With your help and God's direction the job assigned to us will be done...

To Meet The Challenge of Our Era

HOWARD UNIVERSITY/ Washington, D.C.

contents

A Sense of Duty

One of the most worthwhile investments today is the expenditure for a college education. And it is one of the most costly. With rising tuition fees and other related expenses, the unfortunate fact is that a large number of potential students cannot finance a higher education.

Howard University now is attracting a larger number than ever before of lower income students whose primary goal in life is to improve their conditions and qualify for service to mankind. A college education is a means of preparing them to meet the challenges provided by this computerized nuclear age and to compete for the many fine jobs now available.

Through scholarships and other programs of financial aid, Howard assists many economically deprived students. However, the University finds itself presently unable to meet the needs of increased numbers of students and prospective students. Unless our resources are greatly enlarged, it will be impossible for Howard to enable society to capitalize on the potential contributions of these promising young people.

Despite substantial aid from the Federal Government for operating expenses, Howard is among the American colleges and universities suffering financial inadequacies. The University cannot use Government funds in the awarding of scholarship aid. As elsewhere in the field of higher education, a student at Howard pays approximately one-third the institution's cost to educate him. Even so, more than half need help in defraying their tuitions and other expenses. It is here that Howard University financial aid to students is crucial.

Howard is determined to play its part, to see that our youth receive the education they need to compete in all areas of today's rapidly changing society. There are two major phases of this undertaking. First, in order to help its students meet the new challenges and take advantage of the new opportunities, the University has formulated a broader and more thorough academic program than in any previous year, and it has improved physical facilities.

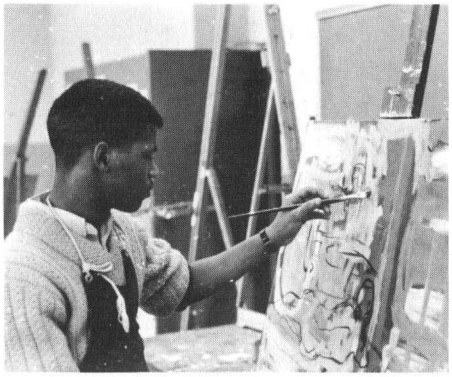
Secondly, we are launching upon a program to secure greatly increased student aid funds, in the hope that, as far as practicable, all academically qualified applicants will be afforded the opportunity to enroll here and to continue to graduation.

This imperative goal presents a richly rewarding opportunity to YOU.

The University urgently needs your help and participation in its annual giving or deferred gifts programs.

Since its founding in 1867, Howard University has sent forth products who have rendered decisive service to this country and the world. Today, there are more students here than at any other time in our history. These are young men and women who feel a sense of duty to the world. The University is confident that with the help of its dedicated alumni and other friends it will enable these students both to make a mark for themselves and a significant contribution to their fellows.

Need for Giving



The early 1940's, 1950's, and 1960's found Howard University at the center of the social revolution sweeping the nation. Concurrently, the national demand for education beyond the secondary school level soared. To meet these new challenges, Howard expanded its facilities, its services, its scope of instruction. This demanded new men and new means, yet the spiraling costs of education created grave problems.

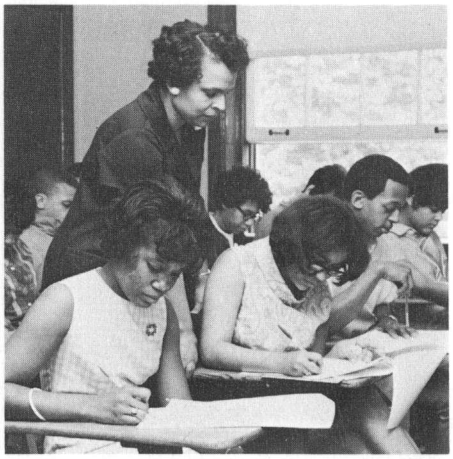
For Howard to continue to meet these challenges of our time and the times to come, it needs a commitment from alumni and friends, an involvement not only of action, but of financial support. To expand its scholarships, Howard must have the financial support of persons interested in sharing in the growth of a great University and a great nation.

