998 Bonds and the Series 2006A Bonds being advanced refunded. In addition, a portion of the proceeds of the Series 2011B Bonds will be held on deposit with the Escrow Agent for the Series 1998 Bonds and the Series 2006A Bonds and will be applied to pay all principal, premium and interest due on the Series 1998 Bonds and the Series 2006A Bonds being advance refunded. The amounts held on deposit in the escrow funds will not be used as security for the Series 2011 Bonds. A more detailed description of the use of the proceeds of the Series 2011 Bonds is set forth in "**ESTIMATED SOURCES AND USES OF FUNDS**" below.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be derived from the sale of the Series 2011 Bonds are estimated to be applied as follows:

SOURCES:	SERIES 2011A BONDS	SERIES 2011B BONDS
Principal Amount of Bonds	$225,250,000.00	$65,065,000.00
Net Original Issue Discount	-5,004,746.50	-1,452,621.25
Allocation of 1998 Debt Service Reserve Fund, and Prior Debt Service Funds	3,850,860.62	6,281,480.92
TOTAL	$224,096,114.12	$69,893,859.67
USES:		
2011 Project	$100,000,340.27	-
Current Refunding Series 1998 Bonds and Series 2006B Bonds	48,687,779.34	-
Refunding Escrow Deposits		
Cash Deposit	1,660.53	$2,709.27
Open Market Purchases	42,170,961.95	62,383,930.45
Debt Service Reserve Fund	9,803,038.05	2,831,674.45
Capitalized Interest(1)	19,781,675.41	-
Costs of Issuance(2)	3,650,658.57	1,011,545.50
Series 2006B Swap Termination	-	3,664,000.00
TOTAL	$224,096,114.12	$69,893,859.67

(1) Interest on the portion of the Series 2011A Bonds related to the 2011 Project for the period estimated to extend from the date of delivery of the Series 2011A Bonds to approximately October 1, 2013.

(2) Includes Underwriters' discount and other expenses associated with the issuance of the Series 2011 Bonds.

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FISCAL YEAR DEBT SERVICE SCHEDULE

The following table sets forth the interest and principal requirements for the Series 2011 Bonds. See Appendix A, "**INFORMATION REGARDING THE HOWARD UNIVERSITY—PROJECTED ANNUAL DEBT SERVICE**" for information regarding other indebtedness of the University.

	SERIES 2011A BONDS			SERIES 2011B BONDS			
FISCAL YEAR ENDING	PRINCIPAL	INTEREST	ESTIMATED TOTAL PRINCIPAL & INTEREST	PRINCIPAL	INTEREST	ESTIMATED TOTAL PRINCIPAL & INTEREST	ESTIMATED TOTAL DEBT SERVICE
2012		$13,119,786.74	$13,119,786.74		$4,277,670.91	$4,277,670.91	$17,397,457.65
2013		14,141,087.50	14,141,087.50		4,610,663.26	4,610,663.26	18,751,750.76
2014		14,141,087.50	14,141,087.50		4,610,663.26	4,610,663.26	18,751,750.76
2015		14,141,087.50	14,141,087.50		4,610,663.26	4,610,663.26	18,751,750.76
2016		14,141,087.50	14,141,087.50	$1,400,000	4,580,472.26	5,980,472.26	20,121,559.76
2017		14,141,087.50	14,141,087.50	1,915,000	4,505,154.28	6,420,154.28	20,561,241.78
2018		14,141,087.50	14,141,087.50	2,110,000	4,405,431.05	6,515,431.05	20,656,518.55
2019		14,141,087.50	14,141,087.50	2,785,000	4,275,987.93	7,060,987.93	21,202,075.43
2020		14,141,087.50	14,141,087.50	4,405,000	4,074,695.53	8,479,695.53	22,620,783.03
2021	$1,595,000	14,099,218.75	15,694,218.75	3,125,000	3,854,640.63	6,979,640.63	22,673,859.38
2022	5,040,000	13,931,350.00	18,971,350.00		3,761,031.26	3,761,031.26	22,732,381.26
2023	5,360,000	13,664,650.00	19,024,650.00		3,761,031.26	3,761,031.26	22,785,681.26
2024	5,740,000	13,344,575.00	19,084,575.00		3,761,031.26	3,761,031.26	22,845,606.26
2025	6,165,000	12,972,543.75	19,137,543.75		3,761,031.26	3,761,031.26	22,898,575.01
2026	7,120,000	12,579,637.50	19,699,637.50		3,761,031.26	3,761,031.26	23,460,668.76
2027	8,110,000	12,146,225.00	20,256,225.00		3,761,031.26	3,761,031.26	24,017,256.26
2028	8,645,000	11,664,518.75	20,309,518.75		3,761,031.26	3,761,031.26	24,070,550.01
2029	9,245,000	11,127,068.75	20,372,068.75		3,761,031.26	3,761,031.26	24,133,100.01
2030	9,900,000	10,528,787.50	20,428,787.50		3,761,031.26	3,761,031.26	24,189,818.76
2031	10,590,000	9,888,475.00	20,478,475.00		3,761,031.26	3,761,031.26	24,239,506.26
2032	12,325,000	9,172,381.25	21,497,381.25		3,761,031.26	3,761,031.26	25,258,412.51
2033	5,900,000	8,602,850.00	14,502,850.00	7,280,000	3,483,481.26	10,763,481.26	25,266,331.26
2034		8,418,475.00	8,418,475.00	14,185,000	2,665,128.13	16,850,128.13	25,268,603.13
2035		8,418,475.00	8,418,475.00	15,305,000	1,540,821.88	16,845,821.88	25,264,296.88
2036	3,945,000	8,290,262.50	12,235,262.50	12,555,000	478,659.38	13,033,659.38	25,268,921.88
2037	17,680,000	7,587,450.00	25,267,450.00				25,267,450.00
2038	18,865,000	6,399,737.50	25,264,737.50				25,264,737.50
2039	20,135,000	5,132,237.50	25,267,237.50				25,267,237.50
2040	21,490,000	3,779,425.00	25,269,425.00				25,269,425.00
2041	22,930,000	2,335,775.00	25,265,775.00				25,265,775.00
2042	24,470,000	795,275.00	25,265,275.00				25,265,275.00
TOTAL	$225,250,000	$331,127,880.49	$556,377,880.49	$65,065,000	$93,345,476.88	$158,410,476.88	$714,788,357.37

INVESTMENT CONSIDERATIONS

GENERAL

As set forth under the caption "**SECURITY AND SOURCES OF PAYMENT**," the principal of, premium, if any, and interest on the Series 2011 Bonds are payable from all available assets of the University. The ability of the University to make payments under the Loan Agreement will depend, among other things, on the ability of the University to generate adequate revenues from its operations and its investments and to contain expenses at levels currently projected. **NO REPRESENTATION OR ASSURANCE IS GIVEN OR CAN BE MADE THAT SUCH REVENUES WILL BE REALIZED BY THE UNIVERSITY IN AMOUNTS SUFFICIENT TO PAY DEBT SERVICE ON THE SERIES 2011 BONDS WHEN DUE AND TO MAKE PAYMENTS NECESSARY TO MEET THE OTHER OBLIGATIONS OF THE UNIVERSITY.**

The security for the Series 2011 Bonds is discussed under the caption "**SECURITY AND SOURCES OF PAYMENT**" and should be taken into consideration in determining an investment decision regarding the Series 2011 Bonds. The financial condition, enrollment statistics, revenue sources, employee relations, insurance and other aspects of the University are discussed in Appendix A hereto and should also be taken into consideration in determining an investment decision regarding the Series 2011 Bonds. There are a wide variety of factors not under the control of the University that could make future performance of the University vary from its historical performance in such a way that may adversely affect the ability of the University to make payments of the principal of and interest on the Series 2011 Bonds or could otherwise affect the Series 2011 Bonds.

In addition to those conditions disclosed elsewhere in this Official Statement, some of the identifiable risks which should be considered when making an investment decision regarding the Series 2011 Bonds are discussed below. ***Such discussion is not, and is not intended to be, definitive, dispositive or comprehensive, but rather is intended to summarize certain matters that could affect the ability of the University to make payments of the principal of and interest on the Series 2011 Bonds or could otherwise affect the Series 2011 Bonds.***

DEPENDENCE ON FEDERAL APPROPRIATION

A substantial portion of the University's revenues is funded by annual appropriations from the federal government. Approximately 28% of the University's unrestricted operating revenues in fiscal year ended June 30, 2010 was derived from the federal appropriation. The University's appropriation is part of the annual budget of the U.S. Department of Education, which conducts an annual site visit to the University, meeting with senior management to review how the University spends its federal appropriation. The University expects that the annual federal appropriation will continue, however there can be no assurance that such federal appropriation will not be reduced, restricted, or eliminated at some point in the future. An elimination would, and a reduction or restriction might, have a materially adverse effect on the University's financial condition and its ability to meet its debt obligations, including its obligations under the Loan Agreement and the Series 2011 Notes. The amount of the federal appropriation may be adversely affected in the future by federal budget deficits or other events. See "**FEDERAL SUPPORT**" in Appendix A for more information about the University's federal appropriation.

DEPENDENCE ON FEDERAL EDUCATIONAL FUNDING

A substantial portion of the University's revenues from tuition and fees is funded by federal government programs. Financial assistance is a significant factor in the decision of many students to attend a particular college or university. In 2010, approximately 88% of all University students received some form of financial assistance through institutional sources or federal student aid programs. Total financial aid was approximately $59 million from all University resources, including scholarships and loans. The level of financial assistance is directly affected by funding levels of federal and state financial aid programs, the level of private giving to the University and income derived from the investment of endowment and similar funds.

TUITION AND FEE REVENUE

Tuition and fee revenue is one of the largest revenue sources for the University, representing approximately 15.5% of unrestricted operating revenues for the fiscal year ended June 30, 2010. Thus, the economic viability of the University depends on, among other things, a relatively steady level of enrollment and income from tuition and fees paid by students. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, the levels of tuition and fees, competition from other colleges and universities, a change in the number of college-age students generally and adverse general economic conditions could influence the number of applicants.

COMPETITION

A key factor in maintaining the University's revenues is the University's ability to attract a sufficient number of qualified students and qualified faculty. The University competes with higher education institutions located throughout the mid-Atlantic states. The University expects to encounter competition in maintaining its regional recruiting base and seeking to expand its student recruitment. Attracting and retaining qualified faculty is essential to attracting qualified students and is dependent on the University's ability to offer competitive compensation and facilities constituting the working environment.

ACADEMIC RENEWAL PLAN

The University's ability to implement and fund its Academic Renewal Plan is an important factor in the University's ability to generate revenue growth in the future and to attract and retain qualified students and qualified faculty. See "**STRATEGY**" in Appendix A for a discussion of the Academic Renewal Plan. The success of the Academic Renewal Plan will be subject to many factors such as (1) the University's ability to borrow funds or to generate revenues sufficient to pay for the upgrades, renovations and construction of new facilities currently contemplated under the Academic Renewal Plan, (2) the University's ability to successfully manage the planned upgrades, renovations and construction, and to manage their use upon completion, (3) the University's ability to transition senior faculty members and to hire and retain new faculty members to implement the desired programmatic changes under the Academic Renewal Plan, and (4) management's continued commitment to the Academic Renewal Plan. Additionally, even assuming the University is successful in implementing the Academic Renewal Plan, there can be no assurance that such success will translate into increased revenues for the University or an increased ability to attract and retain qualified students and qualified faculty.

HEALTH SERVICES REVENUE

Revenues from the University's health services – a combination of hospital, faculty medical practice and dental care – provide over 36% of Howard's unrestricted operating revenues. In the last 15 years, health care providers have faced increasing economic pressures from both governmental health care programs and private payors of health care services such as insurance companies and health maintenance organizations (collectively, *"third party payors"*). The dependence of hospitals on governmental programs requires them to accept limitations on reimbursement and other payments, increased regulation and other restrictions and reporting triggered by participation in such programs. Health care is a highly regulated industry with complicated and frequently changing regulations. Health care providers are increasingly subject to audits, investigations, fines and litigation that may threaten access to governmental reimbursement programs, require substantial payments, generate adverse publicity and create significant legal and other transaction costs. In addition, because the University is a tax-exempt charitable organization under the Internal Revenue Code of 1986 (the *"Code"*), it is subject to increasing regulation and restrictions that may have adverse effects on its economic performance or threaten its tax-exempt status and the economic benefits derived from it. In particular, such regulations and restrictions may require the University to provide health care services for which it does not receive payment. Set forth below is a limited discussion of certain risks affecting the University's revenues from health services.

Health Care Reform. On March 21, 2010, the House of Representatives of the United States Congress approved the Patient Protection and Affordable Care Act (the *"PPACA"*), originally passed by the Senate in December 2009. President Obama signed the PPACA into law on March 23, 2010. The House of Representatives and the Senate also approved the Health Care and Education Reconciliation Act of 2010 (the *"Reconciliation Act"* and, together with the PPACA, the *"Health Care Reform Act"*), a bill that modified various provisions of the PPACA. President Obama signed the Reconciliation Act into law on March 30, 2010.

The comprehensive health care reform mandated by the Health Care Reform Act aims to expand the availability, affordability and quality of health care coverage, control the costs of health care and improve the manner in which health care is delivered. Initially, between 2010 and 2013, the Health Care Reform Act imposes reforms on health insurance carriers and employer group health plans to address the availability and quality of coverage. Beginning in 2014, the Health Care Reform Act requires all individuals to maintain health coverage (through their employer or on an individual basis) and most employers to offer a qualified health plan or each shall pay a fee, subject to hardship and small employer exceptions. For under- or unemployed individuals, the Act substantially expands Medicaid coverage and provides premium subsidies to individuals with modest income through insurance pooling mechanisms or state-organized health insurance exchanges. The expansion of coverage is funded by new taxes on high income individuals; cost containment and fraud detection programs; reductions in Medicare spending; and programs designed to improve the quality of outcomes and health system performance.

Funding cutbacks in Medicare are to be achieved, among other ways, by a significant reduction in Medicare Disproportionate Share Hospital ("*DSH"*) payments. Based on the assumption that the coverage reforms will result in less unreimbursed care for hospitals serving a disproportionate share of indigent patients, under the Health Care Reform Act, beginning in 2014, hospitals will experience a 75% reduction in the DSH payment that a hospital would have otherwise received, and may receive an additional payment amount that factors in the reduction in DSH payment, the change in the number of uninsured individuals under 65 and the amount of uncompensated care provided by the hospital relative to all other acute care hospitals. In addition to DSH adjustments, annual market basket updates (updates which are used to adjust Medicare payments for inflation) will be reduced for inpatient hospital, home health, skilled nursing facility, hospice and other Medicare providers and a productivity adjustment will also be incorporated.

Despite the challenges discussed above, the Health Care Reform Act contains provisions that are expected to afford long-term benefits to hospitals as well. Foremost among the benefits brought by the Health Care Reform Act is the creation of a large pool of newly-insured individuals with comprehensive coverage. The large number of the newly-insured should have a significant impact on the amounts hospitals previously had to write off each year as a result of patients' inability to pay for hospital services. Other provisions contained in the Health Care Reform Act relating to (a) the prohibition of exclusions for pre-existing conditions, (b) the individual health care coverage mandate and (c) the increase in Medicaid eligibility should also help hospitals reduce the losses they incur because of patients' inability to pay.

As of July 2010, people with pre-existing conditions who have been uninsured for at least six months may sign up for insurance through a high-risk insurance pool. This benefit will continue until January 1, 2014 when health insurance market reforms under the Health Care Reform Act take effect, which should allow these individuals to obtain coverage in reformed insurance markets. Enrollment rates in the high-risk insurance pools have been lower than expected, but may experience increases as awareness of the program improves.

Beginning in September 2010, insurers and employer group health plans are prohibited from (a) denying coverage to children under age 19 with pre-existing conditions, (b) placing maximum lifetime dollar limits and annual maximums on coverage for essential benefits and (c) rescinding coverage when a person becomes sick or disabled, except in cases of fraud and are required to extend eligibility under family coverage for adult children up to age 26, to cover preventive health benefits without cost-sharing requirements and to offer an independent external appeal process for denied claims. Beginning in 2014, additional reforms such as guaranteed issue and renewability and the elimination of waiting periods for coverage of greater than 90 days come into effect. Group and individual insurance plans in effect on March 23, 2010 (the date of enactment) may be administered as grandfathered plans and thereby exempt from some, but not all, of these coverage reforms. Grandfathered plans are subject to other limitations on increases in costs and changes to benefits.

The implementation of the coverage mandates in 2014 will be another benefit afforded to hospitals nationally. Assuring that employers offer and individuals enroll for coverage, or pay a financial penalty, will increase the coverage levels. Also in 2014, Medicaid coverage will be extended to individuals with incomes less than 133% of the poverty level, or about $29,327 for a family of four, resulting in an estimated 16 million additional Medicaid beneficiaries nationally.

The Congressional Budget Office and the Joint Committee on Taxation have estimated an overall reduction in the Federal Budget deficit through 2019 under the Health Care Reform Act. In the short-term, however, the estimated Federal expenditures for the coverage provisions in the Health Care Reform Act for fiscal years 2010 through 2019 are estimated at $828 billion, about one-half ($410 billion) of which is attributable to the expansion of Medicaid coverage. The remaining costs relate primarily to the premium and cost-sharing subsidies for low-to-middle income enrollees purchasing insurance through the Exchanges. Some of these costs are offset by the individual and employer penalties under the Act.

The Health Care Reform Act seeks to generate revenue from the following sources to cover the costs of expanded coverage: (1) a 40% excise tax imposed on high-cost health plans (so-called "Cadillac plans") beginning in 2018, (2) a Medicare payroll tax rate increase depending on an individual's or a family's income, (3) annual fees imposed on the health care sector, including significant fees imposed on drug makers (beginning in 2011), insurance companies (beginning in 2014) and medical device manufacturers (beginning in 2013), (4) a reduction in flexible account annual limits from $5,000 to $2,500, (5) various reductions in Medicare payments and (6) a 10% tax on indoor tanning services.

The Health Care Reform Act also includes measures directed towards delivery-side reforms that could have a significant impact on the University's health services. No later than January 1, 2012, the Centers for Medicare & Medicaid Services ("*CMS*") is required to offer a voluntary Shared Savings Program for Accountable Care Organizations (*"ACOs"*) composed of physicians and hospitals that enter into contracts with CMS to accept joint responsibility for the quality of care and cost of care received by the ACO's patients. ACOs will be eligible to receive additional payments from Medicare where certain performance guidelines are met and cost-savings targets are achieved. The amount of the additional payment is to be a percentage of the difference between the estimated per capita Medicare expenditures for patients assigned to the ACO and the cost-savings per capita Medicare expenditures threshold. The Shared Savings Program may also allow ACOs to receive payment on a partial capitation basis in the future. CMS is also required to develop pilot programs to test bundled payment models to encourage hospitals, physicians, and post-acute care providers to improve patient care and achieve reductions in the overall costs of providing care. Bundled payments involve a single payment for all costs of care across the continuum of providers included in the bundle and will require increased collaboration in care delivery. If successful, these pilot programs could become permanent and will most likely expand to the private payor market as well.

Development of various hospital pay-for-performance mechanisms is also encouraged in the Health Care Reform Act. CMS is required to implement a value-based purchasing program for hospitals by October 1, 2012, under which a percentage of a hospital's Medicare payment would be tied to meeting performance thresholds for certain quality measures. If performance thresholds are not met, payment is reduced. Effective October 1, 2012, Medicare will also reduce payments to hospitals for preventable readmissions based upon a ratio of the payments for all preventable readmissions to the payments for all discharges. In addition, the Health Care Reform Act further expands on an existing Medicare payment rule that prevents hospitals from receiving additional payment for certain hospital-acquired conditions that were not present on admission by implementing a 1% reduction in payment for hospitals in the top 25th percentile of rates of hospital-acquired conditions, starting in 2015.

The Health Care Reform Act also establishes new requirements for any organization that operates at least one hospital facility to qualify as a Section 501(c)(3) organization. In general, new Section 501(r) of the Code imposes the following new requirements: (i) each hospital facility is required to conduct a community needs assessment at least every three taxable years and adopt an implementation strategy to meet the community needs identified through such assessment; (ii) each hospital facility is required to adopt, implement, and publicize a written financial assistance policy; (iii) each hospital facility is permitted to bill for emergency or other medically necessary care provided to individuals who qualify for financial assistance under the facility's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care; and (iv) a hospital facility (or its affiliates) may not undertake extraordinary collection actions (even if otherwise permitted by law) against an individual without first making reasonable efforts to determine whether the individual is eligible for assistance under the hospital's financial assistance policy. These new requirements are generally effective for taxable years beginning after March 23, 2010, except that the requirement for a community needs assessment is effective for taxable years beginning two years or more after March 23, 2010. Failure to complete a community health needs assessment in any applicable three-year period can result in a penalty on the organization of up to $50,000, in addition to possible revocation of status as a Section 501(c)(3) organization.

The Health Care Reform Act requires the Secretary of the Treasury, in consultation with the Secretary of the Department of Health and Human Services (*"HHS"*), to submit annually a report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, as well as costs incurred by tax-exempt hospitals for community benefit activities. The Secretary of the Treasury, in consultation with the Secretary of HHS, must conduct a study of the trends in these amounts, and submit a report on such study to Congress not later than five years after the date of enactment. These statutorily mandated requirements for periodic review will increase IRS surveillance over such organizations and may increase the likelihood of IRS examinations challenging their Section 501(c)(3) status. In addition, submission of a report to Congress relating to community benefit provided by Section 501(c)(3) hospital organizations may increase the likelihood that Congress will consider additional requirements for Section 501(c)(3) hospital organizations in the future.

The changes mandated by the Health Care Reform Act, including the requirements imposed by Section 501(r) of the Code described above, may have a material adverse impact on the business and operations of the University.

There is significant uncertainty surrounding the implementation of the Health Care Reform Act and it is possible that all or a portion of the legislation may be repealed. Congress is considering a number of proposals for implementation of the Health Care Reform Act, which include repealing sections of the legislation and limiting funding for some programs. In addition, several states have filed lawsuits challenging the constitutionality of the Health Care Reform Act. Federal district courts in Florida and

Virginia have held that the individual mandate section of the law violates the U.S. Constitution; while three federal district courts have upheld it. These suits are presently making their way through the federal appellate courts. Ultimately, the outcome will most likely be determined by the U.S. Supreme Court. Possible outcomes of these suits include repeal or reversal of all or portions of the Health Care Reform Act. Further adding to the uncertainty, the Health Care Reform Act contains a provision that will allow the states to "opt-out" of the Health Care Reform Act in favor of implementing state health reform measures designed to achieve the same results.

The impact of the Health Care Reform Act on the University's health services cannot be predicted at this time. The uncertainty of that impact is likely to continue for the foreseeable future. If the Health Care Reform Act remains intact in its present form, uncertainty will not begin to dissipate until implementing regulations are finalized and the provisions of the Health Care Reform Act are fully implemented starting in 2014. Possible impacts on the University include, without limitation, an increase in the number of insured patients and a possible reduction in charity-care and bad-debt write-offs; significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste and abuse; decreased reimbursements for hospital services from third party payors, including Medicare and Medicaid; significant changes to current payment methodologies for hospital services; and changes to costs and expenses of providing health insurance coverage to hospital employees.

Federal and State Reimbursement Regulation. The University is subject to regulatory actions by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs, the IRS, The Joint Commission, other private agencies and federal, state and local agencies. These bodies may promulgate new regulatory provisions from time to time, and it is not possible to predict the effect of any such future promulgations on the University.

The amount of reimbursement available to the Howard University Hospital could be adversely affected by various federal cost containment programs designed to reduce federal payments to health care facilities by limiting the amount of reimbursement for health care costs. In particular, for inpatient services, Medicare pays hospitals fixed amounts for specific services based upon patient diagnosis. With certain exceptions, such payments will not be adjusted for actual costs, varying services or length of stay.

Future actions by the federal government with respect to Medicare and by the federal and state governments with respect to Medicaid, reducing the total amount of funds available for either or both of these programs or changing the reimbursement regulations or their interpretation, could adversely affect the amount of reimbursement available to the Howard University Hospital. Revision and expansion of effective regulations or the proposal of additional regulations may affect hospitals and other health care facilities and providers which seek payment under the Medicare and Medicaid programs.

The provisions that may be included in future federal or state legislation or regulations and their impact upon the University cannot be determined at this time. No assurance can be given that any future health care legislation that is enacted will not materially adversely affect the University.

Medicare and Medicaid Audits and Withholdings. Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs, and the representations upon which such reimbursements are claimed. There can be no assurance any such future adjustments will not be material or that the University's reserves for such purpose will be adequate to cover any such adjustments. Both Medicare and Medicaid regulations also provide for withholding and retraction of payments in certain circumstances. Any such withholding or retraction with respect to the University could have a material adverse effect on the financial condition and results of operations of the University. In addition, contracts between hospitals and third-party payors often have contractual audit, setoff and withhold provisions that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the University. No assurance can be given that in the future Medicare or Medicaid payments or other payments will not be withheld or retracted that would materially and adversely affect the financial condition or results of operations of the University.

Under both the Medicare and the Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. These penalties may be material and could include criminal, civil or administrative liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the False Claims Act (as defined herein) or other federal statutes, subjecting the provider to civil or criminal sanctions. The United States Department of Justice has initiated a number of national investigations involving proceedings under the False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

The Medicare and Medicaid programs include a number of efforts to perform post-payment review audits on health care providers for the purpose of identifying and recovering overpayments. One such program is the Medicare Recovery Audit Contractor (*"RAC"*) program, which was initially established as a demonstration program under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. RACs are paid on a contingency fee basis, receiving a percentage of the improper overpayments and underpayments they collect from providers. RACs can review the last four years of provider claims for the following types of services: hospital inpatient and outpatient, skilled nursing facility, physician, ambulance and laboratory, as well as durable medical equipment. RACs use automated software programs to identify potential payment errors in such areas as duplicate payments, fiscal intermediaries' mistakes, medical necessity and coding, and identified significant overpayments for collection in the demonstration states. The Tax Relief and Health Care Act of 2006 made the RAC program permanent and authorized CMS to expand the program to all 50 states by 2010. In addition, the Health Care Reform Act required states to establish contracts with RACs to identify and recover Medicaid overpayments by the states and have fully implemented RAC programs as of April 1, 2010.

In light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that the University will not be the subject of any such audit, investigation, or other overpayment recovery action.

Health Insurance Portability and Accountability Act. The Health Insurance Portability and Accountability Act of 1996 (*"HIPAA"*) added two prohibited practices, the commission of which may lead to civil monetary penalties: (1) the practice or pattern of presenting a claim for an item or service on a reimbursement code that the person knows or should know will result in greater payment than appropriate, and (2) engaging in a practice of submitting claims for payment for medically unnecessary services. Violation of such prohibited practices could result in civil monetary penalties, which could be substantial. Management of the University does not expect that the prohibited practices provisions of HIPAA will affect the University in a material respect.

HIPAA also included administrative simplification provisions intended to facilitate the processing of health care payments by encouraging the electronic exchange of information and the use of standardized formats for health care information. Congress recognized, however, that standardization of information formats and greater use of electronic technology present additional privacy and security risks due to the increased likelihood that databases of personally identifiable health care information will be created and the ease with which vast amounts of such data can be transmitted. Therefore, HIPAA requires the establishment of distinct privacy and security protections for individually identifiable health information maintained by "covered entities" (health care providers, health plans and health care clearing houses).

HHS privacy and security regulations under HIPAA are designed to protect patient medical records and other personal health information (known as *"Protected Health Information" or "PHI")* maintained by covered entities and provide specific federal penalties if a patient's right to privacy is violated. The Standards for Privacy of Individually Identifiable Health Information (the *"Privacy Rules"*) establish permitted uses and disclosures of PHI by covered entities within the University. The Standards for Electronic Health Care Transactions and Code Sets (the "*Transaction Standards*") and the Security and Electronic Signature Standards (the *"Security Standards"*) require a covered entity to ensure the confidentiality, integrity, and availability of all electronic PHI that the entity creates, receives, maintains, or transmits; protect against any reasonably anticipated threats or hazards to the security or integrity of such information; protect against any reasonably anticipated uses or disclosures of such information that are not permitted or required under the security rule; and ensure that the entity's employees or workforce is in compliance with the security rule.

The federal government has recently enhanced the patient protections and increased enforcement of compliance with the HIPAA Privacy Rules and Security Standards. Under the Health Information Technology for Economic and Clinical Health Act (*"HITECH Act"*), provisions of the American Recovery and Reinvestment Act of 2009 (*"ARRA"*), which was signed into law on February 17, 2009, covered entities must now provide individuals with a written notification whenever there is a breach of the privacy of an individual's PHI. If the breach involves more than 500 individuals (for example, the loss of a laptop computer with unsecured patient or claims records on it), HHS and the local media may have to be notified as well. There are also new regulatory obligations for entities that provide services for covered entities as business associates. HITECH also increased the civil penalty amounts for HIPAA violations based upon the level of intent and neglect involved in a violation. For violations determined to be made without knowledge, penalties are $100 per violation, not to exceed $25,000. For violations based on reasonable cause, penalties start at $1,000 per violation and are not to exceed $100,000. For violations due to willful neglect, penalties are $10,000 per violation, not to exceed $250,000. For violations due to willful neglect that are not corrected, penalties are $50,000 per violation, not to exceed $1.5 million. The HITECH Act specifically allows the Office for Civil Rights to continue to use corrective action without a penalty, but only in situations where the violation was made without knowledge and deputized state attorneys general to enforce the HIPAA Standards. Violations of HIPAA Privacy Rules and Security Standards are also subject to criminal penalties including fines of up to $250,000 and imprisonment of up to 10 years for more egregious violations.

The University will incur additional expense if needed to ensure that its operations and information systems comply with the HIPAA Privacy Rules and Security Standards. In addition, HIPAA enforcement actions could expose the University to the risk of substantial financial penalties.

On May 21, 2008, the Genetic Information Nondiscrimination Act (*"GINA"*) was signed into law. GINA amends HIPAA and several other laws regarding health insurance by providing certain additional protections regarding the use and disclosure of genetic information. On November 9, 2010, the Equal Employment Opportunity Commission issued final regulations for implementing GINA. The final regulations provide examples of genetic tests; more fully explain GINA's prohibition against requesting, requiring, or purchasing genetic information; provide model language employers can use when requesting medical information from employees to avoid acquiring genetic information; and describe how GINA applies to genetic information obtained via electronic media, including websites and social networking sites. It is possible that there will be administrative costs involved in complying with these regulations and may adversely affect the financial operations of the University.

OTHER REGULATORY AND CONTRACTUAL MATTERS

The University is subject to extensive federal, state and local regulations governing licensure, operations, construction of new facilities, cost containment and reimbursement for services rendered. Failure by the University to meet applicable standards could result in the loss of licensure, the delay in or loss of reimbursement or the loss of an ability to deliver services. There can be no assurance that federal, state or local governments will not impose additional restrictions on the operations of the University that might adversely affect its business, financial condition and results of operations. See "Regulatory Environment" for additional risks related to governmental regulation.

Anti-Kickback Laws. The federal anti-kickback law (the *"Anti-Kickback Law"*) makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration is to obtain referrals or to induce further referrals. Violation of these provisions may result in up to five years imprisonment and fines of up to $25,000. In addition, the Office of Inspector General (*"OIG"*) of HHS has the authority to impose civil monetary penalties of up to $50,000 for each violation and damages up to three times the amount of prohibited remuneration received and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services) and other federal health care programs for not less than five years.

Actions which violate the Anti-Kickback Law or similar laws may also involve liability under the federal Civil False Claims Act (the *"False Claims Act"*), which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States of America government. Actions under the False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government. Actions under the False Claims Act involve additional financial penalties and defendants can incur substantial legal fees in the process.

HIPAA created a new program operated jointly by HHS and the U.S. Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse. This has resulted in increased enforcement activity in recent years, including under the Anti-Kickback Law and the False Claims Act.

Most states also have state law equivalents to the Anti-Kickback Law designed to curb various forms of fraud and abuse and prohibited remuneration with respect to state Medicaid plans and in some states, private commercial insurers. Accordingly, activities that violate the Anti-Kickback Law can also be found to violate these state law equivalents.

Because of the breadth of the Anti-Kickback Law and the narrowness of the safe harbor regulations, there can be no assurance that the University will not be found to have violated the Anti-Kickback Law. Similarly, there can be no assurances that the University will not be found to have violated its state law equivalents.

Stark Law. Another federal law (known as the *"Stark Law"*) prohibits a physician who has a financial relationship, or whose immediate family has a financial relationship, with an entity (including a hospital) from referring federal healthcare program patients to such entity for the furnishing of designated health services, with limited exceptions. Designated health services under the Stark Law include physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the prohibited referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected, exclusion from the federal healthcare programs and civil penalties of up to $15,000 for each improper claim submitted and an assessment of up to three times the amount claimed. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

There can be no assurance that the University will not be found to have violated the Stark Law. Exclusion of the University from the Medicare and Medicaid programs could have a material adverse effect on the future operations and financial condition of the University, as could any significant penalties, demands for refunds or denials of payment. Although the Stark Law applies only to federal health care programs, a number of states have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all other health plans or third party payors.

False Claims Laws. There are principally three federal statutes which address the issue of "false claims." First, the False Claims Act imposes civil liability (including substantial monetary penalties and damages) on any person or corporation which (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States of America government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. Violations of the False Claims Act can result in a minimum penalty of $5,500 up to a maximum penalty of $11,000 for each false claim submitted and damages of up to three times the amount unlawfully claimed. This statute authorizes private persons to file qui tam or "whistleblower" actions on behalf of the United States of America. This greatly increases the chances of actions under the False Claims Act since qui tam plaintiffs may recover up to 30% of the proceeds.

In addition to the False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil monetary penalties against an entity which engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Finally, it is a criminal federal healthcare fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and imprisonment and forfeiture of any property derived from proceeds traceable to the offense.

A number of states have passed similar statutes expanding the prohibition against the submission of false claims to nonfederal third party payors.

Physician Recruitment. The Internal Revenue Service (*"IRS"*) and HHS have issued various pronouncements that limit physician recruiting and retention arrangements. In an IRS General Counsel Memorandum concerning hospital-physician joint ventures, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to obtain an overriding public benefit and concluded that improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The IRS has also issued guidelines for its agents to follow in conducting audits that emphasize restrictions on physician recruitment and retention arrangements, and has established special audit teams and procedures to ensure compliance.

The OIG has taken the position that any physician recruitment and retention arrangement that is intended to encourage the physician to refer patients for services that are reimbursable, in whole or in part, by Medicare or Medicaid may violate the federal Anti-Kickback Law. While the OIG has promulgated a practitioner recruitment regulatory safe harbor, the safe harbor is limited to practice recruitment in areas that are health professional shortage areas and to the recruitment of new physicians or physicians who are relocating their practices. The safe harbor does not provide protection for retention arrangements.

The Stark Law also is implicated by physician recruiting and retention arrangements. An exception applies to payments from a hospital to a physician to induce the physician to relocate to the hospital's service area and join the hospital's medical staff, provided several requirements are met. There is also an exception for payments from a hospital in a health professional shortage area to a physician on the hospital's medical staff to prevent the physician from relocating his or her medical practice outside the geographic area served by the hospital. The exception is only available, however, where the relocation is required as part of a bona fide offer of employment of the physician.

No assurance can be given that future regulations under the Code or the Stark Law will not adversely affect the University.

Emergency Medical Treatment and Active Labor Act. In response to concerns regarding inappropriate hospital transfers of emergency room patients based on the patient's ability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act (*"EMTALA"*) in 1986. This so-called "anti-dumping" law imposes certain requirements on hospitals prior to transferring a patient to another facility. Failure of a hospital to meet its responsibilities under EMTALA could result in termination of its provider agreement, civil monetary penalties and possible exclusion from the Medicare and Medicaid programs, any of which could adversely affect its financial condition. EMTALA and its implementing regulations are complex, and a hospital's compliance is dependent, in part, upon the volition of medical staff members. Compliance with EMTALA was recently made more difficult by regulations which require hospital departments on a hospital's main campus to comply with EMTALA even if such departments are not located within the hospital itself. Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the future operations or financial condition of the University.

Joint Ventures. Due to the competitive economic conditions in the health care market, hospitals, physicians and other providers of care are entering into joint ventures to improve the quality, efficiency and effectiveness of care. The OIG has expressed concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Law, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In its 1989 Special Fraud Alert, the OIG raised concern about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to "lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals."

In April, 2003, the OIG issued a Special Advisory Bulletin on so-called "contractual joint ventures," a subset of joint venture arrangements that the OIG believes is proliferating and that raises Anti-Kickback Law concerns. According to the OIG, contractual joint venture arrangements are arrangements where a provider such as a hospital expands into a new line of business by contracting with an entity that already provides the items or services.

Similarly, the IRS has expressed concern about joint ventures between tax exempt organizations and for-profit entities. Such joint venture must be structured to allow the tax exempt organization to maintain sufficient control over its charitable mission and to avoid private benefit in excess of fair market value being conferred upon the for-profit entity.

As with any analysis under the Anti-Kickback Law or the Code, the government reviews the totality of the facts and circumstances presented by a proposed joint venture arrangement and concludes how much risk it poses under the Anti-Kickback Law or the Code, and whether, based on that risk, it would subject the parties to sanctions under either statute.

UTILIZATION

A number of factors have contributed to a reduction of hospital utilization in recent years. Physicians' practice patterns indicate a trend to fewer inpatient admissions and shorter lengths of stay for those who are admitted. In addition, third-party payors, such as Medicare, Medicaid, Blue Cross and other insurers and health maintenance organizations, have exerted efforts to contain their costs by reviewing and questioning the need for certain procedures, inpatient admissions and hospital stays.

In addition, the utilization of the facilities of the University could be adversely affected by a decline in the population of its service areas, a change in the age composition of the population or a decline in the economic conditions of the service areas. Adverse economic conditions, particularly increased unemployment, in the service areas of the University could reduce the number of potential patients carrying adequate health insurance coverage and decrease the number of patients who are able to pay fully for the cost of their care.

MANAGED CARE

A significant portion of the revenues of the University is received from health maintenance organizations, preferred provider organizations or other managed care arrangements, including Medicare and Medicaid managed care health plans. These arrangements differ significantly from traditional indemnity insurers. Managed care plans generally accept uniform per-person payments, with fees based on the number of enrollees, and in return agree to provide all, or substantially all, of an enrollee's health care needs without additional charges. Managed care payors rely upon case management to reduce or eliminate unnecessary utilization, including discouraging admissions to a hospital unless absolutely necessary. Case management efforts of managed care payors may in the future adversely affect utilization of the facilities of the University. In addition, some Medicaid managed care health plans have recently experienced financial difficulties and their failure to pay amounts owed to the University in a timely manner could have an adverse effect on the financial condition of the University. As managed care enrollments increase, managed care payors become significant purchasers of health care services and often select health providers offering the most cost-effective services. Hospitals may be adversely affected by the ability of these payors to negotiate low payment rates and to exclude hospitals from participation in their programs.

Certain health maintenance and preferred provider organization contracts of the University can be terminated by the third-party payor at any time without the necessity of showing cause upon short notice. Termination could have an adverse effect on the financial performance of the University.

UNINSURED PATIENTS

Future increases in unemployment in the areas served by the University could adversely affect revenues, as those who lack health insurance may delay elective procedures. In addition, in times of greater unemployment, the amount of uncompensated care provided by the Howard University Hospital would be expected to increase. Federal law requires hospitals to provide certain uninsured medical treatment to individuals who come to hospitals, regardless of the ability of the individuals to pay. While the Health Care Reform Act is expected to decrease the number of uninsured citizens in the United States of America, the need to provide uncompensated care is expected to continue in order to serve the needs of those individuals who do not receive insurance coverage under the law or opt not to elect coverage, instead choosing to incur penalties (the uninsured), or that do have some form of insurance coverage that is not comprehensive enough to provide coverage for all medical needs (the underinsured).

COST AND AVAILABILITY OF MEDICAL MALPRACTICE INSURANCE

In recent years the number of malpractice suits and the dollar amount of damages awarded have been increasing nationwide. Hospitals and health care providers have been experiencing substantial increases in malpractice insurance premiums. There have been insolvencies of several medical malpractice insurers and others have withdrawn from underwriting malpractice coverage for physicians or hospitals in various markets.

Additionally, some medical malpractice insurers exclude AIDS-related claims from coverage under their policies. To the extent that insurance coverage maintained by the University is inadequate to cover judgments against it, such claims may be required to be discharged by payments from the University's own funds. To the extent that insurance coverage maintained by others with whom the University may have joint and several liability is inadequate, the University (or its insurers to the extent of applicable coverage) may incur additional liability for such claims. Further increases in the cost or limitations on the availability of malpractice insurance could adversely affect the operating results of the University. For information relating to the insurance coverage of the University, see "**INSURANCE**" and "**LITIGATION**" in Appendix A.

TECHNOLOGICAL CHANGES

Medical research and resulting discoveries have grown significantly in the last decade. These new discoveries may add greatly to the cost of providing services with little or no offsetting increase in reimbursement and may also render obsolete certain health services. The first effect -- increased overall expense -- may result because the costs of new drugs and devices may not be accounted for in the payments received by hospitals for inpatient or outpatient care.

The rate of discovery of new drugs and devices has grown dramatically for several reasons. First, as medical discovery grows, it generates new avenues of research and discovery. Second, pharmaceutical and medical device companies are devoting increasing amounts of money to research and development spurred in part by reforms in the regulation of product approval for sale and distribution. The 1990s witnessed significant reforms at the Food and Drug Administration (*"FDA"*), the agency that regulates the introduction of new drugs and devices to the market. In 1992, Congress passed the Prescription Drug User Fee Act that levied fees on industry to support a substantial upgrade and reorganization of the agency for the purpose of dramatically decreasing the time required to secure approval for new drugs and devices. This Act was renewed and new FDA reforms were enacted by the Food and Drug Administration Modernization Act of 1997. The result of these pieces of legislation has been to greatly reduce the median time required for new drug approval. Other effects include a decrease in the types of devices regulated, reform of the biologics approval process and a decrease in clinical development times.

Once drugs secure market approval, they are often maintained by the hospitals for patient care, which may add significant operating expense with no immediate reimbursement through government and other payors for inpatient services.

A second potential effect is that discoveries could render obsolete the way that services are currently rendered, thereby either increasing expense or reducing revenues. However, any such effect cannot be predicted.

Environmental Laws and Regulations

The University is subject to a wide variety of federal and District environmental, health and safety laws and regulations. In the role of an operator of properties or facilities, the University may be subject to liability for investigating and remedying any hazardous substances that have come to be located on its property, including any such substances that may have migrated off of its property. Typical educational operations include, but are not limited to, the handling, use, storage, transportation, incineration, disposal and/or discharge of hazardous, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, educational operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations.

At the present time, the University is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental, health or safety issues which, if determined adversely to the University, would have material adverse consequences to the operations or financial condition of the University.

Liquidity

The Underwriters currently intend, but are not obligated, to make a market in the Series 2011 Bonds. There can be no assurance that there will always be a secondary market for purchase or sale of the Series 2011 Bonds, and from time to time there may be no market for them depending on prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of operations of the University.

Enforceability of Remedies; Bankruptcy

The realization of any rights upon a default by the University will depend upon the exercise of various remedies specified in the Indenture and the Loan Agreement. These remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture and the Loan Agreement may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Loan Agreement. Accordingly, the Trustee's ability to exercise its remedies under the Loan Agreement and the Indenture upon a default by the University could be impaired by the need for judicial approval.

Bankruptcy proceedings by the University also could have adverse effects on holders of the Series 2011 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the University after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds, including the Series 2011 Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Series 2011 Bonds, such class of creditors will have the benefit of their original claim or the "indubitable equivalent" of it, although the plan may not provide for payment in full of the Series 2011 Bonds. The effect of these and other provisions of the United States Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretation.

Other Investment Considerations

The following factors, among others, may also adversely affect the operations or financial performance of the University:

1. Reduced demand for private higher education or other educational services arising from a change in demographics or from continued adverse or declining

economic conditions in the areas from which the University draws a significant portion of its enrollment.

2. Cost increases without corresponding increases in revenues from, among other factors, salaries, wages and fringe benefits of education employees, energy or other utility costs or general inflationary pressures.

3. Future legislation affecting higher education institutions or their tax-exempt status or affecting educational institutions in general.

4. Limited availability and sufficiency of insurance for risks such as property damage and general liability.

5. Occurrence of natural disasters that may damage the University's facilities, interrupt utility services or otherwise impair the University's operations or the generation of revenues from its facilities.

6. Changes in key management personnel and the ability to attract and retain talent with respect thereto.

7. Reductions in utilization of health care facilities as a result of preventive medicine, improved occupational health and safety, development and utilization of medical and scientific research and technological advances and other developments.

8. Future legislation and regulations affecting hospitals, governmental and commercial medical insurance and the health care industry in general, including reductions in federal or state funding of Medicare, Medicaid or other government-financed health care reimbursement programs.

9. The health care facilities owned by the University are comprised of special-purpose facilities which are not suitable for industrial or commercial use; consequently, it could be difficult to find a buyer or lessee for such facilities if the University seeks to sell any of its facilities.

10. Increases in the University's retirement obligations and the ability of the University to fund such retirement obligations.

