NEW ISSUE – BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes, assuming continued compliance by the Authority and the Institute with the Internal Revenue Code of 1986. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds will be taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts property taxes. See "TAX EXEMPTION" herein.

$230,000,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES K

Dated: February 1, 2002 ***Due: July 1, as shown below***

The Series K Bonds (the "Bonds") will be issued only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their interests in the Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "THE BONDS -- Book-Entry Only System" herein.

Principal of and interest on the Bonds will be paid by The Bank of New York, New York, New York, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein. Interest on the Bonds will be payable on July 1, 2002, and semiannually thereafter on January 1 and July 1 of each year to the Bondowners of record as of the close of business on the fifteenth day of the month preceding such interest payment date.

The Bonds are subject to special redemption prior to maturity in certain circumstances, as set forth herein.

The Bonds shall be special obligations of the Massachusetts Health and Educational Facilities Authority (the "Authority") payable solely from the Revenues (as hereinafter defined) of the Authority, including payments to The Bank of New York, New York, New York, as Trustee, for the account of the Authority by the Massachusetts Institute of Technology (the "Institute") in accordance with the provisions of the Agreement (as defined herein). Such payments pursuant to the Agreement are a general obligation of the Institute. Reference is made to this Official Statement for pertinent security provisions of the Bonds.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY SUCH POLITICAL SUBDIVISION, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES PROVIDED UNDER THE AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ACT DOES NOT IN ANY WAY CREATE A SO-CALLED MORAL OBLIGATION OF THE COMMONWEALTH TO PAY DEBT SERVICE IN THE EVENT OF DEFAULT BY THE INSTITUTE. THE AUTHORITY DOES NOT HAVE TAXING POWER.

$ 26,500,000 5.250% Bonds due July 1, 2012 — Yield 4.22%
$ 26,500,000 5.375% Bonds due July 1, 2017 — Yield 4.68%
$ 55,500,000 5.500% Bonds due July 1, 2022 — Yield 4.88%
$121,500,000 5.500% Bonds due July 1, 2032 — Yield 4.98%
(accrued interest from February 1, 2002 to be added)

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Institute by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about February 21, 2002.

LEHMAN BROTHERS

MORGAN STANLEY
Morgan Stanley & Co. Incorporated

Dated: February 6, 2002

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

No dealer, broker, salesperson, or other person has been authorized by the Authority, the Institute or the Underwriters to give any information or to make any representations with respect to the 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. Certain information contained herein has been obtained from the Institute, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Authority. The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with and as part of their 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.

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.

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MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

99 Summer Street, Boston, Massachusetts 02110

OFFICIAL STATEMENT

Relating to

$230,000,000 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES K

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information concerning the Massachusetts Health and Educational Facilities Authority (the "Authority"), Massachusetts Institute of Technology (the "Institute") and the $230,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series K (the "Bonds"), authorized by the Loan and Trust Agreement dated as of January 25, 2002 (the "Agreement"), among the Authority, the Institute and The Bank of New York, as trustee (the "Trustee"). The Bank of New York will also serve as paying agent (the "Paying Agent"). The Bonds will be issued in accordance with the provisions of the Agreement and Chapter 614 of the Massachusetts Acts of 1968, as amended (the "Act"). The information contained in this Official Statement is provided for use in connection with the initial sale of the Bonds.

Use of Proceeds

The net proceeds from the sale of the Bonds, net of accrued interest, will be used to: (i) finance a portion of the Project (as defined below); and (ii) deposit into the Expense Fund the amount necessary to pay certain costs relating to the issuance of the Bonds.

The "Project" means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the following: (i) the acquisition and installation of a telephone switch and decommissioning of the old telephone switch located on the Institute's campus; (ii) construction of a new undergraduate dormitory at 229-243 Vassar Street, Cambridge, consisting of an approximately 10 story, 190,000 square foot facility to house approximately 350 students, apartments for faculty residents, and common spaces to support social, educational, recreational, and dining activities; (iii) conversion of an existing mill building into efficiency apartment-style housing for approximately 120 graduate students, located at 224 Albany Street, Cambridge; (iv) construction of a new graduate dormitory at 70 Pacific Street, Cambridge, consisting of an approximately nine story, 346,000 square foot structure designed to house approximately 680 graduate students, together with 208 parking spaces and retail space; (v) construction of a new approximately 162,000 square foot fitness center at 120 Vassar Street, Cambridge, consisting of renovations to adjacent buildings, a 50-meter olympic pool with seating for approximately 500 spectators, instructional pools, a health & fitness area, squash courts, a multi-activity court, administrative offices and locker rooms; (vi) construction of a new center for computer, information and intelligence sciences at 10-40 Vassar Street, Cambridge, a 430,000 square foot building with two 120 foot high, 8-story towers; (vii) construction of a 3-story, 675 car underground garage at 10-40 Vassar Street on the site of the future center for computer, information and intelligence sciences; (viii) renovations to the existing Dreyfus Building, which houses the Department of Chemistry, consisting of efficiency, safety, and code-compliance renovations and repairs and upgrades to the building's exposed concrete skin, located in the center of the Institute's campus; and (ix) acquisition and construction of a new 5000-ton steam-driven chiller to be added to the Institute's central utility plant located at 57 Vassar Street, Cambridge, and extension of the chilled water, steam, condensate, electric power, and telecommunication ducts from the central utility plant along Vassar Street to meet the utility needs of new and existing buildings of the Institute, located on the Institute's campus.

See "APPLICATION OF BOND PROCEEDS."

SECURITY FOR THE BONDS

The Authority, the Institute, and the Trustee shall execute the Agreement, which provides that to the extent permitted by law, it is a general obligation of the Institute and that the full faith and credit of the Institute are pledged to its performance. With respect to the Bonds, the Agreement also provides, among other things, that the Institute shall make payments to the Trustee equal to principal and interest on the Bonds and certain other payments required by the Agreement. The Agreement will remain in full force and effect until such time as all of the Bonds and the interest thereon have been fully paid or until adequate provision for such payments has been made.

The Bonds are special obligations of the Authority, equally and ratably secured by and payable from a pledge of and lien on, to the extent provided by the Agreement, the moneys received with respect to the Bonds by the Trustee for the account of the Authority pursuant to the Agreement.

The Authority will not have a mortgage on or security interest in any of the facilities, furnishings, equipment or other property or revenues of the Institute.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR MORAL OBLIGATION OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DERIVED BY THE AUTHORITY UNDER THE AGREEMENT. THE AUTHORITY DOES NOT HAVE TAXING POWER.

THE AUTHORITY

The Authority is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth") organized and existing under and by virtue of the Act. The purpose of the Authority, as stated in the Act, is essentially to provide assistance for public and private nonprofit institutions for higher education, private nonprofit schools for the handicapped, nonprofit hospitals and their nonprofit affiliates, nonprofit nursing homes and nonprofit cultural institutions in the construction, financing, and refinancing of projects to be undertaken in relation to programs for such institutions.

Authority Membership and Organization

The Act provides that the Authority shall consist of nine members who shall be appointed by the Governor and shall be residents of the Commonwealth. At least two members shall be associated with institutions for higher education, at least two shall be associated with hospitals, at least one shall be knowledgeable in the field of state and municipal finance (by virtue of business or other association) and at least one shall be knowledgeable in the field of building construction. All Authority members serve without compensation, but are entitled to reimbursement for necessary expenses incurred in the performance of their duties as members of the Authority. The Authority shall elect annually one of its members to serve as Chairman and one to serve as Vice Chairman.

The members of the Authority are as follows:

DAVID T. HANNAN, Chairman; term as member expires July 1, 2006.

Mr. Hannan, a resident of Hingham, is President and Chief Executive Officer of South Shore Hospital and its not-for-profit, tax-exempt parent organization, South Shore Health & Educational Corporation of South Weymouth, Massachusetts. He is a member of the American College of Healthcare Executives, and the American Hospital Association.

JOHN R. SMITH, Vice Chairman; term as member expired July 1, 2000. Mr. Smith will continue to serve until he is reappointed or his successor takes office.

Mr. Smith, a resident of Milford, is President of New England Fiduciary Company; a firm specializing in financial strategies and long-term planning for colleges and universities primarily in the areas of student financial aid and physical facilities. He is also Chairman of the Massachusetts Educational Financing Authority; an independent Director of ING Pilgrim Funds and a Trustee of Framingham State College. He had formerly been Vice President and Treasurer of Boston College and Director of the Massachusetts Higher Education Assistance Corporation (now American Student Assistance Corporation). Before coming to Boston College, Mr. Smith was employed by Bendix Corporation and Raytheon Company in executive financial analysis and management positions. He is a Certified Public Accountant.

EDWARD P. MARRAM, Ph.D., Secretary; term as member expires July 1, 2002.

Dr. Marram, a resident of Wayland, is Founder, CEO and Chairman of the Board of GEO-CENTERS, INC., a high-technology, professional services firm, and is currently the Entrepreneur-in-Residence at Babson College. From 1967 to 1975, Dr. Marram was a Manager at EG&G, Inc., from 1965 to 1967, he was a Senior Scientist at AVCO Corporation, and from 1961 to 1965 he was a scientist with ADL, Inc. Dr. Marram's experience included research and testing work for the Atomic Energy Commission and the Department of Energy's Nuclear Test Program. His honors and board memberships include Board of Directors, SBANE (Smaller Business Association of New England); Board of Directors, Professional Services Council; College

Advisory Council, College of Natural Sciences and Mathematics, University of Massachusetts, Amherst; Chemistry Advisory Group, Tufts University; Steering Committee, Technology Transfer Society, New England Chapter; Massachusetts State Board of Women in Business; Small Business Technology Group of Massachusetts and the New England American Technion Society. Dr. Marram was nominated as a Price-Babson College Fellow and was awarded the Edwin M. Appel Prize for his academic accomplishments. Dr. Marram holds a B.S. in Chemistry and a M.S. degree in Physics from the University of Massachusetts, a Ph.D. in Physical Chemistry from Tufts, and attended the OPM Program at Harvard Business School.

