

RIGHT ADVISORY

ENGAGEMENT SUCCESS HOWARD UNIVERSITY 2009 - 2013

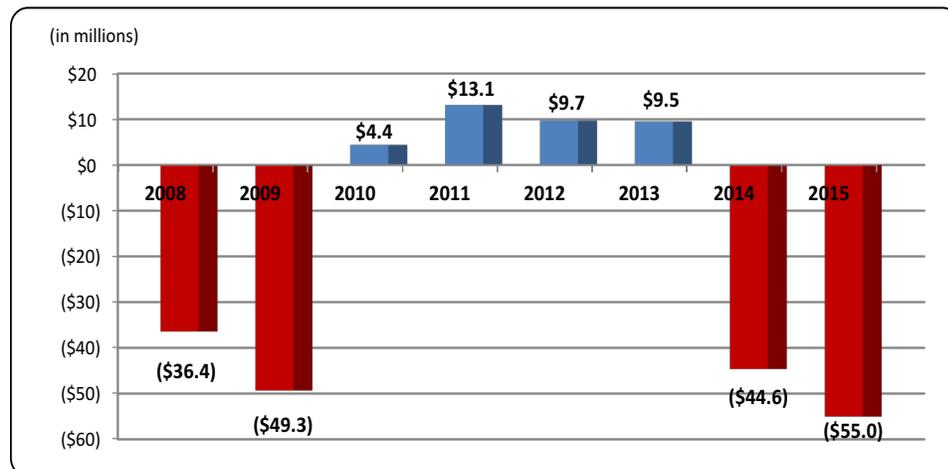
Description of Engagement

In 2009, Howard University engaged Right Advisory as a "special financial advisor to the president" to perform a diagnostic of the University's financial health. Right Advisory completed the diagnostic and provided it to the University's Board of Trustees. In response to the diagnostic, Right Advisory was further engaged to manage Howard's finance and accounting function on a temporary, contractual basis. In this role, Right Advisory was charged by the President and Board of Trustees with improving accounting practices, reducing waste and duplicative spending, seeking new sources of financial support and bringing spending practices in line with revenue. Right Advisory president Robert M. Tarola assumed the roles of Chief Financial Officer, Chief Administrative Officer and Treasurer of the Board, and Vice President V. Bridget Sarikas served as Deputy CFO and Operations Leader for Grants Administration and Facilities Management. The contract CFO/CAO arrangement was renewed for four full fiscal years – June 2010 through June 2013.

Improvements Orchestrated by Right Advisory

In early 2010, Right Advisory began to implement the changes that were necessary to address the financial problems identified in the diagnostic; and, for FY2010, Howard lodged its first year of positive operating results after two years of large losses. Right Advisory was instrumental in turning these operating deficits into operating surpluses and continued to do so over its four fiscal years with Howard as shown by the blue bars in the chart below:

Operating Results for Howard University



Source: Howard University web-site

**Blue Bars = Right Advisory's Tenure – Balanced Budgets for Four Straight Years
Large Deficits Both Before and After**

Other Major Accomplishments

The major enabler to the four straight years of operating surpluses was a new budget model that Right Advisory introduced in 2010. The model implemented an “accountable unit” (schools, colleges and functions) budget and planning process that reduced complexity and promoted accountability. Management reports, including a publically released quarterly Treasurer’s Report, were designed to inform and to allow for early warning of budget issues.

In 2011, with a positive year of operations and new strategy to implement, Right Advisory orchestrated the issuance of approximately \$300 million of new public bonds to benefit Howard. As part of that effort, Right Advisory designed and wrote the entire prospectus describing the "renewal strategy" endorsed by the Board of Trustees. Of the \$300 million bond issue, approximately \$200 million was used to re-finance existing debt obligations that were in default, the terms of which were imposing onerous covenants that the refinancing eliminated. The “new money” portion – approximately \$100 million - was used to finance new capital projects, including construction of an interdisciplinary research building, and the refurbishment of other University facilities, which would not have been possible but for the bond issue.

Also in 2011, Right Advisory was able to arrange a \$135 million, three-year term, multi-bank credit facility for Howard. This arrangement extended unsecured credit to the University, and was the first time lending institutions had extended an unsecured multi-year line of credit to Howard in many years.

As part of the execution of its responsibilities as CAO, in early 2012 Right Advisory negotiated a contract for the development of two new University dormitories. To finance the construction of these dormitories, Right Advisory in 2013 brought about the launch of a second bond deal that raised over \$100 million. This deal was creative in structure to mitigate risk to Howard, and was lauded as "Bond Deal of the Year" by the District of Columbia government.

Right Advisory improved audit results under federal programs by large margins. Questioned costs (grant charges not supported) were reduced from multi-millions to negligible amounts. And questioned costs from prior years (in the multi-millions of dollars) were resolved by Right Advisory with minimal payments from Howard University.

Summary Statement

In summary, Right Advisory improved accounting practices, turned operating deficits into surpluses, re-established solid relationships with lending institutions, restructured debt capital to remove onerous covenants, raised over \$200 million for new construction, began necessary major facility enhancement projects, and left Howard with net assets and endowment balances at their highest levels in five years.