11. Decreases in the value of the University's investments in its endowment and pension plan due to market fluctuations.

12. The occurrence of natural disasters, including floods, hurricanes, tornadoes and earthquakes, or the occurrence of criminal or terrorist acts, epidemics or other calamities, which could damage the facilities of the University, interrupt utility service to its facilities or otherwise impair the operations of the University and the generation of revenues from its facilities, and any failure of the insurance carried by the University to cover any losses resulting from the occurrence of any such event.

The University expects that it will experience increases in operating costs due to inflation, increased depreciation and other factors. There is no assurance that cost increases will be matched by increased student and other charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the University in the past.

TAX MATTERS

TAX-EXEMPT SERIES 2011A BONDS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011A Bonds is exempt from District taxation, except estate, inheritance and gift taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such Series 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2011A Bonds is the first price at which a substantial amount of such maturity of the Series 2011A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011A Bonds accrues daily over the term to maturity of such Series 2011A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011A Bonds. Beneficial Owners of the Series 2011A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A Bonds is sold to the public.

Series 2011A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (*"Premium Bonds"*) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A Bonds. The District and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. The opinion of Bond Counsel also assumes that actions of the University, the District and other persons taken subsequent to the date of issuance of the Series 2011A Bonds will not cause any of the Series 2011A Bonds to exceed the $150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2011A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinions of Ballard Spahr LLP and Lewis & Munday, A Professional Corporation, counsel to the University regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code. Such opinions are subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the University concerning the University's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor counsel to the University has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor counsel to the University can give or has given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the University to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2011A Bonds in a manner that is substantially related to the University's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2011A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2011A Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes and is exempt from District taxation, except estate, inheritance and gift taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2011A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District and the University have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2011A Bonds ends with the issuance of the Series 2011A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District, the University or the Beneficial Owners regarding the tax-exempt status of the Series 2011A

Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2011A Bonds, and may cause the District, the University or the Beneficial Owners to incur significant expense.

TAXABLE SERIES 2011B BONDS

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2011B Bonds is exempt from District of Columbia taxation, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011B Bonds. The proposed form of opinion of Bond Counsel with respect to the Series 2011B Bonds is contained in Appendix D hereto.

Tax Status of the Series 2011B Bonds

The Series 2011B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2011B Bonds that allocate a basis in the Series 2011B Bonds that is greater than the principal amount of the Series 2011B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series 2011B Bond for an amount that is less than the principal amount of such Series 2011B Bond, and such difference is not considered to be *de minimis*, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2011B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series 2011B Bonds are expected to trade "flat," that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series 2011B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Original Issue Discount

In the event that the Series 2011B Bonds of any maturity (and, if applicable, each interest rate within such maturity) are issued with original issue discount ("OID") a holder of a Series 2011B Bond of such maturity (and, if applicable, interest rate within such maturity) will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2011B Bond. Thus, the holders of such Series 2011B Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such bonds with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series 2011B Bond that purchases such Series 2011B Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Series 2011B Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of such Series 2011B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series 2011B Bond that has an allocated basis in the Series 2011 B Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Series 2011B Bond with acquisition premium. The amount of OID that such holder of a Series 2011B Bond must include in gross income with respect to such Series 2011B Bond will be reduced in the proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series 2011B Bond. A holder of a Series 2011B Bond may have a basis in its pro rata share of the Series 2011B Bond that is greater than the principal amount of such Series 2011B Bond. Holders of Series 2011B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series 2011B Bonds under section 171 of the Code.

Sale and Exchange of Series 2011B Bonds

Upon a sale or exchange of a Series 2011B Bond, a holder generally will recognize gain or loss on the Series 2011B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2011B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2011B Bond not yet taken into income will be ordinary income). The adjusted basis of the holder in a Series 2011B Bond will (in general) equal its original purchase price increased by any OID (other than OID reduced due to acquisition premium) and decreased by any principal payments received on the Series 2011B Bond. In general, if the Series 2011B Bond is held for longer than one year, any gain or loss would be long-term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance of Series 2011B Bonds

Defeasance of any Series 2011B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2011B Bond.

Foreign Investors

Distributions on the Series 2011B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2011B Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230

Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Series 2011B Bonds.

LEGAL INVESTMENT IN DISTRICT OBLIGATIONS

Section 486 of the Home Rule Act (§ 1-204.86 of the District of Columbia Official Code), provides that, notwithstanding any restriction on the investment of funds by fiduciaries contained in any other District law, all domestic insurance companies and associations, executors, administrators, guardians, trustees and other fiduciaries within the District may legally invest any sinking funds, monies, trust funds or other funds belonging to them or under or within their control in any bond issued in accordance with the Home Rule Act and the District of Columbia Official Code. Section 486 of the Home Rule Act also provides that all federal building and loan associations and federal savings and loan associations and banks, trust companies, building and loan associations and savings and loan associations domiciled in the District, may purchase, sell, underwrite, and deal in, for their own account or for the account of others, all bonds issued in accordance with the Home Rule Act and the District of Columbia Official Code, such as the Series 2011 Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2011 Bonds and with regard to the tax status of the interest thereon are subject to the legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's approving opinions will be substantially in the forms set forth in Appendix D to this Official Statement. Certain legal matters will also be passed upon for the District by the Office of the Attorney General; for the University by its General Counsel and its special co-counsel, Ballard Spahr LLP and Lewis & Munday, A Professional Corporation; and for the Underwriters by McGuireWoods LLP and McKenzie & Associates.

LITIGATION

THE DISTRICT

There is no litigation of any nature against the District now pending or, to the knowledge of the District, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2011 Bonds, or in any way contesting or affecting the validity of the Series 2011 Bonds or any proceedings of the District with respect to the Series 2011 Bonds or the existence or powers of the District which would have a material adverse effect on the obligations of the District with respect thereto.

THE UNIVERSITY

There is no litigation of any nature against the University now pending or, to the knowledge of the University, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2011 Bonds or in any way contesting or affecting the validity of the Series 2011 Bonds or any proceedings of the University with respect to the Series 2011 Bonds or the existence or powers of the University which would affect the obligations of the University with respect thereto.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2010, 2009, and 2008 and for each of the three years in the period ended June 30, 2010, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities LLC, Loop Capital Markets LLC, Rice Financial Products Company, Siebert Brandford Shank & Co., L.L.C. and The Williams Capital Group, L.P. (collectively, the *"Underwriters"*), have agreed, pursuant to a Bond Purchase Agreement, to purchase the Series 2011 Bonds at a price of $282,064,537.69

(the aggregate par amount of the Series 2011 Bonds, minus $6,457,367.75 of net original issue discount, minus $1,793,094.56 in Underwriters' discount).

The obligation of the Underwriters to pay for the Series 2011 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2011 Bonds if any are purchased and will make a public offering of the Series 2011 Bonds at the initial public offering prices shown on the cover page of this Official Statement. The University has agreed in the Bond Purchase Agreement to indemnify the Underwriters against certain liabilities relating to this Official Statement.

The Underwriters may offer and sell Series 2011 Bonds to certain dealers (including dealers depositing Series 2011 Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has served as financial advisor to the University for the issuance of the Series 2011 Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

RATINGS

Moody's Investors Service, Inc. (*"Moody's"*) has assigned a rating of "A3" with a "negative outlook" to the Series 2011 Bonds and Standard & Poor's Ratings Services (*"Standard & Poor's"*) has assigned a rating of "A-" with a "stable outlook" to the Series 2011 Bonds. Such ratings reflect only the view of Moody's and Standard & Poor's at the time the ratings were given, and neither the University nor the Underwriters makes any representations as to the appropriateness of such ratings.

The ratings are not a recommendation to buy, sell or hold the Series 2011 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or Standard & Poor's. Any such action may have an adverse effect on the market price of the Series 2011 Bonds. Neither the University nor the Underwriters has undertaken any responsibility after the issuance of the Series 2011 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007, (212) 553-0470, and an explanation of the significance of the rating given by Standard & Poor's may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041, (212) 438-2124.

RELATIONSHIP OF THE PARTIES

Orrick, Herrington & Sutcliffe LLP, bond counsel, and Ballard Spahr LLP and Lewis & Munday, A Professional Corporation, the University's special co-counsel, each represent the Underwriters in connection with other unrelated matters. Hawkins, Delafield & Wood, LLP, the Trustee's counsel, serves as disclosure counsel to the District in connection with other unrelated matters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONTINUING DISCLOSURE

The University has undertaken in a Continuing Disclosure Agreement to comply with the provisions of Rule 15c2-12 (the *"Rule"*), promulgated by the Securities and Exchange Commission (the *"SEC"*), by providing to the Municipal Securities Rulemaking Board certain annual financial information and material event notices required by the Rule. A further description of these obligations and the information to be provided pursuant to the Rule is contained in the Continuing Disclosure Agreement, which is included in Appendix E. The undertaking requires the University to provide only limited information at specified times.

The District is not deemed to be a material obligated person for purposes of the Rule and, therefore, is not required to provide Annual Reports or Event Notices with respect to the Series 2011 Bonds.

MISCELLANEOUS

The University has furnished all information herein relating to the University. Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with respect to this Official Statement nor any statement made as described under "**CONTINUING DISCLOSURE**" is to be construed as a contract with the Beneficial Owner of any Series 2011 Bond.

All of the summaries of the provisions of the Series 2011 Bonds, Indenture, Loan Agreement and Series 2011 Notes set forth herein (exclusive of financial and statistical data), and all other summaries and references to such other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such documents.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions herein will be realized. To the extent statements made herein involve anything other than matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information set forth herein, or in the Appendices, should not be construed as representing all of the conditions affecting the University.

APPROVAL AND CONSENT TO DISTRIBUTION

The University has approved the use and distribution of this Official Statement in connection with the offering and sale of the Series 2011 Bonds.

The District has consented to the legally permitted distribution of this Official Statement and has authorized the execution hereof but assumes no responsibility as to the accuracy or completeness of the information in this Official Statement other than that set forth in "**THE DISTRICT**" and in "**LITIGATION—THE DISTRICT**."

DISTRICT OF COLUMBIA

By: /s/ William A. Liggins
Director of the Revenue Bond-Enterprise Zone Program

THE HOWARD UNIVERSITY

By: /s/ Robert M. Tarola
Senior Vice President and Chief Financial Officer/Treasurer

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APPENDIX A

CERTAIN INFORMATION REGARDING THE HOWARD UNIVERSITY

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THE HOWARD UNIVERSITY
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APPENDIX A
CERTAIN INFORMATION CONCERNING
THE HOWARD UNIVERSITY

History and Background

The Howard University ("Howard" or the "University") is an independent, nonprofit, coeducational, nonsectarian institution of higher education located principally on three campuses in the District of Columbia (the "District") and one in Maryland, with the central campus located approximately two miles from the United States Capitol.

In November 1866, shortly after the end of the Civil War, members of The First Congregational Society of Washington founded "The Howard Normal and Theological Institute for the Education of Teachers and Preachers." The concept expanded to include a provision for establishing a university and in 1867 the United States Congress enacted legislation incorporating the school as "The Howard University". Within two years, the University included the Colleges of Liberal Arts and Medicine. The new institution was named for General Oliver O. Howard, Civil War hero, who was both a founder of the University and, at the time, Chief Commissioner of Freedmen's Bureau.

Howard's mission is to provide an educational experience of exceptional quality at the undergraduate, graduate, and professional levels to students of high academic standing and potential, with particular emphasis upon educational opportunities for Black students. Moreover, the University is dedicated to attracting and sustaining faculty who are, through their teaching, research and service, committed to the development of distinguished, historically aware, and compassionate graduates and to the discovery of solutions to human problems in the United States and throughout the world. With an abiding interest in both domestic and international affairs, the University is committed to continuing to produce leaders for America and the global community. Although widely regarded as the leading African American university in the United States, Howard does not discriminate in matters relating to admission to its educational and medical programs or to employment on the basis of skin color, gender, national or ethnic origin, sexual preference, marital status, religion, age or disability.

Howard operates under a three-division structure – Academic Affairs, Health Sciences and Institutional Support. The *Academic Affairs* division includes nine non-health-related schools, colleges, programs and scholarly activities. The *Health Sciences* division includes four health-related colleges, programs and scholarly activities, the clinical services of faculty health practices and The Howard University Hospital. The *Institutional Support* division includes all student activities, administrative functions and physical facilities management. Howard's management and governance organization is effectuated through a seven member Operations Committee, working with a fifteen member President's Cabinet, advised by faculty/student led committees for budgeting and rate setting, carrying out the strategic directives of a thirty-five member Board of Trustees ("Board").

Since 1928, by virtue of an amended charter from the U.S. Congress, Howard's funding sources have included an authorized appropriation from the Federal government through the Department of Education. In the last ten years, such appropriation has ranged between $232 and $239 million, virtually all of which is available for annual operating expenditures.

Howard's most recently received Determination Letter from the Internal Revenue Service, dated April 17, 2006, indicates that Howard is an organization described in Section 501(c)(3) of the Internal Revenue Code, is exempt from taxation and is also classified as a school under Sections 509(a)(1) and (170)(b)(1)(a)(ii) of the Code.

Strategy

With the endorsement of the Board in 2007, Howard embarked on a strategy and plan to renew its competitive position in the face of changing times and expanded options for its historical constituency. Dr. Sidney A. Ribeau was appointed President in August 2008 to lead Howard's renewal initiatives. The objectives of such initiatives are to:

- Enhance Howard's status as a major comprehensive metropolitan research university (with competitive undergraduate, graduate, and professional programs);
- Increase Howard's excellence in teaching and learning;
- Expand Howard's international footprint and role in world affairs;

- Provide Howard's students and faculty with an environment of open discourse (*Think Tank* for the Nation);
- Extend Howard's public service role through expanded engagement with local, national and international communities; and
- Further develop Howard's ability to maintain access for students who show promise but need financial support.

To achieve this vision, Howard has implemented a series of strategic imperatives described below.

Strategic Imperatives	
Offer Programs of Exceptional Quality	➢ With emphasis on health sciences, STEM (science, technology, engineering and mathematics), and programs relevant to the African diaspora. ➢ Become the preferred place to study, teach, research and work.
Become a Top Research University	➢ Achieve an international footprint in scholarly and research activity. ➢ Assume leadership in areas of Howard's historic emphasis.
Maintain Financial Sustainability	➢ Exercise sound stewardship over Howard's legacy assets. ➢ Develop sophisticated financial management to support Howard's strategy and mission.
Support Traditional Communities	➢ Improve the quality of life for under-served communities. ➢ Be recognized as a leader in influencing the development of national policies of particular relevance to African Americans and other communities within the African diaspora.
Foster an Appealing Environment	➢ Continuously improve service and quality, promoting a customer-oriented culture. ➢ Construct and maintain facilities that invite constituents to engage with Howard.

Over the two years since assuming the Presidency of Howard, Dr. Ribeau and the Board have: 1) attracted seasoned professionals to lead Howard's major academic and organizational initiatives; 2) stabilized Howard's operating model and management to bring more transparency and predictability to financial matters; 3) redesigned Howard's academic programs and degree offerings to reallocate resources to areas where Howard is, or can be, a superior educator; 4) realigned research initiatives around an integrated model of strategic and tactical accountabilities; and 5) lowered the support cost structure by streamlining processes, integrating functions, and clarifying accountabilities.

Academic Renewal

Howard is in the process of implementing the initiatives contemplated by the Board in 2007. In January 2011, the Board approved the University President's plan to reconfigure, merge and close certain academic programs and degree offerings (the "Academic Renewal Plan").

Among the current 171 degree programs offered, 71 undergraduate, graduate and professional programs were recommended for restructuring or closure – 22 undergraduate, 11 graduate and 38 graduate professional programs. The Academic Renewal Plan will be implemented beginning with the fall 2011 course offerings and will extend over approximately four academic years. Affected students will be given opportunities and guidance to alter their degree program, if so desired. The Academic Renewal Plan is designed to achieve six major strategic goals:

- Revise the model for the delivery of undergraduate education and increases interdisciplinary academic programming;
- Strengthen the University's commitment to STEM (science, technology, engineering and math), health sciences disciplines and research;
- Advance Africana and Diaspora Studies to make Howard the leading university in the field;
- Enhance humanities, communication, urban education, business, performing and visual arts academic programs and interdisciplinary studies;

- Increase the University's commitment to internationalism and global studies; and
- Streamline and focus graduate and professional offerings and encourage increased research.

The Academic Renewal Plan includes the restructuring of the core undergraduate curriculum and the creation of a single "freshman experience" for all entering students, regardless of their school or division. In addition, existing STEM programs will be improved to increase cutting-edge learning opportunities to prepare graduates for careers in rapidly growing fields such as nanotechnology.

The Academic Renewal Plan will affect the number, expertise and seniority mix of the faculty. A high percentage (approximately 75%) of tenured faculty members are currently retirement eligible. A transition plan to retire, retain and recruit the faculty necessary to manage the programmatic changes is being developed. The plan will include incentives to help ensure that programs are not interrupted, that students are not impacted, and that faculty can thoughtfully plan their future endeavors.

Facilities Renewal

The final part of the renewal plan is to upgrade, renovate and construct facilities that support Howard's strategic imperatives and Academic Renewal Plan. Some of the major projects expected to begin and/or be completed over the next three years include: 1) a research and learning center for science, technology, engineering and mathematics to provide classrooms, laboratory space and faculty offices to foster interdisciplinary academic and research activity; 2) a joint computational sciences center to encourage the use, enhancement, and creation of interdisciplinary, theoretical, and experimental approaches to bio-medical and behavioral research; 3) two new residence halls for undergraduate students adjacent to similar existing student housing; and 4) a number of renovations and upgrades to existing facilities to modernize their utility for academic and administrative purposes.

Howard is developing an updated Campus Master Plan, as more fully described under the heading "Facilities", that incorporates the facility renewal objectives of the redesigned academic program. An updated plan will be submitted to the District in June 2011 for review and community comments. The plan will cover the next ten years of expected facility construction and renovations. The first phase of the plan will take place over the next three years with all such activity approved by the Board and covered by the existing Campus Master Plan and zoning approvals.

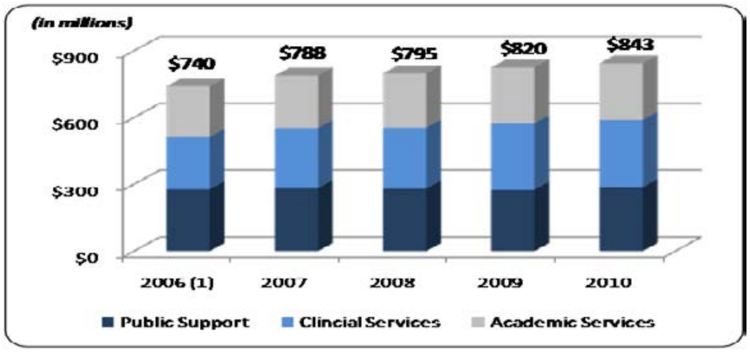
Financing Plan

The academic and facilities renewal is designed to take place over a 5-10 year period. The funds needed to execute the plan are intended to be sourced from lenders (in the form of public bonds, bank working capital arrangements, and project-specific financings), from the University (in the form of internally generated operating cash flow, donor contributions, and monetization of non-core assets), and from developers (in the form of non-recourse project-specific investments). The issuance of the Series 2011 Bonds will allow the University to refinance existing obligations (which carry onerous liquidity covenants) and borrow new monies as part of this multi-faceted plan to renew the legacy and improve the competitive position of Howard.

There is no assurance that Howard will be able to access the capital markets as and when needed to support these initiatives over time. Moreover, the Series 2011 Bonds carry restrictions as to additional borrowings, which would have to be met for any new debt-financed project. Any and all of these initiatives and investments will be decided based on the financial position of Howard and capital market conditions at the time such funding is required. All such decisions will be made by the Board.

Revenue Sources Summary

Howard derives its operating revenue from varied sources. *Academic Services* – which includes student tuition and fees; research, training and other grants and contracts; and auxiliary activities such as a radio and television station, campus services and residential income – accounted for $254 million or 30% of operating revenue in 2010. *Clinical Services* – which includes faculty medical and dental practices; and ambulatory, emergency, trauma and acute in-patient hospital services – accounted for $303 million or 36% of operating revenue in 2010. *Public Support* – which includes a Federal government appropriation; contributions from individuals, corporations and foundations; and transfers from established endowment funds – accounted for $286 million or 34% of operating revenue in 2010.



(1) *As hereinafter, unless the context otherwise requires, all references to numerical years shall mean the University's fiscal year ended June 30 of the year stated, and all data is sourced from the University.*

Revenue has increased an average of 3% annually over the period presented – 5% after excluding the Federal appropriation which has remained constant.

Legal Structure and Governance

Howard is organized as one principal legal entity with unincorporated operating divisions and segments. Howard is governed by the Board, a body with a membership of thirty-five. The Board has full and complete authority to conduct the affairs of the University and is responsible for advancing the purposes of the University; promoting and protecting its independence, academic freedom and integrity, and enhancing and preserving its assets for the benefit of future generations of students and society at large. Accordingly, the Board bears responsibility for the financial and academic development of the University, for overseeing the management of its resources and for ensuring that the University meets its obligations. The Board establishes the educational philosophy and objectives of the University, approves the annual operating plan and capital budget and oversees the use and investment of all funds of the University and its property.

The Board of Trustees

Of the thirty-five authorized members, twenty-eight are General Trustees elected by the Board to serve not more than three consecutive three-year terms. Notwithstanding this rule, the Chair of the Board may waive the three-term limitation, in the Chair's sole discretion. Of the remaining seven General Trustees, three are Alumni Trustees elected by the alumni for not more than two three-year terms; two are Faculty Trustees elected by the faculties of the University for not more than two three-year terms; and two are Student Trustees elected by the student body for not more than two one-year terms. The President of Howard is designated as a Trustee by virtue of that office. The Board meets at least three times per year for regular meetings, with one such meeting designated as the annual meeting of the Board. Special meetings may be called by the Board Chairperson, or by the written request of the University President or at least one-third of the Board membership.

In addition to its regular meetings, the Board functions through standing committees, which are: Academic Excellence Committee, Audit and Legal Committee, Board of Trustees Committee of the Whole, Compensation and Succession Committee, Development Committee, Executive Committee, External Affairs Committee, Finance Committee, Investment Subcommittee, Medical Affairs Committee, Trusteeship Committee and an Ad Hoc Committee on Real Estate. The Executive Committee exercises the authority of the full Board between meetings of the Board. A majority of the Executive Committee members constitutes a quorum for the purposes of taking Board action. Current members of the Board and their principal affiliations are identified in the table below.

TABLE 1
Members of the Board of Trustees

MEMBER	AGE	YEARS SERVED	BUSINESS AFFILIATION
Mr. Addison Barry Rand*	66	9	**Chairperson of the Board of Trustees** Chief Executive Officer of AARP
Dr. Charles Boyd	44	1	Owner/Medical Director, The Boyd Cosmetic Surgical Institute Alumni Trustee
Mr. Corey Briscoe	21	1	Howard University, Undergraduate Student Trustee
Dr. Paul A. Cotton	50	2	Program Director, Health Behavior and Minority Health Division of Extramural Activities National Institute of Nursing Research, Alumni Trustee
Ms. Elizabeth G. Early*	68	21	Health Care Consultant
Dr. Harold P. Freeman	77	17	Founder and Director, Ralph Lauren Center for Cancer Care and Prevention
Mr. Earl G. Graves, Sr.*	76	21	Chairman and Publisher, Earl G. Graves, Ltd.
Dr. Patrick T. Harker	52	1	President, University of Delaware
Renee Higginbotham-Brooks, Esq.*	59	13	**Vice Chairwoman of the Board of Trustees** Chair and Chief Executive Officer Block Capital, Inc.
Ms. Amy S. Hilliard	58	1	Founder, President and CEO, The ComfortCake, LLC
Mrs. Sheila C. Johnson	61	1	Founder and Chief Executive Officer, Salamander Hospitality, LLC
Vernon E. Jordan, Jr., Esq.*	75	17	Senior Counsel, Akin Gump Strauss Hauer & Feld, LLP Senior Managing Director, Lazard Freres & Co.
Warner Lawson, Jr., Esq.	70	3	Howard University, Professor School of Law Graduate Faculty Trustee
Charisse R. Lillie , Esq.*	58	6	Vice President, Community Investment, Executive Vice President of the Comcast Foundation - Comcast Corporation
Mr. Robert L. Lumpkins*	66	11	Chairman, The Mosaic Company
Anita Stearns Mayo, Esq.	57	2	Senior Attorney, Pillsbury Winthrop Shaw Pittman, LLP Alumni Trustee
Dr. Charles J. McDonald	79	17	Professor of Medical Science and Chair, Department of Dermatology, The Warren Alpert Medical School of Brown University
Dr. Floretta Dukes McKenzie*	75	17	Founder and Chairwoman, The McKenzie Group, Inc.
Stacey J. Mobley, Esq.*	65	5	Of Counsel, Dickstein Shapiro LLP, Senior Vice President, Chief Administrative Officer & General Counsel (Ret.), DuPont
Cornell Leverette Moore, Esq.*	71	10	Partner, Dorsey & Whitney LLP
Ms. Jessye Norman	65	8	Concert and Opera Singer
Mr. Gerald D. Prothro*	68	19	Managing Director, IKT Investments
Joshua B. Rales, Esq.	53	1	Managing Partner, RFI Foundation, Inc.
The Honorable M. Kasim Reed*	41	8	Mayor, Atlanta, Georgia
Dr. Ruth J. Simmons	65	3	President, Brown University
Wayman F. Smith III, Esq.	70	21	Attorney at Law, The Smith Partnership, P.C.
Dr. Sidney A. Ribeau*	63	2	President, The Howard University
Mr. John A. Thain	55	9	Former Chairman & CEO, Merrill Lynch & Co., Inc.
Dr. Reed V. Tuckson	59	1	Executive Vice President and Chief of Medical Affairs UnitedHealth Group
Mr. Marcus Ware	25	1	Howard University, School of Law Graduate Student Trustee
Mr. Gregory A. White*	51	13	Partner and Managing Director, Thomas H. Lee Partners, L.P.
The Honorable L. Douglas Wilder*	80	17	Former Governor of Virginia, Distinguished Professor Virginia Commonwealth University
Mrs. Benaree P. Wiley*	64	2	Principal, The Wiley Group
Dr. Richard L. Wright	68	2	Howard University, Undergraduate Faculty Trustee Professor John H. Johnson School of Communications
Mr. John D. Zeglis*	63	4	Chairman and CEO (Ret.) AT&T Wireless Founder and Principal Owner, Fort Wayne Mad Ants, NBA D-League

An "" denotes a member of Howard's Executive Committee.*

Faculty Senate

The Faculty Senate of Howard (the "Senate") is an independent organizational forum for the full-time University faculty. The primary objective of the Senate is "to participate with the Administration and Board in a partnership, based on mutual respect, for the shared responsibility for the University toward the ends of teaching and scholarly excellence, enhanced productivity, and greater responsiveness to the needs of Howard in achieving its unique contemporary mission."

The Senate supports faculty responsibility and accountability with respect to duties in teaching, research, publications, and University and community services. One role of the Senate is to act in collaboration with the Administration and Board regarding the development, review and revision of general educational policy that is applicable to more than one school or college of the University. However, the Board remains the final authority.

Administration

The University By-Laws mandate the following officers of the University: President; Provost; Secretary; Treasurer/Chief Financial Officer; General Counsel; Vice President for University Advancement; Vice President for Health Sciences; Vice President for Strategic Planning and External Affairs; and Vice President for Research and Compliance.

The ***President*** is elected by the Board and is the chief executive officer of the University. The President designates and appoints, subject to ratification by the Board, the following officers: ***Provost*** - serves as the chief academic officer and supervises all deans and directors except those dedicated to the health sciences and, in coordination with the Vice President for Research and Compliance and Vice President for Health Sciences, develops and implements a research agenda for the University that is consistent with its mission; ***Secretary*** - manages all University ceremonial and special events, establishes protocol standards, assures the credentialing of all graduation candidates and coordinates the maintenance of historic University records with the Archivist; ***Treasurer/Chief Financial Officer*** - supervises funds, securities, receipts and disbursements of the University, and is responsible to both the President and the Board with respect to fiduciary responsibilities; ***General Counsel*** - chief legal officer of the University and manages all legal affairs; ***Vice President for University Advancement*** - maintains liaison with University alumni, plans, manages and organizes major University functions and efforts designed to identify and develop external sources of support for the University; ***Vice President for Health Sciences*** - responsible for the overall management of the University's clinical enterprise and the dedicated health sciences segments of the academic enterprise; ***Vice President for Strategic Planning and External Affairs*** – represents the interests of the University before the United States Congress, the Government of the District of Columbia and other government entities, and assists in the development and execution of strategic plans to promote and advance the mission of the University; and ***Vice President for Research and Compliance*** - responsible for overseeing sponsored programs, for maintaining compliance with agreements, and for fostering the research objectives of the University. Brief resumes of the University's officers and members of its Operations Committee are set forth below.

Howard Operations Committee

The Operations Committee is responsible for planning and implementing the initiatives and commitments of Howard as reflected in its annual operating and capital plan. In the past year, Howard changed its financial management focus from over 1,000 cost centers to fifty accountable units that roll up to five business portfolios managed by the Operations Committee. The portfolios include an all-source revenue component and a detailed cost management component. The primary responsibility of the committee is to manage to Howard's collective goals and objectives, leaving individual portfolio interests as secondary considerations. Typical matters addressed by the Operations Committee would be issues related to Howard-wide financial management, human resources, technology, facilities, enrollment, academics, research, clinical services, and government affairs.

Sidney A. Ribeau, Ph.D. – President – age 63

In 2008, Dr Ribeau was appointed the 16th President of Howard and the sixth African American to serve as its Chief Executive Officer. Dr. Ribeau came to Howard after having served as President of Bowling Green State University in Bowling Green, Ohio for 13 years. He began his teaching career in 1976 as a professor of communication studies at California State University, Los Angeles and eight years later became chair of that university's Pan African Studies Department until 1987. From 1987 to 1990, he served as Dean of Undergraduate Studies at California State University, San Bernardino. In 1990, he became Dean of the College of Liberal Arts at

California Polytechnic State University, San Luis Obispo campus. In 1992, he was named Vice President for Academic Affairs at California Polytechnic State University, Pomona, a position he held until his appointment to Bowling Green.

Dr. Ribeau received his Bachelor of Science degree from Wayne State University, and M.A. and Ph.D. degrees in communications from the University of Illinois, Urbana-Champaign. Dr. Ribeau currently serves on the boards of the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Worthington Industries.

Troy Stovall - Executive Vice President and Chief Operating Officer – age 46

On January 1, 2010, Mr. Stovall assumed the position of Executive Vice President and Chief Operating Officer at Howard responsible for public safety, facilities and planning, auxiliary services, human resources, materials management, internal audit, enrollment management, information management and overall institutional effectiveness. Prior to Howard, Mr. Stovall served as the Senior Vice President, Finance & Operations for Jackson State University, was Co-Founder and CEO of GulfSouth Capital, Inc. and Managing General Partner of GS Ventures (GSV), LLC, and served as a Senior Engagement Manager at the strategy management-consulting firm, McKinsey & Co., where he focused on areas of operations, organizational design and strategy.

Mr. Stovall holds a Bachelor of Science in Electrical Engineering *cum laude* from Southern Methodist University, Masters of Science in Computer Sciences from Stanford University and an M.B.A. from Harvard Business School.

James H. Wyche, Ph.D. - Provost and Chief Academic Officer – age 68

Dr. Wyche's appointment to the position of Provost and Chief Academic Officer became effective on February 15, 2010. Spanning four decades, Dr. Wyche's research and academic career includes appointments as Vice Provost for Academic Affairs and Professor of Biochemistry and Molecular Biology at the University of Oklahoma Health Sciences Center; Vice Provost and Dean of the College of Arts and Sciences and Professor of Biology and Molecular Pharmacology, School of Medicine, University of Miami; Associate Provost and Professor of Medical Science, Department of Molecular Biology, Cell Biology and Biochemistry at Brown University; and Visiting Professor and Scholar-In Residence at other institutions. During the 2001-2002 academic year, Dr. Wyche served as interim president of Tougaloo College.

Dr. Wyche holds a Bachelor of Science in bacteriology from Cornell University, a Master of Arts from Brown University, and a Ph.D. in biology from Johns Hopkins University.

Eve J. Higginbotham, S.M., M.D. - Senior Vice President and Executive Dean for Health Science - age 57

Dr. Higginbotham assumed the position of Senior Vice President and Executive Dean for Health Sciences on January 1, 2010. Formerly she was the Dean and Senior Vice President for Academic Affairs at the Morehouse School of Medicine and Professor of Ophthalmology at the Emory Eye Center from 2006-2009 before taking on her current post. During her academic career, Dr. Higginbotham has held notable leadership positions at other institutions. Upon her appointment in 1994 as Chair of the Ophthalmology and Visual Sciences Department at the University of Maryland School of Medicine in Baltimore, Dr. Higginbotham became the first woman to head a university-based ophthalmology department in the United States. Prior to joining the faculty at the University of Maryland, Dr. Higginbotham was Chief of the Glaucoma Clinic at the University of Illinois (1985 to 1990) and was an Associate Professor with tenure at the University of Michigan (1990 to 1994), where she served as Assistant Dean for Faculty Affairs. She is a member of the Institute of Medicine of the National Academy of Sciences, the American Academy of Arts and Sciences and the Board of Overseers of Harvard University. She has received numerous honors and awards during her career.

Dr. Higginbotham received her Bachelor of Science and Masters of Science degrees in Chemical Engineering from the Massachusetts Institute of Technology. She earned her medical degree from Harvard Medical School. She completed her residency training at the Louisiana State University and her fellowship training in the subspecialty of glaucoma at the Massachusetts Eye and Ear Infirmary in Boston. She is a board certified ophthalmologist.

Hassan Minor, Ph.D. - Senior Vice President for Strategic Planning, Operations and External Affair - age 64

Dr. Minor came to the University in 1990 as Special Assistant to the President. He has principal responsibility for government affairs and strategic planning, has served as the University's chief information and technology officer and has had responsibility for the University's commercial radio station and public television station. Prior to coming to Howard, Dr. Minor was a professor at the Massachusetts Institute of Technology (MIT) and the Managing Director of The Partnership, a leading Boston corporate think-tank.

Dr. Minor has studied engineering, communications, economics and planning. He finished his undergraduate degree at the University of Detroit (*summa cum laude)* and has received three advanced degrees. After graduating from MIT with a Ph.D., Dr. Minor was appointed by the Governor to two terms as a Regent of the Commonwealth of Massachusetts. Dr. Minor was Chairman of the Regent's Policy Planning and Research Committee and the Committee on Computers, Telecommunications and Information Systems. Dr. Minor was an Assistant for Urban Affairs at Harvard University, a Fellow in International Studies at the Center for Advanced Studies at Stanford University, a Governor of the Center for Creative Leadership and a Trustee of the Community Foundation of Greater Washington.

Marian Wilson, Ph.D. – Senior Advisor to the President - age 52

Dr. Marian V. Wilson is the Senior Advisor to the President of Howard. Dr. Wilson joined the University in February 2009. She was most recently the Associate Vice Chancellor for Diversity and Equal Opportunity at the University of Massachusetts Medical School (UMMS). Prior to UMMS, Dr. Wilson was the Acting Dean of the Corporate and Community Services (workforce development) division at Cincinnati State Technical and Community College. While at Cincinnati State, Dr. Wilson also served as the Director of Organizational Development and Institutional Equity.

At Howard, Dr. Wilson advises on overall strategy and policy development. She coordinates and manages issues that are short-term and mission critical or non-routine, sensitive and confidential matters. She is the President's liaison to the University's Academic, Student Affairs and Health Sciences Enterprise. She coordinates and expedites the work of the President's Office for all operations that impact the quality of student life, the academic reputation and institutional effectiveness. Dr. Wilson earned her Ph.D. from The Pennsylvania State University in Educational Administration Policy Studies.

Robert M. Tarola, CPA - Senior Vice President, Chief Financial Officer and Treasurer of the University and the Board of Trustees - age 60

Mr. Tarola serves as an officer of Howard under a contractual arrangement with Right Advisory LLC, of which he is the President. Right Advisory was initially engaged in August 2009 to perform a financial diagnostic, and in February 2010 to lead the finance function and financial affairs of Howard. Since September 2010, Right Advisory has also assumed the leadership responsibilities for compliance with research and other sponsored-program requirements. The contract with Right Advisory is open-ended, with each party having a 30-day termination right.

Mr. Tarola has thirty-eight years' experience as a finance professional. He was a partner with Price Waterhouse LLP, chief financial officer of MedStar Health, Inc. and W. R. Grace & Co., and serves on the Boards of Directors of Legg Mason Mutual Funds and TeleTech Holdings Inc. He chaired the Advisory Board to the President of Temple University where he earned a Bachelor of Business Administration degree. He is a licensed certified public accountant in the District and three states.

Other Officers

Artis G. Hampshire-Cowan, Esq. - Senior Vice President and Secretary of the University and the Board of Trustees - age 56

Ms. Hampshire-Cowan began her tenure at the University in October 1992. As corporate secretary of the University, Ms. Hampshire-Cowan manages the affairs of the Board, and plans and manages all official functions of the University. For seven years, from 1994 to 2001, she performed an additional role as Vice President for Human Resource Management, with executive oversight of the University's workforce.

Ms. Hampshire-Cowan received an undergraduate degree in Business Management from Morris Brown College, and a Juris Doctor degree from Temple University School of Law. She served as an Assistant District Attorney in Philadelphia before relocating to Washington, D.C., where she began her career of more than 12 years with the District Government.

Norma Leftwich, Esq. - General Counsel - age 62

Ms. Leftwich began her service as General Counsel for the University in 1995. In this capacity, she serves as chief legal advisor and is responsible for the legal affairs of the University. Prior to her appointment at the University, Ms. Leftwich served in the Washington office of the law firm of Seyfarth, Shaw, Fairweather & Geraldson, where she specialized in government contracts and commercial litigation.

Ms. Leftwich received her Bachelor of Arts degree from the University of Pittsburgh and attended Georgetown University Law Center where she received a Juris Doctor degree. She is a member of the Bars of the District of Columbia and the State of Maryland. Ms. Leftwich has served as Vice Chair of the Small Business Committee of the American Bar Association's Section of Public Contract Law and on the District of Columbia Board of Elections and Ethics.

Nesta Bernard - Interim Vice President for Development and Alumni Relations - age 67

Ms. Bernard started her career with Howard in 1982 and is charged with identifying, motivating, promoting and generating constituencies and resources to maintain and build the University's status in research and scholarship; to revitalize the academic enterprise, and to strengthen the financial underpinnings of the University to secure its leadership position in higher education for the 21st century. Prior to assuming this role, Ms. Bernard served as the Associate Vice President and Assistant Vice President for University Advancement as well as Senior Director of Alumni Relations and University Events/Special Projects. Ms. Bernard's education includes Howard and The University of Maryland.

Barbara L.J. Griffin, Ph.D. - Vice President for Student Affairs - age 67

Barbara L.J. Griffin began her position as Vice President for Student Affairs in January 2010. She had previously served as Associate Provost for the University and Associate Dean in the College of Arts and Sciences, working closely with undergraduate and graduate students. During her tenure as Associate Dean, Dr. Griffin assisted in inaugurating the COAS Undergraduate Research Symposium, the Summer Study Abroad programs, and the revised Freshman Seminar curriculum. Dr. Griffin began teaching at Howard in 1990 and has been a tenured member of the Department of English for more than twenty years, teaching and advising both undergraduate and graduate students, and serving on numerous masters and doctoral committees. She has served as Director of Undergraduate Studies, Associate Chair, and Acting Departmental Chair. In addition, she chaired for many years the College of Arts and Sciences Committee on Academic Policy and Standards and the General Education Program Committee. She also chaired the Appointments, Promotion, and Tenure Committee of the Graduate School for a number of years and served on its Executive Committee for a brief time. She has contributed a number of publications in her field as well as a textbook for freshman students entitled, *Transition*s (2004; rev. 2006).

Faculty and Staff

For the academic year 2010-2011, the University's faculty included full-time and part-time members, approximating 1,300 full-time equivalents. Approximately 46% of the full-time faculty members are tenured, and approximately 84% hold a doctoral degree or highest professional degree in their area of study. In addition, Howard has approximately 3,800 full-time and part-time staff members supporting educational and clinical activities. See table below.

TABLE 2 FACULTY AND STAFF					
	2006	**2007**	**2008**	**2009**	**2010**
University Faculty	1,370	1,267	1,290	1,255	1,312
Full-Time Tenured Faculty	*246*	*247*	*264*	*297*	*286*
Full-Time Non-Tenured Faculty	*593*	*509*	*519*	*489*	*523*
Part-Time Faculty	*531*	*511*	*507*	*469*	*503*
University Salaried Staff	2,351	2,308	2,286	1,949	2,033
Total University	**3,721**	**3,575**	**3,576**	**3,204**	**3,345**
Hospital Physicians	60	58	44	49	95
Hospital Residency Program	242	232	241	257	255
Hospital Staff	1,696	1,629	1,729	1,811	1,744
Total Hospital	**1,998**	**1,919**	**2,014**	**2,117**	**2,094**
Total Howard	**5,719**	**5,494**	**5,590**	**5,321**	**5,439**

Compensation Philosophy

Howard's compensation philosophy is based on the goal to recruit, retain, create, sustain and deliver leading services and programs that will serve as the primary drivers to position the University as the leading historically Black institution of higher learning, intellectual freedom and thought.

The University's compensation and pay programs are designed to be fair, equitable, clearly communicated and easily understood by all employees. As such, compensation and pay programs are focused on allowing Howard to attract and retain high quality professional staff, rewarding employees based on their support of Howard's mission, strategies and long-term operating plans and rewarding employees based on their job performance. To meet these goals, Howard will use selected salary and wage surveys to stay competitive in the external market.

Employee Benefits

The University provides a comprehensive benefits package for its employees. The benefits package includes self-insured health coverage, paid annual and sick leave, defined contribution savings plan with automatic enrollment, life insurance, disability insurance, tuition reimbursement and, for certain employees, a defined benefit pension plan and health care coverage in retirement.

Substantially all full-time employees of the University hired before January 1, 2010 are covered by a noncontributory, defined-benefit retirement plan. The University makes annual contributions to this plan in an amount necessary to meet government funding regulations. The plan provides eligible retirees with a percentage of their final annual pay based upon years of credited service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds and private investment funds. Effective July 1, 2010, the plan no longer accrues new benefits and Howard's financial obligations are essentially capped at the retirement rights earned through that date.

The University supplements this defined-benefit pension plan with a defined contribution (savings) plan, in which all full-time faculty and staff are eligible to participate. The University contributes 6% of annual base salary to the plan for the account of the participant, regardless of the amount contributed by the participant. In addition, participants in the savings plan may contribute, on a tax-deferred basis, amounts up to the maximum permitted under federal law for 403(b) plans, although such employee contributions are not mandatory. Effective July 1, 2010, Howard contributes a matching contribution of up to 2% of employee elected self-contributions. Funds held under the plan are managed by several independent asset management firms, among which, each participant may choose from a series of investment options.

The University provides healthcare benefits in retirement for employees who began their work with Howard prior to 1994. The benefit program provides comprehensive self-insured health coverage for participants between retirement and Medicare eligibility with Medicare supplemental coverage after that date. The largest group of participants is subject to full premium increases after 2009 – at which date Howard capped its contributory liability.

Collective Bargaining Agreements

Howard has several collective bargaining agreements currently in effect with unions representing certain employees. The agreement with the American Federation of State, County and Municipal Employees (Local 2094) was entered into in May 2008 and has been extended through March 2011. The agreement with the District of Columbia Nurses Association (DCNA) was entered into in December 2008, which is effective through June 30, 2011. In addition, the University has collective bargaining agreements with the following other labor unions:

- National Association of Broadcast Engineers and Technicians-CWA, Local 31 (Technicians) (NABET) (Expires: June 30, 2011);
- Security and Fire Professionals of America (SPFPA), Local 283 (Expires: January 27, 2013);
- American Federation of Television and Radio Artists, (AFTRA) (Expires on October 30, 2011);
- Service Employees International Union, (SEIU) Local 32 (Expires November 3, 2010) Negotiations underway, contract extension in place;
- American Federation of State, County, Municipal Employees, AFL-CIO, Council 20, Local 3829 (Expires August 1, 2011).

These collective bargaining agreements cover approximately 1,800 employees. The University believes that its relations with faculty and employees are generally good.

Educational Programs

The University, as a whole, is fully accredited by the Middle States Association of Colleges and Schools, Commission on Higher Education ("Middle States"). The University's professional schools and programs each hold accreditation from the appropriate professional associations.

Academic Programs

The University's colleges and schools include the College of Arts and Sciences, School of Business, School of Communications, College of Dentistry, School of Divinity, School of Education, College of Engineering, Architecture and Computer Sciences, the Graduate School, School of Law, College of Medicine, College of Pharmacy, Nursing and Allied Health Sciences, and School of Social Work. Currently, the University offers 28 bachelors, 18 masters, 26 doctoral, 5 professional degrees and 11 certificate programs in approximately 178 fields of study. Below are brief descriptions of the requirements to receive an undergraduate or graduate degree from the University.