ROBERT R. FANNING, JR.; term as member expires July 1, 2002.

Mr. Fanning, a resident of Boxford, is President Emeritus of Northeast Health Systems, Inc. in Beverly, Massachusetts. He is a Fellow in the American College of Healthcare Executives and is a past Chairman of that organization. Mr. Fanning is also a past chairman of the Massachusetts Hospital Association Board of Trustees. He is an outside Director of Health Care Property Investors, Inc., an equity-oriented real estate investment trust specializing in health care related facilities. Mr. Fanning is also a Director of the Warren Five Cents Savings Bank. He also serves as a Trustee of Bridgton Academy in North Bridgton, Maine.

ROBERT E. FLYNN, M.D.; term as member expires July 1, 2006.

Dr. Flynn, a resident of Dedham, is the former Chairman of the Board of Caritas Christi, former Secretary of Health Care Services for the Archdiocese of Boston, Immediate Past Chairperson of the Massachusetts Hospital Association, and former Director of the Department of Medicine at Saint Elizabeth's Medical Center. In 1991, Dr. Flynn was named a Distinguished Professor by Tufts University School of Medicine. He is a Trustee of St. Elizabeth's Medical Center, Good Samaritan Hospice and St. Mary's Women and Infant's Center. His current memberships in Medical Societies include the Boston Society of Psychiatry and Neurology, the Massachusetts Medical Society, and the American Medical Association, and he is a Fellow of the American Academy of Psychiatry and Neurology.

MARVIN A. GORDON; term as member expires July 1, 2003.

Mr. Gordon, a resident of Milton, is Chairman of the Board, Chief Executive Officer and Treasurer of Whitehall Companies in Norwood, Massachusetts. From 1994 to 1996, Mr. Gordon served on the board of Directors to Techniek Development Co. of San Diego, California. He also served as Chairman of the Board of US Trust Norfolk (Milton Bank and Trust) from 1974 to 1976 and as Vice President and Member of the Executive Committee from 1971 to 1974. Mr. Gordon has been actively engaged in non-profit, charitable and civic activities. His affiliations include Treasurer and Chairman of the Finance Committee of Milton Hospital Corporation, President, Milton Fuller Housing Corporation, and Corporator of Curry College. Mr. Gordon has been elected to and appointed to a number of public boards and belongs to several civic associations. Mr. Gordon holds a degree from Harvard College and Harvard Business School.

JOHN E. KAVANAGH, III; term as member expires July 1, 2004.

Mr. Kavanagh, a resident of Ipswich, is President and Chairman of William A. Berry & Son, Inc., one of the oldest construction companies in the country. During his 16 years as President, he has redirected the company's focus from restoration specialties to a full-service building and construction management organization, with emphasis on meeting the full range of customer needs: planning, design, construction, operation and maintenance services. Mr. Kavanagh is Chairman of the Board of the North Shore Music Theater, Corporator of Brigham and Women's Hospital and Partners Healthcare, Corporator of Danvers Savings Bank and a former member of Tufts University Board of Overseers.

JOSEPH G. SNEIDER; term as member expires July 1, 2005.

Joseph G. Sneider, a resident of Newton, is Chairman of C&S Candy Co., Inc. located in Brockton. Mr. Sneider served as a trustee of Boston University Medical Center (University Hospital), Boston. Mr. Sneider served as Senior Vice President of Olympic International Bank & Trust of Boston. He also served on a number of public boards and commissions, and he belongs to several civic associations.

RINA K. SPENCE; term as member expired July 1, 2001. Ms. Spence will continue to serve until she is reappointed or her successor takes office

Ms. Spence, a resident of Cambridge, is President and Chief Executive Officer of iEmily.com, Inc., a health and wellness website for teen girls. She was also the founder of Spence Centers for Women's Health, a network of comprehensive outpatient health facilities. Prior to Spence Centers for Women's Health, Ms. Spence served as the president and chief executive of Emerson Hospital for ten years. She was also the founding executive director of the Commonwealth Health Care Corporation; a prepaid managed care plan for health care delivery to Medicaid recipients. Ms. Spence has been actively engaged in the civic life of Boston and its corporate affairs for more than 25 years. Her affiliations include The Partnership and the Wang Center. Ms. Spence is a trustee of Eastern Enterprises and a Director of Berkshire Mutual Life and a Trustee of the State Street Master Trust. Ms. Spence holds a degree from Boston University and Harvard University's John F. Kennedy School of Government.

Staff and Advisers

MARY R. JEKA, a resident of Somerville, was appointed General Counsel of the Authority on July 9, 2001 and Acting Executive Director of the Authority on December 17, 2001. As Acting Executive Director, she is responsible for managing the Authority's affairs. Prior to joining the Authority, from 2000 to 2001, Ms. Jeka served as the Vice President for Law and Government Affairs for deNovis, Inc., a start-up healthcare technology company. From 1992 to 2000, she was the General Counsel of the Massachusetts Water Resources Authority. Ms. Jeka also worked for Senator Edward M. Kennedy in Washington D.C., serving as General Counsel to the Senate Labor and Human Resources Committee and as a Legislative Assistant from 1985 to 1992. Ms. Jeka has held a number of legal teaching positions and has practiced in a private law firm. Ms. Jeka holds B.A. and J.D. degrees from Boston College.

PALMER & DODGE LLP, attorneys of Boston, Massachusetts, are serving as General Counsel and as Bond Counsel to the Authority and will submit their approving opinion with regard to the legality of the Bonds in substantially the form attached hereto as Appendix D.

The Act provides that the Authority may employ such other counsel, engineers, architects, accountants, construction and financial experts, or others as the Authority deems necessary.

Powers of the Authority

Under the Act, the Authority is authorized and empowered, among other things, directly or by and through a participating institution for higher education, a participating school for the handicapped, a participating hospital or hospital affiliate, a participating cultural institution, or a participating nursing home as its agent, to acquire real and personal property and to take title thereto in its own name or in the name of one or more participants as its agent; to construct, remodel, maintain, manage, enlarge, alter, add to, repair, operate, lease, as lessee or lessor, and regulate any project; to enter into contracts for any or all of such purposes, or for the management and operation of a project; to issue bonds, bond anticipation notes and other obligations, and to fund or refund the same; to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to enter into contracts in respect thereof; to establish rules and regulations for the use of a project or any portion thereof; to receive and accept from any public agency loans or grants for or in the aid of the construction of a project or any portion thereof, to mortgage any project and the site thereof for the benefit of the holders of revenue bonds issued to finance such projects; to make loans to any participant for the cost of a project or to refund outstanding obligations, mortgages or advances issued, made or given by such participant for the cost of a project; to charge participants its administrative costs and expenses incurred; to acquire any federally guaranteed security and to pledge or use such security to secure or provide for the repayment of its bonds; and to do all things necessary or convenient to carry out the purposes of the Act. Additionally, the Authority may undertake a joint project or projects for two or more participants.

Indebtedness of the Authority

The Authority has heretofore authorized and issued certain series of its revenue bonds for public and private colleges, universities, hospitals and their affiliates, nursing homes, community providers, cultural institutions, and schools for the handicapped in the Commonwealth. Each series of revenue bonds has been a special obligation of the Authority.

The Authority expects to enter into separate agreements with eligible institutions in the Commonwealth for the purpose of providing projects for such institutions. Each series of bonds issued by the Authority constitutes a separate obligation of the borrowing institutions for such series, and the general funds of the Authority are not pledged to any bonds or notes.

THE BONDS

Pledge of Revenues Under the Agreement

Under the Agreement, the Authority assigns and pledges to the Trustee in trust upon the terms of the Agreement: (i) all Revenues to be received from the Institute or derived from any security provided thereunder; (ii) all rights to receive such Revenues and the proceeds of such rights; and (iii) funds established under the Agreement. Under the Act, to the extent authorized or permitted by law, the pledge of Revenues is valid and binding from the time when such pledge is made and the Revenues and all income and receipts earned on funds held by the Trustee for the account of the Authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

The assignment and pledge by the Authority does not include: (i) the rights of the Authority pursuant to provisions for consent, concurrence, approval or other action by the Authority, notice to the Authority or the filing of reports, certificates or other documents with the Authority; or (ii) the powers of the Authority as stated in the Agreement to enforce the provisions thereof.

Description of the Bonds

The Bonds will be issued in the aggregate principal amount set forth on the cover hereof and will be dated and bear interest from February 1, 2002. Interest on the Bonds is payable on July 1, 2002, and semiannually thereafter on January 1 and July 1 of each year. The Bonds will bear interest at the rates and will mature on the dates and in the principal amounts set forth on the cover page.