Among the problems confronting Howard students is how to complete their long course of education. This is made particularly difficult since Federal funds cannot be used for scholarship aid, and this aid must come from the University budget and from private gift sources. Although scholarships are given to superior students, most are awarded on the basis of need. Last year, more than 2,834 scholarships were awarded in the amount of $1,862,965. This represents a major financial commitment on the University's part. Yet, it is not enough. About 50 percent of our students require financial assistance. To meet this increased demand for financial aid, the University is dependent upon your participation in Howard's Annual Giving and Deferred Gifts Programs.

"In our society, the extent to which equality of economic opportunity, political opportunity, cultural opportunity and social responsibility are achieved will be determined in large measure by the extent to which the inequality of educational opportunity is removed. The extent to which success is achieved in these endeavors will depend upon our continued vigilance and diligence in wisely using our collective talents and resources to meet the challenge of our era.

"For we are convinced that where the quality of our education is unimpeachable, where the integrity of our administrative procedures is beyond reproach, where the dedication of our faculty is clearly visible, and where the interest of our Board of Trustees is unassailable, with your help and God's direction the job assigned to us will be done."

Dr. James E. Cheek
President



Annual Giving Program

The Federal Government encourages philanthropic donations. The maximum tax deduction so authorized can be obtained by contributions to Howard University. The first phase of giving is the Annual Giving Program. The simplest way to do this is by immediately sending your donation of $50, $100, $200, $500, $1,000 or more (or whatever individual circumstances allow). Receipts from the Giving Program are used for student aid. More specifically, receipts are used to:

- provide financial aid to qualified high school students wishing to attend Howard but who lack the means to do so;

- provide financial aid to students already attending Howard but who would be forced to discontinue their education because of insufficient funds;

- increase the number and amount of existing scholarships which now range from $500 to $1,100 per year;

- establish new scholarship programs in specific as well as general areas on both the undergraduate and graduate levels.

Many companies have inaugurated "matching gift" plans as a means of making philanthropic contributions. Although numerous variations of the plan exist, its basic operation is simple: the company matches your philanthropic gift, usually dollar for dollar. For example, you are donating $50 to Howard. By making this fact known to the appropriate personnel, your firm, if it has such a plan, then matches your gift by giving you a check in the amount of $50. Your contribution to Howard is now doubled and your gift is $100 instead of $50. It is suggested that you consult your company to ascertain the existence of a "matching gift" plan. Your participation in the plan affords another means of subscribing to the Annual Giving Program.

The Annual Giving Program is necessary to meet current obligations in the area of student aid. The number of students who receive financial assistance from the University is in large measure determined by the number of contributors who recognize the importance of this kind of support each year. While unrestricted gifts allow greater flexibility in meeting the needs of our students, restricted gifts are gratefully accepted. Solutions to daily student financial emergencies are dependent upon consistent annual contributions of any amount.

Deferred Gifts

The second phase of giving is by Deferred Gifts. Simply stated, a deferred gift is one, such as a bequest, that comes to the University, aiding it financially at a future date. Deferred gifts fall into two basic categories: bequests and retained life interest. Among the various methods of participating in the University's Deferred Gifts Program, Howard suggests the following:

1. Retained Life Income Gifts
2. Gifts of Life Insurance
3. Gifts of Appreciated Property
4. Donative Sale of Appreciated Property
5. Gifts by Will

Note: *The examples cited are based on current tax laws which are subject to modification in the future by acts of Congress.*

Glossary

Adjusted Gross Income—A taxpayer's gross income minus certain prescribed deductions.

Appreciated Property—Capital assets, real or personal, which are increased in value in the hands of the owner over the cost at which he procured them on their adjusted basis.