Undergraduate Degrees

The total number of semester credit hours that are required for the baccalaureate degree varies from 124 to 171 among the undergraduate schools and colleges. The typical undergraduate degree program includes a major field (21-78 credits), a minor field (12-39 credits), and a core group of general education required and elective courses. The specific general education course requirements vary among the schools and colleges. To receive a Bachelor of Arts or Bachelor of Science degree, students must have a cumulative grade point average of at least 2.00 on a 4.00 scale, and at least a cumulative grade point average of 2.00 in their major field of study.

Graduate and Professional Degrees

Graduate programs at the University are offered under two distinct administrative arrangements. The Graduate School administers research-based programs leading to various Masters degrees and the Doctor of Philosophy degree. Academic departments in seven schools and colleges (Pharmacy, Nursing and Allied Health Sciences, Arts and Sciences, Communications, Education, Engineering, Architecture and Computer Sciences, Social Work, and Medicine) offer graduate programs through the Graduate School and their own schools. Among the graduate programs are professional degree programs at the Masters and Doctoral level that are offered under the separate administration of the various schools and colleges. These schools and colleges include Arts and Sciences, Business, Communications, Dentistry, Divinity, Education, Law, Medicine, Engineering, Architecture and Computer Sciences, Pharmacy, Nursing and Allied Health Sciences, and Social Work. In addition, Howard administers graduate programs in several medical and surgical disciplines.

The minimum number of credits required for a Masters degree is 30; however, some departments may require credits in excess of this number. In those cases, the number of required credits is the number specified by the department in which the student is enrolled. The degree course requirements for individual students vary depending on their academic program.

Enrollment and Admissions

The University's fall 2010 undergraduate enrollment was 7,147 students - 6,726 students were enrolled full-time and 421 were on a part-time basis - for a total of 6,866 FTE students as presented in the table below. Undergraduate students are enrolled primarily in five schools and colleges: Arts and Sciences, Business, Communications, Engineering, Architecture and Computer Sciences and Pharmacy, Nursing and Allied Health Sciences. In the fall of 2010, the University had 3,447 (3,065 FTE students) graduate and professional students enrolled in its 12 schools and colleges. These enrollment statistics are presented in the tables below.

TABLE 3
FALL 2010 UNDERGRADUATE ENROLLMENT

School/College/Division	Full-Time	Part-Time	Total	FTE
Arts and Sciences	3,438	213	3,651	3,509
Business	1,054	50	1,104	1,071
Communications	983	51	1,034	1,000
Education	76	14	90	80
Engineering, Architecture and Computer Sciences	534	28	562	543
Pharmacy, Nursing and Allied Health Sciences	622	65	687	644
Dentistry	19	0	19	19
TOTAL	**6,726**	**421**	**7,147**	**6,866**

TABLE 4
FALL 2010 GRADUATE AND PROFESSIONAL ENROLLMENT

School/College/Division	Full Time	Part Time	Total	FTE
Arts and Sciences	28	8	36	30
Business	78	20	98	85
Communications	16	11	27	20
Dentistry	329	20	349	336
Divinity	91	44	135	106
Education	78	68	146	100
Graduate School	711	324	1,035	819
Law	474	6	480	476
Medicine	453	0	453	453
Pharmacy, Nursing and Allied Health Sciences	386	37	423	398
Social Work	230	35	265	242
Total	**2,874**	**573**	**3,447**	**3,065**

TABLE 5
FALL SEMESTER ENROLLMENTS: 2006-2010

	UNDERGRADUATE*			GRADUATE/PROFESSIONAL			
Year	**Full-Time**	**Part-Time**	**Subtotal**	**Full-Time**	**Part-Time**	**Subtotal**	**TOTAL**
2010	6,726	421	7,147	2,874	573	3,447	10,594
2009	6,655	388	7,043	2,879	615	3,494	10,537
2008	6,690	475	7,165	2,953	615	3,568	10,733
2007	6,599	429	7,028	2,917	641	3,558	10,586
2006	6,667	459	7,126	2,966	653	3,619	10,745

**Includes students working toward a Certificate in Dental Hygiene.*

The table below contains statistics on the number of freshman applications, the number of applicants accepted and enrollment patterns over the last five years. The number of freshman applications received increased slightly over the five-year period, peaking in 2008 at 9,750. The percentage of applicants accepted by the University increased during this time, from 48% in 2001 to 54% in 2009 and 2010. The matriculation rate ranged from 31% to 37% over the period.

TABLE 6 FRESHMAN APPLICATIONS AND ENROLLMENT: 2006-2010					
	2006	**2007**	**2008**	**2009**	**2010**
Applications Received	8,661	7,603	9,750	9,209	8,794
Applications Accepted	4,135	4,080	4,731	4,976	4,790
Enrollment	1,520	1,461	1,500	1,603	1,491
Acceptances as a % of Applications	48%	54%	49%	54%	54%
Enrollments as a % of Acceptances	37%	36%	32%	32%	31%

The table below contains application and enrollment statistics for graduate and professional students during the 2006 to 2010 period. Applications increased, while the acceptance rate was fairly flat, decreasing from 15% in 2006 to 14% in years 2007-2010. Statistics vary widely among the various graduate and professional schools. The College of Medicine, College of Dentistry, School of Law, School of Pharmacy and Graduate School, respectively, receive the largest number of applications. Combined, these academic units account for 97% of total graduate and professional applications.

TABLE 7 GRADUATE AND PROFESSIONAL STUDENT APPLICATIONS AND ENROLLMENT: 2006-2010					
	2006	**2007**	**2008**	**2009**	**2010**
Applications Received	12,759	13,515	13,294	13,704	13,496
Applications Accepted	1,959	1,872	1,903	1,862	1,881
Enrollment	1,044	969	1,046	1,021	1,008
Acceptances as a % of Applications	15%	14%	14%	14%	14%
Enrollments as a % of Acceptances	53%	52%	55%	55%	54%

The average verbal, mathematics and combined Scholastic Aptitude Test (SAT) scores for freshman students during the 2006 to 2010 period are presented in the table below.

TABLE 8 AVERAGE SAT SCORES OF FRESHMAN STUDENTS: 2006-2010					
	2006	**2007**	**2008**	**2009**	**2010**
Verbal	543	531	544	537	539
Mathematical	533	518	538	530	528
Total	**1,076**	**1,049**	**1,082**	**1,067**	**1,067**

The geographic distribution of the entering freshman class is shown in the table below. The University is a national institution. The geographic distribution of entering freshman students remained relatively consistent from 2006 to 2010, with the largest number of students coming from the Washington metropolitan area, the New York to Delaware corridor and California.

TABLE 9 GEOGRAPHIC DISPERSION OF FRESHMAN STUDENTS: 2006-2010					
	2006	**2007**	**2008**	**2009**	**2010**
DC-MD-VA	339	298	350	357	308
NY-NJ-PA-DE	318	332	320	396	334
California	106	93	95	104	105
Other States*	684	668	674	703	704
International**	73	70	61	43	40
Total	**1,520**	**1,461**	**1,500**	**1,603**	**1,491**

* *Includes U.S. Territories and 35 states.*
** *Includes Resident Aliens (i.e., Permanent Residents of the U.S.).*

The table below depicts the percent of freshman that graduate within six years and the percentage who matriculate to their sophomore year (retention rate).

TABLE 10 RETENTION AND GRADUATION RATES: 2006-2010					
	2006	2007	2008	2009	2010
Undergraduate graduation rate (6-year)	64%	64%	65%	66%	68%
Undergraduate retention rate (first to second year)	84%	83%	85%	83%	83%

Tuition and Fees

Howard's tuition has historically been below that charged by most private colleges and universities, although more than that charged by publicly supported institutions for in-state students. Undergraduate tuition charged by the institutions with which Howard compares itself, in the academic year 2010-2011, range from approximately $23,000 to $43,000. See table below.

TABLE 11 TUITION RATES, FEES AND CHARGES: 2007-2011					
Tuition and Fee Rates	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Tuition:					
Undergraduate	$12,180	$13,215	$14,205	$15,270	$17,100
Graduate	14,910	16,175	17,385	19,125	21,995
Divinity	14,425	15,650	15,650	16,435	17,665
Medicine	24,055	26,100	30,015	32,415	35,010
Dentistry	19,415	21,065	24,225	26,165	28,780
Law	17,965	19,490	22,415	23,535	25,420
Doctor of Pharmacy, M.S., Physical Therapy & M.S., Occupational Therapy	15,840	17,185	19,765	20,755	22,415
MBA Program	14,910	16,175	17,385	22,950	24,195
Fees:					
Mandatory Fees	$805	$805	$805	$805	$1,021

Howard considers the following institutions as comparables for purposes of its most recent accreditation self-study report to the Middle States Association of Colleges and Schools - Commission on Higher Education (2010-2011 undergraduate tuition as reported by each such institution in parentheses): Case Western University ($37,648); Emory University ($39,158); George Washington University ($42,905); Georgetown University ($40,203); Temple University ($22,252); Tulane University ($41,884); University of Maryland College Park ($24,831); Vanderbilt University ($39,930); Washington University St. Louis ($40,369).

Financial Aid

Financial aid is awarded to students in the form of scholarships, grants, loans and student employment, and ordinarily consists of a combination of these elements. In 2010, 88% of the University's students received some form of financial aid through institutional sources or federal student aid programs. In such year, aid represented approximately 30% of aggregate tuition and fees. See the table below. The University continues to develop strategic methods to assist needy students and reward high academic performance. In 2009, the University launched the Howard University Need-Based Grant that provides a 100% match to the Federal Pell Grant for those students who have the greatest need. This grant program is in the process of being extended to assist other needy students as well.

TABLE 12 STUDENT FINANCIAL AID: 2006-2010 ($ IN THOUSANDS)					
	2006	**2007**	**2008**	**2009**	**2010**
Scholarships and Fellowships					
University Funded	$37,950	$36,670	$36,061	$38,930	$53,757
Other Sources	5,667	5,579	6,389	1,404	3,407
Sub-total	*$43,617*	*$42,249*	*$42,250*	*$40,334*	*$57,164*
Loans					
University Funded	$1,702	$907	$798	$860	$896
Other Sources	1,082	920	1,089	458	90
Sub-total	*$2,784*	*$1,827*	*$1,887*	*$1,318*	*$986*
Student Employment	$979	$761	$628	$705	$825
TOTAL FINANCIAL AID	**$47,192**	**$44,837**	**$44,765**	**$42,357**	**$58,975**

Over the past four years undergraduate tuition has increased by a total of 40%. At the same time, financial aid has increased 31% with a net realized tuition and fee revenue increase of 22% ($130,139 in 2010 vs. $107,016 in 2006). Undergraduate tuition rate increases of 12% are targeted for each of the next three academic years.

The University sponsors the Freshman Scholarship Program that includes awards ranging from full tuition and fees to full tuition, fees, room, board, book vouchers and a laptop computer. The scholarship is awarded to some of the nation's highest achieving freshman applicants.

The University's Laureate Scholarship is awarded to National Achievement Scholars. After matriculating, many of the Laureate Scholarship recipients earn national and international recognition for their high academic achievement and leadership. Howard's two recent Rhodes Scholars were recipients of Laureate Scholarships. Transfer scholarships have been a successful recruitment tool for attracting exceptional students from community colleges and other accredited higher education institutions. The transfer scholarship includes full tuition and fees.

Committed to its mission to promote high academic performance, the University created a University-Wide Scholarship Committee to review and revamp all institutional aid programs, including a more dedicated use of donor/endowed funds. The work of the Committee is expected to leverage institutional aid resources and focus on maintaining a targeted tuition discount rate.

Clinical Programs

The University, through its *Health Sciences* division, supports the education of health professionals with access to clinical operations and facilities. This primarily takes place in the professional practices of faculty physicians and dentists, and in the clinics, emergency department, trauma center, cancer center, and in-patient services of The Howard University Hospital.

Faculty Professional Practices

The faculty of the Colleges of Medicine and Dentistry regularly serve patients in a clinic or office setting as part of their employment arrangement with the University. The fees for such services are paid to the University and a portion of the faculty members' compensation is allocated to this activity. These settings and activities are also used to expose students to procedures and conditions as part of their educational experience. See table below.

TABLE 13 OUTPATIENT VISITS OF FACULTY PRACTICES					
	2006	**2007**	**2008**	**2009**	**2010**
Medicine	21,856	15,070	18,463	22,069	27,094
Surgery	12,152	13,628	12,890	16,723	18,219
ObGyn	10,216	8,583	6,399	6,886	8,858
Pediatrics	4,700	3,896	4,298	6,107	7,311
Community/Family Medicine	10,026	9,984	10,005	7,320	9,110
Orthopedics	2,488	3,934	3,211	3,371	6,362
Dentistry	13,434	14,379	11,328	11,807	11,050
TOTAL	**74,872**	**69.474**	**66,594**	**74,283**	**88,004**

The Howard University Hospital

Howard owns and operates an acute inpatient care facility that serves as a tertiary care, teaching and research facility primarily serving the faculty and students of the University and the community of the District. The hospital operates as an unincorporated segment of the Health Sciences division.

The hospital was founded by the United States government in 1862 as Freedmen's Hospital, a federally owned and operated institution. Beginning in 1894, a close relationship developed between Freedmen's Hospital and the University, with the University assuming significant responsibility for providing services to Freedmen's Hospital over the years. In 1961, Congress enacted a law, the Transfer Act, in order to "establish a teaching hospital for Howard University, to transfer Freedmen's Hospital to the University, and for other purposes," and in 1967 ownership of Freedmen's Hospital was formally transferred to the University. The Transfer Act authorized federal appropriations for the construction and operation of teaching hospital facilities at the University, and such federal appropriations were utilized to build the existing hospital, which was completed in 1975.

The hospital is licensed to operate 482 beds, 290 of which currently are in service. In the past, a number of the licensed beds were occupied by patients admitted for long-term care whereas, in recent years, the hospital has progressively moved toward acute inpatient care. The table below sets forth the number of licensed beds and beds in service by major category as of June 30, 2010.

TABLE 14 LICENSED BEDS AS OF JUNE 30, 2010		
	Licensed	**In Service**
Medicine/Surgery	249	180
Intensive Care	77	24
Obstetrics/GYN	53	14
Pediatrics	40	19
Psychiatry	26	18
Nursery	37	35
Total Acute	**482**	**290**

The District does not regulate rates charged by hospitals or impose a single payor rate structure. Instead, hospitals are free to set their own rates for services. However, the ability to recover those rates may be affected by matters other than regulation, such as contracts with third party payors. The payor mix for the hospital is highly concentrated in government payors – Medicare and Medicaid - as shown in the table below. The financial effects of such high concentration is somewhat mitigated by eligibility for disproportionate share funding which is designed to compensate hospitals that treat significant populations of indigent patients. The hospital receives approximately $20 million annually from this funding source. Beginning in 2014, such payments will be reduced as Medicaid members are covered by health plans available through newly formed health exchanges.

The following tables summarize certain historical utilization and payor mix statistics of the hospital.

TABLE 15 HOSPITAL CLINICAL ACTIVITY BY TYPE					
Admissions	**2006**	**2007**	**2008**	**2009**	**2010**
Medicine/Surgery	9,607	8,655	8,489	9,110	9,302
Intensive Care	809	834	969	1,442	1,441
Obstetrics	737	864	795	874	785
Pediatrics	358	371	380	347	404
Psychiatry	749	695	693	631	685
Nursery	643	758	676	742	668
Sub-acute	231	203	74	0	0
Total Admissions	**13,134**	**12,380**	**12,076**	**13,146**	**13,285**
Clinic Visits	**48,698**	**45,455**	**52,285**	**61,842**	**60,195**
Emergency Visits	**44,979**	**46,023**	**49,147**	**54,622**	**57,774**

TABLE 16 HOSPITAL PAYOR MIX 2006-2010					
	2006	**2007**	**2008**	**2009**	**2010**
Medicare	24%	23%	23%	23%	23%
Medicaid	36%	36%	41%	42%	45%
Blue Cross	7%	7%	7%	8%	7%
Commercial and Managed Care	24%	25%	25%	23%	23%
Self-Pay and Medical Charities	9%	9%	4%	4%	2%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Howard provides more than 60 general and specialized medical and surgical programs for adults and children. The hospital is designated as a Level I trauma center, which is characterized by 24 hour a day coverage by a surgeon, anesthesiologist, and emergency department physicians and 24 hour a day operating room staff. A Level I center is capable of treating severely traumatized patients with multiple injuries. Howard also provides general clinics and private practice referrals in internal medicine, cardiothoracic/open heart, bariatric, ophthalmology, obstetrics, gynecology, chemical dependency and psychiatry, rheumatology, industrial and physical medicine, dentistry, allergy, dermatology, neurology, genetics, renal medicine, general surgery, neurosurgery, orthopedics podiatry, plastic surgery, and ear, nose and throat surgery.

In addition, Howard operates a number of specialized ambulatory programs. These include out-patient radiation therapy, outpatient surgery, cystoscopy, newborn hearing testing, computerized topography scanning, chemotherapy, high-risk obstetrical care, in-vitro fertilization, endoscopy, cardiac rehabilitation, renal dialysis and home health. Additionally, services are provided in the following centers: Family Practice and Community Medicine, Family Medicine Group, Howard University Medical Facility, Howard University Cancer Center, Community Mental Health Center, Sickle Cell Disease Center, and Child Development Center. The table below shows the hospital's admission statistics relative to other hospitals in the District.

TABLE 17 HOSPITAL COMPARATIVE UTILIZATION - ADMISSIONS					
	2006	**2007**	**2008**	**2009**	**2010**
Howard University Hospital	***12,260***	***11,419***	***11,326***	***12,404***	***12,617***
Washington Hospital Center	41,358	41,619	39,666	38,202	35,799
George Washington University Hospital	15,424	15,530	15,919	16,461	16,819
Georgetown University Hospital	15,146	15,802	15,142	15,171	15,305
Children's National Medical Center	12,175	12,371	12,525	14,045	14,083
Providence Hospital	13,508	13,746	13,494	13,621	13,592
Sibley Memorial Hospital	12,695	12,567	12,402	11,869	11,459
United Medical Center	6,671	NA	1,560	5,552	5,550
TOTAL	**129,237**	**123,054**	**122,034**	**127,325**	**125,224**

Federal Support

The federal government chartered Howard in 1867 to be a national university, serving a public purpose of considerable strategic importance to the nation. For 144 years, Howard continues to serve that purpose. In 1928, the U.S. Congress amended the University's charter to authorize annual appropriations (Act of December 13, 1928, Ch. 26. 45 Stat. 102). As a result, the University has a record of receiving annual authorizations and its appropriation is primarily unrestricted. The federal appropriation is designated to support Howard's: a) academic programs; b) endowment; and c) clinical operations.

In the past, the appropriation also included designated funds for construction and research. However, in the mid-1990s, these funds were folded into the appropriation for the academic program, increasing the University's flexibility in the use of its federal funding. Howard's appropriation is part of the annual budget of the U.S. Department of Education, which conducts an annual site visit to the University, meeting with senior management to review how the University spends its federal appropriation.

Federal Appropriations

Howard's federal appropriation has been stable, despite the pressures on the federal budget. The approved appropriation for 2010 is substantially the same as it was in 2002 in nominal dollars. Five times since 2003 the U.S. Congress has voted broadly based rescissions in approved levels of discretionary federal spending based on national priorities, which have reduced Howard's appropriation slightly from the proposed level. It was only the 2006 and 2008 rescissions that actually reduced the federal funding below the level of the prior year, and the latter was partially offset by a small increase the following year.

The table below sets forth the amounts of federal appropriations by component for the past twenty years (federal fiscal years 1992-2011). The fiscal year for the University is for the period of July 1 to June 30, while the federal fiscal year starts on October 1 and ends on September 30. The University has received annual appropriations under its Congressional Charter since 1928.

TABLE 18
FEDERAL APPROPRIATIONS
($ IN THOUSANDS)

YEAR	UNRESTRICTED	ENDOWMENT	TOTAL
1992	209,432	2,928	212,360
1993	190,654	3,351	194,005
1994	189,245	3,441	192,686
1995	196,633	8,030	204,663
1996	181,158	1,190	182,348
1997	196,000	0	196,000
1998	210,000	0	210,000
1999	210,959	3,530	214,489
2000	215,914	3,530	219,444
2001	228,944	3,530	232,474
2002	233,874	3,600	237,474
2003	234,863	3,577	238,440
2004	235,211	3,552	238,763
2005	235,265	3,524	238,789
2006	233,866	3,526	237,392
2007	233,866	3,526	237,392
2008	229,781	3,464	233,245
2009	231,513	3,464	234,977
2010	231,513	3,464	234,977
2011	231,513	3,464	234,977

The unrestricted federal appropriation has been used to fund a combination of operating expenses (including an annual allocation to the hospital) and capital improvements (including certain construction projects). The endowment appropriation requires an equal contribution match from Howard and must be held for 20 years without any transfer to operations. At the end of a 20-year period the contributed amounts plus appreciation are transferred to unrestricted operating funds.

The amounts in the table above for 2011 are included in the Administration's proposed budget for the U.S. government's fiscal year beginning October 1, 2010. Such budget has not yet been approved and the U.S. government is currently operating under a continuing resolution. The result to Howard is that federal appropriation funds are provided at prior fiscal year levels and paid on a proportionate basis for periods of approved continuing resolutions. Although such funding uncertainties have been manageable by Howard in the past, the politics of the federal budgeting process can affect the timing of payments to Howard and, potentially, the level of appropriated funds in any given year. The federal budget proposed by the current administration would have Howard's appropriation level reduced by $10 million in the government fiscal year ended 2012, another $7 million in 2013 and regaining $5 million in 2014.

Sponsored and Funded Research and Other Programs

Grants and contracts for research, training and service, account for an average of 8% of Howard's total revenue over the past five years, approximately 85% of which was from federally sponsored programs. Projects range from basic research, to clinical trials, to atmospheric monitoring, to health services training. Major sponsors include the National Institutes of Health, the National Science Foundation, the U.S. Department of Education and Family Health International. Howard manages over 400 grants and contracts annually led by over 100 faculty who function as principal investigators.

Howard views research as an integral part of the teaching and learning experience. Every faculty member is expected to have a research component within each major course of study. That component may take the form of sponsor-funded or University-encouraged activities. Howard wants each student, graduate and undergraduate, to benefit from the leading-edge thinking that an active and comprehensive research program can provide. It is intended to keep Howard's programs and faculty competitive with the best schools in a particular field, and create graduates who are embedded with critical thinking skills.

Howard's strategic research and training initiatives focus on technologies and disciplines that can benefit under-represented populations who carry a disproportionate risk for human maladies. Such areas include: 1) material science applications for water purification; 2) clinical trials for assessing the best intervention for affected populations; 3) scientific experiments to better understand major climate events; and 4) effective methods for fostering the prevention of HIV/AIDS. These projects can help improve the quality of life of under-served and un-served populations, while building the expertise of faculty and enhancing the learning experience for students.

Going forward, Howard intends to invest in programs, people and facilities to expand and enhance its research capacity and capability. Major new facilities to house and foster research in STEM, biomedical sciences and computational science are part of the use of funds from the Series 2011 Bonds. These facilities are designed to bring an interdisciplinary approach to major technical and human challenges. They will provide the venue and equipment to delve into the many questions that affect how we live and work in a technological world.

Through these initiatives and targeted investments, Howard is striving to become one of the leading U.S. urban research institutions – with the objective of moving from a current ranking of "High Research Activity" to "Very High Research Activity" on the Carnegie Foundation scale. Supporting this goal is a new approach to managing sponsored programs, which includes a refined management model, re-engineered processes, revised policies and procedures and concomitant training. The model focuses resources on the strategic initiatives of each academic unit to position Howard for increasing levels of research activity, supported by a central administrative service function to facilitate contract management and compliance.

Fundraising and Donor Development

The University's fundraising and development activities focus on four primary areas: *Regional Events, Philanthropy, Alumni Programs and Technology.* The University seeks to increase philanthropic support, strengthen the Howard network of alumni and friends, and enhance pride and interest in the University among alumni and non-alumni friends, students, potential applicants, and the business community. In the last five years (2006 through 2010), alumni, friends, corporate and foundation donors contributed $73.7 million in cash and fair value of in-kind payments and pledges.

These gifts supported the following objectives:

- Student Aid
- Faculty and Research
- Programs
- Facilities, Renovation and Technology

The table below shows the source of all gifts, expectancies and bequests in each of the past five fiscal years by type of donor.

TABLE 19
CONTRIBUTIONS BY DONOR CATEGORY: 2006-2010
($ IN THOUSANDS)

	2006	2007	2008	2009	2010
Alumni	$ 2,000	$ 2,542	$ 2,925	$ 2,103	$ 6,540
Individuals	1,152	1,274	4,031	1,238	2,076
Foundations	1,156	973	1,416	1,563	670
Corporations	5,464	7,382	4,674	5,450	3,587
Organizations	4,455	4,233	3,043	2,798	995
Total	**$ 14,227**	**$ 16,404**	**$ 16,089**	**$ 13,152**	**$ 13,868**

The University is formulating plans to seek donor contributions in support of the academic and facilities renewal initiatives. The initial phase of this fund raising campaign will begin in fiscal 2012 with activity extending into fiscal 2015. The goal is to supplement the proceeds from the Series 2011 Bond issue with cash from donors, grantor agencies and the monetization of non-core assets.

Endowment Investments

The table below shows the value of the University's endowment investments for the past five years. At June 30, 2010, the funds had a market value of approximately $400 million compared with $416 million at June 30, 2006. The value of the endowment investments was adversely affected by the economic downturn in 2008-2009, with some recovery in 2010. At June 30, 2010 approximately half of the endowment value is donor restricted and half is Board restricted. At December 31, 2010, these funds had a market value of approximately $442 million.

As part of its ongoing effort to increase the size of its endowment, the University follows a policy of expending only a portion of the income generated from endowment investments to supplement University programs. The current Board approved investment policy states that endowment spending shall not exceed 5% per fiscal year. The 5% spending rate is based upon a three-year moving average of the endowment fund market value (excluding approximately $100 million of federal matching endowment) with the most recent year removed.

The endowment is managed under the direction of the Investment Sub-Committee of the Finance Committee of the Board of Trustees. The Investment Committee recommends strategic asset allocations and reviews performance of the endowment portfolio under an approved investment policy. As of December 31, 2010, endowment assets were allocated to 66 fund managers and 84 managed funds with the largest allocation to any one manager approximating 10% of the portfolio.

TABLE 20 MARKET VALUE OF ENDOWMENT FUNDS: 2006-2010 ($ IN THOUSANDS)				
Date	**Market Value**	**Total Return $**	**Total Return %**	**NACUBO Average**
Dec 2010	$442,159	$47,368	10.7%	NA
June 2010	$399,678	$43,394	10.9%	11.9%
June 2009	$364,698	($80,823)	(22.2)%	(18.7)%
June 2008	$453,994	($19,660)	(4.3)%	(3.0)%
June 2007	$490,037	$75,700	15.4%	17.2%
June 2006	$416,580	$34,604	8.3%	10.8%

The table below shows the actual versus target asset allocation at June 30, 2010. The average pace of five to seven years over which committed capital is deployed by private equity and hedge fund managers gives rise to the variance observed between actual and target allocations for these asset classes.

TABLE 21 TARGET VS. ACTUAL ASSET ALLOCATION AS OF JUNE 30, 2010			
	Allowable Range	**Actual Allocation**	**Target Allocation**
Mid-Large Cap U.S. Equity	10 - 20%	11.4%	15.0%
Small Cap U.S. Equity	3.5 - 7%	6.4%	6.0%
Global ex U.S. Equity	11 - 21%	13.7%	16.0%
Emerging Markets Equity	3 - 8%	4.3%	5.5%
Private Equity/Venture Capital	10 - 20%	15.0%	15.0%
Hedge Funds	10 -20%	14.5%	15.0%
Inflation Hedging	5 - 15%	7.6%	10.0%
High Yield Bonds	0 - 3%	0%	2.5%
U.S. Core Bonds	10 - 20%	18.5%	10.0%
Global Bonds	2.5 - 7.5%	5.1%	5.0%
Cash and Equivalents	0%	3.4%	0%

Facilities

Background

The University's physical facilities are distributed across four separate campuses that occupy approximately 258 acres of land. Over the last three years, the University has been engaged in a comprehensive process of self-examination that makes the decision to undergo major transformational change inescapable. The University's self-study exercise undertaken in preparation for the Middle States reaccreditation process calls for an alignment of its resources and budget with academic priorities that result from program reviews and portfolio assessments. The program reviews undertaken in the academic renewal process evaluated all 171 undergraduate, graduate and professional program offerings and recommended the elimination, restructuring or consolidation of 71 of these programs. Research in STEM disciplines (science, technology, engineering and mathematics) is among the University's highest priorities. Likewise, programs that focus on entrepreneurship, urban education and leadership, public policy, health and wellness and healthcare disparities, are identified as important programmatic concentrations. These along with internationalism, African American and African Diaspora studies, leadership development, ethical development and social justice are targeted as programs for future investment.

Factored into this self-examination was the recognition of several external influences over which the University has little control. The more competitive post-secondary educational marketplace and an economic climate that requires more fiscal discipline are among the realities that reinforced the understanding that Howard need not and cannot be all things to all people. Students of African American descent have many more choices today than was true 50 years ago, and the academic program, which has changed little in that time, has not reflected those dynamics. The needs to be more selective in program offerings and to focus on becoming a world-class research institution are among the University's highest academic priorities.

The Facilities Plan

The campus master plan identifies the universe of upgrades and new facilities deemed necessary to achieve the University's competitive repositioning over the next ten years. The facilities plan reflects an investment in Howard's academic program, its physical plant and the community that surrounds it, including: the construction of four new research facilities; the construction of two new buildings for existing colleges; the redevelopment of Howard University Hospital and its expansion to include new research and ambulatory care facilities; the modernization and/or new construction of student housing and student activity centers; the development of new athletic, recreation, and performing arts complexes; the adaptive reuse of two large buildings of historic significance; major upgrades in existing academic buildings; the construction of workforce-affordable housing; the construction of the new charter middle school; and the redevelopment of the Georgia Avenue corridor with a new University façade, a mix of commercial and neighborhood-serving retail, housing and parking facilities.

<u>The Central Campus</u>

Howard's central campus is made up of 118 acres in Ward One of the District and contains most of the University's activities. Its master plan provides the physical framework within which the University can implement a significantly restructured academic plan and its new direction. The development of STEM research facilities, the enhancement of the student quality of life experience on campus, the upgrading of the aging campus physical plant, and the revitalization of the adjoining commercial corridor are essential to creating the dramatic changes envisioned. All of the facilities planned, both in the near term and the longer term, are designed to fulfill these objectives.

<u>The West Campus</u>

The University's west campus houses the Law School on its 20-acre site in Ward Three of the District. The current facilities are capable of absorbing a modest increase in enrollment. The master plan for the west campus calls for significant upgrading of existing facilities, rightsizing of instructional space and the relocation and expansion of student quality of life amenities, landscaping and the demolition of a vacant library structure.

<u>The East Campus</u>

Howard University Divinity School is located on 26 acres in Ward Five of the District. Primary among the concerns on this campus is the upgrading of existing facilities. There is substantial deferred maintenance required on the primary building. Additionally, the chapel and library have significant building envelope and structural issues. There is a need to expand the physical plant and to develop additional residential housing for graduate students, faculty, and staff.

<u>The North Campus</u>

This 104-acre site in Beltsville, Maryland currently houses the atmospheric research program that is being conducted in partnership with the National Aeronautic and Space Administration. Howard is currently exploring the potential for relocating its information technology hub to that site. Additional research functions are also being contemplated for location there. The Prince George's County Council recently rezoned this acreage in a manner that will permit flexibility in the campus' programming such that these uses can be accommodated.

Capital Investment in New Facilities

The University will develop its new and expanded facilities in three phases. The first phase will include lender-financed facilities and renovations that will reflect the University's commitment to dramatically expand its research capacity and upgrade key physical facilities. This first phase also includes student quality of life projects, housing and the campus wellness and recreation center.

Phases two and three continue the development of the University's research capacity, the enhancement of student quality of life improvements, and the redevelopment and upgrading of academic instructional spaces and athletic facilities.

Research Facilities

The Carnegie Foundation categorizes Howard for the Advancement of Teaching as a RU/H research institution, a designation for universities with high research activity. A high priority academic goal for the University is to rank among the highest category of research institutions that of RU/VH for research universities with very high research activity. Toward that goal, two facilities to house STEM research and a computational sciences program are envisioned for development over the next three years. In a second phase of the facilities plan, research facilities for life sciences, biomedical engineering and nanotechnology are planned for development.

These phase-one research facilities were anticipated in the 1998 campus master plan filed with the District as part of the Interdisciplinary Science and Engineering Center. They are intended to accommodate the kind of collaborative research activity between the physical and health sciences academic zones that is standard within contemporary scientific research. Critical in determining the location of these new facilities is the importance of clinical translational science and the adjacency of these new interdisciplinary research facilities to the clinical facilities of Howard, i.e. The Howard University Hospital and facilities that house the faculty health practices. The new buildings, therefore, will be located within the central campus area that adjoins both the physical science and the health science academic clusters. The facilities' proximity to one another is deliberate and will facilitate the interdisciplinary cross-fertilization that enhances the research of all of the participating scholars and the disciplines they represent.

Housing

Among the factors most closely associated with successful student outcomes is the quality of the undergraduate experience. This is especially true for freshmen. The experience must include: housing that provides appropriate supervision; accessible academic counseling and mentorship; orientation to university life and other opportunities for the development of study and life-skills. The first student quality of life initiative is the development of the undergraduate housing within the first three years. Following closely thereafter, however, will be the development and/or enhancement of additional facilities that include the renovation of the student activity center, the convenient co-location of student administrative services and additional housing for upperclassmen.

With most of the University's student housing over 50 years old, a primary near-term initiative is the development of an underclassman residential neighborhood with a strong living-learning focus. The location of the housing will be on the eastern edge of the central campus adjacent to similar student housing for the same population. The housing will be provided in two buildings and will create a total of 1,300 new beds. These initial residence hall projects will allow the University to accommodate more sophomores on campus. Additionally, male undergraduates will be moved from halls located beyond the edge of campus into an environment designed to enhance their personal development and support their academic progress. The design of the new housing will be programmed with faculty-in-residence to support the living-learning initiative.

This initial housing will be the first in the implementation of the Campus Master Plan that will create new residences, upgrade existing residences and re-purpose other properties that are currently used for student housing. The goal will be to eventually generate 2,300 new beds with a net increase of approximately 1,100 beds that are adequate in number, type and location, and are able to accommodate 70% of the eligible Howard student population compared to the 44% currently housed.

Recreation and Fitness Center

Among the quality of life projects also planned within phase one of the campus master plan is an approximately 150,000 sq. ft. recreation and wellness center that will be located within the mixed use cluster of activities between Georgia Avenue on the east, Eighth Street on the west, Bryant Street on the north and "W" Street on the south. This location is within walking distance of the undergraduate and upperclassman neighborhoods described above and the Howard Plaza Towers, which currently houses 38% of all Howard students in residence. It will anchor the new residential community on the west side of Georgia Avenue, and will stimulate the retail functions that will be housed in the Howard Town Center. The location is also intended to enliven this end of the

Georgia Avenue corridor and increase the patronage of the retail outlets within the Howard Town Center and at the ground level within the rest of the mixed-use zone.

This facility will include ground floor retail and underground parking. The parking will support other uses that will be located within the building and the retail and visitors center that will be located in this square or across the street. The proposed Recreation and Wellness Center will be supported through a combination of student fees, voluntary faculty, staff and alumni memberships and revenue generated from providing a range of value added services.

Capital Investments in Existing Facilities

High quality physical facilities and the supporting infrastructure are critical ingredients to executing the vision for academic renewal. Thorough and strategic capital planning is critical to prioritizing the allocation of invested capital. The University is developing a holistic approach to campus capital planning and real estate development. The comprehensive campus master plan is the necessary foundation to map out the current and future development needs of Howard's infrastructure.

Developing analytical frameworks and a methodical approach to assessing existing facilities and valuing Howard's current strategic assets (land holdings) is essential. A comprehensive building assessments study conducted by a third party firm (which began in December 2010) for each of Howard's 100+ buildings throughout its four campuses, will be completed in April 2011. A baseline of information and data related to building envelope, mechanical electrical and plumbing systems, regulatory compliance, environmental health and safety, roof systems, storm water management, landscape architecture, and general building aesthetics will be compiled. This information will be populated into a relational database system.

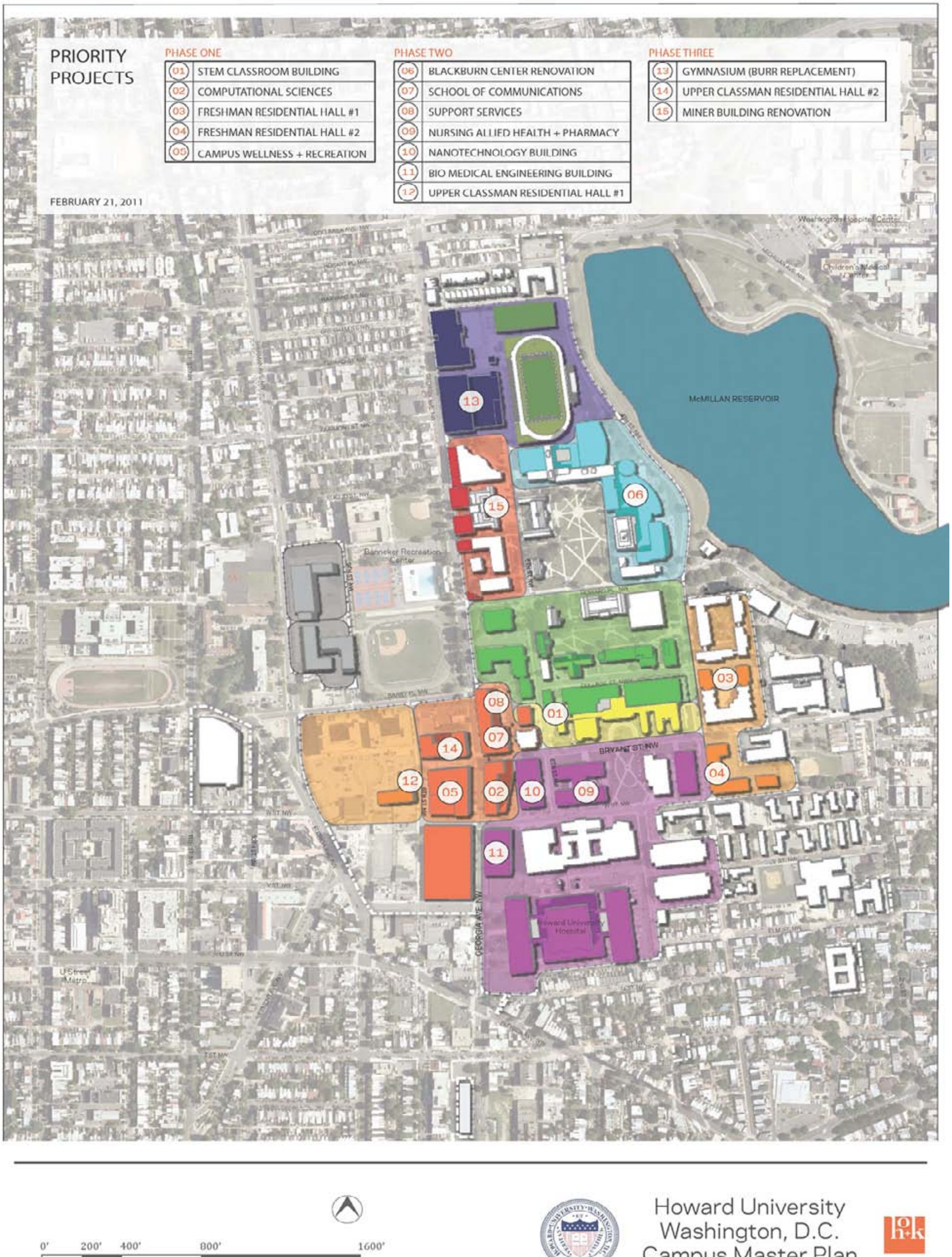
Ultimately, this information will assist the University to prioritize capital planning needs based upon the severity of the building conditions, availability of financial resources, as well as the existing and/or proposed strategic nature of the facility. Compliance and safety, academic priority, and operations support functionality will be the primary decision drivers. Financial forecasting, cost estimates for capital planning and budgeting purposes will be significantly enhanced with the new methodical approach.

<u>Howard Town Center</u>

The Howard Town Center is a developer-financed mixed use project located along Georgia Avenue between "W" Street on the north and "V" Street on the south and 8th Street on the west. The project is expected to have: 445 units of rental housing, 32 of which will be workforce-affordable units; a 35,000 sq. ft. grocery store; an additional 75,000 sq. ft. of ground floor retail space; and 2 levels of parking. This project will create a critical mass of retail, along with the retail proposed for the ground floor of newly developed housing, academic and recreational uses in the blocks to the north of the site. The University will receive ground rents related to this project and has no guarantee or obligation to the developers.

Campus Master Plan

The following map and Table 22 depicts the current status of Howard's proposed Campus Master Plan for the ensuing ten-year period. It will be refined over the next several months and submitted for review and approval to the District in June 2011. It reflects the major construction and renovation projects, the plan for implementation, and the expected funding source. The color-coded areas on the map are designed to depict zones of similar activities for purposes of creating a synergistic teaching, learning, research and clinical experience. Table 22 sets forth preliminary budgets and expected funding sources for each of the projects which are intended to be at least partially financed with the Series 2011 Bonds as well as those that are expected to be financed through University generated resources and/or project-specific financing arrangements.



Howard University
Washington, D.C.
Campus Master Plan

TABLE 22 FACILITIES PLAN – TEN YEAR CAMPUS MASTER PLAN ($ IN THOUSANDS)		
Project	**Estimated Budget**	**Primary Funding Source**
PHASE I - Construction		
Interdisciplinary Science and Engineering Research Center	$45,000	Series 2011 Bonds
Joint Computational Sciences Research Center	50,000	Series 2011 Bonds
Recreation and Wellness Center	75,000	University
Residence Hall #1 (Freshman)	30,000	Developers
Residence Hall #2 (Freshman)	28,000	Developers
Structured Parking***Total Phase I Construction***	$**243,000**	
PHASE II - Construction		
Blackburn Center Renovation and Expansion	$29,000	Future Debt
School of Communications	30,000	Future Debt
Pharmacy, Nursing and Allied Health Sciences	53,000	University
Biomedical Engineering Research Center	50,000	University
Residence Hall #3 (Upper classes)	37,000	Developers
Nanotechnology Building	25,000	Future Debt
Support Services Center	35,000	Future Debt
Total Phase II Construction	$**259,000**	
PHASE III - Construction		
Miner Building	40,000	University
Gymnasium Replacement	30,000	University
Residence Hall #4 (Student Apartments and Commercial)	46,000	Developers
Total Phase III Construction	$**116,000**	
ALL PHASES - Major Renovations and Upgrades		
Howard University Hospital	$40,000	University
Cancer Center	17,000	University
Residence Life	10,000	Developers
School of Law	7,000	Series 2011 Bonds
Athletics	6,000	Series 2011 Bonds
College of Dentistry	6,000	Series 2011 Bonds
Founder's Library	6,000	Series 2011 Bonds
Adam's Building	5,000	Series 2011 Bonds
School of Engineering	4,000	Series 2011 Bonds
Biology	4,000	Series 2011 Bonds
School of Divinity	4,000	University
Chemistry	3,000	Future Debt
Seely Mudd	3,000	Future Debt
Douglass Hall	3,000	Future Debt
Locke Hall	3,000	Series 2011 Bonds
C.B. Powell	3,000	University
School of Architecture	3,000	University
School of Fine Arts	2,000	Series 2011 Bonds
Physics	2,000	University
Rankin Chapel	1,000	University
Total All Phases – Major Renovations and Upgrades	**$132,000**	
TOTAL	**$750,000**	

The financing plan calls for an equal allocation of capital sourced from lenders (public bonds and project-specific), the University (internally generated operating cash flow and capital contributions), and developers (non-recourse project-specific). The intention is to use the Series 2011 Bond proceeds to finance the majority of the cost for the two phase-one research centers and, to the extent appropriate, other qualified listed projects over the ensuing three-year period. Howard expects to devote approximately $225 million to a combination of construction and renovation projects over the next three years. All estimated budget figures are based on preliminary assessments of renovation needs and costs, and preliminary construction design and building content – such estimated budget figures will change as more detailed design and construction information becomes available, and as the Campus Master Plan is vetted with the District and community representatives.

Insurance

The University maintains commercial property insurance including fire, boiler and machinery, vandalism and service interruption coverage on substantially all of its property for all of its campuses in the amount of $1 billion under a University-wide insurance policy, on a repair or replacement basis, with a $250,000 deductible per occurrence. The University currently has comprehensive general liability insurance with limits of $2 million each occurrence/$5 million general aggregate. The University currently has excess liability insurance limits of $125 million each occurrence/aggregate excess of the primary, in a series of layers with six insurance companies in amounts ranging from $10 million to $27 million with each insurer. The University also maintains other insurance against perils in amounts and with carriers that it believes are typical of similar institutions having a comparable scope of activities and in similar locations.