Subject to the provisions discussed under "Book-Entry Only System," the Bonds will be issued only as fully registered bonds in the denomination of $5,000 or any multiple of that amount. Principal or redemption price will be payable upon surrender of the Bonds at the principal corporate trust office of the Paying Agent. Interest on the Bonds will be paid to the Bondowners of record as of the close of business on the fifteenth day (whether or not a business day) of the month preceding such interest payment date by check mailed to such Bondholders or, if requested in writing by the registered owner of not less than $1,000,000 principal amount of Bonds, by wire or bank transfer within the continental United States. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Exchange, Transfer and Replacement of Bonds. Unless Bonds are registered in a book-entry only system (see "THE BONDS – Book-Entry Only System" herein), they may be exchanged or transferred by the registered owners thereof or by their attorney duly authorized in writing at the principal corporate trust office of the Paying Agent. No charge shall be imposed upon registered owners in connection with the transfer or exchange, except for any tax or governmental charge related thereto.

Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss, or mutilation of Bonds. The costs of replacement shall be paid or reimbursed by the applicant, who shall indemnify the Authority, the Trustee, the Paying Agent and the Institute against all liability and expense in connection therewith.

Redemption Provisions of the Bonds

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Special Redemption. The Bonds are subject to redemption as a whole or in part at any time, within one (1) year after the completion of the Project, with any proceeds of the Bonds remaining after the completion of the Project, at 100% of the principal amount of the Bonds to be redeemed (without premium) plus accrued interest to the redemption date.

Selection of Bonds. The Bonds to be redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee; provided, however, that so long as DTC (as defined below) or its nominee is the Bondowner, if less than all of the Bonds are called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by DTC in such manner as DTC may determine. If a Bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple of that amount may be redeemed.

Effect of Redemption. On the redemption date, the redemption price of each Bond to be redeemed will become due and payable; and from and after such date, notice having been properly given and amounts having been available and set aside for such redemption in accordance with the provisions of the Agreement, notwithstanding that any Bonds called for redemption have not been surrendered, no further interest will accrue on any Bonds called for redemption.

Notice of Redemption and Other Notices. So long as DTC or its nominee is the Bondowner, the Authority, the Trustee, and the Paying Agent will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Trustee shall give notice of redemption to the Bondowners of any Bonds which are to be redeemed not less than thirty (30) days nor more than forty-five (45) days prior to the date fixed for redemption. Failure to mail notice to a particular Bondowner or any defect in the notice of such Bondowner, shall not affect the redemption of any other Bond. So long as DTC or its nominee is the Bondowner, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected shall not affect the validity of the redemption.

Acceleration

In addition to the foregoing redemption provisions, it should be noted that under the Agreement the Trustee may by written notice to the Authority and the Institute declare all of the Bonds due and payable at par and with accrued interest thereon prior to maturity upon an Event of Default as defined in the Agreement. See Appendix C—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT - Default."

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC") will act as depository for the Bonds. The 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 Bond certificate will be issued in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC 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 provision of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchase of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond

("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, but Beneficial Owners are expected to receive written confirmations 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners may wish to ascertain that the nominee holding the 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 notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds 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 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 Authority 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 for customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but none of the Authority, the Institute or the Underwriters take responsibility for the accuracy thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Responsibility of Authority, Trustee and Paying Agent. NONE OF THE AUTHORITY, THE PAYING AGENT OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, OR INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Certificated Bonds. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Agreement and the Beneficial Owners, upon registration of certificates held in the Beneficial Owners' name, will become the Bondowners. Thereafter, Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Paying Agent. The transfer of any Bond may be registered on the books maintained by the Paying Agent for such purpose only upon assignment in form satisfactory to the Paying Agent. For every exchange or registration of transfer of Bonds, the Authority and the Paying Agent may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Paying Agent will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

APPLICATION OF BOND PROCEEDS

The proceeds from the sale of the Bonds, exclusive of accrued interest, are expected to be applied as follows:

SOURCE OF FUNDS:

Principal Amount of Bonds	$230,000,000
Original Issue Premium	18,503,935
TOTAL SOURCES OF FUNDS	$248,503,935

USES OF FUNDS:

Deposit to Construction Fund and Reimbursement to Institute	$247,267,435
Costs of Issuance (including Underwriters' Discount)	1,236,500
TOTAL USES OF FUNDS	$248,503,935

TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel to the Authority, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds will be taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The Internal Revenue Code of 1986 (the "Code") establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and the payment of rebates, or penalties in lieu of rebates, to the United States. Failure to comply with these requirements may cause interest on the Bonds to become included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Institute and, to the extent necessary, the Authority have covenanted to take all lawful action necessary under the Code to ensure that interest on the Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the Bonds to become included in such gross income.

Prospective purchasers of the Bonds should be aware that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or, in the case of a financial institution, for that portion of the owner's interest expense allocated to interest on the Bonds. Interest on the Bonds earned by insurance companies or allocable to certain dividends received by such companies may increase the taxable income of those companies as calculated under Subchapter L of the Code. In addition, interest on the Bonds earned by certain corporations could be taken into account in determining the foreign branch profits tax imposed by Section 884 of the Code, and may be included in passive investment income subject to federal income taxation under Section 1375 of the Code applicable to certain Subchapter S corporations. The Code also requires recipients of certain social security and railroad retirement benefits to take into account receipts and accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income, and the receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

For federal and Massachusetts income tax purposes, interest includes accrued original issue discount on a Bond allocable to the owner thereof. At maturity original issue discount is equal to the excess of the stated principal amount of the Bond over the issue price thereof, which is the first price at which a substantial amount of all substantially identical Bonds were sold to the public, excluding underwriters and other intermediaries. Original issue discount accrues over the term to maturity of a Bond in accordance with Section 1272 of the Code. Purchasers of Bonds to be sold at an original issue discount should consult their own tax advisors with respect to the computation of interest accruing on such Bonds.

No assurance can be given that future legislation will not have adverse tax consequences for owners of the Bonds.

On the date of delivery of the Bonds, the original purchasers will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix D.

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Bonds are securities in which all public officers and public bodies of The Commonwealth of Massachusetts and its political subdivisions, all Massachusetts insurance companies, trust companies, savings banks, cooperative banks, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The Bonds, under the Act, are securities which may properly and legally be deposited with and received by any Commonwealth or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The Institute has undertaken all responsibilities for any continuing disclosure to owners of the Bonds as described below, and the Authority shall have no liability to the owners of the Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2-12.

The Institute has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Institute (the "Annual Report") by not later than 180 days after the end of each fiscal year, commencing with the report for the 2002 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Institute or a dissemination agent with each Nationally Recognized Municipal Securities Information

Repository and with the State Repository, if any. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

On the date of delivery of the offered Bonds, the Institute and the Trustee will enter into the Continuing Disclosure Agreement substantially in the form attached hereto as Appendix E - "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Institute has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

COMMONWEALTH NOT LIABLE ON THE BONDS

The Bonds shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof, or a pledge of the faith and credit of the Commonwealth or any such political subdivision, but shall be payable solely from the Revenues derived by the Authority under the Agreement. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service in the event of default by the Institute. The Authority does not have taxing power.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. have assigned ratings of "Aaa" and "AAA" respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

The above ratings are not recommendations to buy, sell or own the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any or all ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Lehman Brothers Inc., as representative of the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate discount of $931,000.00 from the public offering price set forth on the cover page hereof and will be reimbursed for certain expenses. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at a price lower than the public offering price stated on the cover page hereof. The purchase contract provides that the Underwriters will purchase all the Bonds if any are purchased, and requires the Institute to deliver to the Underwriters and the Authority on the date the Bonds are sold its letter of representation constituting the agreement of the Institute, in accordance with its terms, to indemnify the Underwriters and the Authority and certain other parties against losses, claims, damages, and liabilities arising out of any incorrect statements or information, including the omission of material facts, contained in this Official Statement pertaining to the Institute and other specified matters. The public offering price set forth on the cover page of this Official Statement may be changed after the initial offering by the Underwriters.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel to the Authority, whose opinion approving the validity and tax-exempt status of the Bonds will be delivered with the Bonds. A copy of the proposed form of the opinion is attached hereto as Appendix D. Certain legal matters will be passed on for the Institute by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Authority, nor the title of the present members or other officers of the Authority to their respective offices is being contested. There is no litigation pending which in any manner questions the right of the Authority to make a loan to the Institute to finance the Project in accordance with the provisions of the Act and the Agreement.

MISCELLANEOUS

The references to the Act and the Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act and the Agreement for full and complete statements of such provisions. The agreements of the Authority with the Bondowners are fully set forth in the Agreement, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority.

Information relating to DTC and the book-entry system described under the headings "THE BONDS - Book-Entry Only System" has been based on information provided by DTC and is believed to be reliable, but the Authority does not make any representations or warranties whatsoever with respect to such information.

Appendix A contains a letter from the Institute to the Authority which contains certain information relating to the Institute. With respect to the letter from the Institute, while the information contained therein is believed to be reliable, the Authority and, except as set forth on the inside cover hereof, the Underwriters do not make any representations or warranties whatsoever with respect to such information.

Appendix B to the Official Statement sets forth the report of the Treasurer of the Institute for the fiscal year ended June 30, 2001, which includes the Financial Statements of the Institute and related notes as of and for the fiscal years ended June 30, 2001 and 2000. This information was prepared by and is the responsibility of the Institute's management. The Authority and the Underwriters have relied on the information contained in Appendix A and Appendix B.