Bequest—Personal property given to another person by will.

Capital Gain—Income realized from the sale or exchange of appreciated capital assets and subject to special treatment under the income tax.

Carryover Benefit—The privilege of extending a tax deduction (the charitable deduction) over to a succeeding year or years.

Charitable Deduction—A deduction from a taxpayer's adjusted gross income for gifts to charitable organizations.

Current Market Value—A price representing what a willing and unpressured buyer would pay for property held by a similarly situated seller. This term is used interchangeably with fair market value.

Deduction—A legislatively granted privilege to subtract so much from a taxpayer's income as equals the value of the gift, the loss, expense incurred, etc., of certain events or transactions.

Depreciation—A deduction allowed for the recapture of property cost. The deduction is allowed in installments over the life of the property.

Endowment—The total assets held for a stated purpose. In the case of college endowments, the purpose is to produce income to be used in the educational program.

Gross Estate—All assets which a decedent owned at his death or made a transfer of before death which the estate tax laws require to be included in the donor's taxable estate prior to deductions and exemptions.

Gross Income—For federal income tax purposes, all receipts minus cost of goods sold and other items exempted from gross income by specific statutory provision.

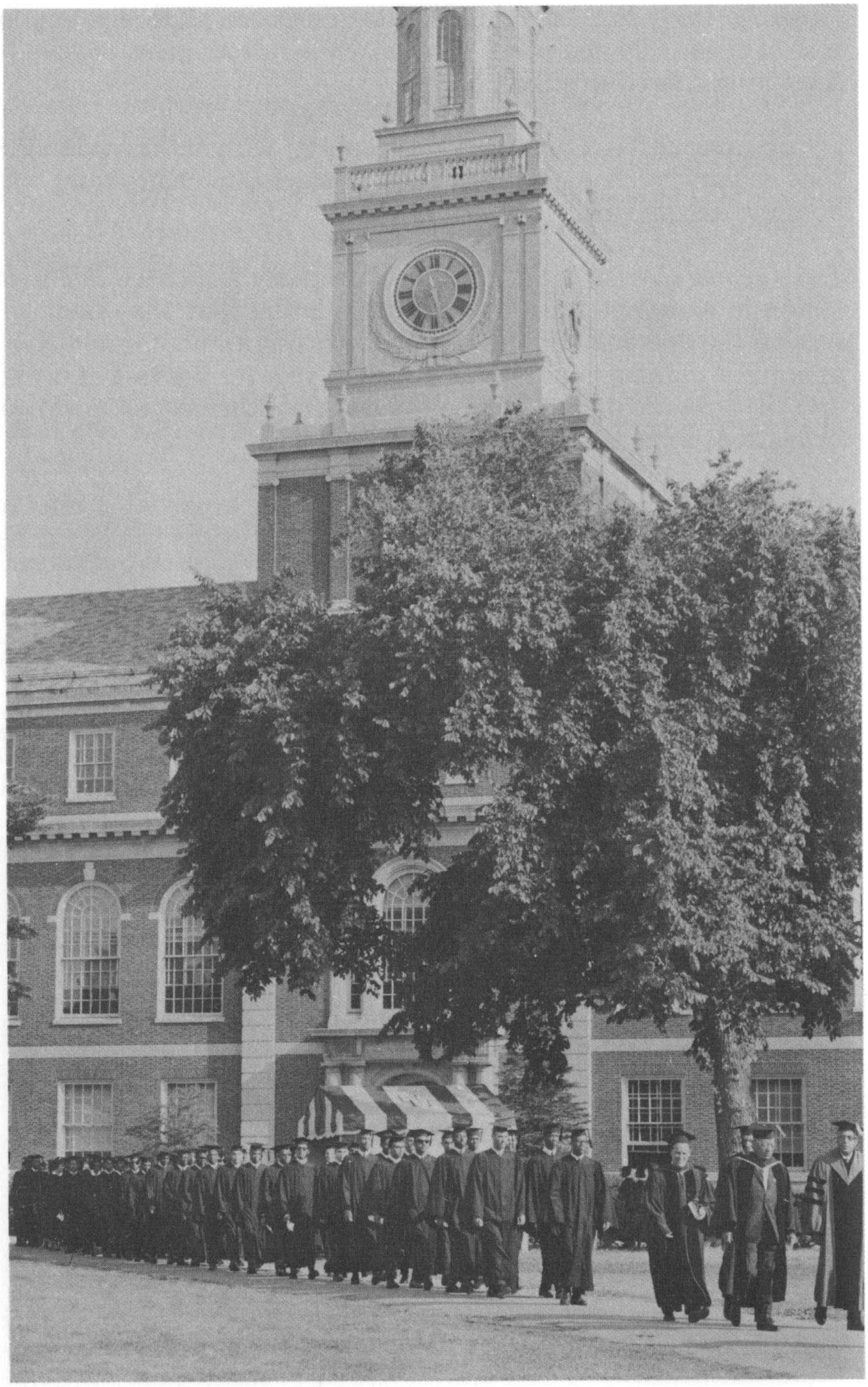
Irrevocable Gift—A transfer of property without consideration that cannot be changed. This term is used interchangeably with absolute assignment.