Howard's health professionals and clinical units are self-insured for the purpose of providing professional liability and comprehensive general liability insurance. Actuarial consultants have been retained to determine annual expense and funding requirements. The amounts funded have been placed in a revocable self-insurance trust account. The self-insurance program pays for primary professional liability costs of up to $5 million per occurrence. Additionally, Howard invested in a captive insurance company, organized under the laws of the Cayman Islands, which provides two additional layers of excess insurance coverage of up to $85 million annually. The first layer of $35 million is reinsured at 100% value by commercial reinsurers. An independent excess insurance company provides the second layer of excess coverage.

Litigation, Commitments and Contingencies

Federal Awards

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts – principally due to an inability to produce documentation of certain selected charges by auditors. The total cumulative exposure from these findings is estimated to be under $5 million. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

Litigation and Other Claims

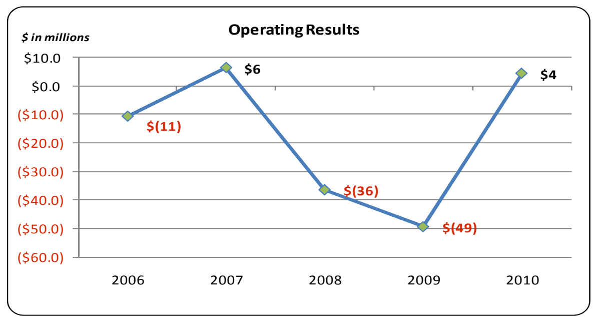
Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice against the hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses and the ultimate resolution of these matters.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS, CASH FLOWS AND CHANGES IN NET ASSETS

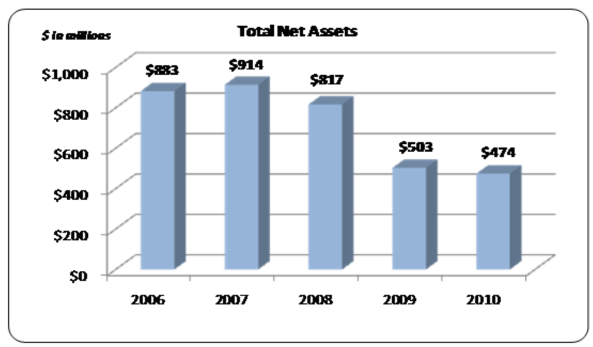
I. Five-Year Overview

Howard made significant progress during 2010 toward long-term financial sustainability. Howard achieved a $4 million positive operating result, a major improvement after operating losses of $49 and $36 million in the two years prior. The improvement was achieved through fewer staff positions, lower costs of outside services, and 3% higher revenues. In addition, Howard's total net assets remained relatively stable at $474 million on June 30, 2010. This is in marked contrast to the prior two years when Howard's assets had been driven down in part by operating losses, but in much larger part by the effect of the global financial downturn on investments and retirement obligations. Financial market declines had reduced the value of Howard's endowment, and created a significant obligation to fund the pension and retiree health benefits. During 2010, the total return of Howard's endowment approximated $42 million, but this gain was more than offset by a $60 million increase in retirement obligations.

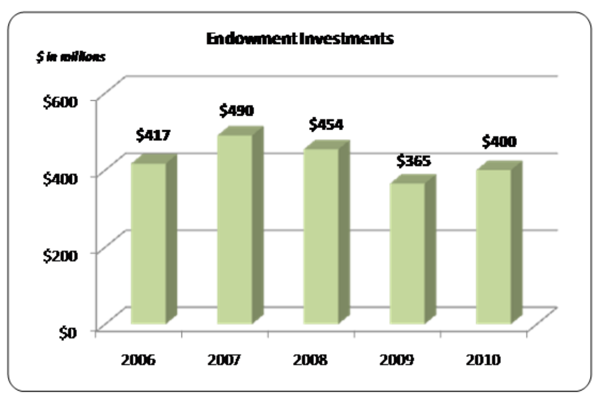
Howard's ***operating revenues*** have grown at an average annual rate of 3% in recent years, attributable to steady demand for its academic and clinical services. Academic Services revenue at $254 million in 2010 was slightly higher than 2009 but about 4% higher than 2008 due principally to auxiliary pricing increases. Clinical Services revenue was about 2% higher in 2010 and 12% higher than in 2008 reflecting an increase in admissions at the hospital. Public Support also increased slightly from 2008 to 2010 reflecting higher donor gifts and endowment transfers. Howard's Federal appropriation moneys have remained constant at approximately $235 million over several years. Cash flow from operations was also positive in 2010 and used to settle vendor payables and fund capital renovation projects.



As of June 30, 2010, Howard had approximately $880 million of investments under management (with the designated endowment accounting for $400 million, pension plan assets accounting for $411 million and the remainder comprising liquidity assets). Investments are managed in a diversified portfolio matched with the cash needs of the University. Such investments supported scholarships and charity health care aggregating $90 million in 2010.



Howard's endowment increased by $35 million (total return, plus contributions, minus transfers for operations) during 2010 after losses in the prior two years. This growth was primarily driven by investment returns of 12%, as total new endowment contributions of $8 million were more than offset by $15 million of assets made available to support student financial aid. The market value of the pension fund was $411 million, and earned returns during 2010 of 11%. Accrual of new benefits under Howard's pension plan was frozen as of June 30, 2010, and its retirement savings plan was enhanced.



The following two tables set forth summaries of the University's Statements of Financial Position and Statements of Activities as of June 30 of each year from 2006 through 2010. These summaries were derived from the audited financial statements of the University, and should be read in conjunction with the audited statements and the financial information contained in Appendix B.

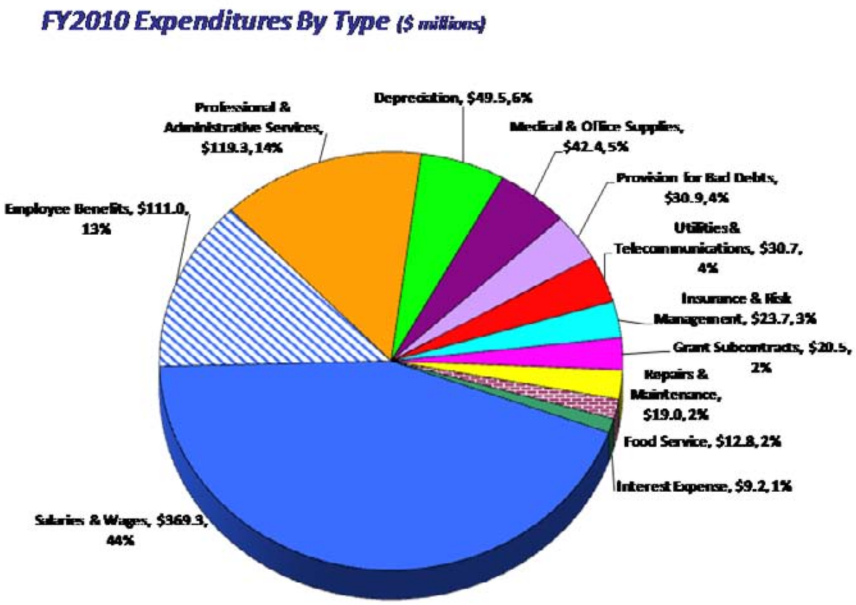
TABLE 23
SUMMARY COMBINED STATEMENTS OF FINANCIAL POSITION
($ IN THOUSANDS)

	2006	2007	2008	2009	2010
Assets:					
Cash and Cash Equivalents	$ 24,289	$ 47,690	$ 19,621	$ 32,865	$ 31,568
Operating Investments	47,604	50,713	43,025	43,817	38,314
Restricted Investments	20,211	23,933	21,536	17,980	21,054
Endowment Investments	416,580	490,037	453,994	364,698	399,678
Receivables, Net	108,662	96,815	109,542	112,217	119,092
Deposits with Trustees	49,911	49,146	49,220	40,205	37,321
Inventories, Prepaid Expenses, and Other Assets	12,713	19,581	14,701	12,860	12,435
Unexpended Bond Proceeds	--	44,573	19,328	2,623	42
Property and Equipment, Net	511,299	510,994	567,633	595,784	589,358
Overfunded Defined Benefit Pension Plan	99,293	86,098	55,547	--	--
Securities Pledged	25,005	44,635	34,562	--	--
TOTAL ASSETS	**$ 1,315,569**	**$ 1,464,216**	**$ 1,388,709**	**$ 1,223,049**	**$ 1,248,862**
Liabilities and Net Assets:					
Accounts Payable and Accrued Expenses	$ 75,595	$ 88,905	$ 113,234	$ 134,560	$ 102,711
Accrued Postretirement Benefit	81,751	122,700	119,527	165,924	183,192
Underfunded Defined Benefit Pension Plan	--	--	--	73,759	133,625
Deferred Revenue	8,922	9,193	12,439	9,480	7,057
Reserves for Self-Insured Liabilities	51,023	48,896	61,901	76,838	83,154
Notes Payable	26,982	20,097	17,517	41,555	45,553
Capital Lease Obligations	5,071	4,834	5,623	14,219	24,187
Bonds Payable	125,462	173,378	166,644	159,580	152,151
Interest Rate Swap	(924)	(678)	1,799	3,961	5,582
Refundable Advances	12,141	10,400	9,498	8,153	7,871
Securities Obligation	25,670	45,814	35,539	--	--
Other Liabilities	21,897	27,119	28,252	32,435	29,858
TOTAL LIABILITIES	**$ 432,590**	**$ 550,658**	**$ 571,973**	**$ 720,464**	**$ 774,941**
Net Assets:					
Unrestricted	623,109	611,794	521,636	249,280	191,474
Temporarily Restricted	175,420	206,350	197,750	157,793	178,539
Permanently Restricted	84,450	95,414	97,350	95,512	103,908
TOTAL NET ASSETS	**$ 882,979**	**$ 913,558**	**$ 816,736**	**$ 502,585**	**$ 473,921**
TOTAL NET LIABILITIES AND NET ASSETS	**$ 1,315,569**	**$ 1,464,216**	**$ 1,388,709**	**$ 1,223,049**	**$ 1,248,862**

STATEMENT OF ACTIVITIES ($ in thousands)	2006	2007	2008	2009	2010
Students Enrolled - Fall Headcount (unaudited)	*10,930*	*10,745*	*10,586*	*10,733*	*10,537*
Patients Served (unaudited)	*201,042*	*209,730*	*226,769*	*258,229*	*282,944*
Operating Revenues:					
Unrestricted Operating Revenues:					
Academic Services:					
Tuition and Fees, net	$107,016	$113,661	$117,314	$134,188	$130,139
Grants and Contracts	66,867	64,706	64,434	60,297	61,192
Auxiliary Services	52,333	55,088	62,169	56,934	62,151
Clinical Services:					
Patient Service - Hospital	203,523	232,108	235,467	263,720	270,708
Patient Service - Faculty	31,835	39,066	33,787	30,064	30,268
Patient Service - Dental Clinic	1,397	1,390	1,342	1,687	1,935
Public Support:					
Federal Appropriation	234,216	233,866	230,801	231,081	231,411
Contributions & Investment Return Designated for Current Operations	20,860	13,912	15,044	14,887	19,161
Net Assets Released from Restrictions and Other Income	30,452	28,728	28,981	19,653	30,747
Total Unrestricted Operating Revenue	748,499	782,525	789,339	812,511	837,712
Total Temporarily Restricted Operating Revenue	(11,069)	(575)	1,641	4,771	1,748
Total Permanently Restricted Operating Revenue	2,421	5,805	3,857	3,050	3,087
Total Operating Revenues	**739,851**	**787,755**	**794,837**	**820,332**	**842,547**
Operating Expenses:					
Instruction	186,475	199,096	208,301	223,662	215,595
Patient Care	226,764	272,966	284,732	289,578	300,025
Research	35,704	37,852	37,815	31,641	33,796
Public Service	10,497	12,334	11,873	9,859	8,108
Academic Support	34,774	34,680	36,396	39,117	32,894
Student Services	24,135	25,488	27,951	25,326	22,017
Auxiliary Enterprises	72,826	71,204	71,567	68,465	65,750
Institutional Support	159,401	127,872	152,593	181,939	160,107
Total Operating Expenses	**750,576**	**781,492**	**831,228**	**869,587**	**838,292**
Excess of Operating Revenues Over (Under) Expenses	**(10,725)**	**6,263**	**(36,391)**	**(49,255)**	**4,255**
Non-Operating Activities:					
Investment Income/ (Loss) in Excess of Amount Designated for Current Operations	27,215	75,198	(35,390)	(99,602)	32,289
Restructuring costs	-	-	-	(22,649)	(3,025)
Change in Funded Status of Defined Benefit Pension Plan	-	-	(30,457)	(124,964)	(52,634)
Change in Obligation for Post-Retirement Benefit Plans	-	-	7,743	(27,388)	(6,868)
Cumulative Effect of Change in Accounting Principle	(6,719)	(49,458)	-	-	-
Other Items, net	(1,190)	(1,424)	(2,327)	9,707	(2,681)
Total Non-Operating Activities	**19,306**	**24,316**	**(60,431)**	**(264,896)**	**(32,919)**
Change in Net Assets:					
Unrestricted	10,890	(11,315)	(82,916)	(272,356)	(57,806)
Temporarily Restricted	(4,286)	30,930	(15,842)	(39,957)	20,746
Permanently Restricted	1,977	10,964	1,936	(1,838)	8,396
Total Change in Net Assets	**$8,581**	**$30,579**	**($96,822)**	**($314,151)**	**($28,664)**
Total Net Assets, beginning of year	**$874,398**	**$882,979**	**$913,558**	**$816,736**	**$502,585**
Total Net Assets, end of year	**$882,979**	**$913,558**	**$816,736**	**$502,585**	**$473,921**

The improvement in ***operating performance*** in 2010 was the result of disciplined management of administrative costs – down $40 million from a year ago. Howard has committed to more effective, efficient and accountable management, using automation and improved business processes to enhance service delivery while containing costs.

Particularly critical to the turnaround in operating performance was management discipline around employment costs, which account for 57% of Howard's operating expenses. In June of 2009, the University implemented a voluntary retirement incentive plan, which resulted in about 340 staff departures. In June 2010, the hospital did the same, with over 70 staff electing the program. In addition, during 2010 and 2011 management has focused on reducing the cost of outside services by implementing internal expert service models.



Howard is also focusing on broadening its base of support. Historically, the largest revenue source has been an appropriation from the federal government, which has been stable since 2003. Revenue from Clinical Services has been increasing in recent years, and now provides over a third of Howard's revenues – a combination of hospital, medical and dental care. Student-driven revenues of tuition, fees and auxiliary services have also been increasing, as Howard has implemented a strategy to bring its rates for tuition, room and board closer to its peer market while maintaining enrollment. Net tuition revenue dropped slightly in 2010, as Howard increased its need-based aid in light of tuition increases and the national economy.

Financial Management and Administrative Operations

Howard has embarked on an objective to upgrade and modernize its financial management and administrative operations. Under new leadership, the goal is to develop and provide sophisticated financial and administrative services to all Howard stakeholders - lenders, contributors, volunteers, patients, students, parents, faculty, physicians and staff. A new Operations Committee has been formed of key leaders whose job it is to deliver on that objective. The approach is to manage Howard as an integrated enterprise, capitalizing on efficiency and effectiveness opportunities by avoiding duplication, automating currently manual processes, reducing paper documentation, eliminating service glitches, and empowering stakeholders. Financial discipline around revenue generation and expense control is being driven through clear accountabilities and regular reporting. Howard is now being managed by goals and objectives, instead of cost budgets, focusing on health sciences, traditional academics and administration.

II. Analysis of Three-Year Information as Derived from Audited Financial Statements Appearing in Appendix B

Following is a summary analysis of key financial measures of Howard's performance for the fiscal year ended June 30, 2010 compared with the prior two fiscal years.

Highlights for 2010

- Howard delivered positive operating results compared with 2008 and 2009—achieved through fewer staff positions, lower costs of outside services, and 3% higher revenue. A key factor was the implementation of a staff early retirement program effective June 2009, resulting in increased effectiveness and lower costs.

- Financial support for mission objectives (tuition aid—$57 million, and charity health care—$33 million) was $19 million or 27% higher than in 2009 and $17 million or 23% higher than in 2008, and was funded by reduced costs and higher service revenues.

- Cash flow from operations (defined as operating profit plus depreciation) was positive $53 million compared with negative cash flow in 2008 and 2009, with cash used to settle old payables and fund building renovations.

- Endowment returns totaled $42 million for 2010, or an increase of 12%, after two years of negative returns.

- Debt covenant requirements were achieved for 2010 despite a higher liquidity target.

- Unfunded retiree obligations of $317 million (a $252 million increase over two years in the form of defined benefit pension and health/life plans) constitute Howard's single largest liability. These obligations will be funded through operating cash flow over an extended period of time.

Summary Results

Summary Financial Results

($ in millions)	2008	2009	2010	% Change v. 2008	% Change v. 2009
Academic Services	$ 244	$ 251	$ 254	4.1%	1.2%
Clinical Services	271	296	303	11.8%	2.4%
Public Support	280	273	286	2.1%	4.8%
Total Operating Revenues	**795**	**820**	**843**	**6.0%**	**2.8%**
Academic Services	393	398	379	(3.6%)	(4.8%)
Clinical Services	285	290	300	5.3%	3.4%
Institutional Support	153	181	160	4.6%	(11.6%)
Total Operating Expenses	**831**	**869**	**839**	**1.0%**	**(3.5%)**
Operating Income (Loss)	**(36)**	**(49)**	**4**	**NM**	**NM**
Non-Operating Income (Loss)	(61)	(265)	(33)	NM	NM
Change in Net Assets	**$ (97)**	**$ (314)**	**$ (29)**	**NM**	**NM**

- ***Academic Services Revenue***—which includes tuition, fees, grants and auxiliaries—was 1% higher than 2009 and 4% higher than 2008 primarily as a result of tuition and auxiliary rate increases. Fiscal 2010 tuition and fees at $187 million (gross) and $130 million (net) reflect Board-approved rates offset by increased financial aid and slightly lower enrollment. Grant revenue of $61 million in 2010 was about equal with the prior two years. Auxiliary Services revenue was equal with 2008, but 9% higher than 2009 from rate increases for student housing and food service.

- ***Clinical Services Revenue***—which includes the hospital, faculty medical practice and dental clinic – was 2% higher verses 2009 and 12% higher than 2008 primarily from increased hospital inpatient and outpatient cases and increased faculty practice volumes.

- ***Public Support Revenue***—which includes the federal appropriation, private contributions and endowment transfer—exceeded prior years due to a higher level of temporarily restricted assets released for operations; federal appropriation funding remained constant at approximately $235 million over this three year period.

- ***Operating Expenses*** - were $30 million below 2009, but about $7 million higher than 2008. Early retirement and expense containment measures lowered the overall cost structure.

- ***Operating Income (Loss)*** - was positive by $4 million and favorable to the losses recorded in prior years as cost containment measures complemented increases in operating revenue.

- ***Change in Net Assets*** — reflects operating results plus $30 million of positive returns and appreciation on investment portfolios, offset by a $60 million increase in net retirement plan liabilities due to a lower interest rate environment and high medical inflation; prior years reflect both negative investment returns and higher retirement liabilities, with FY2009 bearing the largest effect of the capital markets crisis from both reduced asset values and lower interest rates.

Cash Flow – Management Presentation Basis (unaudited)

Howard uses the following condensed cash flow and other financial measures found in this discussion and analysis to assist investors in understanding Howard's operating performance, cash requirements and financial flexibility. Because Howard's calculations of these measures may differ from similar measures used by other organizations, investors should be careful when comparing Howard's disclosures to those of other organizations. These measures are intended to supplement, not replace, Howard's presentation of its primary financial statements.

($ in millions)	2008 Actual	2009 Actual	2010 Actual
Net Operating Income (Expense)	$ (36)	$ (49)	$ 4
Depreciation	43	45	49
Retiree plan amortization	5	5	8
Interest Expense	10	7	9
Cash available for debt service	22	8	70
Purchases of property and equipment	(95)	(63)	(51)
Proceeds from dedicated borrowings	25	12	18
Operating free cash flow	(48)	(43)	37
Debt service payments	(19)	(20)	(91)
Proceeds from new debt	-	26	82
Investment activity, net	12	8	9
Restricted contributions and other	1	2	4
Cash Flow After Financings and Investments	(54)	(27)	41
Working capital changes (AR/AP)	13	18	(28)
Changes in deferrals/trusts/other	8	21	7
Retirement expenses accrued	25	9	9
Retirement expenses paid	(20)	(8)	(8)
Restructuring costs paid	-	-	(22)
Net changes in cash	$ (28)	$ 13	$ (1)
Cash - beginning	48	20	33
Cash - end	$ 20	$ 33	$ 32

- Cash flow available for debt service improved considerably in 2010 reflecting positive operating income.

- Non-cash and interest add-backs were higher in virtually all categories compared with 2008 and 2009 due to continued investment in facilities and the amortization of actuarial losses from Howard's defined pension benefit plan which were previously recognized as non-operating charges to net assets.

- The drawdown and proceeds from new debt reflect the use of short-term lines of credit to fund working capital fluctuations throughout the year.

- The cash used for working capital in 2010 was primarily for payments to vendors to bring Howard in compliance with stated terms.

Net Assets

($ in millions)	2008	2009	2010
Beginning of Year	$ 914	$ 817	$ 503
Operating Income (Loss)	(36)	(49)	4
Investment Income (Loss)	(35)	(101)	39
Pension Plan	(23)	(125)	(53)
Retiree Health/Life	-	(27)	(7)
Other	(3)	(12)	(12)
End of Year	$ 817	$ 503	$ 474

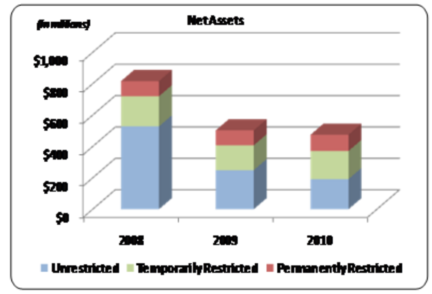
- In addition to operating results, net assets were affected by investment returns and the re-measurement of retiree liabilities.

- Investment income in 2010 reflects better equity market performance after two years of declines.

- Retiree plan liabilities, both pension and health/life, were re-measured as of June 30, of each year. These obligations fluctuate with interest rate changes, but are funded based on more predictable factors.

- Unrestricted net assets absorbed a combined $237 million increase in retiree obligations from 2008 to 2010.

- Net assets were also negatively affected by $97 million over this three-year period by investment market factors.

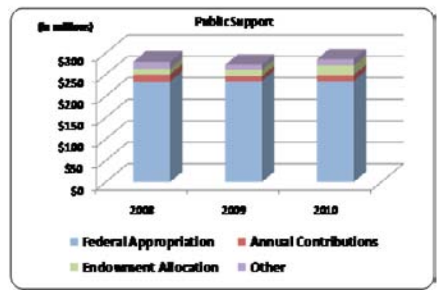


Public Support

All Sources

- Federal appropriation monies were delayed in first half 2010 due to a protracted budget cycle in the U.S. Congress.

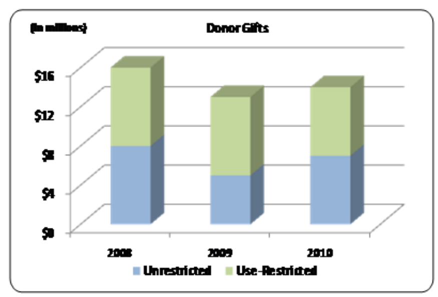
- Contribution revenue has ranged between $14 million and $16 million over this three-year period. Endowment allocation equals approximately $15 million annually. Federal match release added $7 million to revenue in 2010.



Donor Gifts

- About one-half of total contributions, on average, were use-restricted.

- Donor gifts are generally allocated to student financial aid.



Liquidity

The chart below reflects sources of liquidity over the past three fiscal years.

($ in millions)	2008	2009	2010
Cash	$ 20	$ 33	$ 32
Operating Investments	41	44	38
Trust Deposits	49	40	37
Receivables	109	112	119
Payables	(113)	(135)	(103)
Unused Bond Proceeds	19	3	-
Unused Credit	7	9	25
Total Liquidity Facilities	**$ 132**	**$ 106**	**$ 148**

In 2010, the Board approved the use of up to $75 million of Board-restricted endowment assets to fund operating cash needs if required; with $45 million used to secure two 364-day liquidity facilities at June 2010.

Endowment Investments

($ in millions)	2008	2009	2010
Beginning balance	$ 493	$ 454	$ 365
Income	14	9	10
Contributions	7	7	8
Used for operations	(12)	(14)	(15)
Appreciation/(depreciation)	(48)	(91)	32
Ending balance	**$ 454**	**$ 365**	**$ 400**
Donor Restricted	$ 249	$ 190	$ 212
Board Restricted	$ 205	$ 175	$ 188

- Endowment assets increased by $35 million in 2010 with a total return of $42 million (12%) reflecting better capital market performance, after two years of negative returns.

- Funds used for operations represent the total available for 2010 under a transfer formula based on 5% of the average eligible endowment balance for the prior three years.

- Growth in unrestricted investments serves to further support liquidity and coverage covenants under bank/bond lending agreements.

Endowment Portfolio	June 2008		June 2009		June 2010	
($ in millions)	$	% of Total	$	% of Total	$	% of Total
Money Market Instruments	$ 14	3.1%	$ 15	4.1%	$ 15	3.8%
U.S. Treasury and Other Governments	20	4.4%	7	1.9%	29	7.3%
Bonds	111	24.4%	94	25.8%	76	19.0%
Stocks	177	39.0%	122	33.4%	125	31.3%
Hedge Funds	65	14.3%	65	17.8%	79	19.8%
Private Equity and Real Estate	67	14.8%	62	17.0%	76	19.0%
Total	$ 454	100.0%	$ 365	100.0%	$ 400	100.0%

- Change in portfolio composition over this three-year period primarily reflects market appreciation and capital calls for partnerships and hedge funds.

- Committed but unfunded capital call obligations approximate $52 million at June 2010, with an expected funding requirement of $10 million annually over the next five years.

- Securities are valued under new accounting rules with all partnerships and hedge funds based largely on manager judgments; a large portion of the bond portfolio is based on similar marketable securities; all other investments are based on specific public market values.

Retirement Plans

The table below shows activity and balance sheet changes in the major retirement programs offered by Howard during fiscal 2010.

($ in millions)	Defined Benefit Pension Plan	Retiree Health/Life Plan	Supplemental and Savings Plan	Total
Beginning of period:				
Obligations	$ (463)	$ (166)	$ (2)	$ (631)
Assets	389	-	-	389
Funded status	**(74)**	**(166)**	**(2)**	**(242)**
Benefit payments	24	13	-	37
Howard contributions	-	8	13	21
Change in obligation	(98)	(21)	-	(119)
Change in assets	46	-	-	46
Earned rights	7	1	-	8
End of period:				
Obligations	(544)	(183)	(2)	(729)
Assets	410	-	-	410
Funded status	**$ (134)**	**$ (183)**	**$ (2)**	**$ (319)**
Change in funded status	$ (60)	$ (17)	$ -	$ (77)

- Retiree obligations represent the largest single liability of Howard.

- Funded status became increasingly negative as a result of the lower long-term interest rate environment - reducing the valuation discount rate from 7.13% at June 2008 to 7.10% at June 2009 to 5.75% at June 2010.

- Pension plan assets performed relatively well with an 11% increase for FY2010, after two years of negative returns annually.

- Approximately $12 million annually over this three-year period was contributed into employee's 403(b) savings plan accounts.

- Howard enjoyed a pension plan contribution "holiday" for the past five years, but will need to make an annual contribution of $25 million to $35 million into the pension trust for at least five years beginning in FY2012.

- Pension plan was frozen as to new benefit accruals as of June 2010.

III. Analysis of the Six-Months Ended December 31, 2010, Based on Unaudited Financial Statements Appearing in Appendix B Prepared in Conformity with GAAP (Comparable Financial Information for Prior Interim Periods is Not Available)

- Howard recorded a $10 million operating surplus in the first six months of FY2011 on a GAAP-basis, which equates to a $17 million surplus on a management-basis. Beginning in FY2011, Howard's defined benefit pension plan is no longer accruing benefit rights and, therefore, is considered non-operating for management measurements and accountability. The GAAP-basis presentation for operating results includes: a) accretion of interest on the pension obligation; b) recognition of investment income based on an assumed total return rate of 7.5%; and c) amortization of actuarial losses included in non-operating items in prior period financial statements. In total, these pension-related accounting items amounted to a net expense of $7.6 million in the six-month period, compared with $7.2 million, $4.3 million and $94 thousand for the full fiscal years ended June 2010, 2009 and 2008, respectively.

- Howard's operating revenues for the six months ended December 31, 2010 amounted to $443 million, or approximately 5% higher than half of FY2010 total revenues. The main reasons for the increase are: a) higher tuition reflecting increased rates and enrollment; b) higher investment income reflecting more stable capital markets; c) a full year of endowment transfer compared with half year in financial comparison; offset by d) lower patient service revenue from fewer hospital admissions and lower revenue-per-admission.

- Howard's operating expenses for the six-months ended December 31, 2010 amounted to $433 million, or approximately 3% higher than half of fiscal 2010 total operating expenses. Principal reasons for the increase are: a) a $10 million comparable-period increase in salaries/wages and non-retirement benefits reflecting a 3% salary increase after two years of minimal inflation adjustments; b) added head count particularly in Health Sciences to support clinical and research initiatives; c) higher retirement expenses attributable to an enhanced defined contribution savings plan covering all new workers automatically and to the recognition of amortization of actuarial losses reclassified from prior period non-operating items; and d) higher utilities and supplies expense due to rate and utilization increases.

- Non-operating items for the six-month period ended December 31, 2010 include investment appreciation of $39 million reflecting relatively strong capital markets, and lower net retirement obligations of $33 million reflecting both strong capital markets and higher interest rates which, after adding operations and less significant non-operating items, increased net assets by $74 million.

- Cash flow available for debt service (defined as operating profit plus depreciation, plus interest expense plus amortization of retirement plan items) amounted to $49 million in the six-month period ended December 2010, compared with $71 million for the full fiscal year 2010, and $8 million and $22 million for fiscal years 2009 and 2008, respectively. Operating cash flow was used to pay vendors and to fund $17 million of facilities renovations and $6 million of medical litigation settlements.

- Liquidity was challenged in second quarter of fiscal 2011 as the federal appropriation was delayed and shorted - requiring a heavy use of the $65 million lines of credit to manage cash requirements in November and December.

IV. Prospective Financial Information

The following prospective financial information of Howard has been prepared by Howard's management for the sole purpose of portraying the feasibility of Howard's academic renewal, facilities renewal and financing plan on its future financial statements. The prospective financial information reflects Howard's estimate of its expected financial position, results of operations, changes in net assets, and cash flows as if its financing plan was executed as described herein.

WHILE HOWARD BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE PROSPECTIVE FINANCIAL INFORMATION, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE IS GIVEN THAT ANY OF THE FINANCIAL RESULTS WILL BE REALIZED. THIS PROSPECTIVE FINANCIAL INFORMATION SHOULD NOT BE REGARDED AS A GUARANTEE OR WARRANTY BY HOWARD, ITS ADVISORS, OR ANY OTHER PERSON, AS TO THE ACHIEVABILITY OF THE PROSPECTIVE FINANCIAL POSITION, RESULTS OF OPERATIONS, CHANGES IN NET ASSETS, OR CASH FLOWS. HOWARD ASSUMES NO OBLIGATION OR UNDERTAKING TO UPDATE THE PROSPECTIVE FINANCIAL INFORMATION TO REFLECT EVENTS OR CIRCUMSTANCES OCCURRING AFTER THE DATE OF SUCH INFORMATION.

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The prospective financial information contains forward-looking statements, that is, information related to future, not past, events. Such information generally includes the words "assumes," "believes," "plans," "intends," "targets," "will," "expects," "anticipates," "continues" or similar expressions. For these statements, Howard claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. All estimates and assumptions underlying the prospective financial information were developed by Howard. Estimates of projected operating performance and cash flows were based upon Howard's current operating plans and strategic plans which include consideration of recent historic performance, expected future economic conditions, investment plans and other relevant factors. The assumptions disclosed herein are those that Howard believes are significant to the understanding and evaluation of the prospective financial information. Although Howard believes the assumptions used are reasonable under the circumstances, Howard is subject to risks and uncertainties that could cause actual results to differ materially from the assumptions, estimates and results projected in these forward-looking statements. Consequently, actual financial results will likely vary from those shown in the prospective financial information, and the variations could be material. The prospective financial information was not prepared with a view toward compliance with guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation or presentation of prospective financial information.

The prospective financial information includes:

- Projected condensed balance sheets of Howard as of June 30, 2011, 2012, 2013 and 2014, as if the financing plan, academic renewal plan and facilities plan became effective on June 30, 2011.

- Projected condensed statements of activities and changes in net assets of Howard for the fiscal years ending June 30, 2011, 2012, 2013 and 2014, as if the financing plan, academic renewal plan and facilities plan became effective on June 30, 2011.

- Projected condensed statements of cash flows of Howard for the years ending June 30, 2011, 2012, 2013 and 2014, as if the financing plan, academic renewal plan and facilities plan became effective on June 30, 2011.

The prospective financial information has been prepared in conformity with United States Generally Accepted Accounting Principles ("GAAP") consistent with the accounting policies currently used by Howard in the preparation of its historical financial statements – however, the information is condensed and reflects Howard's management reporting format. The prospective financial information should be read in conjunction with the significant assumptions, qualifications and notes set forth herein.

Prospective Financial Information – Significant Assumptions

- **Process for Developing Prospective Financial Information** – As a matter of Howard's financial reporting and management process, Howard prepares an annual operating plan, an annual capital plan, and a quarterly "Treasurer Report" that compare historical information with such plans. The quarterly Treasurer's Report also includes a review and assessment of expected financial performance over the remainder of the fiscal year as well as an estimate of financial performance over a forward-looking four-quarter period. Such information is reviewed with the Board at regularly scheduled meetings. The prospective financial information included herein is in conformity with information developed through this process. The information pertaining to fiscal years 2012 through 2014 is an extension of that process reflecting the assumptions described below.

- **General Economic and Industry Factors** – The prospective financial information has been prepared at a time of heightened global economic uncertainty. Moreover, economic factors affecting revenue sources for higher education and health care in the United States are the subject of significant governmental debate and planned changes. In addition, credit and equity markets have been volatile making predictions of interest rates and access to capital highly uncertain. Together, these factors make forecasting future economic trends difficult.

  Howard has made assumptions about economic growth, inflation, and demand for its services in order to develop the prospective financial information. Although Howard believes the assumptions made are reasonable under the circumstances, such assumptions are subject to significant variability. Actual economic conditions will likely vary from those assumed in the prospective financial information, and such variations could have a material effect on Howard's actual financial position, results of activities, net assets and cash flows.

- **Revenues** – Are assumed to increase at a rate of 3% annually over the period of the prospective financial information, consistent with the average experienced by Howard over the prior five years. Such rate of increase is expected to be mainly attributable to: a) rate increases for tuition already in place or expected; b) increased revenue from research grants reflecting strategic emphasis in this area; c) higher contribution revenue from donors interested in supporting Howard's renewal plans; d) revenue from higher volume of clinical services by faculty and hospital; and e) a reduced level of appropriation funds from the federal government by $10 million in 2012, an additional $7 million in 2013, regaining $5 million in 2014.

- **Operating Expenses** – Are expected to be managed at a level that targets a $50 million normalized operating surplus with a commitment to achieve $30 million. Given an assumption of a 3% increase in revenue, the comparable assumption for cost increases is approximately 2.0%. Howard is expected to achieve this revenue/expense balance through disciplined financial management enabled with monthly financial analysis and quarterly re-forecasting.

- **Facilities Plan** – Howard is expected to devote approximately $75 million annually to its facilities renewal plan, $25 million of which will be sourced from operating cash flow and the remainder from the Series 2011 Bond proceeds or other non-operating sources.

- **Cost of Debt Capital** – Is estimated to be approximately 6.0% over the period covered by the prospective financial information.

- **Pensions** – Howard's defined pension benefit plan is underfunded by $114 million as of December 31, 2010. Contributions to meet federal requirements for the plan to remain in good standing are estimated by Howard's actuaries to be $35 million in 2012, and $25 million in 2013 and 2014.

- **Long-term Debt Service** – The Financial Information assumes long-term debt service (combined principal and interest) as reflected in the table below for years 2012 and 2013. For 2014, it is assumed that Howard would access additional debt capital to raise the total debt service level to approximately $30 million.

- **New Revolving Credit Arrangement** – As part of the financing plan Howard intends to replace its three short-term note agreements aggregating $65 million in available capacity with a bank-led revolving credit arrangement for at least $100 million, bearing variable interest rates tied to short-term credit markets.

- **Academic Renewal** – The prospective Financial Information assumes that funds will be needed to support the transition of academic programs and faculty retirements from the current model to the renewal model. An amount of $15 million annually is included as "restructuring costs" in the period of the prospective financial information to facilitate this transition.

- **Non-Operating Items** – The prospective Financial Information assumes that non-operating items such as total return on endowment assets, changes in retiree benefit net obligations and other similar items aggregate a total of $20 million of income annually.

Projected Condensed Statement of Activities and Cash Flows, Presented on a Management Presentation Basis

($ in millions)	2011	2012	2013	2014
Academic Services	$ 282	$ 300	$ 315	$ 325
Clinical Services	300	305	310	315
Public Support	280	275	270	275
Operating Revenues	**862**	**880**	**895**	**915**
Academic Services	382	390	405	420
Clinical Services	310	320	325	330
Institutional Support	140	140	135	135
Operating Expenses	**832**	**850**	**865**	**885**
Net Operating Income (with interest)	**30**	**30**	**30**	**30**
Depreciation	50	52	54	57
Interest expense	8	10	10	10
Cash available for Debt Service	**88**	**92**	**94**	**97**
Annual debt service	(22)	(25)	(25)	(30)
Debt service coverage ratio	**400%**	**368%**	**376%**	**323%**
Purchase of fixed assets	(80)	(75)	(75)	(75)
Proceeds from dedicated borrowings	32	50	50	50
Operating Free Cash Flow	**18**	**42**	**44**	**42**
Debt principal payments	(61)	(50)	(50)	(50)
Proceeds from new debt	68	80	45	40
Investment activity, net	1	10	10	10
Restricted contributions and other	4	5	5	5
Cash Flow After Financings and Investments	**30**	**87**	**54**	**47**
Working capital changes (AR/AP)	(56)	(20)	(10)	(10)
Changes in deferrals/trusts/other	10	16	27	33
Retirement expenses accrued	30	32	34	36
Retirement expenses paid	(33)	(90)	(80)	(81)
Restructing costs paid	(3)	(15)	(15)	(15)
Net Changes in Cash	**$ (22)**	**$ 10**	**$ 10**	**$ 10**
Beginning Cash	**$ 32**	**$ 10**	**$ 20**	**$ 30**
Ending Cash	**$ 10**	**$ 20**	**$ 30**	**$ 40**

- Projections assume the successful recapitalization of Howard to: 1) refinance existing public bonds; 2) realize new public bond proceeds of $100 million in 2011 for capital projects in 2012 and 2013; 3) seek additional long-term loan capital of $100 million in 2013 for capital projects in 2014 and 2015; and 4) establish a new combined working capital bank facility of at least $100 million.

- Projecting to fund academic renewal initiatives with improvements in productivity and support function efficiencies through a Howard-wide administrative reorganization to remove unnecessary management layers, duplicative functions and cumbersome processes. Incremental incentives to effectuate change are reflected in restructuring costs.

- Projecting cash uses to reduce pension-funding shortfall of $114 million at December 2010 over next seven years. Additional funding of $0 in 2011, $35 million in 2012, $25 million in 2013 and $25 million in 2014 is reflected in retirement expenses paid.