Appendix C, Definitions of Certain Terms and Summary of the Loan and Trust Agreement, and Appendix D, Proposed Form of Legal Opinion, have been prepared by Palmer & Dodge LLP, Bond Counsel to the Authority. Appendix E contains a form of the Continuing Disclosure Agreement. All Appendices are incorporated as an integral part of this Official Statement.

The Institute has reviewed the portions of this Official Statement describing the Application of Bond Proceeds, and has furnished Appendix A and Appendix B to this Official Statement. At the closing, the Institute will certify that such portions of this Official Statement do not contain an untrue statement of a material fact or omit a statement of material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading and that the aforesaid forecasts and opinions are believed to be reasonable in light of the experience of the officers of the Institute and the facts known to them at that time.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institute as of June 30, 2001 and 2000 and for the years then ended included in Appendix B to the Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

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The execution and delivery of this Official Statement by its Acting Executive Director have been duly authorized by the Authority.

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Mary R. Jeka
Acting Executive Director

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APPENDIX A

OFFICE OF THE TREASURER

ALLAN S. BUFFERD
TREASURER

238 Main Street, Suite 200
Cambridge, Massachusetts 02142-1012
617/253-3335
FAX 617/258-6676
E-MAIL bufferd@mit.edu

February 6, 2002

Massachusetts Health and Educational Facilities Authority
99 Summer Street, Suite 1000
Boston, MA 02110

Dear Members of the Authority:

We are pleased to submit the following information with respect to Massachusetts Institute of Technology ("MIT" or "the Institute"). This letter and the information contained herein are submitted to the Massachusetts Health and Educational Facilities Authority for inclusion as Appendix A to the Official Statement relating to the Authority's Revenue Bonds, Massachusetts Institute of Technology Issue, Series K (the "Bonds").

The Institute

The Massachusetts Institute of Technology is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of the Commonwealth of Massachusetts. Enrollment for academic year 2002 is 10,204 students of which 5,632 are full-time graduate students. The Institute has 956 faculty members with other academic staff totaling 2,865. The Institute is located on a 154-acre residential campus fronting the Charles River in Cambridge, Massachusetts, opposite Boston. In addition, MIT owns property in several suburban communities.

The Institute is organized into five schools and one college - Architecture and Planning, Engineering, Humanities, Arts and Social Sciences, Management, Science and the Whitaker College of Health Sciences and Technology, which contain 26 academic departments, programs and divisions. The academic programs are organized primarily along the lines of traditional disciplines and each department offers one or more degree programs. Increasing numbers of students choose fields of concentration that cross regular departmental lines. Among these are programs in fields such as planetary and space science, comparative media studies, health sciences and technology, visual arts, transportation, engineering systems, and media arts and sciences.

Teaching and research both fulfill MIT's purpose of advancing knowledge. Research makes special contributions to the Institute's educational program by providing both theoretical and laboratory experience for students and faculty and by assuring classroom teaching is at the cutting edge.

Institute Facilities for Teaching and Research

MIT's campus includes 155 buildings, with a total building area of approximately 9.8 million gross square feet. In addition to academic departments, these buildings include more than 40 major laboratories and centers, which provide a focus for interdisciplinary research that crosses classical departmental disciplines. The Institute's major interdisciplinary organizations include the Laboratory for Computer Science, the Artificial Intelligence Laboratory, the Center for Cancer Research, the Center for Space Research, the Laboratory for Nuclear Science, the Media Laboratory, the Research Laboratory of Electronics, the Plasma Science and Fusion Center, and the Francis Bitter Magnet Laboratory.

In addition, the Institute has three major off campus research facilities in Massachusetts: Lincoln Laboratory in Lexington, Haystack Observatory located in Tyngsboro, and the Bates Linear Accelerator Center in Middleton. Lincoln Laboratory is operated by MIT as a Federally Funded Research and Development Center for performing research and development in advanced electronics. Haystack Observatory is a research center engaged in radio astronomy, geodesy, atmospheric science, and radar applications. The Bates Linear Accelerator, operated under the joint auspices of the Laboratory for Nuclear Science and the Department of Energy, supports a broad program of research in nuclear physics with electromagnetic probes.

Accreditations and Memberships

The New England Association of Schools and Colleges, Inc. is the major agency accrediting the Institute. Each professional school holds accreditation from its respective professional association. The Institute is a member of the American Council on Education, the Association of American Universities, the National Association of Independent Colleges and Universities, the Association of Independent Colleges and Universities in Massachusetts, the Consortium on Financing Higher Education, the New England Association of Schools and Colleges, and the National Association of State Universities and Land-Grant Colleges.

Governance

The governing body of the Institute is a board of trustees known as the Corporation. It is comprised of 71 active members and 31 Emeriti members including leaders of science, engineering, industry, education, public service and as members ex-officio, the Chairman, the President, the Treasurer, the Secretary of the Corporation of MIT, and the President of the Alumni Association. Also included are the following representatives of the Commonwealth of Massachusetts: the Governor, the Chief Justice of the Supreme Judicial Court, and the Commissioner of Education. The Corporation meets four times a year with additional meetings called by the Chairman as necessary.

The Corporation elects the Executive Committee, which has responsibility for the general administration and superintendence of all matters relating to the Institute. The Executive Committee authorizes officers to borrow money on behalf of the Institute in such amounts as the Committee may determine.

The current members of the Executive Committee and their principal business or other affiliation are as follows:

Executive Committee Members	**Principal Affiliation**
Charles M. Vest, ex-officio *(Chairman)*	President of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Alexander V. d'Arbeloff, ex-officio	Chairman of the Corporation of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Allan S. Bufferd, ex-officio	Treasurer of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Denis Bovin	Vice Chairman-Investment Banking, Bear Stearns & Co., Inc., New York, New York
James A. Champy	Chairman of Consulting, Perot Systems Corporation, Cambridge, Massachusetts
Judy C. Lewent	Executive Vice President and Chief Financial Officer, Merck and Co., Inc. Whitehouse Station, New Jersey
Michael M. Koerner	President, Canada Overseas Investments, Ltd., Toronto, Ontario
A. Neil Pappalardo	Chairman and CEO, Medical Information Technology, Westwood, Massachusetts
Raymond S. Stata	Chairman and Co-Founder, Analog Devices, Inc., Norwood, Massachusetts
Elisabeth A. Stock	Executive Director, Computers for Youth, New York, New York

APPENDIX A

Administration

The principal administrative officers of the Institute are:

Mr. Alexander V. d'Arbeloff, Chairman of the MIT Corporation

Dr. Charles M. Vest, President

Dr. Allan S. Bufferd, Treasurer

Dr. Robert A. Brown, Provost

Mr. Phillip L. Clay, Chancellor

Mr. John R. Curry, Executive Vice President

Ms. Laura Avakian, Vice President for Human Resources

Dr. James D. Bruce, Vice President for Information Systems

Dr. Alice P. Gast, Vice President for Research and Associate Provost

Ms. Barbara G. Stowe, Vice President for Resource Development

Ms. Kathryn A. Willmore, Vice President and Secretary of the Corporation

Faculty and Staff

In October 2001, the Institute had 9,247 employees on campus, including Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 956 faculty and 2,865 other academic staff, which include instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 72% of the faculty is tenured. There were also 4,619 research, medical, administrative and support staff employees, and 807 service staff employees. There were an additional 2,240 research, support and service staff employees working at MIT's Lincoln Laboratory in Lexington, Massachusetts, a Federally Funded Research and Development Center.

Student Enrollments

The following table shows actual enrollments for the last five academic years based on fall term registrations:

Academic Year	Undergraduate Full-Time Students	Undergraduate Part-Time Students	Graduate Full-Time Students	Graduate Part-Time Students	Total
1997-98	4,326	55	5,331	168	9,880
1998-99	4,303	69	5,338	175	9,885
1999-00	4,240	60	5,469	203	9,972
2000-01	4,199	59	5,575	257	10,090
2001-02	4,154	66	5,632	352	10,204

Note: There is normally a decline in the undergraduate enrollment of approximately 3% in the course of an academic year due primarily to graduations at midyear.

Undergraduate Applications

MIT attracts students worldwide, with representation in the 2001-2002 freshman class from 46 states, 3 territories and 49 foreign countries. The following tables show information concerning undergraduate applications and admissions over the last five academic years:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
1997-98	7,836	1,938	25%	1,067	55%
1998-99	8,676	1,890	22%	1,043	55%
1999-00	9,136	1,742	19%	1,048	60%
2000-01	10,671	1,726	16%	1,012	59%
2001-02	10,490	1,787	17%	1,030	58%

Academic Year	Freshmen Ranking in the top 10% of their High School Class	Average SAT Scores
1997-98	93%	1447
1998-99	94%	1459
1999-00	94%	1454
2000-01	97%	1466
2001-02	98%	1467

APPENDIX A

Graduate Applications

The following tables show information concerning graduate applications and admissions over the last five academic years:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
1997-98	12,785	2,548	20%	1,304	51%
1998-99	12,098	2,651	22%	1,392	53%
1999-00	12,941	3,380	26%	1,895	56%
2000-01	13,492	3,435	25%	1,899	55%
2001-02	14,415	3,362	23%	1,828	54%

Sponsored Research

Sponsored research represents a substantial portion of the income and expenditures of MIT. The following table shows the total direct costs of sponsored research in current and constant dollars for each of the five fiscal years ended June 30th:

Direct Cost of Sponsored Research

Fiscal Year Ended June 30,	Current Dollars	Constant Dollars*
1997	620,871,000	620,871,000
1998	624,439,000	613,468,000
1999	621,080,000	599,785,000
2000	612,181,000	574,801,000
2001	628,638,000	570,477,000

*CPIU deflator 1997 = 100

Research revenues received from sponsors pay for both the direct costs of research mentioned above, as well as that portion of Institute expenses jointly applicable to instruction and research which are attributable to research activities, also known as facility and administrative (F&A) costs (formerly referred to as indirect costs). The following table presents the level of total sponsored research revenues at MIT, covering both direct and F&A costs, for fiscal years 1997 through 2001:

	Fiscal Year Ended June 30,				
	1997	1998	1999	2000	2001
	(in thousands)				
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	$57,215	$58,938	$58,246	$65,905	$69,539
Department of Energy	70,753	70,281	63,138	57,000	57,780
Department of Defense	67,858	64,776	65,718	65,686	60,971
National Science Foundation	36,347	36,264	35,352	35,669	37,520
National Aeronautics and Space Administration	36,947	30,227	27,301	22,734	18,592
Other Federal	7,232	9,115	7,409	6,753	6,777
Total Federal	276,352	269,601	257,164	253,747	251,179
Non-Federal Sponsored:					
State/Local/Foreign	2,855	1,624	2,344	5,662	8,620
Non-profits	28,952	36,197	35,137	41,274	45,105
Internal	4,527	4,871	6,997	9,696	10,482
Industry	75,194	74,062	74,405	73,609	92,037
Total Non-Federal	111,528	116,754	118,883	130,241	156,244
F&A Adjustment	0	(2,209)	14,254	(5,932)	(3,790)
CAMPUS TOTAL	387,880	384,146	390,301	378,056	403,633
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	342,596	355,375	345,511	343,678	345,592
Non-Federal Sponsored	9,996	9,408	7,810	6,517	9,600
TOTAL	352,592	364,783	353,321	350,195	355,192
TOTAL RESEARCH	$740,472	$748,929	$743,622	$728,251	$758,825

Budget Process

The Executive Committee of the Corporation approves and monitors a multi-year strategic financial plan covering the current fiscal year and nine years into the future. The current-year portion of the plan is based on detailed budgets submitted by each of the Institute's departments. The responsibility for controlling expenditures within an account rests with the supervisor of the account, usually a faculty member or department head. Monthly account statements are issued which show both budgeted and actual charges. These accounts are monitored not only by the supervisor but also by a department head who has overall responsibility for the accounts within the department. Certain expenses are controlled centrally to assure conformance with the Institute's fiscal policy, contractual obligations to program sponsors, or donor restrictions. The Budget and Finance Steering Group meets regularly to review the status of the operating budget and other fiscal matters. This group is composed of the Provost, the Executive Vice President, the Treasurer, the Director of Finance, the Controller, the Director of the Office of Sponsored Programs, the Institute Auditor and the Assistant Provost for Administration. In addition, the Executive Committee reviews the annual financial plan regularly throughout the year.

Administration Discussion of Operations

The following table summarizes the Results of Operations and Other Changes in Unrestricted Net Assets for fiscal years 2000 and 2001, as presented in the Statement of Activities within the Report of the Treasurer (Appendix B to the Official Statement):

	Fiscal Year Ended June 30,	
	2000	2001
	(in thousands)	
Total Operating Revenues	$1,340,356	$1,464,962
Total Operating Expenses	(1,302,060)	(1,385,108)
Results of Operations	38,296	79,854
Total Non-Operating Activities	863,089	(170,481)
Net Change in Unrestricted Net Assets	$ 901,385	$ (90,627)

Unrestricted Net Assets decreased $90.6 million in fiscal year 2001. This decrease included losses on investments of $74.5 million, which is made up of $125.4 million of net realized gain and $199.9 million of net unrealized loss. At June 30, 2001 the market value of unrestricted net assets approached $3.1 billion, a decrease from the June 30, 2000 balance of approximately $3.2 billion.

The Institute's operating revenues exceeded operating expenses by $79.9 million for fiscal year 2001, up from the previous year's difference of $38.3 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests, fees and services, other programs, auxiliary revenues, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy and operating and auxiliary expenditures. Non-operating activities include net investment gains not distributed to funds and reclassification of net assets from temporarily restricted to unrestricted

The underlying financial strength of the Institute can be demonstrated by the growth of the market value of the investments. The following table shows total investments at market for the five fiscal years ended June 30:

Fiscal Year Ended June 30,	Investments at Market (in thousands)
1997	$3,636,782
1998	$4,370,325
1999	$5,088,242
2000	$7,612,251
2001	$7,334,376

For further information on the financial operations and financial condition of the Institute, please refer to the Report of the Treasurer (Appendix B to the Official Statement).

Tuition and Fees

Tuition for full-time undergraduate and graduate students for the 2001-2002 academic year is $26,960, except for students in the Sloan School of Management Master's Program for whom the tuition is $31,200. For the 2001 summer session, the tuition for all full-time graduate students was $8,988. This amount was subsidized for all graduate research assistants.

Residence fees for on-campus housing vary according to accommodations. For the 2001-2002 academic year, room charges for the various undergraduate residences range from $1,691 to $2,002 for each of the two terms. For the past five years the housing facilities, both undergraduate and graduate, have operated at full occupancy. Room rates are set so that the housing system operates on a break-even basis.

The following table shows the Institute's undergraduate tuition (which includes a compulsory MIT Health Service fee), and average undergraduate room and board expenses for the indicated academic years:

Academic Year	Average Tuition and Fees	Undergraduate Room & Board	Total
1997 – 1998	$23,100	$6,495	$29,595
1998 – 1999	$24,050	$6,750	$30,800
1999 – 2000	$25,000	$6,950	$31,950
2000 – 2001	$26,050	$7,175	$33,225
2001 – 2002	$26,960	$7,500	$34,460

The Executive Committee of the Corporation has the power to alter or revise the fees and charges.

Student Financial Aid

MIT has a policy of admitting undergraduate students without regard to financial capacity, together with a commitment to meet the full financial needs of those admitted. During the year ended June 30, 2001, 2,417 MIT undergraduate students (56% of the enrollment) received some form of Institute-administered student aid. The average award for the 2000-2001 academic year was $24,417.

The Institute awards tuition support to undergraduate students based on need. Graduate students are provided with tuition support in connection with research assistant, teaching assistant and fellowship appointments. Tuition support (graduate and undergraduate) from Institute sources and external sponsors for each of the last five fiscal years is shown in the table below (in thousands of dollars).

	1997	1998	1999	2000	2001
Institute Sources					
Tuition Support	$67,557	$75,169	$77,584	$111,711	$129,804
Stipends	6,103	5,393	5,605	7,504	9,568
Student Salaries	12,835	14,265	23,563	17,458	17,261
Total	86,495	94,827	106,752	136,673	156,633
External Sponsors					
Tuition Support	59,795	61,630	52,538	35,708	36,186
Stipends	13,206	12,708	14,067	13,523	14,533
Student Salaries	33,340	34,550	26,779	35,161	40,642
Total	106,341	108,888	93,384	84,392	91,361
Total	$192,836	$203,715	$200,136	$221,065	$247,994

A substantial portion of financial aid funding is provided by federal and other programs in which the Institute regularly seeks participation.

Labor Relations

MIT has collectively bargained with service staff employees for over 50 years. Approximately 1,200 service staff employees belong to unions. These unions include one international and three independent unions representing employees through five separate collective bargaining agreements. The occupational groups covered include trade and maintenance personnel, guards, campus police, and research technicians. More than 80% of these employees have had union agreements since 1946, during which period there have been three work stoppages; one in 1955, one in 1962, and one in 1974, each of relatively short duration. The faculty, research, administrative and support staffs of the Institute are not represented by any union.

At present, four of the five bargaining units have contracts in place. The contract with the other unit expired on June 30, 2001, but employees have been working under a contract extension. Negotiations on the fifth contract are ongoing, and MIT expects an agreement on that contract will be reached and ratified in the first calendar quarter of 2002.

Land, Buildings and Equipment

Fixed assets of land, buildings and equipment are shown in the financial statements at cost or fair value as of the date of a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment and 3 to 5 years for software. Fully depreciated buildings and equipment are removed from the financial statements.

The book value of Institute fixed assets was $882.7 million as of June 30, 2001, up 28.5 percent from $687.0 million as of June 30, 2000. This change includes fixed asset additions of $257.3 million, up from the previous year by 87.8 percent. The largest share of the increase was in construction in progress. Major projects completed during fiscal year 2001 included extensive renovation to Building 33 (the Daniel Guggenheim Aeronautical Laboratory), the Chemistry Department's offices and laboratories in Buildings 2, 4 and 6, the Center for Learning and Memory and the Center for Cancer Research offices and laboratories in Buildings E18 and E19.

Other Current and Future Building Plans

The Institute annually spends approximately $50.0 million dollars to upgrade its research, instructional and support facilities, including improvements to ensure reasonable access as stipulated in the Americans with Disabilities Act (ADA). About 50% is budgeted from general funds and 50% comes from departmental contributions. These expenditures are in addition to normal maintenance expenses and are expected to be supported by internal funding sources.

The Institute authorized an additional $45.0 million of internal funds to be dedicated to the renovation and upgrade of existing facilities. The monies are being made available in three $15.0 million installments in fiscal years 2000, 2001, and 2002. To date, the funds have been allocated to many small and large improvements across campus, including dormitory fire-safety upgrades, artificial turf replacement at Omni Field, outdoor track renovation, building systems upgrade in the Bush Building, upgrades to outdated facilities control systems, and façade improvements in the Guggenheim Laboratory Building.