Life Income Contract—A transfer of property to a charitable institution in exchange for a contract stipulating that the donor will receive the average earnings of the institution's endowment fund as applied to the amount of his gift each year for the rest of his life and that the institution will be the owner of the property with no obligations after the donor's death.

Marital Deduction—For estate tax purposes, a partial deduction allowed for property received by a husband or wife from his or her spouse and included in the latter's estate.

Reservation of Life Income—Retention of the income from an asset which a person is giving away or selling.

Trust—A right in or power over property held by one person (the trustee) on behalf of another (the beneficiary).



Retained Life Income Gifts

A gift of Retained Life Income is a legal contract under which the donor gives cash or property to the University which agrees to pay to the donor, or someone designated by him, the income from the property for life. Income from the property begins from the date of the gift and is paid according to the terms of the contract. Upon the death of the donor, the University becomes the sole owner of the property, free to use the remainder interest for its own needs.

Apart from the obvious satisfaction the donor receives from knowing that his gift assures resources necessary for the life of the University, other benefits are accrued. The most important is that the donor receives a variable income for life with his spendable income increasing as his gift appreciates in value. Additionally, a large part of the gift is tax deductible, up to 30% of the donor's annual adjusted gross income with excess carried forward for an additional five years. This reduction of income tax increases the donor's spendable income.

The rule of thumb to remember is that the exact deduction will depend on the donor's age plus the total amount of the gift.

Retained Life Income Gifts Model:

Mrs. Lake, who is 50 years of age, enters into a $10,000 Life Contract with Howard University. Assuming the income from the property is 4% each year, she receives $400 yearly for life. Because of her age, Mrs. Lake is also entitled to a contribution tax deduction of $4,800. This represents a tax saving to Mrs. Lake of $2,400 and further increases her income. Should the property appreciate in value, Mrs. Lake will have to pay no capital gains tax yet her income from the gift will be increased further.

The resources accrued to the University can be used to establish a scholarship endowment in Mrs. Lake's name, or it can be given as an unrestricted gift.

Gifts of Life Insurance

A gift of Life Insurance to the University can often bring overlooked advantages to the donor without sacrificing the donor's prime responsibility of protecting his family.

Usually, the heaviest load of insurance is carried during the period of greatest risk—when you have dependent children and before you have created enough capital to protect your family's basic needs. Once children have completed their education, are married, and settled on their own, the needs for which the policy was originally designed have passed. You may then find it advantageous to assign it to Howard. As owner, the University can designate itself as beneficiary.