Projected Condensed Balance Sheets

($ in millions)	FY2011	FY2012	FY2013	FY2014
Assets:				
Cash and operating investments	$ 70	$ 80	$ 90	$ 100
Unexpended bond proceeds	100	50	100	50
Receivables and other current assets	200	220	240	250
Endowment investments	450	480	500	520
Property and equipment, net	600	650	700	750
Total Assets	**1,420**	**1,480**	**1,630**	**1,670**
Liabilities:				
Payables and accruals	100	110	130	140
Accrued post retirement benefits	180	170	160	155
Underfunded pension plan	130	100	75	50
Deferrals and reserves	90	90	110	115
Notes payable	50	80	75	60
Capital lease obligations	30	25	20	15
Bonds payable	300	300	400	400
Other liabilities	40	55	60	85
Total Liabilities	**920**	**930**	**1,030**	**1,020**
Net Assets:				
Unrestricted	212	250	280	310
Temporarily restricted	184	200	210	225
Permanently restricted	104	100	110	115
Total Net Assets	**$ 500**	**$ 550**	**$ 600**	**$ 650**

Projected Annual Debt Service

TABLE 24 AGGREGATE DEBT SERVICE ($ IN THOUSANDS)							
Fiscal Year Ending	Series 2011A Tax-Exempt	Series 2011B Taxable	2010 Revenue Bond	Note due February 2014 The Ellington	Note due March 2013 Wonder Plaza Consolidated	Capital Leases	Total Aggregate Debt Service
6/30/2012	$ 13,120	$ 4,278	$ 996	$ 1,562	$ 1,256	$ 9,074	$ 30,286
6/30/2013	14,141	4,611	996	1,504	891	8,389	30,532
6/30/2014	14,141	4,611	996	6,729		6,740	33,217
6/30/2015	14,141	4,611	996			5,322	25,070
6/30/2016	14,141	5,980	996			2,226	23,343
6/30/2017	14,141	6,420	996			1,828	23,385
6/30/2018	14,141	6,515	996			1,770	23,422
6/30/2019	14,141	7,061	996			1,713	23,911
6/30/2020	14,141	8,480	996			1,655	25,272
6/30/2021	15,694	6,980	996			1,598	25,268
6/30/2022	18,971	3,761	996			1,541	25,269
6/30/2023	19,025	3,761	996			1,483	25,265
6/30/2024	19,085	3,761	996			1,426	25,268
6/30/2025	19,138	3,761	996			1,368	25,263
6/30/2026	19,700	3,761	498			1,311	25,270
6/30/2027	20,256	3,761				1,253	25,270
6/30/2028	20,309	3,761				1,196	25,266
6/30/2029	20,372	3,761				1,138	25,271
6/30/2030	20,429	3,761				1,081	25,271
6/30/2031	20,478	3,761				1,023	25,262
6/30/2032	21,497	3,761					25,258
6/30/2033	14,503	10,763					25,266
6/30/2034	8,419	16,850					25,269
6/30/2035	8,419	16,846					25,265
6/30/2036	12,235	13,033					25,268
6/30/2037	25,267						25,267
6/30/2038	25,265						25,265
6/30/2039	25,267						25,267
6/30/2040	25,270						25,270
6/30/2041	25,266						25, 266
6/30/2042	25,265						25,265
	$ 556,378	**$158,410**	**$ 14,442**	**$ 9,795**	**$ 2,147**	**$ 53,135**	**$794,307**

APPENDIX B

FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2010 (UNAUDITED), AND FISCAL YEARS ENDED JUNE 30, 2010, 2009 AND 2008 (AUDITED)

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HOWARD UNIVERSITY

The Howard University

Financial Statements
For the Six Month Period Ended December 31, 2010 (unaudited), and
Fiscal Years Ended June 30, 2010, 2009 and 2008

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Report of Independent Accountants

To the Board of Trustees of
The Howard University

We have reviewed the accompanying statement of financial position of The Howard University ("Howard") as of December 31, 2010, and the related statements of activities and of cash flows for the six-month period ended December 31, 2010. This interim financial information is the responsibility of The Howard University's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 24, 2011

Report of Independent Auditors

To the Board of Trustees of
The Howard University

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of The Howard University (Howard) as of June 30, 2010, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of The Howard University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 27, 2010

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102-4261
T: (703) 918 3000, F: (703) 918 3100, www.pwc.com/us

Statements of Financial Position **As of December 31, 2010, June 30, 2010, 2009 and 2008** *(in thousands)*	**(Unaudited)** **Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Assets:				
Cash and cash equivalents	$ 18,019	$ 31,568	$ 32,865	$ 19,621
Operating investments	47,238	38,314	43,817	40,841
Deposits with trustees	30,973	37,321	40,205	49,220
Receivables, net	182,420	119,092	112,217	109,542
Inventories, prepaids and other assets	14,217	12,435	12,860	14,701
Unexpended bond proceeds	3,900	42	2,623	19,328
Restricted Investments	27,220	21,054	17,980	23,720
Endowment investments	442,159	399,678	364,698	453,994
Property and equipment, net	600,024	589,358	595,784	567,633
Overfunded defined benefit pension plan	--	--	--	55,547
Securities pledged	--	--	--	34,562
Total Assets	**$ 1,366,170**	**$ 1,248,862**	**$ 1,223,049**	**$ 1,388,709**
Liabilities:				
Accounts payable and accrued expenses	$ 73,472	$ 102,711	$ 134,560	$ 113,234
Accrued post retirement benefits	184,751	183,192	165,924	119,527
Underfunded defined benefit pension plan	114,135	133,625	73,759	--
Deferred revenue	71,691	7,057	9,480	12,439
Reserves for self-insured liabilities	81,401	83,154	76,838	61,901
Other liabilities	37,794	29,858	32,435	28,252
Notes payable	47,776	45,553	41,555	17,517
Capital lease obligations	39,939	24,187	14,219	5,623
Bonds payable	154,885	152,151	159,580	166,644
Interest rate swap	4,629	5,582	3,961	1,799
Refundable advances under Federal Student Loan Program	7,391	7,871	8,153	9,498
Securities obligation	--	--	--	35,539
Total Liabilities	**817,864**	**774,941**	**720,464**	**571,973**
Net Assets:				
Unrestricted	233,284	191,474	249,280	521,636
Temporarily restricted	204,676	178,539	157,793	197,750
Permanently restricted	110,346	103,908	95,512	97,350
Total net assets	**548,306**	**473,921**	**502,585**	**816,736**
Total liabilities and net assets	**$ 1,366,170**	**$ 1,248,862**	**$ 1,223,049**	**$ 1,388,709**

The accompanying notes are an integral part of these financial statements

Statements of Activities **For the Six Month Period Ended December 31, 2010, and Fiscal Years Ended June 30, 2010, 2009 and 2008** (*in thousands*)	**(Unaudited)** **Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Academic services:				
Tuition and fees, net	$ 77,641	$ 130,139	$ 134,188	$ 117,314
Grants and contracts	30,646	61,192	60,297	64,434
Auxiliary services	32,950	62,151	56,934	62,169
Clinical services:				
Patient service - Hospital	132,032	270,708	263,720	235,467
Patient service - Faculty medical practice	19,570	30,268	30,064	33,787
Patient service - Dental clinic	750	1,935	1,687	1,342
Public support:				
Federal appropriation	115,689	231,411	231,081	230,801
Contributions and investments designated for current operations	14,069	19,161	14,887	15,044
Other income and net assets released from restrictions	10,487	30,747	19,653	28,981
Total unrestricted operating revenue	**433,834**	**837,712**	**812,511**	**789,339**
Total temporarily restricted operating revenue	**7,834**	**1,748**	**4,771**	**1,641**
Total permanently restricted operating revenue	**1,272**	**3,087**	**3,050**	**3,857**
Total operating revenues	**442,940**	**842,547**	**820,332**	**794,837**
Salaries and wages	191,778	369,277	372,120	362,766
Employee benefits other than retirement plans	33,651	73,198	77,841	67,605
Retirement plans including amortization of actuarial losses previously recognized as non-operating items ($11,350, $7,720, $4,732, and $5,382, respectively)	27,928	37,799	36,315	24,496
Utilities and telecommunications	17,379	30,685	30,681	33,168
Medical and office supplies	23,764	42,406	43,199	39,186
Repairs and maintenance	10,920	18,994	28,137	20,336
Food service costs	7,166	12,848	12,556	14,511
Grant subcontracts	8,000	20,454	20,155	21,538
Insurance and risk management	12,405	23,695	24,596	21,248
Professional and administrative services	58,481	119,343	135,354	112,027
Provision for bad debts	13,824	30,900	35,931	61,722
Interest expense	3,871	9,233	6,965	9,591
Depreciation	24,225	49,460	45,737	43,034
Total operating expenses	**433,392**	**838,292**	**869,587**	**831,228**
Operating revenues over (under) operating expenses	**9,548**	**4,255**	**(49,255)**	**(36,391)**
Investment income/(loss) in excess of amount designated for operations	15,569	14,541	(51,232)	(15,144)
Restructuring costs	--	(3,025)	(22,649)	--
Change in funded status of defined benefit pension plan	19,736	(52,634)	(124,964)	(30,457)
Change in obligation for post-retirement benefit plan	13,005	(6,868)	(27,388)	7,743
Change in value of interest rate swap, net	953	(1,621)	(2,162)	(2,477)
Other items, net	(7,895)	(7,619)	13,115	(692)
Total unrestricted non-operating income and expenses	**41,368**	**(57,226)**	**(215,280)**	**(41,027)**
Total temporarily restricted non-operating income and expenses, net	**18,303**	**18,998**	**(44,728)**	**(17,483)**
Total permanently restricted non-operating income and expenses, net	**5,166**	**5,309**	**(4,888)**	**(1,921)**
Total non-operating income and expenses	**64,837**	**(32,919)**	**(264,896)**	**(60,431)**
Unrestricted	41,810	(57,806)	(272,356)	(82,916)
Temporarily restricted	26,137	20,746	(39,957)	(15,842)
Permanently restricted	6,438	8,396	(1,838)	1,936
Change in net assets	**$ 74,385**	**$ (28,664)**	**$ (314,151)**	**$ (96,822)**

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows **For the Six Month Period Ended December 31, 2010,** **and Fiscal Years Ended June 30, 2010, 2009 and 2008** *(in thousands)*	**(Unaudited)** **Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Cash flows from operating activities				
Change in net assets	$ 74,385	$ (28,664)	$ (314,151)	$ (96,822)
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:				
Non-operating activities	(64,837)	32,919	264,896	60,431
Non-cash operating items:				
Depreciation	24,225	49,460	45,737	43,034
Retirement plan amortization	11,350	7,720	4,732	5,382
Investment appreciation	(12,290)	(12,507)	(7,103)	(7,080)
Changes in net assets adjusted for non-cash and non-operating items	**32,833**	**48,928**	**(5,889)**	**4,945**
Change in receivables (excluding notes)	(63,476)	(7,570)	(3,263)	(5,992)
Change in inventory, prepaid expenses and other assets	(1,782)	424	1,841	2,905
Change in deposits with trustees	6,348	2,884	9,015	(463)
Change in accounts payable and accrued expenses	(38,206)	(29,092)	13,170	29,036
Change in deferred revenue	64,634	(2,423)	(2,959)	3,246
Change in reserve for self-insured liabilities	(1,753)	6,316	14,937	5,018
Change in other liabilities	7,936	(2,577)	9,030	3,947
Change in refundable advances under U.S. government loans	(480)	(282)	(1,345)	(902)
Net cash and cash equivalents provided by operating activities	**6,054**	**16,608**	**34,537**	**41,740**
Cash flows from investing activities				
Proceeds from sale of investments	133,814	295,071	318,269	463,739
Purchases of investments	(135,950)	(281,312)	(321,677)	(451,493)
Previously unexpended bond proceeds	(3,859)	2,581	16,704	25,245
Purchases and renovations of property and equipment	(17,326)	(36,399)	(50,717)	(95,305)
Proceeds from sales of property and equipment	--	973	--	--
Cash received under security lending, net	--	--	34,562	12,767
Net cash and cash equivalents used in investing activities	**(23,321)**	**(19,086)**	**(2,859)**	**(45,047)**
Cash flows from financing activities				
Investment purchased with cash collateral, net	--	--	(35,539)	(12,968)
Proceeds from notes payable	57,576	81,720	26,335	--
Payment on notes payable	(55,353)	(77,722)	(2,296)	(2,580)
Proceeds from bonds payable	10,370	--	--	--
Payment on bonds payable	(7,515)	(7,185)	(6,820)	(6,490)
Capital leases (payments) receipts, net	(2,243)	1,070	(3,501)	(2,886)
Student loans issued	(547)	(621)	(1,653)	(1,801)
Student loans collected	648	1,316	2,204	1,658
Proceeds from contributions restricted for endowment	782	2,603	2,836	305
Net cash and cash equivalents used in financing activities	**3,718**	**1,181**	**(18,434)**	**(24,762)**
Net increase (decrease) in cash and cash equivalents	(13,549)	(1,297)	13,244	(28,069)
Cash and cash equivalents at beginning of year	31,568	32,865	19,621	47,690
Cash and cash equivalents at end of period	**$ 18,019**	**$ 31,568**	**$ 32,865**	**$ 19,621**
Supplemental cash flow information:				
Net cash paid for interest	**$ 4,462**	**$ 8,882**	**$ 6,722**	**$ 7 ,765**
Supplemental non-cash investing activities:				
Acquisition of equipment under capital leases	**17,996**	**10,127**	**12,097**	**3,676**
Donated property, plant and equipment				**702**
Net book value of asset retirement costs	**2,568**	**2,599**	**2,659**	**462**
Land swap gross value	**--**	**--**	**17,590**	**--**
Supplemental non-cash financing activities:				
Donated securities	**185**	**197**	**65**	**153**

The accompanying notes are an integral part of these financial statements

Note 1 Summary of Significant Accounting Policies

(a) ***General***

The Howard University (Howard) is a private, nonprofit institution of higher education (the University) which also operates Howard University Hospital (the Hospital) located in Washington, DC. The University provides academic services in the form of education and training, primarily for students at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. Howard also provides patient healthcare services at the Hospital and by certain members of the University's faculty as part of its academic clinical activities. Howard is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(b) ***Basis of Presentation***

The financial statements of Howard have been prepared in accordance with accounting principles generally accepted in the United States of America.

(c) ***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. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, property and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and asset retirement obligations.

(d) ***Net Assets***

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Permanently Restricted – Net assets subject to donor-imposed stipulations that do not expire with time. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported as increases in the appropriate category of net assets, except that contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(e) ***Receivables and Revenue Recognition***

(1) **Contributions** including unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contributions revenue for the periods reported are shown below:

Contribution Revenue	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Unrestricted	$ 1,779	$ 6,654	$ 7,784	$ 7,964
Temporarily restricted	2,641	4,611	2,406	4,405
Permanently restricted	782	2,603	2,962	3,720
Total contribution revenue	**$ 5,202**	**$ 13,868**	**$ 13,152**	**$ 16,089**

Unconditional promises to give with payments to be received after one year from the date of the financial statements are discounted. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

(2) **Tuition and fees** from student services are recognized ratably over the academic time period to which they apply. Student receivables represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. As of December 31, 2010, $64,917 of Spring semester tuition has been recorded as tuition receivable and the corresponding revenue deferred. Howard maintains a policy of offering

qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans, and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships, fellowships and need. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 was $33,193, $57,164, $40,334 and 42,450, respectively.

(3) **Federal appropriation** revenue is recognized ratably over the award period. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as temporarily restricted term endowment. For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008, Howard received 27%, 28%, 28% and 29% of its revenue support from the federal appropriation, respectively. The $16,922 federal appropriation receivable as of December 31, 2010 is comprised of $1,800 related to the term endowment and $15,122 related to the non-endowed federal appropriation.

(4) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

(5) **Grants and contracts** revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). These revenues include recoveries of eligible direct expenses and of indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent amounts due from Federal, state, local, private grants, contracts and others.

(6) **Auxiliary Services** include student housing, food service, bookstore, radio and television station. Revenues are generally recognized when services are rendered or as appropriate activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR, bookstore vendors, and property rents.

(7) **Other** includes checks pending deposit at year end, dental clinic patient receivables and certain vendor credit balances.

(f) ***Cash and Cash Equivalents***

Short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with Trustees or Investments, respectively. Cash equivalents include repurchase agreements, certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at fair value. Howard's practice is to enter into repurchase agreements only when collateralized by government or other agency securities held in safekeeping by a bank. These transactions are recorded on the balance sheet, with any earnings recorded as interest income.

(g) ***Investments***

Investments are segregated between operating, restricted, and endowment investments and deposits with trustees on the Statements of Financial Position, all of which are stated at fair value and defined as follows:

Operating Investments – represent investments free of any donor or lender imposed restrictions. These investments are short-term in nature and can be liquidated as needed to meet operational demands.

Restricted Investments – consist of non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments are not subject to the discretion of the Board and as such they are not available to meet the operational needs of the University.

Endowment Investments – consists of the pooled endowment and the federal matching endowment investments. The endowment investments are spread across various types of investments with the use of the income from these investments restricted based on agreed donor stipulations.

Deposits with Trustees – represent short-term investments in various operating trusts, designed to meet Howard's insured obligations. Investment balances may include some cash and cash equivalents held by investment managers for a specific purpose. In general, fair values are determined by the most relevant available and observable valuation inputs. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs utilize data points that are observable, such as quoted prices for comparable assets, interest rates and yield curves. Level 3 inputs are based on data points consistent with applicable valuation methodologies for similar assets and could include situations where there is little, if any, market activity for the asset.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent. Such amounts may be expended for operations, for specified donor purposes if temporarily restricted, or held in perpetuity at the donor's request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and, operating investment returns. Howard follows the total return concept, which combines interest and dividends with market appreciation to measure investment return.

(h) ***Inventories***

Inventories consist primarily of bookstore items and medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis.

(i) ***Property and equipment***

Property and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A half year of depreciation is recorded in the year of acquisition. The useful lives for fiscal years reported are as follow:

Land and land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property and equipment acquired under capital leases are amortized in a manner consistent with Howard's normal depreciation policy for owned assets. Lease obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life.
Property held for expansion consists of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use.

Title to certain equipment purchased using funds provided by government granting or contracting agencies is vested with Howard, and therefore is included in reported property balances. Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are intended for use.

The recorded values of certain properties include the fair value of any asset retirement obligation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. For Howard, this primarily pertains to the cost of removal and disposal of asbestos.

(j) ***Refundable advances under Federal Student Loan Program***

Funds provided by the United States Government under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the Government and are reported as liabilities in the Statements of Financial Position and as cash flows from financing activities in the Statements of Cash Flows.

Notes receivable represent loans the University extended to students from institutional resources to be paid back primarily in short terms at low interest rates. The notes have stated interest rates and repayment terms. Loans and notes receivable are evaluated for credit and market risk with outstanding balances approximating fair market value at the report date.

(k) ***Functional expenses***

Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant, including depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008, expenses were allocated across functions as follows:

Functional expenses	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Program services:				
Instruction	$ 109,117	$ 215,595	$ 223,662	$ 208,301
Research	16,252	33,796	31,641	37,815
Public service	5,046	8,108	9,859	11,873
Academic support	20,881	32,894	39,117	36,396
Student services	13,285	22,017	25,326	27,951
Patient care	144,224	300,025	289,578	284,732
Total program services expenses	**308,805**	**612,435**	**619,183**	**607,068**
Supporting services:				
Institutional support	85,409	160,107	181,939	152,593
Auxiliary Enterprises	39,178	65,750	68,465	71,567
Total supporting services	**124,587**	**225,857**	**250,404**	**224,160**
Total program and supporting services expenses	**$ 433,392**	**$ 838,292**	**$ 869,587**	**$ 831,228**

(l) ***Reserves for Self-insured Liabilities***

The reserve for professional liabilities is comprised primarily of amounts accrued for asserted medical malpractice claims and includes estimates of the ultimate cost to resolve such claims. Medical malpractice claims were discounted at 6% for fiscal years 2009 and 2008. Beginning in fiscal year 2010, such reserves were stated at an undiscounted amount. The impact of this change was $6,607 and reflected in the June 30, 2010 Statements of Activities as a non-operating expense. The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analysis indicate are probable of assertion in the future.

(m) ***Other Liabilities***

Other liabilities are comprised primarily of asset retirement obligations, executive deferred compensation, unclaimed property, student deposits, reserves for legal and other contingencies, and miscellaneous items.

(n) ***Pension and Post-retirement Benefits***

The funded status of Howard's pension and post-retirement benefits is actuarially determined, and is recognized in the Statements of Financial Position as an asset to reflect an overfunded status, or as a liability to reflect an underfunded status.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

(o) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation) in endowment investment, changes in retirement plan liabilities due to market factors, and (charges) credits that do not pertain to continuing core program services.

(p) ***Restricted Income and Expense***

The table below details the items of restricted income and expense summarized in the Statements of Activities.

Restricted income and expense	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Federal appropriation	$ 1,800	$ 3,566	$ 3,464	$ 3,480
Contributions	2,641	4,611	2,406	4,405
Investment income designated for operations	7,000	7,507	7,847	7,244
Release from restrictions	(3,607)	(13,936)	(8,946)	(13,488)
Temporarily restricted operating revenues	**7,834**	**1,748**	**4,771**	**1,641**
Investment income (loss) in excess of amount designated for operations	17,816	14,855	(44,157)	(17,437)
Other items, net	487	4,143	(571)	(46)
Temporarily restricted non-operating income (expense)	**18,303**	**18,998**	**(44,728)**	**(17,483)**
Total temporarily restricted income (expense)	**$ 26,137**	**$ 20,746**	**$ (39,957)**	**$ (15,842)**
Contributions	$ 782	$ 2,603	$ 2,962	$ 3,720
Investment income designated for operations	490	484	88	137
Permanently restricted operating revenues	**1,272**	**3,087**	**3,050**	**3,857**
Investment income (loss) in excess of amount designated for operations	5,337	2,893	(4,213)	(2,809)
Other items, net	(171)	2,416	(675)	888
Permanently restricted non-operating income (expense)	**5,166**	**5,309**	**(4,888)**	**(1,921)**
Total permanently restricted income (expense)	**$ 6,438**	**$ 8,396**	**$ (1,838)**	**$ 1,936**

(q) ***Reclassification***

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 2 Fundraising Expenses

For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008, Howard incurred expenses of approximately $3,257, $6,246, $6,870 and $6,769, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying Statements of Activities within each respective expense category.

Note 3 Charity Care

The Hospital provides services to patients who meet the criteria of its charity care policy, without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. The total of charges forgone for services and supplies furnished under the Hospital's charity care policy were $24,773, $32,788, $29,775 and $30,867 for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008, respectively, and are excluded from net patient service revenues. Total uncompensated care under all of Howard's clinical services which includes bad debt write offs as well as charity care, for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 was $38,176, $59,746, $60,455 and $77,366, respectively.

Note 4 Insurance and Risk Management

Howard, along with 15 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverages. Howard's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Pinnacle reinsures 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 15 other higher education institutions. Genesis reinsures general liability and automobile liability risks of its shareholders. At December 31, 2010, Howard had an approximate 6.25% controlling interest of Genesis and 6% ownership of Pinnacle. Howard's interest in Genesis and Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of $125,000 from commercial insurance companies.

Howard is self-insured for initial layers of medical malpractice, worker's compensation, and employee health benefits. The reserves for self-insured risks are actuarially determined and Howard has set aside assets in revocable trusts to partially fund these self-insured risks.

The self-insured medical malpractice program covers professional liability costs up to $7,500 per occurrence depending on the cause. In addition, there are two layers of excess insurance coverage. The first layer of the excess insurance coverage is up to $35,000 on a claims-made basis. This layer is purchased through a captive insurance company, Howard University Capitol Insurance Company Ltd. (HUCIC), organized under the laws of the Cayman Islands. HUCIC covers prior acts retroactive to two separate policy periods dating July 1, 1996 and January 1, 1986, and is completely reinsured. The second layer of excess liability insurance which also covers comprehensive general liability, managed-care liability, and professional liability is up to $50,000 on a claims-made basis. The second layer of excess coverage is provided by an independent excess insurance company.

Note 5 Restructuring Costs

In fiscal years 2009 and 2010, Howard executed voluntary retirement programs as a part of a cost reduction and restructuring plan. The programs allowed eligible staff the opportunity to retire and receive severance pay in addition to regular retirement benefits, or separate by resigning and receive severance pay and limited free basic life insurance coverage with portability. The cost incurred for the year ended June 30, 2009 for this program was $22,649, which included $5,706 for the curtailment of certain post retirement benefits. The cost incurred for the year ended June 30, 2010 was $3,025 for a Hospital-specific program. For the six month period ended December 31, 2010, there have been no additional restructuring costs.

Note 6 Concentration of Credit Risk

Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institution in excess of the applicable government insurance limits.

Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Note 7 Receivables

Accounts receivable, prior to adjustment for doubtful collections, is summarized as follows at December 31, 2010, June 30, 2010, 2009 and 2008:

Receivables	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Student	$ 74,670	$ 9,097	$ 7,446	$ 6,751
Notes	11,398	11,499	12,193	12,781
Federal Appropriation	16,922	7,849	6,065	6,128
Patients and third-party payors - FPP	8,650	9,324	16,543	16,348
Patients and third-party Payors - Hospital	66,972	73,090	66,532	58,190
Research grants and development agreements	20,389	23,871	24,354	39,399
Contributions	3,500	4,435	7,825	9,075
Insurance claims	13,038	12,863	13,752	9,070
Investments	278	5,454	3,147	1,463
Auxiliary Services	6,685	6,247	4,453	8,138
Other	2,026	4,098	623	2,787
Totals	**$ 224,528**	**$ 167,827**	**$ 162,933**	**$ 170,130**

Allowance for doubtful receivables is summarized as follows at December 31, 2010, June 30, 2010, 2009 and 2008:

Allowance for Doubtful Receivables	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Student	$ 4,999	$ 4,594	$ 3,079	$ 3,337
Notes	2,454	2,446	2,406	2,427
Federal appropriation	--	--	--	--
Patients and third-party payors - FPP	4,389	4,302	9,342	13,682
Patients and third-party payors - Hospital	20,900	25,794	22,610	20,950
Research grants and development agreement	3,728	5,016	6,793	15,364
Contributions	1,659	2,113	3,399	3,068
Insurance claims	2,403	2,403	1,971	753
Investments	--	--	--	--
Auxiliary services	1,009	884	713	276
Other	567	1,183	403	731
Totals	**$ 42,108**	**$ 48,735**	**$ 50,716**	**$ 60,588**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Provision for bad debt is summarized as follows at December 31, 2010, June 30, 2010, 2009 and 2008:

Provision for Bad Debt	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Student	$ 265	$ 1,662	$ 1,388	$ 1,426
Notes	8	40	(21)	63
Federal appropriation	--	--	--	--
Patients and third-party payors - FPP	3,612	7,150	9,417	22,184
Patients and third-party payors - Hospital	9,791	19,808	21,263	24,315
Research grants and development agreements	--	604	2,457	12,728
Contributions	--	--	--	--
Insurance claims	--	432	1,218	853
Investment income	--	--	--	--
Auxiliary services	126	730	437	(97)
Other	22	474	(228)	250
Totals	**$ 13,824**	**$ 30,900**	**$ 35,931**	**$ 61,722**

Contributions receivable at December 31, 2010, June 30, 2010, 2009 and 2008 are expected to be received as follows:

Contributions Receivable	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Within one year	$ 2,335	$ 2,515	$ 3,611	$ 3,666
Between one and five years	1,320	1,211	2,745	3,449
Thereafter	152	1,219	2,358	2,738
Contributions receivable gross	3,807	4,945	8,714	9,853
Unamortized discount on contributions receivable (2%-5%)	(307)	(510)	(889)	(778)
Contributions receivable, net of discounts	3,500	4,435	7,825	9,075
Allowance for uncollectible contributions	(1,659)	(2,113)	(3,399)	(3,068)
Contributions receivable, net of discounts and allowance	$ 1,841	$ 2,322	$ 4,426	$ 6,007

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Note 8 Accounts Payable and Accrued Expenses

Components of this liability account at December 31, 2010, June 30, 2010, 2009 and 2008 are as follows:

Accounts Payable and Accrued Expenses	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Vendor invoices	$ 33,475	$ 47,941	$ 66,061	$ 66,041
Accrued salaries and wages	23,471	35,050	46,588	22,922
Accrued employee benefits	14,571	17,295	20,148	20,673
Accrued interest	889	1,439	1,211	1,123
Other	1,066	986	552	2,475
Total	**$ 73,472**	**$ 102,711**	**$ 134,560**	**$ 113,234**

Note 9 Other Liabilities and Deferred Revenue

These obligations include the following at December 31, 2010, June 30, 2010, 2009 and 2008:

Other liabilities	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Asset retirement obligation	$ 11,617	$ 11,343	$ 10,929	$ 7,775
Environmental remediation	3,000	3,000	3,000	--
Deferred compensation	--	--	--	1,785
Unclaimed property	2,980	2,954	2,638	1,896
Student deposits and refunds	7,657	6,434	1,891	2,640
Reserve for legal contingencies	6,499	1,224	1,560	814
Other	6,041	4,903	12,417	13,342
Total	**$ 37,794**	**$ 29,858**	**$ 32,435**	**$ 28,252**

Deferred revenue	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Deferred tuition and student fees	$ 68,419	$ 3,839	$ 1,971	$ 1,961
Deferred grant revenue	3,272	3,218	7,509	10,478
Total	**$ 71,691**	**$ 7,057**	**$ 9,480**	**$ 12,439**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Note 10 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets				Estimated Liability			
	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Debt service reserve fund	$ 10,141	$ 10,176	$ 10,171	$ 9,954	NA	NA	NA	NA
Professional liability	16,052	23,368	25,739	24,353	$ 44,955	$44,955	$ 36,854	$ 31,470
Workers' compensation	3,631	3,635	3,622	3,517	30,799	31,181	32,622	25,818
Health insurance trust	1,149	142	673	11,396	5,647	7,018	7,362	4,613
Total	**$ 30,973**	**$ 37,321**	**$ 40,205**	**$ 49,220**	**$ 81,401**	**$ 83,154**	**$ 76,838**	**$ 61,901**

NA = Not applicable

(a) ***Debt Service Reserve Fund***

As required by the 1998 Revenue Refunding Bonds, Howard maintains a debt service reserve fund in an amount equal to the lesser of (1) the maximum annual debt service requirement on the bonds, (2) 10% of the principal amount of the bonds at issuance, or (3) 125% of the average annual debt service on the bonds. The assets in the debt service reserve fund consist primarily of cash, money market funds and treasury bills.

(b) ***Professional Liability***

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and certain faculty physicians and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2010. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued at December 31 and June 30, 2010 of approximately $44,955, and $36,854 as of June 30, 2009 and $31,470 as of June 30, 2008, is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation. The accrued malpractice losses for the fiscal years ended June 30, 2009 and 2008 have been discounted at 6%. There is no discount reflected at December 31, 2010 and June 30, 2010.

(c) ***Workers' Compensation***

Howard established a revocable trust fund to provide for the satisfaction of its liability under applicable workers' compensation laws and for the care and security of its employees. Howard pays claims up to the amount of the insurance deductible, as well as excess claims over the insured limits. The assets in the workers' compensation trust fund consists of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As required, Howard also maintains $10,715 in letters of credit, which serve as collateral for specific insurance carriers. These letters of credit are secured by Howard's revolving line of credit. Howard has provided for workers' compensation benefits primarily through self insurance, with excess commercial insurance subject to an annual per occurrence retention of $500. For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 expenses related to workers' compensation were $257, $4,510, $5,353 and 5,632, respectively and are reflected in employee benefits. Estimated claims for which payments will be covered under existing insurance policies were $10,634, $10,454, $11,781 and $8,317 at December 31, 2010, June 30, 2010, 2009 and 2008, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

The total liability for future workers' compensation liability claims was approximately $30,799, $31,181, $32,622 and $25,818 at December 31, 2010, June 30, 2010, 2009 and 2008, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying Statements of Financial Position in reserves for self-insured liabilities.

(d) ***Health Insurance***

Howard established a revocable self-insured trust fund for the purpose of funding group health benefits for its employees. The assets consist primarily of investments in money market funds. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at December 31, 2010, June 30, 2010, 2009 and 2008, is approximately $5,647, $7,018, $7,362 and $4,613, respectively.

Note 11 Fair Value Measurements

Effective July 1, 2008, Howard adopted the applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three broad levels of assurance for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

All Howard's financial assets and liabilities as of December 31, 2010, June 30, 2010 and 2009 are subject to fair value accounting.

Fair value as of December 31, 2010 is as follows:

Fair Value as of December 31, 2010 (unaudited)	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bonds (6)	$ --	$ 3,900	$ --	$ 3,900
Deposits with trustees (7)	14,885	16,088	--	30,973
Total Asset (non investment)	**14,885**	**19,988**	**--**	**34,873**
Operating investments				
Fixed Income-Government Bonds (2)	4,418	--	--	4,418
Common Stock (3)	40,249	--	--	40,249
Total operating investments	**44,667**	**--**	**--**	**44,667**
Restricted Investment				
Money Market Fund (1)	--	952	--	952
Common Stock (3)	26,268	--	--	26,268
Private Equity (4)	--	--	2,571	2,571
Total restricted investments	**26,268**	**952**	**2,571**	**29,791**
Endowment Investments				
Money Market Instrument (1)	--	9,796	--	9,796
Commingled Funds				
Emerging Market Equity Security (3)	--	25,158	--	25,158
Global Fixed Income Security (2)	--	25,314	--	25,314
International Equity Security (3)	--	39,186	--	39,186
US Common Stock (3)	--	13,156	--	13,156
Common Stock (3)	53,379	--	--	53,379
Fixed Income (2)				
Government Bonds	25,194			25,194
Asset backed securities	--	2,863	--	2,863
Corporate Bonds	--	5,413	--	5,413
Hedge Funds (4)				
Distressed Debt	--	2,366	--	2,366
Equity Long/short	--	4,037	--	4,037
Event driven	--	5,884	--	5,884
Inflation hedge	--	4,134	--	4,134
Multi-Global opportunities	--	15,589	--	15,589
Multi-strategy	--	52,218	--	52,218
Mutual Funds Investment				
Domestic Common Stock (3)	20,677	--	--	20,677
Domestic Fixed Income (2)	56,193	--	--	56,193
Private Equity and Venture Capital (4)	--	--	73,601	73,601
Real Estate (4)	--	--	8,001	8,001
Total endowment investments	**155,443**	**205,114**	**81,602**	**442,159**
Liabilities:				
Interest rate swaps (5)	**--**	**4,629**	**--**	**4,629**
Total assets and liabilities measured at fair value	**$ 241,263**	**$ 230,683**	**$ 84,173**	**$ 556,119**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Fair value as of June 30, 2010 is as follows:

Fair Value as of June 30, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Unexpended bonds (6)	$ --	$ 42	$ --	$ 42
Deposits with trustees (7)	26,992	10,329	--	37,321
Total Asset (non investment)	**26,992**	**10,371**	**--**	**37,363**
Operating investments				
Fixed Income-Government Bonds (2)	3,395	--	--	3,395
Common Stock (3)	32,818	--	--	32,818
Total operating investments	**36,213**	**--**	**--**	**36,213**
Restricted investments				
Money Market Instrument (1)	--	194	--	194
Common Stock (3)	20,860	--	--	20,860
Private Equity (4)	--	--	2,101	2,101
Total restricted investments	**20,860**	**194**	**2,101**	**23,155**
Endowment Investments				
Money Market Instrument (1)	661	14,899	--	15,560
Commingled Funds				
Emerging Market Equity Security (3)	--	19,826	--	19,826
Global Fixed Income Security (2)	--	23,195	--	23,195
International Equity Security (3)	--	38,345	--	38,345
Common Stock (3)	51,008	--	300	51,308
Fixed Income (2)				
Government Bonds	25,175	--	--	25,175
Asset backed securities	--	3,200	287	3,487
Corporate Bonds	--	5,664	--	5,664
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	5,602	--	5,602
Inflation hedge	--	4,324	--	4,324
Multi-Global opportunities	--	13,229	--	13,229
Multi-strategy	--	50,100	--	50,100
Mutual Funds Investment				
Domestic Common Stock (3)	14,525	--	--	14,525
Domestic Fixed Income (2)	47,179	--	--	47,179
Private Equity and Venture Capital (4)	--	--	68,386	68,386
Real Estate (4)	--	--	7,623	7,622
Total endowment investments	**138,548**	**184,534**	**76,596**	**399,678**
Liabilities:				
Interest rate swaps (5)	**--**	**5,582**	**--**	**5,582**
Total assets and liabilities measured at fair value	**$ 222,613**	**$ 200,681**	**$ 78,697**	**$ 501,991**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Fair value as of June 30, 2009 is as follows:

Fair Value as of June 30, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Unexpended bonds (6)	$ --	$ 2,623	$ --	$ 2,623
Deposits with trustees (7)	8,956	31,249	--	40,205
Total Asset (non investment)	**8,956**	**33,872**	**--**	**42,828**
Operating investments				
Fixed Income-Government Bonds (2)	10,443	--	--	10,443
Common Stock (3)	31,280	--	--	31,280
Total operating investments	**41,723**	**--**	**--**	**41,723**
Restricted investments				
Money Market Instrument (1)	--	263	--	263
Common Stock (3)	17,717	--	--	17,717
Private Equity (4)	--	--	2,094	2,094
Total restricted investments	**17,717**	**263**	**2,094**	**20,074**
Endowment Investments				
Money Market Instrument (1)	1,344	13,317	--	14,661
Commingled Funds				
Emerging Market Equity Security (3)	--	11,364	--	11,364
Global Fixed Income Security (2)	--	25,929	--	25,929
International Equity Security (3)	--	37,172	--	37,172
Common Stock (3)	60,914	--	--	60,914
Fixed Income (2)				
Asset backed securities	--	6,987	556	7,543
Corporate Bonds	--	13,521	1,478	14,999
Hedge Funds (4)	--	--	--	--
Multi-strategy	--	--	29,842	29,842
Inflation hedge	--	--	35,011	35,011
Mutual Funds Investment	--	--	--	--
Domestic Common Stock (3)	12,728	--	--	12,728
Domestic Fixed Income (2)	52,548	--	--	52,548
Private Equity and Venture Capital (4)	--	--	52,622	52,622
Real Estate (4)	--	--	9,365	9,365
Total endowment investments	**127,534**	**108,290**	**128,874**	**364,698**
Liabilities:				
Interest rate swaps (5)	**--**	**3,961**	**--**	**3,961**
Total assets and liabilities measured at fair value	**$ 195,930**	**$ 146,386**	**$ 130,968**	**$ 473,284**

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

(1) Money market instruments include investments in open ended mutual funds that invest in U.S. treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily and their prices are based on amortized cost are classified as Level 2.

(2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not

available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.

(3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2.

(4) Alternative investments include Howard's limited partnership interests, hedge funds, private equity and real estate funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued by the investment manager based on valuation techniques that take into account each fund's underlying assets and include valuation methods such as market, cost and income approaches. In accordance with an accounting standard update governing the classification of certain investments which provide the option of NAV redemption value, as Level 2, the University has classified investments in Hedge Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. For the fiscal year ended June 30, 2009, these funds were classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3. These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

(5) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be

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corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.

(6) Unexpended bonds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.

(7) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance, and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as level 1 and other fixed income securities are classified as level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while Howard believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

The following tables present the changes in amounts included in the Statements of Financial Position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

Changes in Level 3 for the Six month period ended December 31, 2010 (unaudited)	**Private Equity and Venture Capital**	**Fixed Income**	**Common Stock**	**Real Estate**	**Total**
Balance July 1, 2010	$ 70,487	$ 287	$ 300	$ 7,623	$ 78,697
Gain and Loss (Realized and unrealized)	2,105	(50)	--	63	2,118
Purchases	10,290	--	--	355	10,645
Transfer out and Sales	(6,710)	(237)	(300)	(40)	(7,287)
Balance December 31, 2010	**$ 76,172**	**$ --**	**$ --**	**$ 8,001**	**$ 84,173**

There were $200 transfers out of Level 3 during the six month period ended December 31, 2010.

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Changes in Level 3 securities for the period ended June 30, 2010 is as follows:

Changes in Level 3 for the year ended June 30, 2010	**Private Equity and Venture Capital**	**Fixed Income**	**Hedge Funds**	**Common Stock**	**Real Estate**	**Total**
Balance July 1, 2010	$ 54,716	$ 2,034	$ 64,853	$ --	$ 9,365	$ 130,968
Gain and Loss (Realized and unrealized)	9,813	(89)		--	(2,392)	7,332
Purchases	11,873	--		300	650	12,823
Transfer out and Sales	(5,915)	(1,658)	(64,853)	--	--	(72,426)
Balance June 30, 2010	**$ 70,487**	**$ 287**	**$ --**	**$ 300**	**$ 7,623**	**$ 78,697**

There were $64,853 transfers out of Level 3 during fiscal year ended June 30, 2010. These transfers represent the reclassification of hedge funds to Level 2, from Level 3, in accordance with the applicable accounting standard update.

Changes in Level 3 securities for the period ended June 30, 2009 is as follows:

Changes in Level 3 for the year ended June 30, 2009	**Private Equity and Venture Capital**	**Fixed Income**	**Hedge Funds**	**Real Estate**	**Total**
Balance July 1, 2008	$ 57,164	$ 2,291	$ 66,655	$ 11,687	$ 137,797
Gain and Loss (Realized and Unrealized)	(12,659)	(257)	(14,048)	(4,435)	(31,399)
Purchases	13,744	--	16,704	2,213	32,661
Sales	(3,533)	--	(4,458)	(100)	(8,091)
Balance June 30, 2009	**$ 54,716**	**$ 2,034**	**$ 64,853**	**$ 9,365**	**$ 130,968**

There were no transfers into or out of Level 3 during the year ended June 30, 2009.

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Financial instruments reported at fair value as of June 30, 2008 prior to the adoption of accounting guidance related to fair value measurements are summarized as follows:

Fair Value as of June 30, 2008	**2008**
Certificates of deposit	$ 2,500
Money market instruments	11,784
Bonds	110,916
U.S. Treasury and government agency securities	20,055
Common stocks	237,237
Real estate and other partnerships	66,992
Hedge funds	64,865
Other investments	4,206
Total operating and endowment investments	**$ 518,555**
Unexpended bond proceeds	**$ 19,328**

Net investment income (loss) is summarized as follows for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008:

Net Investment Income (Loss)	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Interest and dividends	$ 3,627	$ 8,263	$ 15,610	$ 14,766
Net realized gains (loss)	10,495	16,102	(45,713)	24,828
Net unrealized gains (loss)	44,805	29,959	(50,090)	(58,713)
Other investment income (expenses)	537	633	(1,603)	446
Investment expenses	(962)	(2,170)	(2,768)	(2,256)
Net investment income (loss)	**$ 58,502**	**$ 52,787**	**$ (84,564)**	**$(20,929)**
Unrestricted operating investment income	$ 12,290	$ 12,507	$ 7,103	$ 7,080
Unrestricted non-operating investment income (loss)	15,569	14,541	(51,232)	(15,144)
Temporarily restricted investment income (loss)	24,816	22,362	(36,310)	(10,193)
Permanently restricted investment income (loss)	5,827	3,377	(4,125)	(2,672)
Net investment income (loss)	**$ 58,502**	**$ 52,787**	**$ (84,564)**	**$ (20,929)**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Investment Commitments – Howard's investment commitments as of December 31, 2010, June 30, 2010, 2009 and 2008, are summarized below. Some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and are less liquid than Howard's other investments.

Investment Commitments	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Private Equity and Venture Capital Funds	$ 131,703	$ 131,703	$136,920	$ 97,701
Real Estate Funds	15,000	15,000	15,000	12,500
Total financial commitment	**146,703**	**146,703**	**151,920**	**110,201**
Amounts funded	104,678	95,169	85,448	61,732
Unfunded commitment	**$ 42,025**	**$ 51,534**	**$ 66,472**	**$ 48,469**

Note 12 Net Assets

Temporarily restricted net assets consist of the following at the report date:

Temporarily Restricted Net Assets	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Scholarships	$ 45,154	$ 40,302	$ 35,574	$ 53,813
Professorships	25,859	22,949	20,360	30,152
Student loans	719	307	124	134
Federal term	108,744	92,918	87,568	90,745
General operations and other	24,200	22,063	14,167	22,906
Total	**$ 204,676**	**$ 178,539**	**$ 157,793**	**$ 197,750**

The Federal term restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period.

Permanently restricted net assets are held in perpetuity and the income therefrom is only expendable for the noted purposes at the following report dates,

Permanently Restricted Net Assets	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Scholarships	$ 50,012	$ 49,332	$ 47,860	$ 47,749
Professorships	16,518	14,513	13,210	10,157
Student loans	34,827	34,186	31,216	34,289
General operations and other	8,989	5,877	3,226	5,155
Total	**$ 110,346**	**$ 103,908**	**$ 95,512**	**$ 97,350**

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Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for the six month period ended December 31, 2010, and fiscal years ended June 30, 2010, 2009 and 2008.

Net Assets Released from Restrictions	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Federal term	$ --	$ 6,663	$ 2,495	$ 5,822
Restrictions released based on time	--	576	788	107
Restrictions released based on purpose:				
Scholarships and fellowships	2,256	2,632	2,252	3,918
Professorships	456	924	932	1,040
Student loans	30	247	348	205
General operations and other	865	2,894	2,131	2,396
Total	**$ 3,607**	**$ 13,936**	**$ 8,946**	**$ 13,488**

Note 13 Endowment Fund

Howard's endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The original value of subsequent gifts with permanent donor-directed use restrictions.
3. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

As of December 31, 2010, June 30, 2010, 2009 and 2008, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Permanently Restricted Net Assets				
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	**$ 73,661**	**$ 72,257**	**$ 66,478**	**$ 64,290**
Temporarily Restricted Net Assets				
Time restricted funds	$ 122,523	$109,827	$ 94,049	$ 100,421
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:				
Without purpose restrictions	3,529	3,210	3,109	5,962
With purpose restrictions	48,853	44,371	43,082	78,902
Total endowment funds classified as temporarily restricted net assets	**$ 174,905**	**$157,408**	**$ 140,240**	**$ 185,285**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of December 31, 2010 is as follows:

Endowment Change in Value Six month period ended December 31, 2010 (unaudited)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 177,846**	**$ 157,408**	**$ 72,257**	**$ 407,511**
Investment return:				
Investment income	557	1,003	53	1,613
Net depreciation (realized and unrealized)	22,899	22,516	340	45,755
Total investment return	**23,456**	**23,519**	**393**	**47,368**
Contributions	294	1,975	636	2,905
Appropriation of endowment assets				
for expenditure	(6,144)	(8,007)	(118)	(14,269)
Other changes:				
Match release	--	--	--	--
Transfer and other changes	(59)	10	493	444
Endowment net assets, end of year	**$ 195,393**	**$ 174,905**	**$ 73,661**	**$ 443,959**
Donor-restricted endowment funds	$ (7,248)	$ 174,905	$ 73,661	$ 241,318
Board-designated endowment funds	202,641	--	--	202,641
Endowment net assets, end of year	**$ 195,393**	**$ 174,905**	**$ 73,661**	**$ 443,959**

The change in value and the composition of amounts classified as endowment for the year ended June 30, 2010 is as follows:

Endowment Change in Value year ended June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 164,045**	**$ 140,240**	**$ 66,478**	**$ 370,763**
Investment return:				
Investment income	6,502	3,699	176	10,377
Net appreciation (realized and unrealized)	15,287	17,351	379	33,017
Total investment return	**21,789**	**21,050**	**555**	**43,394**
Contributions	--	4,816	2,902	7,718
Appropriation of endowment assets				
for operations	(7,575)	(7,402)	(124)	(15,101)
Other changes:				
Match release	6,663	(6,663)	--	--
Transfer and other changes	(7,076)	5,367	2,446	737
Endowment net assets, end of year	**$ 177,846**	**$ 157,408**	**$ 72,257**	**$ 407,511**
Donor-restricted endowment funds	$ (9,409)	$ 157,408	$ 72,257	$ 220,256
Board-designated endowment funds	187,255	--	--	187,255
Endowment net assets, end of year	**$ 177,846**	**$ 157,408**	**$ 72,257**	**$ 407,511**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The change in value and the composition of amounts classified as endowment for the year ended June 30, 2009 is as follows:

Endowment Change in Value year ended June 30, 2009	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 210,547**	**$ 185,285**	**$ 64,290**	**$ 460,122**
Investment return:				
Investment income	4,877	4,558	169	9,604
Net depreciation (realized and unrealized)	(44,074)	(45,700)	(653)	(90,427)
Total investment return	**(39,197)**	**(41,142)**	**(484)**	**(80,823)**
Contributions	--	3,484	2,776	6,260
Appropriation of endowment assets for operations	(9,323)	(4,892)	--	(14,215)
Other changes:				
Match release	2,495	(2,495)	--	--
Transfer and other changes	(477)	--	(104)	(581)
Endowment net assets, end of year	**$ 164,045**	**$ 140,240**	**$ 66,478**	**$ 370,763**
Donor-restricted endowment funds	$ (10,167)	$ 140,240	$ 66,478	$ 196,551
Board-designated endowment funds	174,212	--	--	174,212
Endowment net assets, end of year	**$ 164,045**	**$ 140,240**	**$ 66,478**	**$ 370,763**

The change in value and the composition of amounts classified as endowment as of June 30, 2008 is as follows:

Endowment Change in Value year ended June 30, 2008	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 234,280**	**$ 196,961**	**$ 61,441**	**$ 492,682**
Net asset reclassification based on change in law	(7,242)	7,242	--	--
Endowment net assets after reclassification	**227,038**	**204,203**	**61,441**	**492,682**
Investment return:				
Investment income	5,752	7,516	265	13,533
Net depreciation (realized and unrealized)	(14,858)	(17,946)	(389)	(33,193)
Total investment return	**(9,106)**	**(10,430)**	**(124)**	**(19,660)**
Contributions	--	4,113	2,880	6,993
Appropriation of endowment assets for expenditure	(4,837)	(7,652)	--	(12,489)
Other changes:				
Match release	5,928	(5,928)	--	--
Transfer and other changes	(8,476)	979	93	(7,404)
Endowment net assets, end of year	**$ 210,547**	**$ 185,285**	**$ 64,290**	**$ 460,122**
Donor-restricted endowment funds	$ (266)	$ 185,285	$ 64,290	$ 249,309
Board-designated endowment funds	210,813	--	--	210,813
Endowment net assets, end of year	**$ 210,547**	**$ 185,285**	**$ 64,290**	**$ 460,122**

Howard's endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 receivables of $1,800, $7,833 $6,065 and $6,128, respectively were recorded, and represent the difference between endowment investments reflected on the Statements of Financial Position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in unrestricted net assets and totaled $7,248, $9,409, $10,167 and $266 as of December 31, 2010, June 30, 2010, 2009 and 2008, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

Return Objectives and Risk Parameters - Howard has adopted investment and spending policies for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these policies the endowment assets are invested through a well-diversified investment program designed to exceed the risk-adjusted performance of the market benchmark representative of each asset class over rolling five to seven year periods. Howard's objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceed its targeted distribution amount over rolling five to seven year periods. Howard's investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

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Spending Policy and How the Investment Objectives Relate to Spending Policy - Howard's spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

Note 14 Estimated Third-Party Settlements

Certain services rendered by the Hospital and Faculty Practice Plan are reimbursed by several third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs. Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2000-2010
Medicaid 2006-2010

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase to net patient service revenues of approximately, $1,765, $1,999, $2,565 and $652 for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009, and 2008, respectively.