The Institute has started a major construction program which will dramatically change the look and feel of the Cambridge campus. New buildings will be added, utility infrastructure will be expanded, and existing buildings will be renovated. The Institute anticipates funding these projects through a combination of gifts, internal funding sources, and external borrowings. The first phase of the construction program, currently estimated to cost $881.0 million and financed in part with a portion of the proceeds of the Bonds, includes a new undergraduate residence, two new graduate student residences, a sports and fitness center, an underground garage, the renovation of the Dreyfus Chemistry Building, the new Ray and Maria Stata Center for Computer Information and Intelligence Sciences, a new addition for the Media Laboratory, the Vassar Street Streetscape, and utility expansion projects.

The Institute has several other construction and renovation projects planned for the next phase of the construction program. They include a new building for the Sloan School, a new building for Brain and

Cognitive Science, and various related utility upgrades. The timing and scope of these projects have not been determined. The Institute anticipates funding these projects through a combination of gifts, internal funding sources, and future borrowings.

Litigation

The Institute is not aware of any litigation pending or threatened which would materially affect the ability of the Institute to enter into the Loan and Trust Agreement or carry out its obligations thereunder.

Commitments and Contingencies

Federal Government Funding

The Institute receives funding from Federal Government agencies for sponsored research under government grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Office of Naval Research (ONR), the Institute's cognizant Federal agency. The Institute's indirect cost reimbursements have been based on fixed rates with carryforward adjustments.

The Defense Contract Audit Agency is responsible for auditing grants and contracts in support of ONR's negotiating responsibility. The Institute has final audited rates through the 1998 fiscal year. The audits for fiscal years 1999 and 2000 have been completed with no material audit issues.

For further information regarding commitments and contingencies, please refer to Note G in the Report of the Treasurer (Appendix B to the Official Statement).

Future Construction

The Institute has contracted for Educational Plant in the amount of $305.0 million at December 31, 2001. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, unrestricted funds and future borrowings. The Institute will be committing significant additional resources to planned major construction projects over the next several years.

This letter and the information contained herein are submitted to the Authority for inclusion in its Official Statement relating to its Revenue Bonds, Massachusetts Institute of Technology Issue, Series K.

By: /s/ Allan S. Bufferd
Allan S. Bufferd, Treasurer

Report of the Treasurer

For the year ended
June 30, 2001

MIT Massachusetts
Institute
of Technology

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THE CORPORATION
2000-2001

Chairman: Alexander V. d'Arbeloff
President: Charles M. Vest
Treasurer: Allan S. Bufferd
Vice President and Secretary: Kathryn A. Willmore

Life Members

Breene M. Kerr, W. Gerald Austen, John S. Reed, Mary Frances Wagley, Charles H. Spaulding, Shirley A. Jackson, Raymond S. Stata, Samuel W. Bodman, Alexander W. Dreyfoos, Jr., Morris Tanenbaum, Paul E. Gray, George N. Hatsopoulos, David H. Koch, Patrick J. McGovern, Robert A. Muh, Richard P. Simmons, Denis A. Bovin, James A. Champy, Judy C. Lewent, A. Neil Pappalardo

Members

Michael M. Koerner, Claudine B. Malone, Ronald A. Kurtz, Edie N. Goldenberg, John K. Castle, Arthur Gelb, Barbara A. Gilchrest, Josephine S. Jiménez, L. Robert Johnson, Dana G. Mead, Theresa M. Stone, R. Robert Wickham, Elliot K. Wolk, Gregory K. Arenson, Osie V. Combs, Jr., Norman E. Gaut, Lissa A. Martinez, DuWayne J. Peterson, Jr., Elisabeth A. Stock, Susan E. Whitehead, Robert E. Wilhelm, Norman R. Augustine, Gerald J. Burnett, Glen V. Dorflinger, John W. Jarve, Robert M. Metcalfe, Leslie Tang Schilling, Anthony Sun, Matthew J. Turner, Morris Chang, Kenneth F. Gordon, Harbo P. Jensen, John A. Morefield, Pardis C. Sabeti, Kenan E. Sahin, Barrie R. Zesiger, Gordon M. Binder, Dedric A. Carter, Gururaj Deshpande, Brian G.R. Hughes, James A. Lash, Linda C. Sharpe, John A. Thain

President of the Association of Alumni and Alumnae

Paul Rudovsky

Representatives of the Commonwealth

Acting Governor: Jane M. Swift
Chief Justice of the Supreme Judicial Court: Margaret H. Marshall
Commissioner of Education: David P. Driscoll

Life Members Emeriti

Cecil H. Green, Luis A. Ferré, George W. Thorn, Laurence S. Rockefeller, Robert C. Gunness, Ellmore C. Patterson, Irénée du Pont, Jr., John C. Haas, Ralph Landau, Norman B. Leventhal, George P. Gardner, Frank T. Cary, Mitchell W. Spellman, D. Reid Weedon, David S. Saxon, Colby H. Chandler, Carl M. Mueller, Joseph G. Gavin, Jr., Edward O. Vetter, Louis W. Cabot, Christian J. Matthew, Howard W. Johnson, Paul M. Cook, William S. Edgerly, Frank Press, Edward E. David, Jr., James A. Levitan, Emily V. Wade, Angus N. MacDonald, Kenneth H. Olsen

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To Members of the Corporation

Summary

The Institute's financial position was stable during 2001. Total net assets changed from $8,155.9 million to $7,855.9 million, a decrease of $300.0 million or 3.7 percent. The change was primarily due to investment losses of $367.5 million. Gifts and pledges received decreased $149.8 million from $357.0 million in 2000 to $207.2 million in 2001. Pledges receivable increased by $24.5 million to $303.0 million. Land, buildings and equipment increased $195.6 million (net of depreciation), reflecting the continuation of a significant building program on campus.

Unrestricted net assets decreased $90.6 million, compared to the previous year's increase of $901.4 million. The Institute's operating revenues exceeded operating expenses by $79.9 million, up from the previous year's difference of $38.3 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy, auxiliary revenues and operating expenditures.

Improvements in Reporting

The Institute has made a number of changes in its financial reporting for 2001 to provide a clearer picture of Institute operations to readers of the financial statements. In 2001, the Statement of Activities was revised to show unrestricted, temporarily restricted, and permanently restricted net assets in a columnar format, and to show operating and non-operating activity in the same schedule. In addition, in fiscal 2001 expenses are disclosed in natural categories (for example, salaries, employee benefits, supplies and services). Disclosure is made of functional categories as part of the financial statement footnotes. Auxiliary enterprises were revised to include Technology Review, MIT's magazine of innovation, Endicott House, the Institute's conference center, as well as those units previously shown as auxiliary activities: the Institute's student housing and dining operations, and the MIT Press. Results for fiscal 2000 have been reclassified for comparison purposes.

Financial Position

Net assets are shown in three different categories to recognize the significant way in which universities are different from profit-making organizations. These categories reflect the nature of the restrictions placed on gifts by donors. Note J provides more information about the sources and designations of net assets.

Permanently restricted net assets represent those gifts for which the original principal can never be spent. They comprise gifts and pledges to true endowment together with assets held in trust, such as life income plans, which, when received or matured, will be added to the endowment. The $68.6 million increase in permanently restricted net assets to a total of $1,218.5 million primarily reflects new gifts and pledges made to restricted endowment funds, distributions from life income funds, and gains on investments where the donor required investment gains to be retained permanently.

Temporarily restricted net assets represent those gifts that ultimately can become available to meet operating or capital expenditures. They require an event or lapse of time to take place before they are available for spending. Over 90 percent of the assets in this category result from the accumulated market gain on invested permanently restricted endowment funds. This category also includes pledges not permanently restricted, gifts for construction projects that have not been completed, and life income funds, which, upon maturity, will be available for spending. The $278.0 million decrease in temporarily restricted net assets to a total of $3,555.2 million results primarily from the decrease in the market value of securities held in permanently restricted funds. The Commonwealth of Massachusetts requires that all universities located within the Commonwealth include accumulated market gains on both permanently and temporarily restricted net assets with temporarily restricted net assets. Most other states allow inclusion of these gains with unrestricted net assets. If the Institute were allowed to follow the prevalent rule, unrestricted net assets would increase by $3,250.0 million to $6,332.2 million and temporarily restricted net assets would decrease by a like amount.

Unrestricted net assets comprise all the remaining economic resources available to the Institute. This category includes the Institute's working capital, and those assets designated by the Corporation as "funds functioning as endowment," to be invested over the long term to generate support of Institute operations and capital projects. Also included are current funds received from donors for restricted purposes, which, under the accounting rules, are categorized as unrestricted if the Institute spends equivalent unrestricted funds for the same purpose. Total unrestricted net assets decreased $90.6 million from last year to $3,082.2 million at June 30, 2001.

Pledges receivable increased to $303.0 million at June 30, 2001, an 8.8 percent increase from the previous year's balance. The increase in deferred charges of $35.0 million to a total of $75.1 million primarily results from an increase in deferred expenses related to the Institute's retirement plan. The increase in advance payments of $11.1 million is the result of a greater volume of sponsored agreements funded on an advanced-payment basis. Accounts payable and accruals are up $47.0 million due primarily to costs associated with building construction.