A gift to Howard on an absolute assignment of an existing life insurance policy entitles you to an income tax deduction of the present value of the policy on the date of transfer. This excludes the proceeds from your estate and the consequent estate tax. If the gift exceeds the 30% limitation of adjusted gross income, the excess can be carried forward for an additional five years. In addition, the annual premiums you pay after the assignment are also tax deductible.

A donor who wishes to make a substantial gift to the University but who hasn't sufficient capital can do so by naming Howard the beneficiary of an insurance policy. If the University is named irrevocable beneficiary, premiums paid by the donor are tax deductible.

Model Insurance Gift:

Mr. Washington, age 60, owns a small business whose gross annual income is $75,000. He owns his own home plus additional real estate and his two children are married. The reasons that motivated the purchase of a $30,000 life insurance policy 20 years ago are no longer valid. The policy is paid in full with a cash surrender value of $16,000.

If the policy was given on an absolute assignment to Howard, Mr. Washington would be entitled to a charitable deduction for its cash value of $16,000. Should this exceed the 30% limitation of adjusted gross income, the excess could be carried forward for an additional five years. There would be no estate tax on the $30,000 face value that the University would receive upon his death.

Similar benefits also are accrued from insurance policies of smaller and larger amounts than Mr. Washington's.

Gifts of Appreciated Property

Appreciated property is real or personal property whose value has increased over the original cost. Donors of appreciated property receive substantial tax advantages.

To sell in the open market property which has appreciated in value, the owner would be required to pay a capital gains tax up to 25%. If the gains have been substantial, the capital gains tax may make the sale of the property prohibitive. Should the property be presented as a gift to Howard, however, no capital gains tax is imposed, either on the donor or the University. The donor can deduct from his income the current market value of the gift rather than his original cost. Thus, he enjoys the benefits of the capital gains without paying a capital gains tax.

It is more advantageous to the donor considering a gift of appreciated property that such property be transferred directly to Howard rather than selling it on the open market and making a gift of the proceeds. Conversely, if the property has depreciated in value, it is to the advantage of the donor to sell it on the open market and make a gift of the proceeds to Howard. In this way, the donor can take advantage of the benefits allowed from a deductible loss.

The donor of appreciated properties is allowed a tax deduction of 30% of his annual adjusted gross income, with up to a five-year carry-over of excess donation.

Model of Appreciated Property Gifts:

Mr. and Mrs. Jones of New York, have an adjusted gross income of $35,000. They file a joint federal income tax return. Eight years ago they purchased securities for $2,000 which are now worth $25,000. They have decided to give the securities to the University to establish a memorial to their deceased son, Capt. Jones. If the Joneses sold the property on the open market without making a gift to the University, they would be required to pay $15,670.00 in federal income tax.

Taxes on their original income	$ 9,920.00
Capital gains tax (25% of $23,000)	5,750.00
Total tax	$15,670.00

By donating the securities to Howard, Mr. and Mrs. Jones save considerably on their federal income tax. The total gift is deductible from their income tax. They pay no capital gains tax. Since the amount is in excess of the 30% allowable adjusted gross income, the excess can be carried forward for up to an additional five years.

Donative Sale of Appreciative Property Gifts

Donative Sale of Appreciative Property is the process of selling appreciated property to the University at its original cost and presenting to Howard as a gift, the appreciation from the sale.

This means that you sell appreciated property to the University at the original sales cost to you. At the time of the sale to the University, you state in writing that you are donating to the University the difference between your original cost and the current market value of the property. No tax would be imposed on the capital gains.