Note 15 Property and Equipment

Property and Equipment	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Land and land improvements	$ 27,711	$ 27,711	$ 27,772	$ 22,797
Buildings and building improvements	761,971	758,091	752,724	694,133
Property held for expansion	57,007	56,872	58,799	45,850
Furniture and equipment	264,253	261,931	253,502	270,869
Library books	89,597	89,246	88,614	85,332
Equipment under capital leases	45,662	33,681	29,817	18,844
Software	91,355	91,203	87,563	66,466
Software in progress	2,858	357	2,092	24,367
Construction in progress	40,161	27,224	3,718	26,024
Property and equipment, gross	1,380,575	1,346,316	1,304,601	1,254,682
Accumulated depreciation and amortization	(780,551)	(756,958)	(708,817)	(687,049)
Property and equipment, net	**$ 600,024**	**$ 589,358**	**$ 595,784**	**$ 567,633**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Depreciation and amortization expenses for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 were $24,225, $49,460, $45,737 and $43,034, respectively. For the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 respectively, the net interest costs of $231, $72, $2,016 and $722 were incurred during construction and were capitalized as part of the cost of capital projects.

Howard's asset retirement costs and obligations are reported in investment in property and equipment and other liabilities in the Statements of Financial Position, respectively. These costs for the reporting periods ended were as follow below:

Asset Retirement Costs and Obligations	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
Asset retirement costs	$ 4,565	$ 4,565	$ 4,565	$ 1,786
Accumulated depreciation	1,997	1,966	1,905	1,385
Asset retirement obligation	11,617	11,343	10,929	7,775

Howard incurred costs related to asbestos abatement during the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 of $16, $128, $1,106 and $865, respectively.

During the year ended June 30, 2009, Howard completed a land swap with the District of Columbia to control a more contiguous series of parcels. The transaction was accounted for at fair value and reported as a $13,710 non-operating gain, net of costs and $3,000 environmental remediation.

Note 16 Leases

Lease Obligations

Howard is obligated under capital leases for office and medical equipment that extend through 2014 in the amounts of $39,939, $24,187, $14,219 and $5,623, respectively at December 31, 2010, June 30, 2010, 2009 and 2008. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is $22,845, $20,326, $15,722 and $13,380 at December 31, 2010, June 30, 2010, 2009 and 2008, respectively.

As of December 31, 2010, Howard has a remaining commitment to draw an additional $9,148 under an existing lease financing arrangement to finance medical and information technology equipment. The lease periods commence in future months and continue for a period of five years after the start date.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

In March 2010, Howard entered into a structured financing arrangement to build a new plant that will provide chilled water for the air conditioning system at the Hospital. The construction is in progress and will be completed over the next nine months. The cost of the plant will be paid over 20 years through a minimum unit price for chilled water from the plant.

Howard has several non-cancelable operating leases for office space and equipment that expire by 2019. Rental payments are recognized on a straight-line basis and reflected in the Statements of Activities within professional and administrative services expense. Rent expense related to building space and equipment for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008 was approximately $4,543, $10,016, $8,758 and $6,204, respectively.

The minimum lease payments under capital leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	**(Unaudited) Capital Leases**	**(Unaudited) Operating Leases**
January 1, 2011 through June 30, 2011	$ 4,922	$ 1,576
2012	7,594	3,083
2013	6,967	3,046
2014	5,376	1,232
2015	4,015	678
2016 and thereafter	13,155	2,404
Obligation, gross	42,029	12,019
Amounts representing interest rates from 4% to 8%	(2,090)	--
Total Lease Obligations, net	**$ 39,939**	**$ 12,019**

Lease Income

Howard leases property to several area businesses, non-profit organizations and individuals under non-cancelable operating leases. Howard receives monthly income under these lease agreements, which have termination dates through 2016 and thereafter.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The future minimum lease income for years ending at June 30 is as follow:

Lease income	**(Unaudited)**
January 1, 2011 through June 30, 2011	$ 248
2012	446
2013	248
2014	124
2015	82
2016 and thereafter	522
Total minimum lease income receipts	**$ 1,670**

Note 17 Bonds and Notes Payable

(a) *Bonds Payable*

Howard is obligated with respect to the following bond issues at the report date:

Bonds Payable	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
District of Columbia issues:				
2006A Revenue Refunding bonds, 5.00% Serial due 2021 through 2031	$ 54,594	$ 54,620	$ 54,674	$ 54,727
2006B Revenue Refunding Bonds, weekly rate, serial due 2007 through 2026	37,825	39,500	41,125	42,675
1998 Revenue Refunding bonds, 5.00% to 5.50% Serial due 2021 through 2031	52,066	58,031	63,781	69,242
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	10,400	--	--	--
Total Bonds Payable	**$ 154,885**	**$ 152,151**	**$ 159,580**	**$ 166,644**

(1) *1996 Revenue Refunding Bonds*

In 1996 Howard issued of Series 1996 unsecured revenue refunding bonds. These bonds were defeased with the proceeds of the 2006 refunding bonds (see below). At December 31, 2010, $43,173 of these bonds outstanding are considered defeased and are not reflected in the accompanying Statements of Financial Position.

(2) ***1998 Revenue Refunding Bonds***

In March 1998 Howard issued $109,425 of Series 1998 unsecured revenue refunding bonds with a premium of $4,283. The bonds bear interest ranging from 5.00% to 5.50% and are repayable from 2021 through 2031. In a single previously issued series of transactions Howard has defeased $94,325 of bonds through the establishment of an irrevocable trust. The 1998 Bonds provides for the maintenance of a debt service reserve fund. Howard has obtained an insurance policy which provides for the payment of regularly scheduled principal and interest obligations.

(3) ***2006 Revenue Refunding Bonds***

In July 2006, Howard issued $53,490 of Series 2006A bonds and $44,175 of Series 2006B bonds. A portion of the proceeds of the Series 2006B bonds were used to defease the Series 1996 bonds. The Series 2006A bonds bear interest at 5% are repayable from 2021 through 2031. The Series 2006B bonds bear interest at a rate which is reset weekly through a remarketing process. Payments on the 2006B bonds are due 2007 through 2026.

(4) ***2010 Revenue Bonds***

In August 2010, Howard issued $10,400 of Series 2010 bonds. The bonds bear interest at 5.05% repayable from 2010 to 2025. A portion of the proceeds were used to retire an expiring equipment note. The remaining proceeds will be used to fund energy related projects.

(5) ***Optional Redemption Provisions***

The Series 1998, 2006A and 2006B bonds are subject to optional early redemption by the District of Columbia, in whole or in part, at the direction of Howard. The redemption can occur at any date at the amount of principal outstanding, plus accrued interest. The Series 1998 bonds have a 1% redemption premium payable through December 31, 2010; otherwise, redemptions are at the face amount of the bonds.

(6) ***Letter of Credit and Reimbursement Agreement***

In June 2008 in connection with the conversion of the Series 2006B bonds to a weekly rate from an "auction rate" setting mechanism, Howard entered into a Letter of Credit and Reimbursement Agreement with the trustee of the bonds that expires June 19, 2011. The agreement requires Howard to maintain a letter of credit that provides Howard the ability to withdraw the principal and interest due on the bonds and further requires that Howard use such proceeds to reimburse the trustee in the event the bonds should fail to be remarketed. The available credit is $38,188 with no outstanding balance as of December 31, 2010.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The change in interest rate mode resulted in a mandatory tender and remarketing of the bonds, which caused certain unamortized costs of the original issuance in the amount of $692 to be written off.

(7) ***Fair Value of Bonds and Notes Payable***

The estimated fair value of Howard's bonds is determined based on quoted market prices. At December 31, 2010, June 30, 2010, 2009 and 2008, the estimated fair value was approximately $154,242, $154,290, $158,783 and $168,118, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

(b) ***Notes Payable***

Howard is obligated with respect to the following notes payable at the report date:

Notes Payable	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Bank of America Commercial Loan Due monthly, July 2007 through March 31, 2013 fixed interest rate of 6.685%	$ 2,408	$ 2,982	$ 4,130	$ 5,279
Bank of America Property Loan Due monthly, through February 28, 2014 fixed interest rate of 5.01%	9,368	9,942	11,090	12,238
SunTrust Bank Secured Term Note Due August 31, 2011 variable interest rate at LIBOR plus 1.9% and secured with Board-designated endowment funds	20,000	20,000	--	--
Bank of America Secured 364-day Term Loan Due November 28, 2011 variable interest rate at LIBOR plus 1.1% and secured with Board-designated endowment funds	16,000	--	--	--
Bank of America Equipment Note Due October 6, 2010 fixed interest rate of 4.81% per annum	--	3,344	--	--
Bank of America Unsecured Line of Credit Due January 31, 2012 variable interest rate at LIBOR plus 1.1%	--	9,285	26,335	--
Total Notes Payable	**$ 47,776**	**$ 45,553**	**$ 41,555**	**$ 17,517**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

A total of $45,000 of Howard's notes payable are collateralized with endowment funds.

At December 31, 2010, there was no outstanding borrowing against Howard's aggregate $20,000 unsecured line of credit with Bank of America. However, a $10,715 commitment remained in letters of credit to specific parties, which is consistent with the prior two fiscal years. At June 30, 2010 and 2009, Howard's unsecured line of credit with Bank of America was an aggregate of $20,000 and $38,000 respectively, with outstanding borrowings of $9,285 and $26,335.

(c) *Compliance with Contractual Covenants*

In February 2010, the Debt Service Coverage covenant was added to the 1998 and 2006 Revenue Bonds, and the liquidity ratio covenant increased from 0.20:1.00 from fiscal year ended June 30, 2009 to 0.30:1.00 for fiscal year June 30, 2010, and will further increase to 0.50:1.00 for the period ended December 31, 2011 and thereafter.

The various bonds and agreements contain restrictive financial covenants as summarized in the table below as of December 31, 2010.

Covenant	Instrument	Measurement Date	Criteria
Leverage Ratio	Letter of Credit and Reimbursement Agreement and 2006 Revenue Bonds	Only applicable upon incurrence of additional indebtedness	0.75:1.0
Debt Service Coverage Ratio	Letter of Credit and Reimbursement Agreement and Revolving Credit Agreement	June 30 each year	1.0:1.0
Liquidity Ratio	Letter of Credit and Reimbursement Agreement and Revolving Credit Agreement	June 30 and December 31 each year	0.30:1.0

At December 31, 2010 Howard was in compliance with the Debt Service Coverage Ratio and Liquidity Ratio, the non-compliance with which would be a general event of default under its reimbursement, loan and security agreements with various lenders. Howard was not in compliance with the Leverage Ratio, which is not a general event of default, but requires Howard to seek permission from lenders to incur additional debt.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

(d) *Scheduled Bond and Note Repayments*

At December 31, 2010 the scheduled repayments of bonds and notes payable, including sinking fund requirements, is as follows:

Aggregate annual maturities	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008
2009	$ --	$ --	$ --	$ 9,117
2010	--	--	35,816	9,482
2011	39,293	42,471	9,842	9,842
2012	11,238	10,241	10,241	10,242
2013	10,618	10,195	10,196	10,191
2014	7,886	6,889	6,889	6,889
2015	8,176	5,694	5,694	5,694
Thereafter	122,490	119,133	119,132	119,134
Subtotal	199,701	194,623	197,810	180,591
Bond premiums, net of discounts	2,960	3,081	3,325	3,570
Total	**$ 202,661**	**$ 197,704**	**$ 201,135**	**$ 184,161**

(e) *Interest Rate Swaps*

Howard uses variable rate debt to finance certain activities. These debt obligations expose Howard to variability in interest payments, due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases.

In April 1998, Howard entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby Howard agreed to pay Bank of America a 6.7% fixed rate of interest on $17,233 in exchange for the receipt of a floating interest payment based on the 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. (LIBOR at December 31, 2010 was 0.26%). This agreement is to continue in effect until March 31, 2013.

In December 2004, Howard entered into an interest rate swap agreement, a derivative instrument with Goldman Sachs, whereby Howard agreed to pay Goldman Sachs a 3.5% fixed rate of interest on $42,675, subject to an annual adjustment which began October 1, 2007, in exchange for the receipt of a floating interest payment based on sixty-seven percent of the 30-day LIBOR rate. This agreement commenced on July 3, 2006 and continues in effect until October 1, 2026, and is tied to the 2006B Revenue Refunding Bonds.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The gains and losses recognized under the interest rate swap agreements for the six month period ended December 31, 2010 and the fiscal years ended June 30, 2010, 2009 and 2008 were as follows:

Interest Rate Swaps	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Cumulative gain (loss) at beginning of year	$ (5,582)	$ (3,961)	$ (1,799)	$ 678
Gain (loss) during the year	953	(1,621)	(2,162)	(2,477)
Cumulative gain (loss) at end of year	$ (4,629)	$ (5,582)	$ (3,961)	$ (1,799)

Howard is subject to margin call payments on the Goldman Sachs swap when unrealized losses exceed $5,000.

Note 18 Retirement Plans

Pension Plan - Howard has a noncontributory, defined benefit pension plan (the Plan) available to substantially all full-time employees. In accordance with government funding regulations, Howard's policy is to make annual contributions to the Plan at least equal to the minimum contribution. Based upon years of service and other factors, the Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. Effective July 1, 2010 the Plan no longer accrues benefits. There were no changes in the Plan during fiscal year 2009 and 2008.

Post-retirement Plan - Howard provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. Howard pays a portion of the cost of such benefits depending on various factors, including employment start date, age, years of service and either the date of actual retirement or the retirement eligibility date of the participant. The post-retirement benefit plan is unfunded and has no plan assets. Effective June 30, 2009, certain assumptions were revised resulting in an increase in the accumulated plan benefit obligation of approximately $45,919.

Supplemental Retirement Plan – Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is $2,191 at December 31, 2010 and June 30, 2010, $2,152 at June 30, 2009 and $2,206 at June 30, 2008. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of $1,167 as of December 31, 2010 and June 30, 2010, $1,051 as of June 30, 2009 and $1,024 as of June 30, 2008. The actuarial cost method and the assumption on discount rate used to determine the benefit obligation and net periodic cost in the actuarial valuations for the year ended June 30, 2009 and 2008 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the Statements of Activities were $11,726, $12,402, $12,743, and $11,204 for the six month period ended December 31, 2010 and fiscal years ended June 30, 2010, 2009 and 2008, respectively. The fair value of plan assets for the savings plan as of December 31, 2010 and as of fiscal years ended June 30, 2010 and 2009 were $792,000, $742,000 and $720,000, respectively.

Effective July 1, 2010, the Savings Plan was modified such that Howard will automatically, upon hire, contribute 6% of any eligible employee's base pay, regardless of tenure or election into the Savings Plan. Howard will contribute a matching contribution of up to 2% of employee elected self contributions.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the financial statements at December 31, 2010, June 30, 2010, 2009 and 2008 are as follows:

Retirement Benefits	Pension				Medical and Life Insurance				Savings Plan and Supplemental				Total			
	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008
Change in benefit obligation:																
Projected benefit obligation at beginning of year	$ 544,255	$ 462,854	$ 432,293	$ 437,991	$ 183,192	$ 165,924	$ 119,527	$ 122,700	$ 2,152	$ 2,152	$ 2,206	$ 2,387	$ 729,599	$ 630,930	$ 554,026	$ 563,078
Service cost	-	7,424	8,501	10,235	244	392	435	543	-	-	-	-	244	7,816	8,936	10,778
Interest cost	15,150	31,818	29,833	27,201	5,093	11,343	8,212	7,586	142	142	147	143	20,385	43,303	38,192	34,930
Actuarial (gain)/loss	6,897	82,327	12,831	(24,615)	1,243	13,581	(3,647)	(2,890)	193	193	100	(23)	8,333	96,101	9,284	(27,528)
Benefits paid	(13,000)	(23,960)	(20,605)	(18,519)	(7,131)	(13,207)	(11,784)	(11,922)	(296)	(296)	(301)	(301)	(20,427)	(37,463)	(32,690)	(30,742)
Special termination benefits	-	-	-	-	-	181	-	-	-	-	-	-	-	181	-	-
Medicare Part D subsidy	-	-	-	-	-	-	408	220	-	-	-	-	-	-	408	220
Employee contributions	-	-	-	-	2,110	4,978	3,337	3,290	-	-	-	-	2,110	4,978	3,337	3,290
Prior service amendment	-	-	-	-	-	-	45,919	-	-	-	-	-	-	-	45,919	-
Curtailment	-	(16,208)	1	-	-	-	3,517	-	-	-	-	-	-	(16,208)	3,518	-
Projected benefit obligation at end of the period	**$ 553,302**	**$ 544,255**	**$ 462,854**	**$ 432,293**	**$ 184,751**	**$ 183,192**	**$ 165,924**	**$ 119,527**	**$ 2,191**	**$ 2,191**	**$ 2,152**	**$ 2,206**	**$ 740,244**	**$ 729,638**	**$630,930**	**$ 554,026**
Change in plan assets:																
Fair value of plan assets at beginning of year	410,630	389,095	487,840	524,089	-	-	-	-	-	-	-	-	410,630	389,095	487,840	524,089
Actual return on plan assets	41,537	45,495	(78,140)	(17,730)	-	-	-	-	-	-	-	-	41,537	45,495	(78,140)	(17,730)
Employer contributions	-	-	-	-	5,021	8,229	8,039	8,412	12,022	12,698	13,044	11,505	17,043	20,927	21,083	19,917
Employee contributions	-	-	-	-	2,110	4,978	3,337	3,290	-	-	-	-	2,110	4,978	3,337	3,290
Medicare Part D subsidy	-	-	-	-	-	-	408	220	-	-	-	-	-	-	408	220
Benefits paid	(13,000)	(23,960)	(20,605)	(18,519)	(7,131)	(13,207)	(11,784)	(11,922)	(296)	(296)	(301)	(301)	(20,427)	(37,463)	(32,690)	(30,742)
Fair value at end of the period	**$ 439,167**	**$ 410,630**	**$ 389,095**	**$ 487,840**	**$ -**	**$ -**	**$ -**	**$ -**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Total	**$ (114,135)**	**$(133,625)**	**$ (73,759)**	**$ 55,547**	**$ (184,751)**	**$(183,192)**	**$(165,924)**	**$(119,527)**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at December 31, 2010, June 30, 2010, 2009 and 2008:

Retirement Benefits	Pension				Medical and Life Insurance				Savings Plan and Supplemental				Total			
	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008
Recognized in Statements of Activities:																
Amortization of transition obligation	$ -	$ -	$ -	$ -	$ 1,887	$ 3,774	$ 4,417	$ 4,417	$ -	$ -	$ -	$ -	$ 1,887	$ 3,774	$ 4,417	$ 4,417
Amortization of prior service cost	-	3	3	3	1,126	2,254	175	175	-	-	-	-	1,126	2,257	178	178
Amortization of net actuarial loss	8,228	1,612	-	453	32	-	64	261	77	77	73	73	8,337	1,689	137	787
Total amortization	**8,228**	**1,615**	**3**	**456**	**3,045**	**6,028**	**4,656**	**4,853**	**77**	**77**	**73**	**73**	**11,350**	**7,720**	**4,732**	**5,382**
Service cost	-	7,424	8,501	10,235	244	392	435	543	11,726	12,402	12,743	11,204	11,970	20,218	21,679	21,982
Interest cost	15,150	31,818	29,833	27,201	5,093	11,343	8,212	7,586	142	142	147	143	20,385	43,303	38,192	34,930
Expected return on plan assets	(15,777)	(33,627)	(33,996)	(37,798)	-	-	-	-	-	-	-	-	(15,777)	(33,627)	(33,996)	(37,798)
Curtailment loss	-	4	2	-	-	-	5,706	-	-	-	-	-	-	4	5,708	-
Special termination benefit recognized	-	-	-	-	-	181	-	-	-	-	-	-	-	181	-	-
Recognized in operating expenses	**$ 7,601**	**$ 7,234**	**$ 4,343**	**$ 94**	**$ 8,382**	**$ 17,944**	**$ 19,009**	**$ 12,982**	**$ 11,945**	**$ 12,621**	**$ 12,963**	**$ 11,420**	**$ 27,928**	**$ 37,799**	**$ 36,315**	**$ 24,496**
Amortization of transition obligation	-	-	-	-	(1,887)	(3,774)	(12,456)	(4,417)	-	-	-	-	(1,887)	(3,774)	(12,456)	(4,417)
Amortization of prior service cost	-	(3)	(3)	(3)	(1,126)	(2,254)	(175)	(175)	-	-	-	-	(1,126)	(2,257)	(178)	(178)
Amortization of actuarial loss	(8,228)	(1,612)	-	(453)	(32)	-	(64)	(261)	(77)	(77)	(73)	(73)	(8,337)	(1,689)	(137)	(787)
Total amortization	**(8,228)**	**(1,615)**	**(3)**	**(456)**	**(3,045)**	**(6,028)**	**(12,695)**	**(4,853)**	**(77)**	**(77)**	**(73)**	**(73)**	**(11,350)**	**(7,720)**	**(12,771)**	**(5,382)**
Net actuarial (gain) loss during the year	(11,508)	54,249	124,967	30,913	(9,960)	12,896	(3,647)	(2,890)	193	193	100	(23)	(21,275)	67,338	121,420	28,000
Prior service cost arising during period	-	-	-	-	-	-	45,919	-	-	-	-	-	-	-	45,919	-
Curtailment loss	-	-	-	-	-	-	(2,189)	-	-	-	-	-	-	-	(2,189)	-
Total recognized in other changes in unrestricted net assets	**$ (19,736)**	**$ 52,634**	**$ 124,964**	**$ 30,457**	**$ (13,005)**	**$ 6,868**	**$ 27,388**	**$ (7,743)**	**$ 116**	**$ 116**	**$ 27**	**$ (96)**	**$ (32,625)**	**$ 59,618**	**$ 152,379**	**$ 22,618**
Total recognized in Statements of Activities	**$ (12,135)**	**$ 59,868**	**$ 129,307**	**$ 30,551**	**$ (4,623)**	**$ 24,812**	**$ 46,397**	**$ 5,239**	**$ 12,061**	**$ 12,737**	**$ 12,990**	**$ 11,324**	**$ (4,697)**	**$ 97,417**	**$ 188,694**	**$ 47,114**

Amounts included in unrestricted net assets at December 31, 2010, June 30, 2010, 2009 and 2008:

Retirement Benefits	Pension				Medical and Life Insurance			
	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008	(Unaudited) 12/31/2010	6/30/2010	6/30/2009	6/30/2008
Net actuarial loss	(198,622)	$(221,213)	$(167,098)	$(42,130)	$ (17,715)	$ 6,503)	$ (2,922)	$ (6,261)
Prior service cost	--	--	(7)	(11)	(42,927)	(44,053)	(46,307)	(575)
Transition obligation	--	--	--	--	(9,448)	(11,335)	(15,109)	(22,075)
Total	**(198,622)**	**$(221,213)**	**$(167,105)**	**$(42,141)**	**$ 70,090)**	**$ 71,891)**	**$ 64,338)**	**$ 28,911**

The estimated net actuarial loss, prior service cost, and transition obligation for the pension and post-retirement plans that will be accounted for as a part of net periodic benefit cost over the current fiscal year are $16,506 and $2,253, respectively. Expected employer contribution for the pension plan for the current fiscal year is zero, as accumulated prepaid pension credits will offset any otherwise required payment. Cash payments of $15,000 to $20,000 are expected annually beginning in fiscal year 2012.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for the periods ended December 31, 2010, June 30, 2010, 2009 and 2008 were as follows:

	Pension Benefits				Post-retirement Benefits			
Actuarial Assumptions	**(Unaudited) 12/31/2010**	**6/30/2010**	**6/30/2009**	**6/30/2008**	**(Unaudited) 12/31/2010**	**6/30/2010**	**6/30/2009**	**6/30/2008**
Discount rate	5.63%	5.75%	7.10%	7.13%	5.63%	5.75%	7.10%	7.13%
Expected return on plan assets	7.50%	7.50%	7.50%	8.50%	0.00%	0.00%	0.00%	0.00%
Rate of compensation increase	--	--	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for the periods ended December 31, 2010, June 30, 2010, 2009 and 2008 were as follows:

	Pension Benefits				Post-retirement Benefits			
Actuarial Assumptions	**(Unaudited) 12/31/2010**	**6/30/2010**	**6/30/2009**	**6/30/2008**	**(Unaudited) 12/31/2010**	**6/30/2010**	**6/30/2009**	**6/30/2008**
Discount rate	5.75%	7.10%	7.13%	6.40%	5.75%	7.10%	7.13%	6.40%
Expected return on plan assets	7.50%	7.50%	7.50%	8.50%	N/A	0.00%	0.00%	0.00%
Rate of compensation increase								
To age 35	3.50%	3.50%	3.50%	5.00%	3.50%	3.50%	3.50%	5.00%
Thereafter	3.50%	3.50%	3.50%	3.25%	3.50%	3.50%	3.50%	3.25%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Pension plan investments as of December 31, 2010 were as follows:

Pension Plan Investments as of December 31, 2010 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Money Market Instrument (1)	$ --	$ 12,182	$ --	$ 12,182
Commingled Funds				
Emerging Market Equity Security (3)	--	37,751	--	37,751
US Common Stock (3)	--	15,000	--	15,000
Common Stock (3)	103,504	--	--	103,504
Fixed Income (2)				
Asset backed securities	--	9,347	--	9,347
Corporate Bonds	--	5,385	--	5,385
Government Bond	4,042	--	--	4,042
Hedge Funds (4)				
Distressed Debt	--	2,352	--	2,352
Equity Long/short	--	4,005	--	4,005
Event driven	--	4,680	--	4,680
Inflation hedge	--	14,118	--	14,118
Multi-Global opportunities	--	3,525	--	3,525
Multi-strategy	--	49,867	--	49,867
Mutual Funds Investment				
Domestic common stock (3)	16,814	--	--	16,814
Domestic Fixed Income (2)	74,764	--	--	74,764
Private Equity and Venture Capital (4)	--	--	73,151	73,151
Real Estate (4)	--	--	8,084	8,084
Total pension plan investments	**$ 199,124**	**$ 158,212**	**$ 81,235**	**$ 438,571**
Operating assets not subject to fair value reporting	790	--	--	790
Operating liabilities not subject to fair value reporting	(194)	--	--	(194)
Total plan assets	**$ 199,720**	**$ 158,212**	**$ 81,235**	**$ 439,167**

Refer to Note 11 – Fair Value Measurements for explanation of financial instrument classifications.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

Pension plan investments as of June 30, 2010 were as follows:

Pension Plan Investments as of June 30, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Money Market Instrument (1)	$ --	$ 5,370	$ --	$ 5,370
Commingled Funds-International Equity Security (3)	--	37,366	--	37,366
Common Stock (3)	78,425	14,049	310	92,784
Fixed Income (2)				
Asset backed securities	--	9,954	232	10,186
Corporate Bonds	--	5,326	--	5,326
Government Bond	2,490	--	--	2,490
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	4,481	--	4,481
Inflation hedge	--	11,980	--	11,980
Multi-Global opportunities	--	3,768	--	3,768
Multi-strategy	--	48,656	--	48,656
Mutual Funds Investment				
Domestic common stock (3)	11,951	--	--	11,951
Domestic Fixed Income (2)	78,064	--	--	78,064
Private Equity and Venture Capital (4)	--	--	68,392	68,392
Real Estate (4)	--	--	7,373	7,373
Total pension plan investments	**$ 170,930**	**$ 147,100**	**$ 76,307**	**$ 394,337**
Operating assets not subject to fair value reporting	16,681	--	--	16,681
Operating liabilities not subject to fair value reporting	(388)	--	--	(388)
Total plan assets	**$ 187,223**	**$ 147,100**	**$ 76,307**	**$ 410,630**

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at December 31, 2010.

Changes in Level 3 for the Six Month Period Ended Dec 31, 2010 (unaudited)	**Equity – Private and Venture Capital**	**Fixed Income**	**Common Stock**	**Real Estate**	**Total**
Balance July 1, 2010	$ 68,392	$ 232	$ 310	$ 7,373	$ 76,307
Gain and Loss (Realized and Unrealized)	1,352	(41)	--	81	1,392
Purchases	18,626	--	--	710	19,336
Transfer out and Sales	(15,219)	(191)	(310)	(80)	(15,800)
Balance at Dec 31, 2010	**$ 73,151**	**$ --**	**$ --**	**$ 8,084**	**$ 81,235**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2010.

Changes in Level 3 for Fiscal Year Ended June 30, 2010	**Equity – Private and Venture Capital**	**Fixed Income**	**Common Stock**	**Real Estate**	**Total**
Balance July 1, 2009	$ 51,354	$ 2,034	$ --	$ 10,562	$ 63,950
Gain and Loss (Realized and Unrealized)	11,301	(8)	--	(3,992)	7,301
Purchases	12,672	--	310	978	13,960
Transfer out and Sales	(6,935)	(1,794)	--	(175)	(8,904)
Balance June 30, 2010	**$ 68,392**	**$ 232**	**$ 310**	**$ 7,373**	**$ 76,307**

Pension Plan Investment Commitments – Howard's investment commitments as of December 31, 2010, June 30, 2010, 2009 and 2008 are summarized below. Additionally, some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and are less liquid than Howard's other investments.

Pension Plan Investment Commitments	**(Unaudited) Dec 31, 2010**	**June 30, 2010**	**June 30, 2009**	**June 30, 2008**
Private Equity Funds	$ 131,703	$ 131,703	$ 136,920	$ 97,701
Real Estate Funds	15,000	15,000	15,000	12,500
Total financial commitment	**146,703**	**146,703**	**151,920**	**110,201**
Amounts funded	104,678	95,169	85,448	61,732
Unfunded commitment	**$ 42,025**	**$ 51,534**	**$ 66,472**	**$ 48,469**

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories. The actual allocation of the plan for the years ended June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	(Unaudited) Dec 31, 2010	June 30, 2010	June 30, 2009	June 30, 2008	Allowable Range
Mid-Large Cap U.S. Equity	14.9%	12.3%	15.4%	16.9%	10-25%
Small Cap U.S. Equity	5.7%	6.5%	5.4%	5.9%	3.5-7%
Global ex U.S. Equity	15.0%	14.1%	15.8%	17.3%	11-21%
Private Equity/Venture Capital	18.5%	15.2%	13.4%	11.6%	10-20%
Hedge Funds	14.7%	14.7%	13.3%	11.1%	10-20%
Inflation Hedging	7.0%	7.7%	8.4%	11.4%	5-15%
Emerging Markets Equity	0.0%	4.4%	0.0%	0.0%	2-8%
U.S. Core Bonds	21.3%	13.2%	28.3%	25.3%	10-20%
Global Bonds	0.0%	5.2%	0.0%	0.0%	2.5-7.5%
High Yield Bonds	0.0%	0.0%	0.0%	0.0%	0-3%
Cash and Cash Equivalents	2.9%	6.7%	0.0%	0.5%	0-0%
Total	**100%**	**100%**	**100%**	**100%**	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2010 was 8.7%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The growth rate in the trend rate dental care costs used in the calculations for fiscal year 2010 was 5.9%. The growth rate was assumed to decrease gradually to 4.5% by 2030 and to remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

A one-percentage change in assumed annual health care cost trend rate would change the service and interest components of retiree medical expense by approximately $300 - $400, and the post retirement obligation by approximately $4,000 - $5,000 in each year presented.

For the Six Month Period Ended December 31, 2010 (unaudited), and Fiscal Years Ended June 30, 2010, 2009 and 2008 (amounts in thousands)

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years as follows:

Expected Future Benefit Payments	Pension Benefits	Post-retirement Benefits Excluding Subsidy	Subsidy Payments	Net of Subsidy
Year ending June 30:				
2011	$ 34,623	$ 12,668	$ (583)	$ 12,085
2012	34,295	12,930	(656)	12,274
2013	33,989	13,334	(735)	12,599
2014	35,312	13,602	(821)	12,781
2015	36,539	13,821	(906)	12,915
Years 2016-2020	194,272	70,081	(1,606)	68,475
Total	**$ 369,030**	**$ 136,436**	**$ (5,307)**	**$ 131,129**

For the years ended June 30, 2010 and 2009, there were no changes that would have affected the additions or deductions of the plan. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

Note 19 Commitments and Contingencies

(a) ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b) ***PATH Initiatives***

In June 2002, Howard entered into a settlement agreement with the Office of the Inspector General to settle claims resulting from an audit of Medicare Part B billings submitted by Howard University College of Medicine Faculty Practice Plan (the PATH audit). As part of the PATH settlement, the University entered into an Institutional Compliance Agreement (ICA) with The Department of Health and Human Services (HHS). The ICA requires Howard to maintain a Compliance Program that includes a Compliance Officer and Committee, written standards, training, and education, and an extensive review program that entails hiring an Independent Review Organization (IRO) to conduct a claims and unallowable cost review on an annual basis.

Howard met its obligations under the settlement agreement on February 1, 2008; however, Howard still operates under the agreed upon terms of that agreement.

(c) ***Litigation and Other Claims***

During the ordinary course of business**,** Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses and the ultimate resolution of these matters.

(d) ***Collective Bargaining Agreements***

The Hospital has several collective bargaining agreements currently in effect with unions representing certain employees. The agreement with the American Federation of State, County and Municipal Employees (Local 2094) was entered into in May 2008 and had an effective date through October 20, 2010. This agreement is currently active on a month to month basis until the new contract is finalized. The agreement with the District of Columbia Nurses Association (DCNA) was entered into in December 2008 which is effective July 1, 2009 through June 30, 2011. Local 2094 and DCNA members represent 27.6% and 34.9% of the Hospital's salaries and wages as of December 31, 2010; 27.8% and 34.9% as of June 30, 2010; 30.5% and 32.3% as of June 30, 2009 and 30.1% and 29.1% as of June 30, 2008, respectively.

(e) ***Chiller Plant Agreement***

Howard entered into an agreement in March 2010, to construct an air conditioning system (or called "chiller plant") for a price of approximately $14.5 million. The construction commenced in March 2010 and is expected to be completed over a period of 15 months with a placed into service date of May 1, 2011. The purchase of the chiller plant will be effected through a commodity supply agreement which requires Howard to purchase minimum quantities of output from the facility, which will be owned and operated by third parties. For accounting purposes, Howard is considered to be the owner of the facility during construction, and as a result includes the periodic capital expenditures in construction in progress, with an offsetting liability recorded in capital lease obligations. When the facility is placed into service, it will be accounted for as a capital lease asset with a corresponding capital lease obligation. The minimum payments due under the commodity purchase agreement approximate $23.0 million.

Note 20 Related Party Transactions

Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. Howard provided these facilities at zero cost in fiscal years 2011, 2010, 2009 and 2008, valued at $946 in 2011, 2010, 2009 and 2008, respectively.

Howard contributes to the school's operations at its discretion. During the fiscal years ended June 30, 2010 and 2009, Howard contributed approximately $750 and in fiscal year ended June 30, 2008, Howard contributed approximately $1,000. Howard has donated computer equipment valued at approximately $258 $251 and $374 in 2010, 2009 and 2008, respectively. As of December 31, 2010, Howard has not contributed to the school's operations nor made any donations.

Note 21 Subsequent Events

Howard performed an evaluation of subsequent events through March 24, 2011, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of December 31, 2010.

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APPENDIX C

CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES

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APPENDIX C

CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES

The following are summaries of the Indenture, the Loan Agreement and the Series 2011 Notes. These summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES

Certain terms used in the Indenture, the Loan Agreement and the Series 2011 Notes are defined below unless otherwise defined herein or the context clearly indicates otherwise. Any capitalized term used in this Official Statement regarding the Indenture, the Loan Agreement and the Series 2011 Notes and not defined herein has the meaning given such term by the Indenture, the Loan Agreement and the Series 2011 Notes.

"Accountant" shall mean a firm of independent certified public accountants designated by the Borrower no member of which is an employee or officer of the Borrower or its affiliates.

"Accounts" shall mean the accounts created by Section 4.01 of the Indenture.

"Additional Bonds" shall mean any bonds issued by the District pursuant to the Indenture subsequent to the Series 2011 Bonds.

"Additional Notes" shall mean any promissory notes of the Borrower payable to the order of the District and evidencing the Borrower's obligation to repay the Loan and to make Additional Payments with respect to any Additional Bonds.

"Additional Payments" shall mean the additional payments required to be made by the Borrower pursuant to and in accordance with Section 3.09 of the Loan Agreement, which payments are, as set forth in Section 3.07 of the Loan Agreement, a part of the Loan Payments of the Borrower.

"Additional Payments Account of the Debt Service Fund" shall mean the Additional Payments Account created by Section 4.01 of the Indenture.

"Additional Projects" shall mean any project undertaken by the Borrower that is financed, refinanced or reimbursed pursuant to the Home Rule Act and the Indenture by the District through the issuance of Additional Bonds.

"Administrative Costs" shall mean all costs, charges and expenses incurred by the District (other than the District's own routine expenses) with respect to the implementation and administration of the Bond Documents and any transaction or event to be effected by the Bond Documents; and also, to the extent set forth in Article XIII of the Loan Agreement, the compensation of, reimbursement of expenses to, the attorneys fees of, and advances payable to, the Trustee, the Paying Agent, any co-paying agent, the Authenticating Agent, the Escrow Agent and the Registrar.

"Advanced Refunded Bonds" shall mean the Series 1998 Bonds maturing in 2011 through 2018 and the Series 2006A Bonds.

"Application" shall mean the Application for Tax-Exempt Bond Financing of The Howard University for the District's Revenue Bond Program, dated September 30, 2010, and the amendments thereto.

"Arbitrage Rebate Fund" shall mean the Arbitrage Rebate Fund created pursuant to Section 4.01 of the Indenture which shall not be deemed a part of the Trust Estate, but which shall be held by the Trustee.

"Assign" or "Assigned" or "Assignment" shall mean the District's assignment of the Notes, without recourse and without warranty, and delivery of the Notes, to the Trustee.

"Authenticating Agent" shall mean The Bank of New York Mellon, or any successor of or agent of the Authenticating Agent, appointed pursuant to Section 10.09 of the Indenture.

"Authorized Delegate" shall mean the Mayor or the Deputy Mayor for Planning and Economic Development, or any officer or employee of the executive office of the Mayor to whom the Mayor has delegated or to whom the foregoing individuals have sub-delegated any of the Mayor's functions.

"Authorized Denomination" shall mean $5,000 and any integral multiple of $5,000.

"Authorizing Actions" shall mean the Home Rule Act and the Resolution.

"Beneficial Owners" shall mean, when the Bonds are held by a Bond Depository, the Owner of any Bonds which are held for such Owner by a Bond Depository in the form of a Global Certificate.

"Board" when used in connection with the Borrower shall mean its Board of Trustees.

"Bond" or "Bonds" shall mean the Series 2011 Bonds and any Additional Bonds issued from time to time under the Indenture.

"Bond Counsel" shall mean Orrick, Herrington & Sutcliffe LLP, as bond counsel to the District, or such firm or firms of attorneys designated as such from time to time by the Mayor with respect to the Bonds.

"Bond Depository" shall mean The Depository Trust Company, its successors and assigns, and any other securities depository which meets the qualifications set forth in Section 12.01 of the Indenture.

"Bond Documents" shall mean the Series 2011 Bonds, the Indenture, the Loan Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Preliminary Official Statement, the Official Statement, the Program Fee Agreement, the Series 2011 Notes, the Tax Certificate, the Escrow Deposit Agreements and all other agreements, documents, certificates and instruments executed and delivered in connection with the issuance, sale and delivery of the Series 2011 Bonds, the closing of the Loan and the refunding of the Prior Bonds, as well as any document executed and delivered in connection with the issuance of Additional Bonds.

"Bondholder" or "Holder" or "Holder of Bonds" or "holder of Bonds" or "Owner" or "Owner of Bonds" or "owner of Bonds" shall mean the person in whose name any Bond is registered on the registration books maintained by the Registrar pursuant to Section 2.06 of the Indenture.

"Bond Payment Date" shall mean any Interest Payment Date or any Sinking Fund Installment Date and any other date on which the principal, premium (if any) or interest on the Bonds is to be paid to the Owners thereof (whether at maturity thereof, or by acceleration of maturity or after notice of redemption or purchase or prepayment or otherwise).

"Bond Proceeds" shall mean the original proceeds derived from the issuance, sale and delivery of the Bonds to the Underwriter.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement, dated April 7, 2011, among the Borrower, the District and the Underwriter, with respect to the initial sale of the Series 2011 Bonds.

"Bond Year" shall mean, with respect to the first Bond Year, the period between the date hereof and March 31, 2012, and each subsequent 1-year period ending on March 31.

"Book Value" shall mean, when used with respect to the Property and Equipment of the Borrower, the value of such Property and Equipment, net of accumulated depreciation, as reflected in the most recent audited financial statements of the Borrower which have been prepared in accordance with generally accepted accounting principles.

"Borrower" shall mean The Howard University, a non-profit institution organized under the laws of the United States, with its principal place of business in the District of Columbia, and its successors and assigns.

"Borrower Representative" shall mean the President and the Chief Financial Officer and Treasurer of the Borrower or such other persons as may be designated to act on behalf of the Borrower by a written certificate furnished to the District and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Borrower by its President or Chief Financial Officer and Treasurer.

"Borrower's General Certificate" shall mean the General Certificate of Borrower, dated the Closing Date.

"Business Day" or "business day" shall mean any day other than a day on which (i) banks located in each of the cities in which the Principal Offices of (a) the Trustee, (b) the Paying Agent, or (c) the Registrar or (ii) The New York Stock Exchange are authorized by law, regulation or executive order to be closed.

"Capital Additions" means all Property or interests in Property, real, personal and mixed, including without limitation any additional land, buildings and improvements financed through the issuance of Additional Bonds, the cost of which is properly capitalizable under generally accepted accounting principals.

"Capitalized Lease Obligations" means any lease or leases required to be capitalized under generally accepted accounting principles.

"Certificate of Completion" shall mean the Certificate of Completion provided for in Section 5.11(a) of the Loan Agreement.

"Certificated Bonds" shall mean the Bonds authorized to be authenticated and delivered pursuant to the conditions and terms of Section 2.12 of the Indenture.

“Certified Business Enterprise Utilization Agreement” shall mean the Certified Business Enterprise Utilization Agreement, dated as of the Closing Date, between the District of Columbia Department of Small and Local Business Development and the Borrower.

“Closing Date” or “Closing” or “Issuance Date” shall mean with respect to any Series of Bonds, the date of original issuance and delivery of such Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations (whether proposed, temporary or final) under that Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“Completion Date” shall mean the date on which each Project is completed, as that date is certified pursuant to Section 5.11(a) of the Loan Agreement.

“Construction Contracts” shall mean all contracts between the Borrower and others which relate to construction aspects of the renovation, improvement, furnishing and equipping of the Projects.

“Consultant” shall mean an Independent professional consulting, financial advisory, accounting, investment banking or commercial banking firm selected by the Borrower, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience.

“Continuing Disclosure Agreement’ shall mean the Continuing Disclosure Agreement, dated as of April 1, 2011, by and between the Borrower and The Bank of New York Mellon.

“Costs” shall mean, with respect to the Projects, all items permitted to be financed, refinanced or reimbursed under the provisions of the Home Rule Act, the Resolution and the Code and which are or were paid or incurred, including, but not limited to:

(i) all costs paid or incurred by or on behalf of the Borrower under the terms of any Construction Contracts, including the costs of acquiring, constructing, installing and equipping utilities services and other facilities deemed necessary to the construction, renovation, improvement, furnishing or equipping of the Projects;

(ii) all costs paid or incurred by or on behalf of the Borrower for land, labor or materials used in connection with the construction, renovation, improvement, furnishing or equipping of the Projects, or interests therein, including reimbursement to the Borrower for all advances and payments made in connection with the Projects prior to (to the extent permitted by the Code) or after delivery of the Bonds;

(iii) all costs paid or incurred by or on behalf of the Borrower for payment and performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during and for the renovation, improvement, furnishing and equipping of the Projects;

(iv) all costs paid or incurred by or on behalf of the Borrower for legal, engineering and architectural services, including the costs of the Borrower for test borings, surveys, estimates, plans, drawings, specifications, preliminary investigations and studies, and for supervising construction, as well as for the performance of all other duties required by or consequent to the renovation, improvement, furnishing and equipping of the Projects;

(v) all fees, costs, charges, and expenses paid or incurred or to be paid or incurred in connection with the authorization, preparation, printing, issuance, sale and delivery of the Bonds, to the extent permitted by the Code including, but not limited to, Administrative Costs, the Program Fee, underwriting, legal, accounting, rating agency, any Depository fees, feasibility study fees and other financial fees, bond insurer fees or credit enhancement fees, if any, costs and expenses, certain fees paid to financial institutions and insurance companies, compensation to financial advisors and other persons (other than full-time employees of the District) and entities performing services on behalf of the District or the Borrower, and all other fees, costs and expenses incurred in connection with the development of the Bond Documents;

(vi) recording fees, filing fees and costs of title insurance, if any; and

(vii) any sums required to reimburse the Borrower (to the extent permitted by the Code) for advances made by the Borrower for any of the above items or for any other costs incurred and/or work done by the Borrower which are properly chargeable to capital accounts maintained with respect to the Projects.