Net asset reclassifications of $28.7 million, down 18.5 percent from the previous year, reflects the decreased use of temporarily restricted building funds for construction and other projects.

Aggregate borrowings increased $223.3 million, a 74.6 percent increase from the prior year. This is due primarily to a new $250.0 million tax-exempt debt issue and a $4.6 million increase in notes payable to bank, offset by the repurchase of $26.7 million of debt in the open market and amortization of outstanding borrowings. The new debt will finance major construction currently in process. The Institute's publicly held debt continues to be rated triple A by both Moody's and Standard & Poor's. Cash flow from operations decreased to $93.6 million compared with $101.7 million in the previous year.

Operations

Net tuition and other income were essentially unchanged at $161.0 million in 2001 compared to $160.7 million in 2000. As disclosed in Note A, tuition and related revenues before tuition discount grew 6.8 percent to a total of $290.8 million. The tuition support provided to graduate and undergraduate students grew 16.2 percent to $129.8 million, consistent with the Institute's strategy in recent years to strengthen financial support of students.

Research revenues in departmental and interdepartmental laboratories were $403.6 million in 2001 compared to $378.1 million in the prior year, an increase of 6.7 percent. The direct research expenditures "base" of the Institute on campus, used as the basis for recovery of facilities and administration costs from sponsors, increased $12.3 million or 6.2 percent. Industrial support of campus research showed an increase of $16.6 million to $92.0 million. Industrial sponsors as a group remained the largest source of sponsored funds at MIT, followed by the Department of Defense and the National Institute of Health. Research revenues at the Lincoln Laboratory grew from $350.2 million in 2000 to $355.2 million in 2001, an increase of 1.4 percent.

Investment income, defined as dividends, interest and rents, increased 40.7 percent to $140.4 million during 2001. This increase was due to a significant increase in rental income resulting from rental rollovers and new investments in real estate.

These financial statements include both realized and unrealized gains on investments. The following table displays the changes in the Institute's net assets excluding the net investment gains/(losses).

Increase (Decrease) in Net Assets Excluding Investment Gains (Losses)
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase (decrease) in net assets	$(90,627)	$(278,045)	$68,636	$(300,036)
Deduct: net investment gains (losses)	(74,465)	(295,734)	2,655	(367,544)
Increase (decrease) in net assets excluding net investment gains (losses)	**$(16,162)**	**$ 17,689**	**$65,981**	**$ 67,508**

Operating expenses increased $83.0 million, or 6.4 percent, to a total of $1,385.1 million in 2001 as compared to $1,302.1 million in 2000. Expenses increased due principally to salaries for facilities, information systems and technology review; growth in research activities; costs of utilities and insurance; publishing costs and space changes. These expenses were offset by the decrease in employee benefit costs due to the over funding in the retirement plan.

Gifts

In the fourth year of the Institute's "Campaign for MIT", a seven-year effort to raise $1.5 billion, the Institute passed the 80.0 percent mark with more than $1.2 billion in gifts and pledges. While the early years focused on attracting lead gifts, the Institute has moved to broaden and strengthen the base for future philanthropy. There was significant growth in medium-sized gifts and good progress in raising support for key campaign initiatives.

Gifts and pledges for 2001 totaled $207.2 million and included gifts-in-kind (primarily gifts of equipment) valued at $6.8 million. This was a decrease of $149.8 million from the record amount of $357.0 million received in fiscal 2000. Alumni gifts were the largest component of total new gifts and payments on pledges at 32.5 percent of the total. Corporations, corporate foundations and trade associations contributed 27.6 percent, and foundations, charitable trusts, and other charitable organizations were the third largest component at 24.5 percent of the total. New gifts and payments on pledges for unrestricted purposes were 13.7 percent of the total in fiscal 2001 comparable to 13.6 percent in fiscal 2000. In both years support for research and education programs was the largest component of new gifts and payments on pledges, at 45.4 percent in fiscal 2001, up from 29.6 percent of the total in fiscal 2000.

Endowment and Similar Funds

The market value of investments in the endowment and similar funds totaled $6,134.7 million at June 30, 2001 as compared to $6,475.5 million in the prior year, a decrease of $340.8 million, or 5.3 percent. The market value at June 30, 2001 includes $6,010.6 million in Pool A, the Institute's primary investment pool, and $124.1 million held in separately invested funds. This measure of endowment is identical to that in Note J except that the present value of pledges to endowment funds is excluded, as the payments have not yet been received.

The endowment assets are managed to maximize total investment return relative to appropriate risk. Investment income and a portion of gain are distributed for spending to existing funds in a manner that retains for reinvestment an amount at least equal to the anticipated growth rate of inflation over time.

Endowment funds invested in Pool A receive distributions based on the number of units held. Units are valued monthly and new gifts or other funds transferred to Pool A receive units based on the current month's market value. Note J provides information on endowment funds by purpose.

Investments

Total investments at market value were $7,334.4 million, a decrease of $277.9 million, or 3.7 percent from the $7,612.3 million of the previous year. This decrease compares with an increase of $2,524.0 million in the previous year. Total invested assets at market value have now increased approximately $4.4 billion over the last five years, a result of gifts and market appreciation.

The general investments at market value were $6,923.1 million, a decrease of $69.4 million, or 1.0 percent from the $6,992.5 million of the previous year. This decrease compares with an increase of $2,296.1 million in the previous year. The general investments include the investments held in Pool A and in Pool C.

The balance between fixed income, equity and real estate investments in the general investments changed modestly during the year. Equity and real estate investments, at market value, were 82.5 percent of the general investments at year-end, a decrease from 85.0 percent at the prior year-end. Realized gains in the general investments during the year included $933.0 million from equities offset slightly by net realized losses of $1.5 million from fixed income securities. The $602.6 million decrease in market value of equities in the general investments resulted primarily from market action. The $161.5 million increase in market value of fixed income securities and cash equivalents resulted primarily from the reallocation of assets in accordance with investment guidelines.

The total of real estate investments Held in Pool A and Held in Pool C increased by $371.6 million to $719.1 million. This increase was primarily due to purchases which totaled $289.0 million, and the balance was due to capital improvements and changes in market value. Income from real estate increased $8.2 million to $28.2 million, or 41.0 percent, from the previous year. This increase resulted from a one-time University Park at MIT receipt of $4.1 million and new real estate income for a partial year from the purchase of Technology Square.

The Investment and Executive Committees of the Corporation allow distributions for spending from general investments to come from both investment income and market appreciation, and in the separately invested funds only from investment income. This policy is consistent with the investment policy for the general investments which focuses on total investment return, a combination of both capital appreciation and investment income from interest, dividends, and rents. In fiscal year 2001 the distribution rate was $30.75 per unit, a 35.8 percent increase over the $22.65 per unit distribution rate in fiscal year 2000. In 2001 the amount distributed for spending from the general investment endowment funds totaled $229.5 million, an increase of 11.1 percent from the $206.6 million distributed in 2000. The 2001 amount distributed for spending from the general investment endowment funds included $91.1 million from investment gains, or 39.7 percent of the total distributed to those funds. In 2000, the comparable amount distributed to general investment endowment funds included $62.8 million from investment gains. In 2001 there was also a special distribution of $20.0 million from the current invested funds, which was an increase of $5.0 million from the special distribution in 2000.

Separately invested funds decreased by $74.3 million to a market value of $230.6 million. This decrease resulted from transfers to general investments and market depreciation.

The investments held by the life income funds decreased $13.0 million to a market value of $168.7 million. The decrease resulted from current year gifts less market depreciation and transfers to endowment and current funds.

Investment income in the form of dividends, interest and rents (after administrative expenses) was $140.4 million. This compares to $99.8 million of investment income in the previous year and represented an increase of 40.7 percent. This measure of investment income does not include any investment gains. The amount distributed for spending to endowment funds included investment gains. The investment income earned by the current invested funds was fully distributed.

The Investment Committee held three regularly scheduled meetings during the fiscal year, under the chairmanship of Samuel W. Bodman. In February 2001 the Executive Committee approved the consolidation of the asset management of the MIT retirement and other benefit plans within one committee, the Investment Committee of the Corporation. The previous trustees of these plans tendered their resignations and each member of the Investment Committee was duly appointed as a trustee of these plans. At its subsequent meetings the Investment Committee reviewed the investment management of the Institute's assets and those of these plans. The Wellington Management Company continued as the primary investment manager and advisor for publicly traded securities. The Investment Committee continued both the investment programs of domestic public-equity investments in smaller capitalization companies through three other investment management firms and the program to diversify international equities management with three other investment management firms. The investment program in non-marketable and marketable alternative investments in the domestic and international markets continued to expand. Non-marketable alternatives include investments such as venture capital. Marketable alternatives include investments in event arbitrage and hedge funds. The alternative investments are managed by independent organizations through pooled investment funds.

Land, Buildings and Equipment

Fixed assets had a book value of $882.7 million at June 30, 2001, up 28.5 percent from $687.0 million at June 30, 2000. As in the previous year, the largest share of the increase was in construction in progress. Major projects completed during fiscal year 2001 included the extensive renovation to Building 33 (the Daniel Guggenheim Aeronautical Laboratory), the Chemistry Department's offices and laboratories in Buildings 2, 4 and 6, the Center for Learning and Memory and the Center for Cancer Research offices and laboratories in buildings E18 and E19.