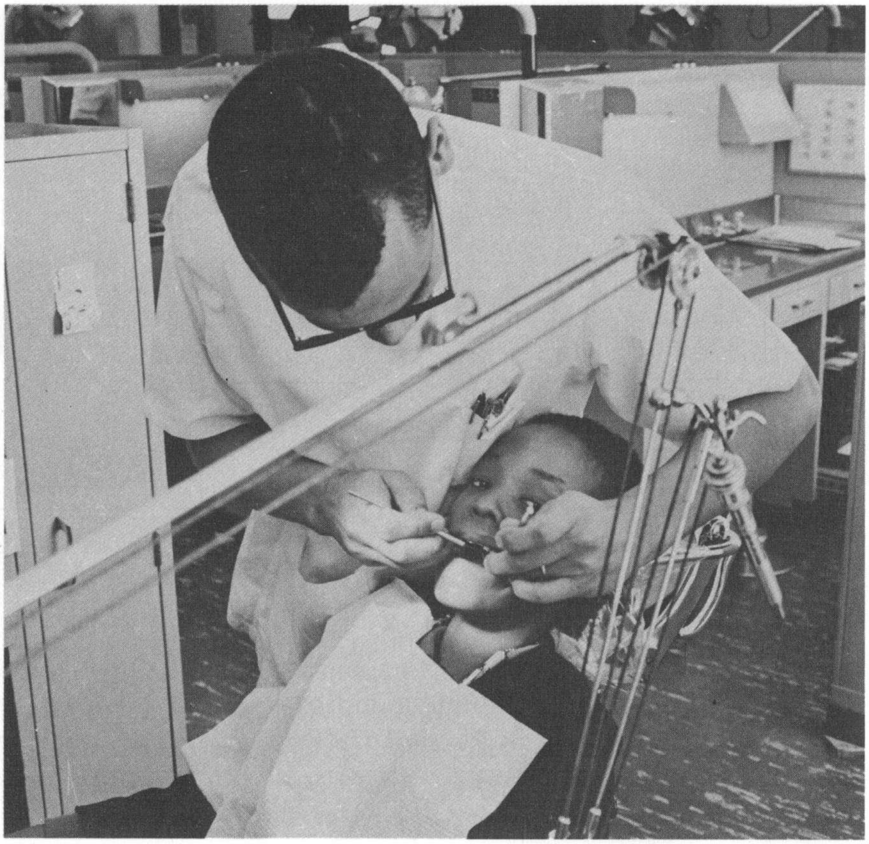
This type of transaction allows you to recoup and retain your original cost for the property and allows you a tax deduction of the entire gift. Should the amount exceed the 30% of annual adjusted gross income, the excess can be carried forward. Furthermore, the proceeds from the sale and the tax savings from the gift may enable you to purchase other property.

Model of Donative Sale Gift:

Omada Singh from the Sudan, received his education at Howard as a foreign student but is now a citizen of the United States, holding a high executive post with a large New York Corporation. Mr. Singh has decided to make a gift to the University as an expression of his appreciation.

In 1954, Mr. Singh purchased 150 shares of stock at $15 a share. The stock now has a market value of $35 per share. Since Mr. Singh wants to retain his original capital for reinvestment, he sells the stock to the University for $2,250 (150 x 15) which was his original cost. Simultaneously, he donates to the University the sum of $3,000, the appreciation from the stocks.