"Costs of Issuance" or "Issuance Costs" shall mean those items described in paragraph (v) under the definition of "Costs."

"Costs of Issuance Fund" shall mean the Costs of Issuance Fund created by Section 4.01 of the Indenture.

"Council" shall mean the Council of the District of Columbia.

"Counsel" shall mean any attorney or attorneys duly admitted to practice law before the highest court of any state or the District and acceptable to the Borrower who have regularly engaged in the practice of law as their primary occupation for at least five (5) years and none of whom are officers, full-time employees, directors or members of the Borrower or full-time employees of the District.

"Current Refunded Bonds" shall mean the Series 1998 Bonds maturing on October 1, 2020 and the Series 2006B Bonds.

"Debt Service Coverage Ratio" means, as of the last day of any Fiscal Year, the quotient obtained by dividing (a) the sum of:

(i) the change in the non-permanently restricted net assets of the Borrower for such Fiscal Year, provided, that there shall be excluded from the calculation thereof (A) any gains or losses realized upon the sale or disposition of Property of the Borrower other than in the ordinary course of the Borrower's operations and activities, (B) any non-recurring non-cash gains or losses realized or incurred by the Borrower during such Fiscal Year, (C) any unrealized net gain or net loss, as the case may be, on any derivatives transactions, (D) any unrealized net gain or net loss, as the case may be, on investments, (E) any change in funded status of pension plan, (F) any change in post-retirement obligations, (G) any amortization of actuarial net gains or losses with respect to retirement plans, (H) any restructuring costs, and (I) any non-operating non-cash items, plus

(ii) depreciation expense and amortization of intangibles of the Borrower for such Fiscal Year, plus

(iii) interest payments made during such Fiscal Year on Indebtedness of the Borrower (including the interest portion of all payments on Capitalized Lease Obligations), excluding, however, any such payments on Indebtedness issued by or for the Borrower for purposes of constructing or acquiring any Capital Addition if such payments were made from a capitalized interest fund or similar fund established with proceeds of the applicable Indebtedness for the purposes of providing for the payment of interest on such Indebtedness during the construction period or otherwise until such Capital Addition is placed into service, and plus

(iv) any letter of credit fees, commitment fees or similar fees payable in connection with any credit facility provided to the Borrower in connection with Indebtedness issued by or for the Borrower,

by (b) the sum of

(i) the amount of all payments required to have been made during such Fiscal Year to repay, redeem or repurchase the principal of Long-Term Indebtedness of the Borrower, including the principal portion of all required payments on Capitalized Lease Obligations, and also including (but without duplication) all payments or deposits required to have been made during such Fiscal Year to any sinking fund or similar fund to provide for the repayment, redemption or repurchase of Long-Term Indebtedness of the Borrower, plus

(ii) interest payments made during such Fiscal Year on Indebtedness of the Borrower (including the interest portion of all payments on Capitalized Lease Obligations), excluding, however, any such payments on Indebtedness issued by or for the Borrower for purposes of constructing or acquiring any Capital Addition if such payments were made from a capitalized interest fund or similar fund established with proceeds of the applicable Indebtedness for the purposes of providing for the payment of interest on such Indebtedness during the construction period or otherwise until such Capital Addition is placed into service, and plus

(iii) any letter of credit fees, commitment fees or similar fees payable in connection with any credit facility provided to the Borrower in connection with Indebtedness issued by or for the Borrower.

"Debt Service Fund" shall mean the Debt Service Fund created by Section 4.01 of the Indenture.

"Debt Service Payments" shall mean the payments of principal of, premium, if any, on, and interest on, the Series 2011 Bonds made by the Borrower in accordance with Section 3.08 of the Loan Agreement.

"Debt Service Reserve Fund" shall mean the fund of that name established pursuant to Section 4.01 of the Indenture.

"Debt Service Reserve Fund Requirement" shall mean, with respect to the Series 2011 Bonds, an amount equal to $12,634,712.50.

"Default" or "Event of Default" shall mean with respect to any Default or Event of Default under the Indenture, any occurrence or event specified in Section 7.01 of the Indenture or with respect to any Default or Event of Default under the Loan Agreement, any occurrence or event specified in Section 15.01 of the Loan Agreement.

"Defeasance Securities" shall mean the following obligations or securities with respect to which neither the Borrower nor any of its subsidiaries is the obligor which may be used for all purposes, including defeasance investments in refunding escrow accounts: (i) cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph); (ii) direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) the United States of America (in the event these securities are used for defeasance, they shall be non-callable and non-prepayable); and (iii) obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America (in the event these securities are used for defeasance, they shall be non-callable and non-prepayable): (A) U.S. Export-Import Bank (Eximbank), (B) Rural Economic Community Development Administration, (C) Federal Financing Bank, (D) U.S. Maritime Administration, (E) U.S. Department of Housing and Urban Development (PHAs), (F) General Services Administration, (G) Small Business Administration, (H) Government National Mortgage Association (GNMA), (I) Federal Housing Administration, and (J) Farm Credit System Financial Assistance Corporation.

"Depository," "DTC," or "Bond Depository" shall mean The Depository Trust Company, of New York, New York and/or its nominee, Cede & Co. or any successors, Substitute Depositories or assigns thereof in whose name or names the Global Certificates shall be registered on the books of the Registrar.

"Determination Letter" shall mean the letter dated April 17, 2006, issued by the Internal Revenue Service to the Borrower, verifying that the Borrower is an organization described in Section 501(c)(3) of the Code (except for taxation of unrelated business taxable income under Section 511 of the Code) which is exempt from Federal income taxation under Section 501(a) of the Code and which is not a "private foundation" as defined in Section 509 of the Code.

"District" shall mean the District of Columbia and its successors and assigns.

"District Agreements" shall mean the Employment Agreement and the Certified Business Enterprise Utilization Agreement.

"East Campus" shall mean the East Campus (The School of Divinity), which has an official mailing address of 1400 Shepherd Street, N.E., Washington, D.C. 20017. This site is bounded on the west by 14th Street, on the north by Taylor Street, on the northeast corner by South Dakota Avenue, on the east by 18th Street and on the south by the southern most property line.

"Employment Agreement" shall mean the First Source Employment Agreement, dated May 11, 2010, including any amendments thereto, between the District of Columbia Department of Employment Services and the Borrower.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" shall mean The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York, with a corporate trust office located in New York, New York, as escrow agent under the Escrow Deposit Agreements, its successors and its and their assigns.

"Escrow Deposit Agreements" shall mean, collectively, the Escrow Deposit Agreement (Tax-Exempt), dated as of April 1, 2011, by and among the District, the Borrower and the Escrow Agent and the Escrow Deposit Agreement (Taxable), dated as of April 1, 2011, by and among the District, the Borrower and the Escrow Agent.

"Event of Noncompliance" shall mean an Event of Noncompliance as defined in Section 7.11 of the Loan Agreement.

"Facility" or "Facilities" shall mean the real property and improvements of the Borrower located on the campuses of the Borrower described in Exhibit B to the Loan Agreement and all fixtures, improvements and personal property of the Borrower now situated thereon or replacements thereto. The Facilities shall include the 2011 Project upon its completion.

"Fiscal Quarter" shall mean each of the four periods in each Fiscal Year consisting of three consecutive calendar months.

"Fiscal Year" shall mean any 12-month period beginning on July 1 of any calendar year and ending on June 30 of the following calendar year, or such other consecutive 12-month period selected by the Borrower as the Fiscal Year for the Borrower.

"Funds" shall mean the funds created by Section 4.01 of the Indenture.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of the Borrower, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

"Global Certificate" shall mean, when the Bonds are held by a Depository, the Bonds in the form of one Global Certificate, which shall be registered in the name of such Depository or its nominee, representing the entire aggregate principal amount of Bonds due on a maturity date.

"Governmental Units" shall have the meaning given that term in Section 1.103-1 of the Regulations.

"Hazardous Substances" shall mean any substance including, but not limited to, substances or materials which have been shown to have significant adverse effects on human health or which are subject to regulation under the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., substances defined as "hazardous substances," "toxic materials," or "hazardous wastes" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. Sec. 9061 et seq., Hazardous Materials Transportation Act, 49 U.S.C. Sec. 1802 et seq., the Resource Conservation and Recovery Act of 1976, as amended, 49 U.S.C. Sec. 6901 et seq., Superfund Amendments and Reauthorization Act of 1986, as amended, any materials regulated by the District under statues regulating environmental pollution or hazards of any kind whatsoever, and shall specifically include petroleum and all its refined fractions, natural gas, coal, asbestos and polychlorinated biphenyl ("PCB's") and any other materials, even if not regulated under the laws of the United States or the District, which may or could pose, to the best of the Borrower's knowledge, a hazard to the health and safety of the users of the Facility or to the owners of property adjacent to the site of the Facility; provided, however, that Hazardous Substances shall not include cleaning and other maintenance related materials and supplies in type and quantity customary for buildings of the nature of the Facility being used in a customary and safe manner, including printing and photocopying materials and supplies used in connection with printing/duplication being used in a customary and safe manner.

"Home Rule Act" shall mean the District of Columbia Home Rule Act, approved December 24, 1973 (P.L. 93-198; 87 Stat. 774; D.C. Official Code, §§ 1-201.01 et seq.), as amended.

"Indebtedness" shall mean all obligations for payments of principal and interest with respect to money borrowed, incurred or assumed by the Borrower, including guaranties, purchase money mortgages, financing or capital leases, installment purchase contracts, derivatives in the form of credit default swaps or total-rate-of-return swaps or other similar instruments in the nature of a borrowing by which the

Borrower will be unconditionally obligated to pay. Nothing in this definition or otherwise shall be construed to count Indebtedness more than once.

"Indemnitees" shall mean, individually and collectively, the Trustee, the Registrar, the Paying Agent, the Escrow Agent, the Authenticating Agent, and the District and its elected and appointed officials, officers, employees and agents involved in the administration of the District's revenue bond program, or the issuance, sale and delivery of the Bonds and the Loan of the Bond Proceeds (including those persons employed by the District under personal employment contracts but excluding Independent Counsel).

"Indenture" shall mean the Indenture of Trust, dated as of April 1, 2011, between the District and the Trustee, and any and all amendments, modifications and supplements to the Indenture.

"Independent" shall mean any Person not an employee or officer of the Borrower or its affiliates.

"Interest Account of the Debt Service Fund" or "Interest Account" shall mean the Interest Account created by Section 4.01 of the Indenture.

"Interest Payment Date" shall mean each April 1 and October 1, beginning October 1, 2011, while the Series 2011 Bonds are Outstanding and, with respect to any Additional Bonds, such dates as are specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

"Interested Bondholders" shall mean Holders of $1,000,000 or more in aggregate principal amount of Bonds.

"Lien" shall mean any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan" shall mean the District's loan of the Bond Proceeds to the Borrower for the purpose of financing, refinancing or reimbursing Costs of the Projects.

"Loan Agreement" shall mean the Loan Agreement, dated as of April 1, 2011, between the District and the Borrower, and any and all amendments, modifications and supplements to the Loan Agreement.

"Loan Payments" shall mean the payments provided for in Sections 3.08 and 3.09 of the Loan Agreement.

"Long-Term General Obligation Indebtedness" means any Long-Term Indebtedness which is a general obligation of the Borrower.

"Long-Term Indebtedness" shall mean all Indebtedness which is long-term indebtedness as determined in accordance with generally accepted accounting principles.

"Mail" or "Notice" or "notice" or "Notice by Mail" shall mean, unless expressly provided otherwise, mail by first-class prepaid postage to Owners of the Bonds at the addresses shown in the registration books maintained pursuant to Section 2.06 of the Indenture or delivery of all notices or instruments in accordance with Section 11.12 of the Indenture to the District, the Borrower, the Trustee and the Bond Depository. Any notice to Owners given by Mail shall be deemed given and received when delivered by the Registrar to the United States Postal Service, or its successor, postage prepaid. In case, by reason of suspension of regular mail service or by reason of any other cause, it shall be impracticable to give such notice by Mail, then such notification as shall be made with the approval of the Registrar shall constitute a sufficient notification for every purpose hereunder.

"Main Campus" shall mean the Main Campus, which has an official mailing address of 2400 6th Street, N.W., Washington, D.C. 20059. The boundaries for the Main Campus are as follows: beginning at Georgia Avenue and Gresham Place, the boundary line runs east to the western edge of 511 Gresham Place, north to Hobart Place, and continues east to 5th Street. Here it turns south continuing along 5th Street, past 4th Street and Howard Place to the northern edge of a quadrangle of dormitories located on 4th Street and runs behind the dorms until it reaches Bryant Street. The boundary line continues west to 4th Street then runs south to W Street and then west to the church at 5th and W Streets. It continues south along the church property to the alley paralleling V Street. From this point it runs east to 4th Street. After running south on 4th Street, to Oakdale Street, it runs west to vacant lots that face 4th Street and then south along the rear of those properties to the middle of the block. At mid-block, it turns west to 5th Street and then south past Elm Street to the alley beyond the Howard University Hospital site. It turns west for approximately 160 feet and then south to U Street. Here it turns west down U Street to Bohrer Street. At this intersection, it continues northwest to Georgia Avenue. The boundary line continues north on Georgia Avenue to V Street. Here it turns west and runs to 8th Street. It continues north on 8th Street for approximately 520 feet, and then westward across 9th Street to Florida Avenue. The boundary follows Florida Avenue, N.W. to Sherman Avenue and Barry Place. Here it turns east again and runs out Barry Place to Georgia Avenue. The boundary line then runs north to Gresham Place. Included in the boundaries are several satellite properties: The John Burr Gymnasium at 6th and Girard Streets, N.W.; the School of Business at 2600 6th Street, N.W.; the Alain Locke Hall at 2500 4th Street, N.W.; the Power Plant at 2240 6th Street, N.W.; and the Howard University Hospital at 2041 Georgia Avenue, N.W.

"Mayor" shall mean the Mayor of the District of Columbia or an Authorized Delegate.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nationally Recognized Bond Counsel" shall mean such firm or firms approved by the District in writing and found in the current edition of The Bond Buyer's Municipal Marketplace (the "Red Book"), its successor publication or, if such publication or its successor ceases to exist, a comparable publication selected by the District. The term "Nationally Recognized Bond Counsel" shall include Bond Counsel.

"Net Proceeds" shall mean when used with respect to any insurance proceeds from policies required under the Loan Agreement or any condemnation award, the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such insurance proceeds or condemnation award.

"Notes" shall mean the Series 2011 Notes and any Additional Notes issued in connection with the issuance of Additional Bonds.

"Official Statement" shall mean the Official Statement, dated April 7, 2011, prepared in connection with the sale and delivery of the Series 2011 Bonds.

"Operating Assets" shall mean any land, building, machinery, equipment, hardware, inventory or other property or any interest therein (except cash, investment securities and other property held for investment purposes) of the Borrower used in its trade or business.

"Optional Redemption Account of the Redemption Fund" shall mean the Optional Redemption Account created by Section 4.01 of the Indenture.

"Outstanding" or "outstanding" shall mean, except as provided in Section 11.09 of the Indenture, when used with reference to Bonds, as of any particular date, all Bonds authenticated and delivered under the Indenture, as applicable, except:

(i) any Bond canceled by the Registrar or the Trustee, as applicable, (or delivered to the Registrar or Trustee for cancellation, as applicable) at or before such date;

(ii) any Bond, the payment, redemption or purchase and cancellation of the principal and interest on which provision shall have been made as provided in Article IX of the Indenture; and

(iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Article II, Section 3.12 or Section 8.03 of the Indenture.

"Paying Agent" shall mean The Bank of New York Mellon and any other corporation that may at any time be substituted in its place in accordance with Section 10.06 of the Indenture, and its successors.

"Permitted Encumbrances" shall mean:

(i) any liens, deposits, endorsements, guaranties and other encumbrances incurred in the ordinary course of business;

(ii) any lien arising by reason of any good faith deposit of the Borrower in connection with any lease of real estate, bid or contract (other than any contract for the payment of money), any deposit by the Borrower to secure any public or statutory obligation, or to secure, or in lieu of, any surety, stay or appeal bond, and any deposit as security for the payment of taxes or assessments or other similar charges;

(iii) any lien arising by reason of any deposit with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risk or in connection with workers' compensation, unemployment insurance, any pension or profit sharing plan or other social security, or to share in the privileges or benefits required for the participation of the Borrower in such arrangements;

(iv) any judgment lien against the Borrower, so long as such judgment is being contested in good faith and execution thereon is stayed, or in the absence of such contest and stay, such judgment lien will not materially impair or subject the assets or financial operations of the Borrower to material loss or forfeiture;

(v) any right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any property of the Borrower; any lien on any property of the Borrower for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic, materialman, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity of which is being contested and execution thereon stayed;

(vi) the Indenture and the Loan Agreement and any lien or encumbrance described in the Loan Agreement in existence on the date of issuance of the Series 2011 Bonds, provided that such lien or encumbrance is not extended, renewed or modified to apply to any property of the Borrower not subject to such lien or encumbrance on such date, unless the lien or encumbrance, as so extended, renewed or modified, otherwise qualifies as a Permitted Encumbrance without reference to this clause;

(vii) any lien on property received by the Borrower through any gift, grant or bequest constituting a restriction imposed by the donor, grantor or testator on such gift, grant or bequest or the income therefrom, provided that so long as the Bonds shall remain Outstanding, any such lien shall attach solely to the property which is the subject of such gift, grant or bequest, and the Indebtedness, if any, secured by such lien shall not have been assumed by the Borrower;

(viii) any lien on any property securing any Indebtedness, including the issuance of Additional Bonds;

(ix) any lease permitted under the terms of the Loan Agreement;

(x) any lien placed upon any tangible real or personal property being acquired by the Borrower to secure all or a portion of the purchase price thereof; and

(xi) such easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances as do not materially impair the use of the Operating Assets for their intended purposes or the value of the Operating Assets.

"Permitted Investments" shall mean (i) Defeasance Securities; (ii) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated in one of the two highest long-term rating categories by at least two nationally recognized rating agencies issued by the Fannie Mae (FNMA) or Freddie Mac (FHLMC), (B) senior debt obligations of the Federal Home Loan Bank System, and (C) senior debt obligations of the federal agencies identified in clause (iii) of the definition of "Defeasance Securities"; (iii) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (A) have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories of at least two nationally recognized rating agencies, (B) are insured at all times by the Federal Deposit Insurance Corporation, or (C) are collateralized with direct obligations of the United States of America at one hundred two percent (102%) valued daily (all such certificates must mature no more than three hundred sixty (360) days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank); (iv) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories of at least two nationally recognized rating agencies and which matures not more than two hundred seventy (270) days after the date of purchase; (v) investments in (A) money market funds subject to SEC Rule 2a-7 and rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies and (B) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the District's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies; (vi) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in one of the two highest long-term rating categories of at least two nationally recognized rating agencies; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized municipal bond verification agent, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (vii) general obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories of at least two nationally recognized rating agencies (in the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually); (viii) investment agreements; (ix) investments in units of a money market fund that is rated in one of the two highest letter and numerical rating categories by a Rating Agency, including funds for which the Trustee and its affiliates provide investment advisory or other management services; and (x) other forms of investments (including repurchase agreements) secured by other Permitted Investments.

"Person" or "person" shall mean an individual, corporation, partnership, association, joint stock company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans" shall mean with respect to the Projects, all plans, drawings and specifications, if any, prepared in connection with the Projects, as the same may be amended from time to time.

"Preliminary Official Statement" shall mean the Preliminary Official Statement, dated March 24, 2011, prepared in connection with the sale and delivery of the Series 2011 Bonds.

"Principal Office" shall mean the office maintained by any person for the transaction of business or such other office as shall be designated by such person in writing to the Trustee, the Paying Agent, the Registrar, the Authenticating Agent, the District and the Borrower, and specifically shall mean the office or offices with respect to:

(i) the Trustee, the office designated in Section 11.12 of the Indenture or such other office as is designated in writing to the Paying Agent, the Registrar, the Authenticating Agent, the District and the Borrower;

(ii) the Paying Agent, the office designated in Section 11.12 of the Indenture or such other office as is designated in writing to the Trustee, the District, the Registrar, the Authenticating Agent and the Borrower;

(iii) the Authenticating Agent, the office designated in Section 11.12 of the Indenture or such other office as is designated in writing to the Trustee, the District, the Registrar and the Borrower;

(iv) the Registrar, the office designated in Section 11.12 of the Indenture or such other office as is designated in writing to the Trustee, the Paying Agent, the Authenticating Agent, the District and the Borrower;

(v) the District, the office designated in Section 11.12 of the Indenture or such other offices as is designated in writing to the Trustee, the Paying Agent, the Authenticating Agent, the Registrar and the Borrower; and

(vi) the Borrower, the office designated in Section 11.12 of the Indenture or such other office as is designated in writing to the Trustee, the Paying Agent, the Authenticating Agent, the Registrar and the District.

"Prior Bond Documents" shall mean the Prior Bonds and all indentures, loan agreements, bond purchase agreements, remarketing agreements, promissory notes, non-arbitrage certificates and other agreements, documents, certificates and instruments executed and delivered in connection with the issuance, sale and delivery of the Prior Bonds and the closing of the loans of the proceeds of such Prior Bonds to the Borrower.

"Prior Bonds" shall mean, collectively, the Advanced Refunded Bonds and the Current Refunded Bonds.

"Program Fee" shall mean the fee payable by the Borrower to the District in connection with the issuance of the Bonds and the administration of the District's revenue bond program which fee shall be payable as provided in the Program Fee Agreement.

"Program Fee Agreement" shall mean the Program Fee Agreement, dated the Closing Date, between the District and the Borrower.

"Projects" shall mean the 2011 Project and any Additional Projects financed with Additional Bonds.

"Project Fund" shall mean the Project Fund created by Section 4.01 of the Indenture.

"Property" shall mean any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible, or mixed and wherever situated.

"Property and Equipment" shall mean all Property of the Borrower which is classified as property and equipment under generally accepted accounting principles.

"Rating Agency" shall mean Moody's, S&P or any other nationally recognized rating agency maintaining a rating of any Bonds.

"Rebate Amount" shall mean that portion of any income or interest earned by, or increment to, any Fund, Account or pledged funds established pursuant to the Indenture or the Loan Agreement or other gross proceeds (within the meaning of Section 148(f)(6)(B) of the Code) due to the investment thereof which shall be required to be paid to the United States by the provisions of Section 148(1) of the Code and which shall not be deemed part of the Trust Estate but which shall be held by the Trustee.

"Rebate Fund" shall mean the Arbitrage Rebate Fund created pursuant to Section 4.01 of the Indenture which shall not be deemed a part of the Trust Estate, but which shall be held by the Trustee.

"Rebate Monitor" shall mean the entity selected by the Borrower to perform the functions of the Rebate Monitor as required under the Indenture and Loan Agreement.

"Receipts and Revenues of the District from the Loan Agreement and the Notes" shall mean all funds received by the Trustee from or on behalf of the Borrower for the account of the District as Debt Service Payments, Additional Payments (excluding the Program Fee and the Administrative Costs paid on the Closing Date) and all other funds received by the Trustee pursuant to the terms of the Loan Agreement which, under the provisions of the Indenture, the Loan Agreement or the Notes, are to be credited against Debt Service Payments, Additional Payments or other amounts owed by the Borrower, including, without limitation, any investment proceeds thereon.

"Record Date" shall mean the 15th of the month immediately preceding each Interest Payment Date; provided, that if any such day is not a Business Day, the Record Date shall be the Business Day immediately preceding such day.

"Redemption Fund" shall mean the Redemption Fund created by Section 4.01 of the Indenture.

"Redemption Price" shall mean, when used with respect to a Bond or any portion thereof, the principal amount of such Bond or portion thereof and premium (if any).

"Registrar" or "Bond Registrar" shall mean The Bank of New York Mellon, or any other banking corporation organized and existing under the laws of the United States of America or any state which shall have been substituted in its place in accordance with Section 10.08 of the Indenture, and their respective successors.

"Regulations" shall mean the Federal Income Tax Regulations, as amended, including proposed and temporary regulations.

"Related Person" shall have the meaning given that term in Section 144(a)(3) of the Code.

"Requirement(s) of Law" shall have the meaning ascribed to such term in Section 6.02(c) of the Loan Agreement.

"Reserved Rights of the District" shall mean (i) the District's rights to (a) the payment of the Program Fee, (b) the payment of Administrative Costs, (c) reimbursement of expenses incurred by or on behalf of the District in connection with the financing, refinancing or reimbursement of the Costs of the Project on the Closing Date and (d) indemnification of the District, and (ii) any rights of the District to receive notices, certificates, requests, requisitions, directions, opinions, payments and other communications under the Bond Documents, including, but not limited to, those rights specified in Sections 2.12, 2.17, 2.14, 6.08, 6.09, 6.10, 7.09, 8.01, 8.02, 8.07, 10.01, 10.06, 10.08, 11.02, 12.02, 12.04 and 12.06 of the Indenture and Sections 15.02 and 16.10 of the Loan Agreement. Unless expressly stated otherwise, no provision in the Bond Documents shall be construed so as to preclude the District from exercising those rights and remedies otherwise afforded to it under District of Columbia law, including, but not limited to, those which are uniquely governmental in nature.

"Resolution" shall mean The Howard University Revenue Bond Project Approval Resolution of 2011, R19-46, adopted by the Council of the District of Columbia on March 1, 2011.

"S&P" shall mean Standard & Poor's Rating Group, a Division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District, at the direction of the Borrower, by written notice to the Trustee and the Borrower.

"Series" shall mean the Bonds issued at any one time or otherwise issued as one series under the provisions of the Indenture.

“Series 1998 Bonds” shall mean the District’s $109,425,000 Revenue Refunding Bonds (The Howard University Issue) Series 1998.

“Series 2006A Bonds” shall mean the District’s $53,490,000 Revenue Bonds (The Howard University Issue), Series 2006A.

“Series 2006B Bonds” shall mean the District’s $44,175,000 Multimodal Revenue Refunding Bonds (The Howard University Issue) Series 2006B.

“Series 2011 Bonds” shall mean, collectively, the Series 2011A Bonds and the Series 2011B Bonds.

“Series 2011 Notes” shall mean, collectively, the Series 2011A Note and the Series 2011B Note.

“Series 2011A Bonds” shall mean the $225,250,000 District of Columbia Revenue Bonds (The Howard University Issue), Series 2011A.

“Series 2011A Note” shall mean the Borrower’s promissory note substantially in the form attached to the Loan Agreement as Exhibit C-1, dated the Closing Date for the Series 2011A Bonds, payable to the order of the District, in the face amount of $225,250,000 evidencing the Borrower’s obligation to repay the Loan and to make the Loan Payments, and all renewals, extensions, modifications and substitutions for the Series 2011A Note.

“Series 2011B Bonds” shall mean the $65,065,000 District of Columbia Revenue Bonds (The Howard University Issue), Series 2011B (Taxable).

“Series 2011B Note” shall mean the Borrower’s promissory note substantially in the form attached to the Loan Agreement as Exhibit C-2, dated the Closing Date for the Series 2011B Bonds, payable to the order of the District, in the face amount of $65,065,000 evidencing the Borrower’s obligation to repay the Loan and to make the Loan Payments, and all renewals, extensions, modifications and substitutions for the Series 2011B Note.

“Sinking Fund Installment Date” shall mean the dates upon which a Sinking Fund Installment shall be due pursuant to Section 3.01(b) of the Indenture.

“Sinking Fund Installments” shall mean the payments required to be made by the District pursuant to Section 3.01(b) of the Indenture.

“Sinking Fund Payment Account of the Debt Service Fund” shall mean the Sinking Fund Payment Account created by Section 4.01 of the Indenture.

“Special Record Date” shall mean the special record date established by the Trustee pursuant to Section 7.03(c) of the Indenture for purposes of paying principal and interest to any Bondholder following an Event of Default.

“Substitute Depository” shall mean a Depository appointed pursuant to Section 12.06 of the Indenture and qualified in accordance with the provisions of Section 12.06 of the Indenture to replace a predecessor Depository but shall not include a successor of any Depository.

"Supplemental Indenture" shall mean any indenture entered into by the District and the Trustee amending, modifying or supplementing the Indenture, any Supplemental Indenture or any Bond in accordance with the terms of the Indenture.

"Tax Certificate" shall mean the Tax Certificate of the District and the Borrower, dated the Closing Date for the Series 2011 Bonds, executed by an Authorized Delegate and a Borrower Representative.

"Taxes" shall mean all taxes, water rents, sewer rents, assessments, fees and other District, governmental or municipal or public or private dues, charges, levies and tax liens which are or may be levied, imposed or assessed upon all or any part of the Project or upon the rents, issues, income or profits of it, and all taxes levied on the operations of the Borrower, whether the taxes be income taxes, franchise taxes, excise taxes or other taxes.

"Tax-Exempt Organization" shall mean a nonprofit corporation organized under the laws of one of the states of the United States or the District which is an organization described in Section 501(c)(3) of the Code and exempt (except with respect to unrelated trade or business income) from federal income taxes under Section 501(a) of the Code or any predecessor or successor provisions of similar import heretofore or hereafter enacted.

"Tax-Exemption for the Bonds" or "Tax-Exempt," or "Tax Exemption" shall mean (A) the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds under Section 103 of the Code, or its successor provision, to the extent such Bonds are issued as tax-exempt obligations, and (B) the exemption of the Bonds and the interest thereon from District taxation, except estate, inheritance and gift taxes, as provided in Section 485 of the Home Rule Act, or its successor provision.

"Term of the Loan Agreement" shall mean the term of the Loan Agreement as specified in Section 16.06 of the Loan Agreement.

"Trust Estate" shall mean, at any particular time, all right, title and interest of the District in and to the Loan Agreement and the Notes (except for the Reserved Rights of the District) including, without limitation, the Receipts and Revenues of the District from the Loan Agreement and the Notes (except for the Reserved Rights of the District), all right, title and interest of the District in all monies, securities and obligations, including Permitted Investments (including the investment income from Permitted Investments) which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee in trust under any of the provisions of the Indenture, all cash and securities now or hereafter held in the Funds (except the Arbitrage Rebate Fund) and Accounts created or established under the Indenture and all investment earnings on the Funds and Accounts and all other property of every name and nature which is now pledged, assigned or transferred, or which may from time to time in the future be pledged, assigned or transferred, to the Trustee, by delivery or by writing of any kind, as and for security under the Indenture, whether by the District or by anyone on the District's behalf, or with the District's written consent, except for monies or obligations deposited with or paid to the Trustee or Escrow Agent for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article IX of the Indenture, funds held pursuant to Section 2.18 of the Indenture, and monies representing the Rebate Amount.

"Trustee" shall mean The Bank of New York Mellon, a banking corporation organized and existing under the laws of the State of New York, with a corporate trust office located in New York, New York, as trustee under the Indenture, its successors and its and their assigns, and any co-trustee appointed and serving under the Indenture.

"UCC" shall mean the Uniform Commercial Code as in effect in the District.

"Underwriter" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities LLC, Loop Capital Markets, LLC, Rice Financial Products Company, Siebert Brandford Shank & Co., L.L.C. and The Williams Capital Group, L.P., as the Underwriters identified in the Bond Purchase Agreement with respect to the Series 2011 Bonds and, as to Additional Bonds, any investment banking firm appointed in connection with the issuance of such Bonds.

"Valuation Date" shall mean the last Business Day of each calendar month.

"Value," shall mean: (1) when used with respect to funds held as part of any Fund or Account hereunder, shall be determined as of each Valuation Date and shall be calculated as follows: (i) (a) the value of the securities is computed on the basis of the closing bid price quoted by Interactive Data Systems, Inc.; or (b) the valuation of the securities is performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or (c) the valuation of the collateral is based on the lower of two dealer bids on the valuation date, and the dealers or their parent holding companies must be rated at least investment grade by S&P and Moody's, and the dealers must be market makers in the securities being valued; (ii) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and (iii) as to any investment not specified in this clause (1), the value thereof established by prior agreement between the District and the Borrower; and (2) when used in determining compliance with certain covenants set forth in the Loan Agreement shall be determined as set forth therein, and shall, in all cases, mean the value of any investments, including investments, calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(iii) as to certificates of deposit, bankers acceptances and investment agreements: the face amount thereof, plus accrued interest; and

(iv) as to Property and Equipment, either full book value (without regard to accumulated depreciation), appraised value or replacement value determined at the Borrower's discretion.

"West Campus" shall mean the West Campus (The School of Law), which has an official mailing address of 2900 Van Ness Street, N.W., Washington, D.C., 20008. The boundaries for the West Campus are as follows: The site entrance is located at the east end of Van Ness Street when approaching from Connecticut Avenue and the site is bounded by the Van Ness East Property on the west and Upton Street on the south. Included in the boundaries are several satellite properties: Houston Hall at 2900 Van Ness Street, N.W.; Howard University Law Library at 2929 Van Ness Street, N.W.; Notre Dame Hall at 2900 Van Ness Street, N.W.; and Daniels Library at 2900 Van Ness Street, N.W.

"2011 Project" shall mean the financing, refinancing or reimbursing the Borrower for certain costs of (1) the refunding of the Series 1998 Bonds; (2) the refunding of the Series 2006A Bonds; (3) the refunding of the Series 2006B Bonds; (4) providing for general upgrades, renovations and construction of facilities located on the Main Campus (including improvements to Howard University Hospital), the East Campus and the West Campus including, but not limited to, heating, air conditioning, and sprinkler/fire systems, modernization of classrooms, upgrading laboratories for research, roof replacement and repairs, renovation of buildings for safety and access, installation of modern instructional and clinical equipment and the equipping of classrooms, teaching laboratories and other building learning spaces with enhanced multi-media technology, improved information systems, fiber optic wiring, camera surveillance and entry access systems; (5) funding, if necessary, of any working capital costs; (6) funding any required debt service reserve fund and/or capitalized interest; and (7) paying certain costs of issuance, including any credit enhancement fees.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be complete or definitive and reference is made to the Indenture for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **"DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES."**

Pledge and Assignment. In order to secure the payment of the principal of, and interest and premium, if any, on the Series 2011 Bonds and any Additional Bonds issued under the Indenture either at their maturity or prior redemption according to their tenor and effect and to secure the performance and observance by the District of all the covenants and obligations expressed or implied in the Indenture and in the Series 2011 Bonds, the District conveys, transfers, assigns and pledges the Trust Estate to and grants a security interest in the Trust Estate, to the Trustee and to its successors in trust and assigns, forever, such conveyance, transfer, assignment, pledge and security interest to be effective without the recording of the Indenture or any other instrument.

Books. The District shall cause books for the registration and registration of transfer of the Series 2011 Bonds as provided in the Indenture to be kept by the Registrar. The Registrar shall maintain and keep, at the Principal Office of the Registrar, books for the registration and registration of transfer of the Series 2011 Bonds, which at all reasonable times shall be open for inspection by the District, the Trustee, the Paying Agent and the Borrower. Upon presentation of any Series 2011 Bond entitled to registration or registration of transfer at the Principal Office of the Registrar, the Registrar shall register or register the transfer of the Series 2011 Bond in the registration books, under such reasonable regulations as the Registrar may prescribe. The Registrar shall make all necessary provisions to permit the exchange, registration and transfer of the Series 2011 Bonds at the Principal Office of the Registrar.

Certificated Bonds. When Bonds are no longer held by a Bond Depository upon the conditions specified in the Indenture, the District shall, at the direction of the Borrower, direct that Certificated Bonds be issued in lieu of Global Certificates. In such event the Global Certificates shall be canceled and destroyed by the Trustee in accordance with applicable law. The Trustee shall, upon request, furnish to the Paying Agent, the Authenticating Agent and the Borrower evidence of the cancellation and destruction of such Global Certificates and specifying such Global Certificates by number, and the District shall thereupon execute and the Authenticating Agent shall authenticate and deliver Certificated Bonds. Upon the issuance of Certificated Bonds, the Trustee and the Authenticating Agent may require payment by the Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to the issuance of such Certificated Bonds. The execution by the District of any Certificated Bonds shall constitute full and due authorization of such Certificated Bonds. Certificated Bonds shall be entitled to all the same benefits under the Indenture as Global Certificates.

Non-presentment of Bonds. In the event any Series 2011 Bond shall not be presented for payment when the principal of such Bond becomes due, either at maturity, at the date fixed for redemption of the Series 2011 Bond, or otherwise, or if any interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available by the District to the Trustee or the Paying Agent for the benefit of the Owner of the Series 2011 Bond, all liability of the District to the Owner of the Series 2011 Bond for the payment of such Bond or interest, as the case may be, shall forthwith cease, terminate and be completely discharged, upon which event it shall be the duty of the Trustee to segregate such funds and to hold such segregated funds in trust, uninvested and without liability for interest on such funds, for the benefit of the Owner of such Bond or interest, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond or interest, as the case may be, provided that any money deposited with the Trustee for the payment of the principal of, and premium, if any, or interest on any Series 2011 Bond and remaining unclaimed for five years (or such period of time as is then specified by the law governing unclaimed or abandoned property) after such principal and premium, if any, or interest has become due and payable shall be paid pursuant to the law governing unclaimed or abandoned property.

Creation of Funds and Accounts; Deposit of and Use of Moneys. The Funds and separate Accounts within the Funds created for the Series 2011 Bonds under the Indenture, with the exception of the Arbitrage Rebate Fund, shall be held and maintained for the Holders of Bonds by the Trustee in accordance with the terms of the Indenture.

Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be used only to pay Costs of Issuance of the Series 2011 Bonds. The Trustee shall disburse from the Series 2011A Costs of Issuance Account in the Costs of Issuance Fund with respect to the Series 2011A Bonds and from the Series 2011B Costs of Issuance Account in the Costs of Issuance Fund with respect to the Series 2011B Bonds all amounts required to pay the Costs of Issuance then due and payable as directed by the Borrower in writing. Any moneys remaining in the Costs of Issuance Fund with respect to the Series 2011A Bonds shall be transferred by the Trustee to the Project Fund or to the Interest Account of the Debt Service Fund, on the date which is 18 months after the Closing Date. Any moneys remaining in the Costs of Issuance Fund with respect to the Series 2011B Bonds shall be transferred by the Trustee to the Interest Account of the Debt Service Fund, on the date which is 18 months after the Closing Date.

Project Fund. Moneys in the Project Fund shall be used only to (i) fund capitalized interest on the Series 2011 Bonds until receipt of a Certificate of Completion; and (ii) finance, refinance or reimburse Costs of the 2011 Project, not including Costs of Issuance, as described in the Loan Agreement. Upon the completion of the 2011 Project and receipt of a Certificate of Completion, the Trustee shall apply any moneys remaining in such Project Fund in accordance with the applicable provisions of the Indenture relating to the 2011 Project.

Debt Service Fund. A Debt Service Fund will be established comprised of a Sinking Fund Payment Account, an Interest Account, a Principal Account and an Additional Payments Account. The Trustee will deposit Debt Service Payments, Additional Payments and Sinking Fund Payments into the Debt Service Fund. Moneys in the Debt Service Fund shall be used solely for the payment of mandatory sinking fund payments, the payment of principal of and premium (if any) on the Series 2011 Bonds as the same become due and payable at maturity, upon redemption or upon acceleration of maturity, interest on and premium (if any) on the Series 2011 Bonds as the same become due and payable (including sinking fund payments) and the payment of Additional Payments.

Debt Service Reserve Fund. The Debt Service Reserve Fund secures the Series 2011 Bonds. There shall be deposited into the Debt Service Reserve Fund, from the proceeds of the Series 2011 Bonds, an amount equal to the Debt Service Reserve Fund Requirement. The Borrower shall be obligated, following any withdrawal pursuant to the Indenture, to restore the amount of the withdrawal in no more than twelve (12) substantially equal, consecutive monthly installments, each payable on the last Business Day of the month, commencing with the month following the month in which the withdrawal is made, provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if the fair market value of the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement on any Valuation Date in accordance with the Indenture, the difference between the Debt Service Reserve Fund Requirement and the value of the Debt Service Reserve Fund on such Valuation Date shall be restored by the Borrower within 180 days following the Valuation Date.

Redemption Fund. Moneys in the Redemption Fund shall be used solely for the payment of principal of and accrued interest and redemption premium, if any, on the Series 2011 Bonds upon the redemption thereof (excluding mandatory sinking fund redemption).

Payment of Interest. Interest on the Series 2011 Bonds shall be payable semi-annually on each Interest Payment Date. The Series 2011 Bonds shall mature and be payable, subject to prior redemption, on the terms and conditions set forth in the Indenture.

Payment of Principal and Premium. Principal of, premium (if any) on, and interest on, the Series 2011 Bonds shall be payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, but only from the Receipts and Revenues of the District from the Loan Agreement and the Series 2011 Notes. If the Series 2011 Bonds are not in book-entry form, principal of, premium (if any) on, and interest accrued on the Series 2011 Bonds to the last Interest Payment Date shall be payable at the Principal Office of the Paying Agent upon presentation and surrender of the Series 2011 Bonds as the same become due.

Investments. Moneys in any Fund or Account created under the Indenture shall, at the direction of the Borrower, be invested and reinvested by the Trustee or designee in Permitted Investments and such investments applied pursuant to and in accordance with the Indenture.

Redemption. The Series 2011 Bonds shall be subject, pursuant to the terms of the Indenture, to mandatory, optional and extraordinary optional redemption.

No Pecuniary Liability. Each and every covenant made in the Indenture is predicated upon the condition that the District shall not have any pecuniary liability for the (a) payment of the principal, premium, if any, on, or interest on, the Series 2011 Bonds, or (b) performance of any pledge, mortgage, obligation or agreement created by or arising out of the Indenture or the issuance of the Series 2011 Bonds. Neither the Series 2011 Bonds nor the interest on the Series 2011 Bonds nor any obligation or agreement of the District under the Indenture or the other Bond Documents shall be construed to constitute an indebtedness of the District within the meaning of any constitutional or statutory provision.

No Personal Liability. Subject to Section 11.04 of the Indenture, no covenant, stipulation, obligation or agreement of the District in the Indenture, the Series 2011 Bonds, the Loan Agreement or any other Bond Document shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the District in his or her individual capacity, and neither the members of the Council nor any official executing the Series 2011 Bonds shall be liable personally on the Series 2011 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2011 Bonds or by reason of the covenants, stipulations, obligations or agreement of the District contained in the Indenture, the Series 2011 Bonds or the Loan Agreement.

Performance of Covenants of the District; Representations. The District will at all times faithfully perform any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture, and in all proceedings pertaining to the Series 2011 Bonds.

No Disposition of Trust Estate. Except as permitted by the Indenture or the other Bond Documents, the District will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Trust Estate and will promptly pay or cause to be discharged or make adequate provision to pay or discharge, or cause the Borrower to pay or discharge, as provided in the Loan Agreement, any lien or charge on any part of the Trust Estate not permitted by the Indenture.

Tax Covenant. The District, the Trustee, the Registrar and the Paying Agent covenant for the benefit of the Holders of the Series 2011A Bonds that they will not take any action or inaction or fail to take any action or permit any action to be taken or cause or permit circumstances within their control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2011A Bonds under Section 103 of the Code. This covenant shall survive the defeasance or payment in full of the Series 2011A Bonds notwithstanding any other provision of the Indenture.

Removal of Trustee. The Trustee may be removed at any time (provided that no Event of Default has occurred and is then continuing) at the request of the Borrower (with the approval of the District) by providing notice, in writing, of an appointment of a successor by the District to the Trustee to be removed, the Paying Agent, the Authenticating Agent and the Registrar. Such removal shall take effect upon the appointment of a successor Trustee and the acceptance of such appointment by such successor. Upon the termination of the Indenture, and upon the removal or resignation of the Trustee, any reasonable costs associated with any accounting or similar process requested of the Trustee which is duplicative in nature or in excess of the accounting or similar process ordinarily required under the Indenture and previously provided by the Trustee, shall be a proper charge against the Trust Estate pursuant to the Indenture.

Events of Default. Each of the following events shall constitute an Event of Default under the Indenture:

(a) A failure to pay the principal of, or premium, if any, on any Bond when the same becomes due and payable, at maturity, upon redemption or otherwise;

(b) A failure to pay any installment of interest on any Bond when the same becomes due and payable;

(c) An Event of Default under the Loan Agreement; and

(d) A failure by the District to observe or perform any covenant, condition, agreement or provision, other than as specified in clauses (a) or (b) above, contained in the Bonds or in the Indenture which is to be observed or performed by the District, which failure continues for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, has been given to the District, and the Borrower by the Trustee, unless the Trustee agrees in writing to an extension of such period prior to its expiration; provided however, that the Trustee will be deemed to have agreed to such extension of such period if corrective action is initiated by the District or by the Borrower on behalf of the District within such period and is being diligently pursued.