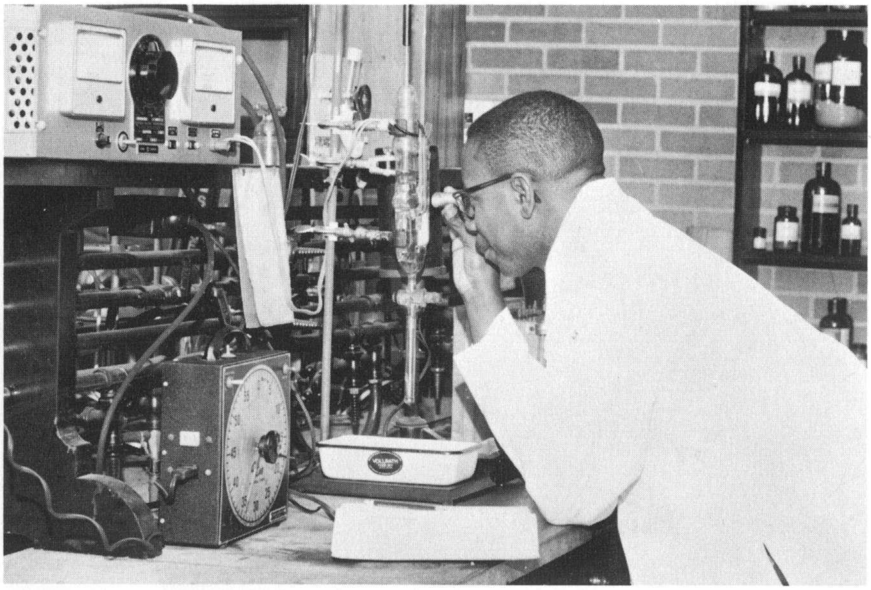
Mr. Singh pays no capital gains tax because the appreciation was given to the University. He can also deduct the entire $5,250 gift from his federal income tax since it is within the maximum allowable 30% of his adjusted income. The gift can be used to establish a scholarship fund in Mr. Singh's name for other Sudanese students attending Howard or it could be given as an unrestricted gift.



Gifts of Will

Every individual has a plan for the disposition of his wealth or estate. Unfortunately, approximately 50% of all college graduates do not have valid, up-to-date Wills. The advantages to the individual of having an up-to-date Will are incalculable.

A carefully constructed, up-to-date Will assures the individual that his estate is distributed in accordance with his wishes: he names his executor; it permits him to establish trusts for the protection of his wife and children, to make gifts to charities, etc. This is in deep contrast to the arbitrary disposition of your estate by the cold hand of the law when no valid, up-to-date Will exists.



Your estate can qualify for an unlimited 100% tax deduction for gifts made in your Will to Howard University. The net result of this is to reduce considerably estate taxes your estate would have paid.

The value of your gift by Will is included in your gross estate for computing the marital deduction but it is not subject to tax. Therefore, the value of the gift to the University can increase the money that goes tax free to the surviving spouse.

Will Bequest Model:

Dr. Burke left a net estate of $125,000, half of which he left to his wife outright; the other half he bequeathed to the University. As a result of the marital deduction, which exempts from tax one half of the adjusted gross estate left to surviving spouse, and the charitable deductions, no estate tax is due. Had the entire estate been left to Mrs. Burke, a considerable portion would have been consumed by estate taxes.

Increasingly, alumni and friends are making outright bequests to the University specifying in their Wills:

—a specified monetary value, from several hundred dollars to $50,000 and more;

—a fraction or percentage of the total estate—one third, one half, for example;

—specific property from the estate, as for example, a house, work of art, books, coin collections, specific real estate, securities, etc.

Suggested Wording for Wills

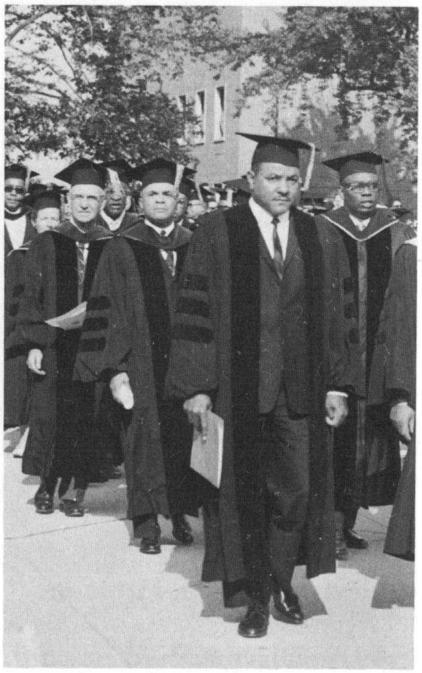
Bequest for General Purposes:

"I give and bequeath to Howard University, which has its administrative offices at 2400 6th Street, N. W. in the City of Washington, District of Columbia, the sum of ....
dollars and/or .... shares of the capital stock of
.... corporation and/or
the following described property ....
....
to be used for the University's general purposes."