Acceleration of Maturity. Upon the occurrence of an Event of Default, the Trustee may, and shall, at the written direction of the Owners of Bonds representing 25% of the principal amount of the Bondholders, by written notice to the District and the Borrower, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding.

Notice of Events of Default. The Trustee will provide written notice of the occurrence and continuing of any Event of Default to the Borrower, the District and all Owners of Bonds within thirty (30) days after obtaining knowledge of such Event of Default.

Rescission or Annulment of Acceleration. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee, by written notice to the District, the Borrower, the Registrar and the Paying Agent, may annul such declaration and its consequences if: (i) moneys have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date) and the principal of all matured Bonds (except the principal of any Bonds due solely as a result of such declaration); (ii) moneys have accumulated and are available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Indenture (other than a default in the payment of the principal of such Bonds then due solely as a result of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Restoration to Former Position. In case any proceedings taken by the Trustee or the Bondholders on account of any Default in respect of the Bonds have been discontinued or abandoned for any reason, or shall have been determined adversely to the District or the Bondholders, then and in every such case the District, the Trustee and the Bondholders will be restored to their respective former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, subject to the provisions of Sections 6.04, 7.02, 7.03 and 7.06 of the Indenture, the Holders of a majority of the aggregate principal amount of the Outstanding Bonds under the Indenture have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that (i) such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and (ii) the Trustee will have the right to decline to follow such direction.

Limitation on Bondholders' Right to Institute Proceedings. No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture unless (i) such Holder previously has given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not fewer than 25% of the aggregate principal amount of the Outstanding Bonds have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder; provided, however, that the Holders of not fewer than 25% of the aggregate principal amount of the Outstanding Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Bondholders.

It is understood and intended that, except as otherwise provided above, (i) no one or more Bondholders has any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right thereunder except in the manner therein provided, (ii) all proceedings at law or in equity shall be maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds, and (iii) that any individual right of action or other right given by law to one or more of such Holders is restricted by the Indenture to the rights and remedies therein; provided however that nothing therein will affect or impair the right of any Holder of any Bond to enforce payment of the principal, premium, in any, and interest, on such Bond at the time and place, from the source and in the manner expressed therein and in the Bonds.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee or to the Bondholders under the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or in the future existing at law or in equity or by statute.

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any Default will impair any such right or power or be construed to be a waiver of any such Default or an acquiescence in the Default. Every power and remedy given under the Indenture to the Trustee and to the Bondholders may be exercised from time to time and as often as may be deemed expedient.

Limitations on Modifications of the Indenture and the Loan Agreement. Neither the Indenture nor the Loan Agreement shall be modified, supplemented or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of the Indenture.

Supplemental Indentures Without Bondholder Consent. The District and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders, but with the consent of the Borrower, enter into Supplemental Indentures as follows:

(a) To cure any formal defect, omission, inconsistency or ambiguity in, or to clarify any provision contained in the Indenture.

(b) To grant, confer or impose upon the Trustee, the Registrar or the Paying Agent, for the benefit of the Bondholders, any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as previously in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee, the Registrar or the Paying Agent without its respective consent.

(c) To add to the covenants and agreements of, and limitations and restrictions upon, the District in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as previously in effect.

(d) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture, of the Receipts and Revenues of the District from the Loan Agreement and the Notes, or of any other moneys, securities or funds.

(e) To make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different denominations and similar amendments and modifications of a technical nature.

(f) To make necessary or advisable amendments or additions which do not materially adversely affect the interests of Holders of Outstanding Bonds.

(g) To comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, if applicable.

(h) To modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondholders and which does not involve a change described in Section 8.02 of the Indenture and which, in the judgment of the Trustee, the Paying Agent, the Authenticating Agent and the Registrar, is not to the prejudice of the Trustee, the Paying Agent or the Registrar, respectively.

(i) To provide for the amendment of the provisions concerning registration of the Bonds under a book-entry system or when the Bonds are in certificated form.

(j) To preserve the exemption from federal income taxation of the interest paid on the Series 2011A Bonds.

(k) To provide additional collateral to the Bondholders.

(l) To obtain or maintain the rating of the Series 2011 Bonds or any Series of Additional Bonds by Moody's or S&P.

(m) To provide for the issuance of Additional Bonds in accordance with Section 2.05 of the Indenture.

(n) To provide for the amendment of provisions concerning rebate subject to the delivery to the District, the Trustee and the Borrower of an opinion of Bond Counsel stating that the Supplemental Indenture is authorized by and complies with the terms of the Indenture, is permitted by law and will be valid and binding upon the District in accordance with its terms, and will not adversely affect the Tax-Exemption for the Series 2011A Bonds.

(o) To make any change (including a change in Section 4.10 of the Indenture) to reflect any provision in the Code or the interpretations thereof by the Internal Revenue Service, provided that such change does not materially adversely affect the rights of any Bondholder.

Supplemental Indentures With Bondholder Consent. Owners of not fewer than 51% in aggregate principal amount of the Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the District and the Trustee of any Supplemental Indenture which is deemed necessary or desirable by the District at the written direction of the Borrower for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture, provided, however, that, unless approved in writing by the Owners of all the Bonds then Outstanding, nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bond, a change in the terms of principal amount or premium, if any, of any Outstanding Bond or the rate of interest on any Outstanding Bond or a reduction in the principal amount or premium, if any, of any Outstanding Bond or (ii) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the District from the Loan Agreement and the Series 2011 Notes ranking prior to the claim, lien or pledge created by the Indenture or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as provided in the Indenture or (iv) a reduction in the aggregate principal amount of the Bonds, the consent of the Bondholders of which is required for any such Supplemental Indenture under the Indenture or which is required, under Section 8.08 of the Indenture, for any modification, alteration, amendment or supplement to the Loan Agreement.

Notice. If at any time the District at the direction of the Borrower requests the Trustee to enter into any Supplemental Indenture for any of the purposes described in Section 8.02 of the Indenture, the Trustee will cause notice of the proposed Supplemental Indenture to be given by Mail to the Borrower and all Owners of Outstanding Bonds not fewer than fifteen (15) days in advance of the proposed effective date of such amendment. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy of it is on file at the office of the Trustee for inspection by all Bondholders.

No Right to Object. If the Bondholders of not fewer than the percentage of Bonds required by the Indenture consent to and approve the execution and delivery of the Supplemental Indenture as provided in the Indenture, no Bondholder will have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained in it or to its operation, or in any manner to question the propriety of its execution and delivery, or to enjoin or restrain the District or the Trustee from executing and delivering the same or from taking any action pursuant to its provisions.

Consent of the Borrower Required. The Trustee and the District will not enter into any Supplemental Indenture without the prior written consent of the Borrower.

Amendment of Loan Agreement Without Bondholder Consent. Without the consent of or notice to the Bondholders, the District and the Borrower may modify, alter, amend or supplement the Loan Agreement, and the Trustee may consent to the modification, alteration, amendment or supplement, as may be (a) required by the provisions of the Loan Agreement and the Indenture, (b) necessary or advisable (i) in connection with the issuance of Additional Bonds in accordance with the Indenture, (ii) for the purpose of curing any formal defect, omission, inconsistency or ambiguity in the Loan Agreement or clarifying any provision of the Loan Agreement or (iii) in connection with any other change in the Loan Agreement which is not materially adverse to the Bondholders and which, in the judgment of the Trustee, is not to the prejudice of the Trustee, the Registrar or the Paying Agent. A revision of Exhibit B to the Loan Agreement which does not conflict with the Authorizing Actions, the Series 2011 Resolution or the Home Rule Act will not be deemed to be a modification, alteration, amendment or supplement to the Loan Agreement for any purpose of the Indenture, except that the written consent of the District will be required prior to any such revision. Before the District enters into, and the Trustee consents to, any modification, alteration, amendment or supplement to the Loan Agreement pursuant to the Indenture, there will have been delivered to the District and the Trustee an opinion of Bond Counsel stating that the modification, alteration, amendment or supplement is authorized or permitted by the Indenture, the Home Rule Act, the Authorizing Actions and the Series 2011 Resolution, complies with their respective terms, and upon execution and delivery, will be valid and binding upon the District and the Borrower in accordance with its terms and will not adversely affect the Tax-Exemption for the Series 2011A Bonds.

Amendment of Loan Agreement With Bondholder Consent. Except in the case of modifications, alterations, amendments or supplements referred to above, the District will not enter into, and the Trustee will not consent to, any amendment, change or modification of the Loan Agreement without the written approval or consent of the Owners of not fewer than 51% in aggregate principal amount of Bonds then Outstanding given and procured as provided in the Indenture: provided, however, that unless approved in writing by the Owners of all Bonds then Outstanding, nothing contained in the Indenture will permit, or be construed as permitting, a change in the obligations of the Borrower under the Loan Agreement. If at any time the District or the Borrower requests the consent of the Trustee to any such proposed modification, alteration, amendment or supplement, the Trustee will cause notice of the proposed modification, alteration, amendment or supplement to be given in the same manner as provided by the Indenture with respect to Supplemental Indentures. The notice will briefly set forth the nature of the proposed modification, alteration, amendment or supplement and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Owners. The District may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as provided in the Indenture with respect to Supplemental Indentures.

Discharge of Indenture. If the District pays or causes to be paid to the Owner of any Bond secured by the Indenture, the principal of, premium, if any, on, and interest due and payable, and thereafter to become due and payable, on that Bond, or any portion of that Bond, then that Bond or portion of that Bond will cease to be entitled to the lien, benefit and security of the Indenture. If the District pays or causes to be paid to the Owners of all the Bonds secured by the Indenture, the principal of and interest due and payable on the Bonds and thereafter to become due and payable on the Bonds, and pays or causes to be paid, or makes other satisfactory arrangements with respect to, all other sums owing under the Indenture by the District, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar, the Paying Agent and any co-paying agent, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate will terminate. In that event, the Trustee will assign, transfer and turn over the Trust Estate, including, without limitation, any surplus in the Debt Service Fund and any balance remaining in any other Fund created under the Indenture, to the Borrower, except as otherwise provided in the Indenture.

Defeasance. Any Bond will be deemed to be paid within the meaning of the preceding paragraph and for all purposes of the Indenture when (a) payment of the principal, premium, if any, plus interest on the Bond to its due date (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) has been made or caused to be made in accordance with the terms of the Bond or (ii) has been provided for by irrevocably depositing in trust for the benefit of the Bondholders and irrevocably setting aside exclusively for such payment, Defeasance Securities, and (b) all necessary and proper fees, compensation and expenses of the Trustee, the Authenticating Agent, the Registrar and the Paying Agent pertaining to the Bonds with respect to which the deposit is made are paid or the payment of such amount is provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the Indenture, as provided above, such Bond will no longer be secured by or entitled to the lien or benefit of the Indenture. Notwithstanding the foregoing, no deposit under clause (a)(ii) above will be deemed a payment of such Bonds until (a) proper notice of redemption of such Bonds has been previously given in accordance with the Indenture or (b) in the event such Bonds are not to be redeemed within the next succeeding forty-five (45) days, until the Borrower has given the Trustee, on behalf of the District, irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds in accordance with the Indenture that the deposit required by clause (a)(ii) above has been made with the Trustee, that the Bonds are deemed to have been paid in accordance with the Indenture and further stating that the maturity or redemption date upon which moneys are to be available for the payment of the principal of, or premium, if any, on such Bonds, plus interest on such Bonds to their due date or the maturity of such Bonds. In connection with the defeasance of the Bonds, the Trustee shall be entitled to request a verification report and a defeasance opinion.

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created under the Indenture, but only upon the additional terms set forth therein, to all of which the District agrees and the respective Bondholders agree by their acceptance of delivery of any of the Bonds. The obligations and duties of the Trustee will be determined solely by reference to the Indenture and neither the assignment of the Notes nor the pledge and assignment of the Trust Estate will impose on the Trustee any liability, obligation or duty imposed on the District under the Indenture and the other Bond Documents and, except as expressly set forth in the Indenture, no duties, express or implied, will be imposed on the Trustee. The Trustee acknowledges that it may receive notice from the District pursuant to the Loan Agreement and that it may be directed by the District to forward copies of any such notice to the Holders of the Bonds and to the information repositories referred to in the Continuing Disclosure Agreement. The Trustee shall be permitted in the ordinary course of its business to engage in banking business with the Borrower and the District as if it were not Trustee under the Indenture.

Limitations on Liability. The Trustee may execute any of the trusts or powers contained in the Indenture and perform the duties required by it under the Indenture by or through attorneys, agents, receivers, or employees, and shall be entitled to rely on the advice of counsel concerning all matters relating to the trusts and its duties under the Indenture. Except for an entity wholly owned by, or under common control or common ownership with the Trustee, the Trustee shall not be responsible for any negligence or willful misconduct of any attorney, agent (selected with the consent of the Borrower unless such selection occurs after an Event of Default) or receiver selected by it with due care.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete or definitive and reference is made to the Loan Agreement for a full and complete statement of its terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under "**DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES.**"

The Loan. In order to provide funds for payment of Costs of the 2011 Project, the District shall, concurrently with the execution and delivery of the Loan Agreement and receipt of the agreed upon purchase price for the Series 2011 Bonds from the Underwriters, (i) issue, sell and deliver the Series 2011 Bonds to the Underwriters and (ii) make the Loan to the Borrower on the terms and conditions set forth in the Loan Agreement.

Payments with Respect to the Series 2011 Bonds. The Borrower shall make payments on the Loan sufficient to pay the principal of, premium, if any, on, and interest on, the Series 2011 Bonds, on the dates, in the amounts, at the times and in the manner provided in the Indenture and the Series 2011 Bonds, whether at maturity, upon acceleration, upon redemption or otherwise, provided that the obligation of the Borrower to make any payment under the Loan Agreement shall be deemed to be satisfied and discharged to the extent of a corresponding payment made under the Series 2011 Notes.

Additional Payments. In addition to the payments described above with respect to the payment of the Series 2011 Bonds, the Borrower will pay Additional Payments relating to the Series 2011 Bonds, including, without limitation, all Issuance Costs relating to the Series 2011 Bonds, the Program Fee and

Administrative Costs relating to the Series 2011 Bonds, upon receipt by the Borrower of a request therefor. Anything to the contrary notwithstanding, Additional Payments are subsumed within the definition of Loan Payments and as such are to be paid by the Borrower when due in accordance with the Loan Agreement, in lawful money of the United States of America. The District directs the Borrower to pay to the Trustee, all payments payable by the Borrower pursuant to Section 3.09 of the Loan Agreement (except for the Issuance Costs which may be paid directly by the Borrower to the payee) and the payments to the District which shall be governed by Section 3.10 of the Loan Agreement. Each of the following items constitutes Additional Payments:

(a) The reasonable fees and expenses of the Trustee, Paying Agent, Registrar, Authenticating Agent, Escrow Agent and such accountants, consultants, attorneys and other experts as may be engaged by the District or the Trustee, notice of which shall be given by the District or the Trustee to the Borrower (but failure to receive such notice shall not effect the Borrower's obligation to pay such reasonable fees and expenses), to prepare audits, financial statements, reports, or any required opinions, or to provide such other services required under the Loan Agreement or the Indenture;

(b) The reasonable fees and expenses of the District in connection with any litigation which may at any time be instituted involving the Loan Agreement, the Notes, the Series 2011 Bonds or the Indenture or any other Bond Document, or in connection with the supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement, subject to the provisions set forth in Article XIII of the Loan Agreement;

(c) All Issuance Costs;

(d) All reasonable expenses incurred in connection with any redemption of the Series 2011 Bonds;

(e) All amounts required to be rebated to the federal government;

(f) The Program Fee and all Administrative Costs; and

(g) All amounts required to fund any deficiency in the Debt Service Reserve Fund.

Effect of Failure of Borrower to Make Payments. In the event that the Borrower fails to make any Loan Payments described above with respect to the payment of the Series 2011 Bonds required by the Loan Agreement, the item or installment in default will continue as an obligation of the Borrower until the amount in default is fully paid.

Unconditional Payment Obligation. In the event that the Borrower fails to make any Loan Payments described above with respect to the payment of the Series 2011 Bonds required by the Loan Agreement, the item or installment in default shall continue as an obligation of the Borrower until the amount in default is fully paid.

Covenants of Borrower. As a further inducement to the District to issue the Series 2011 Bonds, to execute and deliver the Indenture and the Loan Agreement and to close the Loan, and as a further inducement to any Holder from time to time to purchase the Series 2011 Bonds, the Borrower covenants, among other things, to:

(i) maintain its corporate existence as a non-profit corporation for educational purposes as set forth in its charter and will not, perform any act or enter into any agreement which shall adversely affect its status as an organization described in

Section 501(c)(3) of the Code which is not a "private foundation" as defined in Section 509(a) of the Code, or its classification as an organization organized and operated for educational purposes and not for pecuniary profit within the meaning of the Securities Act of 1933, as amended;

(ii) subject to certain exceptions, maintain its corporate existence, in good standing, and qualification to do business in the District and will not dissolve, merge or otherwise dispose of all or substantially all of its assets;

(iii) comply with all applicable federal, state and local laws, rules and regulations;

(iv) keep and maintain full and accurate books and records and provide free and prompt access thereto, excluding confidential patient records, to the Trustee upon reasonable request therefor; and

(v) maintain or obtain all necessary permits, licenses, certifications, accreditations and other governmental authorizations necessary to conduct its operations substantially as they are presently conducted or as they may, in the future, be conducted. The Borrower will maintain the necessary accreditation to enable it to maintain its authority to operate the Borrower as an institution of higher education.

Debt Service Coverage Ratio. As of the last day of each Fiscal Year, the Borrower shall maintain a Debt Service Coverage Ratio of at least 1.10 to 1.00. No later than 180 days after the close of each Fiscal Year, the Borrower shall cause to be delivered to the Trustee a certificate from the Borrower's chief financial officer certifying that the Borrower is in compliance with this Section.

If, at the end of any Fiscal Year, the Debt Service Coverage Ratio is less than 1.10 to 1.00, the Trustee shall require the Borrower, at the Borrower's sole expense, to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Borrower and the Borrower's methods of operation and other factors affecting the Borrower's financial condition in order to increase such Debt Service Coverage Ratio to at least 1.10 to 1.00 in the succeeding Fiscal Year. A copy of the Consultant's report and recommendation, if any, shall be filed with the Borrower and the Trustee within 180 days from the end of any such Fiscal Year. So long as the Borrower shall follow each recommendation of the Consultant to the extent feasible (as determined in the reasonable judgment of the Board of the Borrower) and permitted by law, then such failure to achieve a Debt Service Coverage Ratio of at least 1.10 to 1.00 at the end of any Fiscal Year will not constitute an Event of Default; provided, however, that the Borrower shall maintain a Debt Service Coverage Ratio of at least 1.00 to 1.00 for any Fiscal Year.

The foregoing provisions notwithstanding, if, at the end of any Fiscal Year, the Debt Service Coverage Ratio is less than 1.10 to 1.00, the Trustee shall not be obligated to require the Borrower to retain a Consultant to make such recommendations if: (a) there is filed with the Trustee a written report addressed to it of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations are the sole reason that have prevented the Borrower from generating income during such Fiscal Year in an amount sufficient to produce a Debt Service Coverage Ratio of 1.10 to 1.00 or higher; (b) the report of such Consultant indicates that the tuition, fees and rates charged by the Borrower are such that, in the opinion of the Consultant, the Borrower has generated the maximum amount of revenues reasonably practicable given such laws or regulations; and (c) the Debt Service Coverage Ratio was at least 1.00 to 1.00 for such Fiscal Year. The Borrower shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Borrower provides to the Trustee a certificate of a Borrower Representative or an opinion of Bond Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Limitations on Additional General Obligation Indebtedness. The Borrower agrees that from and after the date of delivery of the Series 2011 Bonds, the Borrower shall not incur any Long-Term General Obligation Indebtedness unless a certificate from the Borrower's chief financial officer is delivered to the Trustee demonstrating and concluding that after giving effect to such Long-Term General Obligation Indebtedness the Debt Service Coverage Ratio will not be less than 1.10 to 1.00 (i) as of the date of incurrence of such Long-Term General Obligation Indebtedness (using the most recent audited financial statements of the Borrower for purposes of the calculation) and (ii) on a pro forma basis, as of the close of the next Fiscal Year.

Damage, Destruction and Condemnation. Prior to payment in full of the Series 2011 Bonds (or provision for payment in full of the Series 2011 Bonds having been made in accordance with the Indenture), the Borrower will be obligated to continue to pay all amounts payable pursuant to the Notes and the Loan Agreement as and when due, notwithstanding the fact that (i) the Facilities or any portion of them are destroyed or are damaged by fire or other casualty or (ii) title to, or any interest in, or the temporary use of the Facilities or any part of them are taken under the exercise of the power of eminent domain made by any governmental body or by any person, firm or corporation, acting under governmental authority. Prompt written notice of any taking, loss, damage or destruction of any part of the Facilities of or any official notice thereof or of the institution of any proceeding therefore by any public instrumentality, body, agency or officer shall be given to the Trustee and to the District by the party first informed thereof.

Election to Apply Net Proceeds. Any Net Proceeds received by the Borrower as a result of any damage, destruction, condemnation or threat of condemnation shall be applied within the geographical boundaries of the District at the option of the Borrower in its sole discretion (a) to the prepayment of the Loan and the redemption of the Bonds to the extent permitted under the Indenture and Section 11.03 of the Loan Agreement, (b) to the replacement or restoration of the affected portion of the Projects, provided that no Event of Default under Section 15.01 the Loan Agreement has occurred and is continuing, or (c) to other purposes of the Borrower, provided that with respect to use of Net Proceeds pursuant to clause (c), (i) no Event of Default pursuant to Section 15.01 of the Loan Agreement has occurred and is continuing, and (ii) the Borrower provides an opinion of Bond Counsel addressed to the District, the Trustee and the Borrower, that the use of Net Proceeds for such other purposes will not adversely affect the Tax-Exemption for the Series 2011A Bonds and such replacement or restoration does not contravene the Home Rule Act or the other Authorizing Actions.

The Borrower's Option to Prepay the Loan. Subject to and in accordance with the redemption provisions of the Indenture, the Borrower has and is granted the option in its sole discretion to prepay the Loan, in whole or in part, and, if in whole, to terminate the Loan Agreement by paying to or depositing with the Trustee or other escrow agent, for deposit into the Debt Service Fund, the Redemption Fund, or other escrow fund an amount which, when added to the amounts on deposit (including interest to be earned thereon) and available for that purpose in other Funds held by the Trustee, will be sufficient on the redemption date to pay the Loan in full, pay all Additional Payments, and redeem the Series 2011 Bonds in their entirety in accordance with the provisions of the Indenture.

Option to Prepay the Loan Upon the Occurrence of Certain Events. The Borrower shall have the option to prepay the amounts payable under the Loan Agreement in whole or in part at any time, but only to the extent of the applicable Net Proceeds described below, if title to, or the temporary use of, any portion of the facilities financed with the Series 2011 Bonds shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or any portion of the facilities financed with the Series 2011 Bonds is damaged or destroyed by fire or casualty, and the Borrower determines in accordance with Section 9.02 of the Loan Agreement to prepay the Series 2011 Notes, in whole or in part, with the Net Proceeds received in connection with such exercise or casualty within forty-five (45) days of the receipt of such proceeds; provided, however, that such prepayment shall be permitted only to the extent that the compensation, awards or other payments therefor are not applied to the repair, restoration, rebuilding or replacement of the portion of the facilities financed with the Series 2011 Bonds so affected, and the amount of the Net Proceeds prepayment does not exceed the amount of Series 2011 Bond proceeds originally used to finance the condemned or damaged facilities.

Limitations on Liability. (a) Notwithstanding any other provision of the Loan Agreement or the Series 2011 Bonds to the contrary, in accordance with the Authorizing Actions, the Series 2011 Bonds shall constitute special obligations of the District. The Series 2011 Bonds are without recourse to the District. The Series 2011 Bonds shall not constitute general obligations of the District, shall not constitute a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District and shall not constitute a lending of the public credit for private undertakings as prohibited by Section 602(a)(2) of the Home Rule Act. The Series 2011 Bonds shall never constitute or give rise to any pecuniary liability of the District or any of its elected or appointed officials, officers, employees or agents, and the District will not have any obligation with respect to the purchase of the Series 2011 Bonds.

(b) The District shall have no liability or obligation for the payment of any Costs of Issuance.

(c) The District's issuance of the Series 2011 Bonds and the Loan to the Borrower shall in no way be construed as obligating the District in any way to any person or entity for the payment of any expense incurred with respect to the Projects. Accordingly, no person or entity contracting with the Borrower with respect to the Projects shall be reimbursed by the District under any circumstances.

No covenant, obligation or agreement contained in any of the Series 2011 Bond Documents will be considered to be a covenant, obligation or agreement of any elected or appointed official, officer, employee or agent of the District in his or her individual capacity, and neither the members of the Council nor the Mayor nor any official executing any of the Series 2011 Bond Documents nor any other District official will be liable personally or be subject to any personal liability or accountability by reason of anything stated in or omitted from any of the Series 2011 Bond Documents. No person, including the Borrower, will have any claims against the District or any of its elected or appointed officials, officers, employees or agents for damages suffered as a result of the District's failure to perform any covenant, undertaking or obligation under the Series 2011 Bond Documents, nor as a result of the incorrectness of any representation in or omission from any of the Series 2011 Bond Documents unless the District or its elected or appointed officials, officers, employees or agents have willfully acted in a fraudulent manner.

Events of Default. Each of the following shall constitute an Event of Default by the Borrower under the Loan Agreement:

(a) If (i) any material representation, warranty or statement made by the Borrower in or pursuant to the Loan Agreement, or any material written information furnished by the Borrower in or pursuant to the Loan Agreement or any of the other Bond Documents or otherwise made to the District in connection with the financing, refinancing or reimbursing of Costs of the Projects, or (ii) any material representation, warranty or statement made in any certificate, financial statement, requisition for funds or other instrument furnished to the District by the Borrower in connection with the Loan Agreement or any of the other Bond Documents or otherwise in connection with the sale of the Series 2011 Bonds or the financing, refinancing or reimbursing of Costs of the Projects, is incorrect, untrue or misleading and adversely affects (A) the validity or enforceability of the Series 2011 Bonds under the law of the District or (B) the Tax-Exemption for the Series 2011A Bonds;

(b) The failure of the Borrower to make any Debt Service Payment when due;

(c) The failure of the Borrower to pay any Additional Payment when due, or to observe or perform any covenant, condition or agreement to be observed or performed by it other than as referred to in (b) of this section, for a period of 90 days after written notice from the District or the Trustee which specifies the failure and requests that it be remedied, unless the District and the Trustee agree in writing to an extension of time prior to expiration of the 90 day period, provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the District and the Trustee will not unreasonably withhold their consent to an extension of time if corrective action is instituted by the Borrower within the applicable period and is being diligently pursued until the Event of Default is corrected;

(d) The occurrence of an Event of Default under the Indenture; or

(e) If the Borrower shall: (i) voluntarily be adjudicated a bankrupt or insolvent, (ii) seek or consent to the appointment of a receiver or trustee for itself or for all or any part of its property, (iii) file a petition seeking relief under the bankruptcy or similar laws of the United States, the District or any state or any other competent jurisdiction, (iv) make a general assignment for the benefit of creditors, (v) admit in writing its inability to pay its debts as they mature, (vi) be involuntarily declared bankrupt if a court of competent jurisdiction shall enter an order, judgment or decree appointing, without the consent of the Borrower, a receiver or trustee for it for all or any part of the Borrower's property or approving a petition filed against any such party seeking relief under the bankruptcy or other similar laws of the United States, the District or any state or other competent jurisdiction, and such order, judgment or decree shall be consented to or remain in force undischarged or unstayed for a period of 90 days after the date on which such petition was filed; or (vii) have a creditor file a petition in bankruptcy or for the appointment of a receiver or for similar relief against the Borrower for reorganization of any such party pursuant to any similar federal, District or state bankruptcy laws, and if such petition shall be consented to by such party or not be discharged or dismissed within 90 days after the date on which such petition was filed.

Rights and Remedies on Default. (a) Upon the occurrence and continuance of any Event of Default described in the Loan Agreement, and upon the Series 2011 Bonds being declared immediately due and payable in accordance with the Indenture, then the Debt Service Payments and Additional Payments will, without further action or demand, become and be immediately due and payable. Any waiver of any Event of Default under the Indenture and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event of Default or Events of Default under the Loan Agreement and a rescission and annulment of the consequences of that Event of Default or those Events of Default.

(b) Upon the occurrence and continuance of any Event of Default described in the preceding section under the caption "Events of Default" unless waived, the Trustee may take one or any combination of the following remedial steps:

(i) If reasonably necessary in the opinion of the Trustee, have reasonable access to and inspect, examine and make copies of, the books and records and any and all accounts, data and income tax and other tax returns of the Borrower to the extent related to the Projects or the Series 2011 Bonds.

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts due on the Notes and thereafter to become due, to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Series 2011 Bond Documents or enforce the rights of the Borrower against third parties.

(iii) Withhold any and all payments, disbursements, advances and reimbursements from the proceeds of the Series 2011 Bonds or the Project Fund or to which the Borrower may otherwise be entitled and apply those proceeds or moneys in the Project Fund to the payment of any obligation of the Borrower under the Series 2011 Bond Documents.

Non-Compliance with District Agreements. The Borrower has agreed to comply with the District Agreements, the execution of each of which induced the District to issue the Series 2011 Bonds. In the event that it is determined that an Event of Non-compliance has occurred and is continuing with respect to the Borrower under any of the District Agreements, the District may (i) seek enforcement of any right under the applicable District Agreement and seek any available administrative, legal or equitable remedy to obtain specific performance or other relief thereunder, and (ii) after the conclusion of any final administrative or judicial proceedings, if any, with respect to such Event of Non-compliance, direct the Trustee to give written notice of such Event of Non-compliance to the Bondholders.

The occurrence of an Event of Non-compliance is not an Event of Default under the Loan Agreement. There shall not be an Event of Non-compliance if the Borrower is contesting, in good faith, the existence of said Event of Non-compliance, or compliance is stayed or restricted by an administrative or judicial proceeding or determination, or the District has elected not to declare the existence of such Event of Non-compliance.

Amendments, Changes and Modifications. Subsequent to the issuance of the Series 2011 Bonds and prior to their payment in full, the Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the District and the Borrower as provided in the Indenture. A copy of any amendments to the Loan Agreement shall be sent to the applicable Rating Agencies.

Term of Agreement. The Loan Agreement will remain in full force and effect from its date to and including the later of the date of the Notes and all of the Series 2011 Bonds and the fees and expenses of the District, the Trustee, the Registrar and the Paying Agent have been fully paid (or until provision for payment in full has been made in accordance with the terms of the Series 2011 Bond Documents).

THE SERIES 2011 NOTES

The following is a summary of certain provisions of the Series 2011 Notes. Such summary does not purport to be complete or definitive and reference is made to the Series 2011 Notes for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **"DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE LOAN AGREEMENT AND THE SERIES 2011 NOTES."**

The Borrower promises to pay to the order of the District of Columbia and its assigns the principal of the Series 2011 Notes, together with interest on the unpaid principal. The Series 2011 Notes provides for payments in amounts sufficient to enable the District to make timely payment, when due, of the principal of, premium, if any, on, and interest on the Series 2011 Bonds, whether at maturity, by acceleration, on redemption or otherwise. The Borrower further promises to pay any and all amounts due and payable under the terms of the Loan Agreement. At the time all principal of, premium, if any, on, and interest on the Series 2011 Bonds shall have been paid or provided for, the Borrower shall not be obligated to make any further payments under the Series 2011 Notes and the Holder shall surrender the Series 2011 Notes to the Borrower for cancellation.

The District has assigned the Series 2011 Notes and the payments to be made under it to the Trustee as security for the Series 2011 Bonds.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL OPINION

SERIES 2011A BONDS

District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Re: $225,250,000 District of Columbia Revenue Bonds (The Howard University Issue), Series 2011A

Ladies and Gentlemen:

We have acted as bond counsel to the District of Columbia (the "Issuer") in connection with issuance of $225,250,000 aggregate principal amount of District of Columbia Revenue Bonds (The Howard University Issue), Series 2011A (the "Bonds"), pursuant to the provisions of the District of Columbia Home Rule Act, approved December 24, 1973 (PL 93-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01, *et seq.* (2001)), as amended (the "Home Rule Act") and the Indenture of Trust, dated as of April 1, 2011 (the "Indenture"), between the District and The Bank of New York Mellon, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to The Howard University (the "Borrower") pursuant to the Loan Agreement, dated as of April 1, 2011 (the "Loan Agreement"), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Issuer and the Borrower, opinions of counsel to the Issuer, the Trustee and the Borrower, certificates of the Issuer, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinions of Ballard Spahr LLP and Lewis & Munday, A Professional Corporation, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that the opinions are subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinions of counsel to the Borrower do not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the

Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including, without limitation, the $150 million limitation on qualified 501(c)(3) bonds that do not finance hospital facilities set forth in Section 145(b) of the Code, as well as other covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a body politic and corporate duly created and organized and validly existing for municipal purposes under the Constitution of the United States of America and the Home Rule Act, with corporate power and authority to enter into and perform its obligations under the Indenture and the Loan Agreement, to issue the Bonds, to apply the proceeds of the Bonds in the manner described in the Indenture and to pledge and assign the Trust Estate to the Trustee under the Indenture.

2. The Bonds have been duly authorized and issued in accordance with the Home Rule Act and constitute valid and binding special obligations of the Issuer payable as to principal, premium, if any, and interest solely from the revenues and receipts pledged thereto pursuant to the Indenture. The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer, do not make a pledge of or involve the faith and credit or taxing power of the Issuer, do not constitute a debt of the Issuer and do not constitute a lending of the public credit of the Issuer for a private undertaking prohibited by section 602(a)(2) of the Home Rule Act.

3. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Loan Agreement has been duly authorized, executed and delivered and constitutes a valid and binding agreement of the Issuer.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code and is exempt from District of Columbia taxation except estate, inheritance, and gift taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

FORM OF BOND COUNSEL OPINION

SERIES 2011B BONDS

District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Re: $65,065,000 District of Columbia Revenue Bonds (The Howard University Issue) Series 2011B (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the District of Columbia (the "Issuer") in connection with issuance of $65,065,000 District of Columbia Revenue Bonds (the Howard University Issue Series 2011B (Taxable) (the “Bonds”), pursuant to the provisions of the District of Columbia Home Rule Act, approved December 24, 1973 (PL 93-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01, *et seq.* (2001)), as amended (the "Home Rule Act") and the Indenture of Trust, dated as of April 1, 2011 (the "Indenture"), between the District and The Bank of New York Mellon, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to The Howard University (the "Borrower") pursuant to the Loan Agreement, dated as of April 1, 2011 (the "Loan Agreement"), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, opinions of counsel to the Issuer, the Trustee and the Borrower, certificates of the Issuer, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Loan Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a body politic and corporate duly created and organized and validly existing for municipal purposes under the Constitution of the United States of America and the Home Rule Act, with corporate power and authority to enter into and perform its obligations under the Indenture and the Loan Agreement, to issue the Bonds, to apply the proceeds of the Bonds in the manner described in the Indenture and to pledge and assign the Trust Estate to the Trustee under the Indenture.

2. The Bonds have been duly authorized and issued in accordance with the Home Rule Act and constitute valid and binding special obligations of the Issuer payable as to principal, premium, if any, and interest solely from the revenues and receipts pledged thereto pursuant to the Indenture. The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer, do not make a pledge of or involve the faith and credit or taxing power of the Issuer, do not constitute a debt of the Issuer and do not constitute a lending of the public credit of the Issuer for a private undertaking prohibited by section 602(a)(2) of the Home Rule Act.

3. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Loan Agreement has been duly authorized, executed and delivered and constitutes a valid and binding agreement of the Issuer.

5. Interest on the Bonds is not excluded from gross income for federal income tax purposes under section 103 of the Code however such interest is exempt from District of Columbia taxation except estate, inheritance, and gift taxes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Circular 230 Disclaimer

Investors are urged to obtain independent tax advice regarding the Bonds based upon their particular circumstances. The tax discussion above regarding the Bonds was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties. The advice was written to support the promotion or marketing of the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This *CONTINUING DISCLOSURE AGREEMENT* (this *"Disclosure Agreement"*), dated as of April 1, 2011, is executed and delivered by The Howard University (the *"University"*), The Bank of New York Mellon (the *"Dissemination Agent"*) and The Bank of New York Mellon, as trustee (the *"Trustee"*), in connection with the issuance by the District of Columbia (the *"District"*) of its $225,250,000 District of Columbia Revenue Bonds (The Howard University Issue), Series 2011A (the *"Series 2011A Bonds"*) and the $65,065,000 District of Columbia Revenue Bonds (The Howard University Issue), Series 2011B (Taxable) (the *"Series 2011B Bonds,"* and together with the Series 2011A Bonds, the *"Series 2011 Bonds"*). The Series 2011 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011, between the District and the Trustee. The University, the Dissemination Agent and the Trustee covenant and agree as follows:

1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University, the Dissemination Agent and the Trustee for the benefit of the holders of the Series 2011 Bonds and delivered in order to assist Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., J.P. Morgan Securities LLC, Loop Capital Markets LLC, Rice Financial Products Company, Siebert Brandford Shank & Co., L.L.C. and The Williams Capital Group, L.P. (collectively, the *"Underwriters"*) in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*SEC*") under the Securities and Exchange Act of 1934, as the same may be amended from time to time. The University, the Dissemination Agent and the Trustee acknowledge that the District has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including (without limitation) any holder of the Series 2011 Bonds, with respect to any such reports, notices or disclosures. Capitalized terms used and not defined herein shall have the meanings given to such terms in the Indenture.

2. Annual Disclosure.

(a) The University will provide, or will cause the Dissemination Agent to provide, annually certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the University, prepared in accordance with generally accepted accounting principles; and

(ii) the annual financial and operating data with respect to the University of the type appearing in Appendix A to the Official Statement dated April 7, 2011 in Tables 3, 4, 11, 13, 14, 15, 18, 19, 20 and 23.

(b) The University will provide, or will cause the Dissemination Agent to provide, annually the financial information and operating data described in subsection (a) above (the *"Continuing Disclosure"*) within 180 days after the end of the University's fiscal year, commencing not later than December 31, 2011, for the University's fiscal year ending June 30, 2011, to the Municipal Securities Rulemaking Board (the *"MSRB"*). If the University's fiscal year changes, the University shall notify the Dissemination Agent in writing of such change.

(c) Not later than 15 Business Days prior to the date specified in subsection (b) for providing the Continuing Disclosure to the MSRB, the University shall provide the Continuing Disclosure to the Dissemination Agent. If, by such date, the Dissemination Agent has not received a copy of the Continuing Disclosure, the Dissemination Agent shall contact the University to determine if the University is in compliance with subsections (a) and (b) above.

(d) Any of the Continuing Disclosure may be included by specific reference to other documents previously provided to the MSRB, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(e) The Dissemination Agent will provide in timely manner to the MSRB notice specifying any failure of the University to provide the Continuing Disclosure by the date specified in subsection (b).

3. Event Disclosure.

(a) The University will provide, or cause the Dissemination Agent to provide, notice to the MSRB in an electronic format as prescribed by the MSRB within 10 Business Days of the occurrence of any of the following events with respect to the Series 2011 Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on any credit enhancement reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011 Bonds, or other material events affecting the tax status of the Series 2011 Bonds;
(7) modifications to rights of Bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasance of all or any portion of the Series 2011 Bonds;
(10) release, substitution, or sale of property securing repayment of the Series 2011 Bonds;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar events of the University;
(13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Trustee shall, within 5 Business Days of obtaining actual knowledge of the occurrence of any of the events listed in subsection (a) above, without any determination as to materiality, contact the Senior Vice President and Chief Financial Officer/Treasurer of the University, inform such person of such event, and request that the University promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) below. For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of an event shall mean knowledge by an officer at the principal office of the Trustee with regular responsibility for the administration of matters related to the Indenture.

(c) Whenever the University obtains knowledge of the occurrence of an event listed in subsection (a) above, because of a notice from the Trustee pursuant to subsection (b) above or otherwise, the University shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the University has determined that knowledge of the occurrence of an event listed in subsection (a) above would be material under applicable federal securities laws, the University shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) below.

(e) If in response to a request under subsection (b) above, the University determines that the occurrence of an event listed in subsection (a) above would not be material under applicable federal securities laws, the University shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) below.

(f) If the Dissemination Agent has been instructed by the University to report the occurrence of an event listed in subsection (a) above, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board with a copy to the University.

4. Method of Filing. The University shall provide, or cause the Dissemination Agent to provide, the documents referred to above to the MSRB in an electronic format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The University may alternatively discharge its undertaking in this Disclosure Agreement by transmitting the documents described herein to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

5. Termination. The covenants and obligations of the University specified in Sections 2 and 3 above will terminate upon the redemption, legal defeasance (within the meaning of the Rule) or payment in full of all the Series 2011 Bonds.

6. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the District, the University and the Trustee.

7. Amendment. The University reserves the right to modify its obligations contained in Sections 2 and 3 above without the consent of Bondholders, provided that such modification complies with the Rule as it exists at the time of modification.

8. Defaults.

(a) If the University fails to comply with any covenant or obligations regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Series 2011 Bonds then outstanding may, by notice to the University, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the University's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the University to comply with any covenant or obligations regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Series 2011 Bonds, the Indenture or the Loan Agreement, and (ii) shall not give rise to any right or remedy other than that described in Section 8(a).

9. Additional Disclosure. The University may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the University shall not incur any obligations to continue to provide, or to update, such additional information or data.

10. Duties, Immunities and Liability of the Trustee and the Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the University agrees to indemnify and save the Dissemination Agent and the Trustee, and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding (as to the Dissemination Agent) liabilities due to the Dissemination Agent's negligence or willful misconduct and (as to the Trustee) liabilities due to the Trustee's negligence or willful misconduct. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Series 2011 Bonds or the termination hereof.

11. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the University:	The Howard University 2244 10th Street, N.W. Washington, D.C. 20059 Attention: Senior Vice President and Chief Financial Officer/Treasurer Tel: (202) 806-2411 Fax: (202) 806-9533
To the Trustee:	The Bank of New York Mellon 385 Rifle Camp Road West Patterson, New Jersey 07424 Attention: Corporate Trust Department Tel: (973) 247-4740 Fax: (973) 387 7840
To the Dissemination Agent:	The Bank of New York Mellon 385 Rifle Camp Road West Patterson, New Jersey 07424 Attention: Corporate Trust Department Tel: (973) 247-4740 Fax: (973) 387 7840

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

13. Applicable Law. This Disclosure Agreement shall be construed under the laws of the District of Columbia and, to the extent inconsistent, with the laws of the United States of America.

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THE HOWARD UNIVERSITY

By: ____
Robert M. Tarola
Senior Vice President and Chief Financial Officer/Treasurer

THE BANK OF NEW YORK MELLON,
as Dissemination Agent

By: ____
Authorizing Officer

THE BANK OF NEW YORK MELLON,
as Trustee

By: ____
Authorizing Officer

[*Signature Page to Continuing Disclosure Agreement*]

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APPENDIX F

BOOK-ENTRY ONLY FORM

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APPENDIX F

BOOK-ENTRY-ONLY FORM

Beneficial ownership interests in the Series 2011 Bonds will be available only in a book-entry system. The actual purchasers of the Series 2011 Bonds (the "*Beneficial Owners*") will not receive physical certificates representing their interests in the Series 2011 Bonds purchased. So long as The Depository Trust Company ("*DTC*"), New York, New York, or its nominee is the registered owner of the Series 2011 Bonds, references in this Official Statement to the Owners of the Series 2011 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Indenture contains provisions applicable to periods when DTC or its nominee is not the registered owner.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2011 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE SERIES 2011 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2011 BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for each separately stated maturity of the Series 2011 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of a beneficial interest in the Series 2011 Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011 Bonds, except in the event that use of the book-entry only system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011 Bonds within a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the District or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011 Bond certificates will be printed and delivered.

*So long as a nominee of DTC is the registered owner of the Series 2011 Bonds, references herein to the bondholders or the holders or owners of the Series 2011 Bonds (other than under the caption "***TAX MATTERS***") will mean DTC and will not mean the Direct Participants, the Indirect Participants or the Beneficial Owners of the Series 2011 Bonds. The District and the Trustee will recognize DTC or its nominee as the holder of all of the Series 2011 Bonds for all purposes, including the payment of the principal of, or the redemption price of and interest on, the Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the bondholders under the Indenture.*

NONE OF THE DISTRICT, THE TRUSTEE, THE UNDERWRITERS OR THE UNIVERSITY SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO PAYMENTS OR NOTICES TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

None of the District, the Trustee, the Underwriters or the University can give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of the principal of, or redemption price of and interest on the Series 2011 Bonds paid to DTC or its nominee, as the registered owner of the Series 2011 Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

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District of Columbia • Revenue Bonds (The Howard University Issue), Series 2011A and Series 2011B (Taxable)

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