Bequest for Specific Purpose:

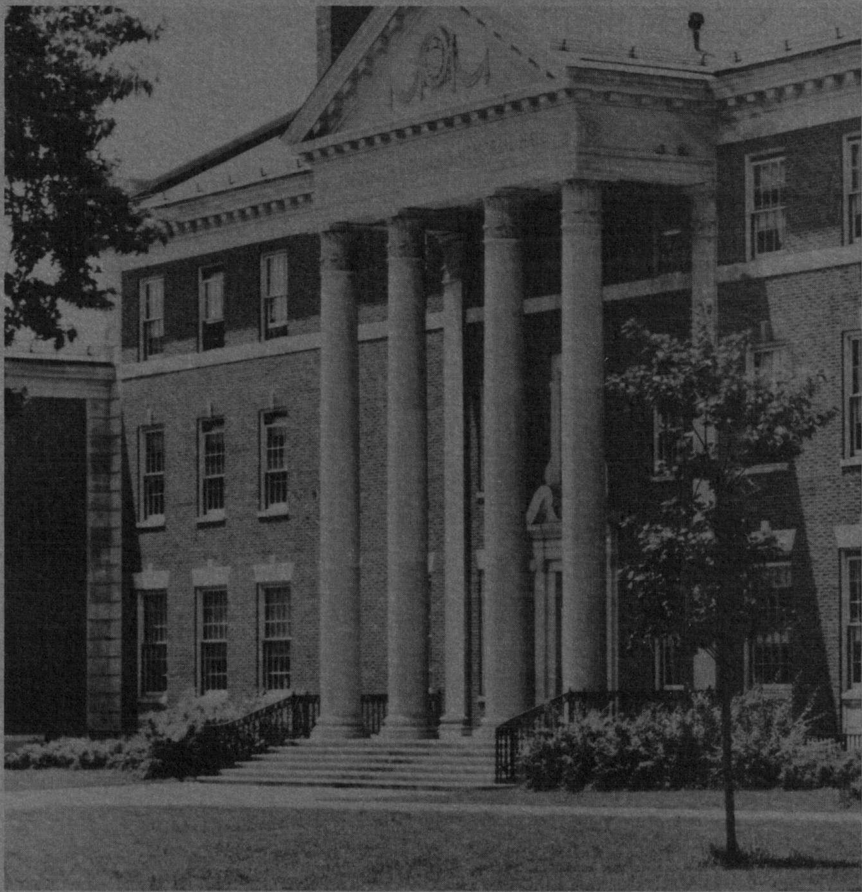
"I give and bequeath to Howard University, which has its administrative offices at 2400 6th Street, N. W. in the City of Washington, District of Columbia, the sum of .... dollars
to be used ....
....
(for scholarships, for research in a specified field, or for other designated purposes)."

The Challenge Ahead



Howard University faces a time of challenge, determined to continue its leadership role and provide the high quality of education which has been its hallmark over the years, and to expand its opportunities of scholarship aid. Its success depends to a large degree, upon the generous response of Howard's alumni and friends.

This brochure is a simplified guide designed to illustrate some of the methods by which you can help assure Howard's continuation as a great center of opportunity and learning. Consequently, information contained herein is necessarily of a general nature and should be supplemented by advice from your own legal and financial counsellors.



Giving to the University—through its Annual Giving Program and by Deferred Gifts—is mutually advantageous and rewarding. For additional information concerning how you can participate,

please contact:

OFFICE OF ALUMNI AFFAIRS
HOWARD UNIVERSITY
Washington, D. C. 20001

In sending your gift, please use the envelope enclosed.