Full project costs include construction costs as well as the planning, design and ancillary costs that are associated with a project. Full project cost estimates for imminent capital projects approach $1.2 billion, including $264.8 million for campus life facilities, $795.6 million for instruction and research facilities and $95.6 million for related utility relocations and landscape projects. Campus life projects include Simmons Hall, a new undergraduate residence named in honor of Richard P. and Dorothy P. Simmons; two new graduate residences at 224 Albany Street and 70 Pacific Street; and the Albert and Barrie Zesiger Sports and Fitness Center. Instruction and research projects include the renovation of the Dreyfus Chemistry Building, the Media Laboratory extension and renovation, and the new Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences. Projects currently in the design development stage include an expansion of buildings housing the Sloan School and the School of Humanities, Arts, and Social Sciences, and the Brain and Cognitive Science Center.

The significant building program now underway will renew existing buildings and provide new infrastructure to advance the Institute's commitment to student life and learning and to support its mission of innovation and research. Currently, construction activity stretches from the western to the eastern edges of the campus. When completed, the Institute's new facilities will support emerging research demands, provide innovative housing for its community and facilities to improve student and community life.

General

It is important to emphasize that the Institute's financial position was stable during 2001, a year in which investment markets were not as robust as they had been, a year in which MIT experienced continued support from alumni and friends towards our "Campaign for MIT" and a year in which the scope and vision of the new construction were quite apparent to all who strolled the campus.

The Institute's objectives to maintain our traditional areas of strength while developing the resources for new programs and initiatives are being met through careful planning and execution. We are ever alert to the impact that world events may have on the thrust of our activities and are committed to a prudent course of action in achieving our objectives.

Our ability to meet the objectives defined is the result of the efforts of many individuals. At the heart of MIT are our faculty, students and staff. We also benefit immeasurably from the support of loyal alumni and friends who continue to share with us their financial resources and their advice and counsel. We acknowledge with deep appreciation the efforts of all of these individuals.

Respectfully submitted,

Allan S. Bufferd
Treasurer

John R. Curry
Executive Vice President

September 28, 2001

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF FINANCIAL POSITION
at June 30, 2001 and 2000
(in thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 61,300	$ 62,935
Accounts receivable, net	106,733	95,612
Pledges receivable, net	303,047	278,579
Contracts in progress, principally U.S. Government	23,683	30,936
Deferred charges, inventories and other assets	75,112	40,094
Students' notes receivable, net	81,217	77,323
Investments, at fair value	7,334,376	7,612,251
Land, buildings and equipment, at cost ($1,271,419 for 2001 and $1,056,776 for 2000), net of accumulated depreciation	882,651	687,002
Total assets	$ 8,868,119	$ 8,884,732
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accruals and other liabilities	$ 304,252	$ 257,212
Withholdings, deposits and other credits	19,679	18,658
Advance payments	134,956	123,848
Borrowings - bonds and notes payable	522,456	299,169
Government advances for student loans	30,887	29,920
Total liabilities	1,012,230	728,807
Net Assets (Note J):		
Unrestricted	3,082,161	3,172,788
Temporarily restricted	3,555,186	3,833,231
Permanently restricted	1,218,542	1,149,906
Total net assets	7,855,889	8,155,925
Total liabilities and net assets	$ 8,868,119	$ 8,884,732

The accompanying notes are an integral part of the financial statements.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF ACTIVITIES
for the years ended June 30, 2001 and 2000
(in thousands of dollars)

OPERATING ACTIVITIES	Unrestricted	Temporarily Restricted	Permanently Restricted	2001	2000
OPERATING REVENUES:					
Tuition and other income, net of discount of $129,804 in 2001 and $111,711 in 2000	$ 161,031			$ 161,031	$ 160,690
Research revenues:					
Campus direct	291,500			291,500	276,236
Campus indirect	112,133			112,133	101,820
Lincoln Laboratory direct	329,137			329,137	328,250
Lincoln Laboratory indirect	26,055			26,055	21,945
Gifts and bequests for current use	102,171			102,171	83,435
Fees and services	56,136			56,136	41,898
Other programs	59,453			59,453	63,248
Investment income	140,396			140,396	99,795
Net gains on investments, distributed	111,051			111,051	77,786
Auxiliary enterprises	63,851			63,851	60,664
Net asset reclassification	12,048			12,048	24,589
Total operating revenues	1,464,962	-	-	1,464,962	1,340,356
OPERATING EXPENSES:					
Salaries and wages	621,863			621,863	580,563
Employee benefits	122,309			122,309	155,494
Supplies and services	435,174			435,174	386,226
Subrecipient agreements	30,367			30,367	30,714
Utilities, rent and repairs	99,154			99,154	75,664
Depreciation	61,580			61,580	57,433
Interest expense	14,661			14,661	15,966
Total operating expenses	1,385,108	-	-	1,385,108	1,302,060
Results of operations	79,854	-	-	79,854	38,296
NON-OPERATING REVENUES, GAINS AND LOSSES					
Pledges		$ 35,520	$ 32,626	68,146	175,364
Gifts and bequests		3,398	33,492	36,890	98,158
Fees and services				-	1,004
Investment income		3,741	1,295	5,036	5,121
Net gain (loss) on investments	(74,465)	(295,734)	2,655	(367,544)	2,477,775
Distribution of accumulated investment gains	(111,051)			(111,051)	(77,786)
Net change in life income funds	(1,593)	(3,444)	5,718	681	10,099
Net asset reclassifications	16,628	(21,526)	(7,150)	(12,048)	(24,589)
Total non-operating activities	(170,481)	(278,045)	68,636	(379,890)	2,665,146
Net change during the year	(90,627)	(278,045)	68,636	(300,036)	2,703,442
Net assets at the beginning of the year	3,172,788	3,833,231	1,149,906	8,155,925	5,452,483
Net assets at the end of the year	$ 3,082,161	$ 3,555,186	$ 1,218,542	$ 7,855,889	$ 8,155,925

The accompanying notes are an integral part of the financial statements.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2000
(in thousands of dollars)

OPERATING ACTIVITIES	Unrestricted	Temporarily Restricted	Permanently Restricted	2000
OPERATING REVENUES:				
Tuition and other income, net of discount of $111,711	$ 160,690			$ 160,690
Research revenues:				
Campus direct	276,236			276,236
Campus indirect	101,820			101,820
Lincoln Laboratory direct	328,250			328,250
Lincoln Laboratory indirect	21,945			21,945
Gifts and bequests for current use	83,435			83,435
Fees and services	41,898			41,898
Other programs	63,248			63,248
Investment income	99,795			99,795
Net gains on investments, distributed	77,786			77,786
Auxiliary enterprises	60,664			60,664
Net asset reclassification	24,589			24,589
Total operating revenues	1,340,356	-	-	1,340,356
OPERATING EXPENSES:				
Salaries and wages	580,563			580,563
Employee benefits	155,494			155,494
Supplies and services	386,226			386,226
Subrecipient agreements	30,714			30,714
Utilities, rent and repairs	75,664			75,664
Depreciation	57,433			57,433
Interest expense	15,966			15,966
Total operating expenses	1,302,060	-	-	1,302,060
Results of operations	38,296	-	-	38,296
NON-OPERATING REVENUES, GAINS AND LOSSES				
Pledges		$ 60,404	$ 114,960	175,364
Gifts and bequests		28,996	69,162	98,158
Fees and services		706	298	1,004
Investment income		3,784	1,337	5,121
Net gains on investments	935,899	1,544,925	(3,049)	2,477,775
Distribution of accumulated investment gains	(77,786)			(77,786)
Net change in life income funds	(5,617)	6,263	9,453	10,099
Net asset reclassifications	10,593	(39,145)	3,963	(24,589)
Total non-operating activities	863,089	1,605,933	196,124	2,665,146
Net change during the year	901,385	1,605,933	196,124	2,703,442
Net assets at the beginning of the year	2,271,403	2,227,298	953,782	5,452,483
Net assets at the end of the year	$ 3,172,788	$ 3,833,231	$ 1,149,906	$ 8,155,925

The accompanying notes are an integral part of the financial statements.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2001 and 2000
(in thousands of dollars)

	2001	2000
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (300,036)	$ 2,703,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (gains) losses	367,544	(2,477,775)
Depreciation	61,580	57,388
Student loan cancellations	274	928
Gifts of equipment and securities	(6,767)	(11,529)
Net (gains) losses on life income funds	13,378	(3,268)
Change in operating assets and liabilities:		
Pledges receivable	(24,468)	(137,865)
Accounts receivable	(11,121)	11,995
Contracts in progress	7,253	17,831
Deferred charges, inventories and other assets	(35,018)	(4,398)
Accounts payable, accruals and other liablilites	47,040	25,446
Withholdings, deposits and other credits	1,021	(6,581)
Advances payments	11,109	25,547
Reclassify investment income	(1,295)	(1,337)
Reclassify contributions restricted for long-term investment	(36,889)	(98,157)
Net cash received from operating activities	93,605	101,667
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment	(250,462)	(125,517)
Purchases of investments	(4,996,875)	(4,832,721)
Proceeds from sale of investments	4,893,827	4,789,755
Student notes issued	(17,884)	(17,533)
Collections from student notes	13,716	12,983
Net cash used in investing activities	(357,678)	(173,033)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment	33,473	69,145
Investment in plant and other	3,416	29,012
Total proceeds from contributions	36,889	98,157
Increase in investment income for restricted purposes	1,295	1,337
Proceeds from borrowings, bonds and notes payable	332,635	34,101
Repayment of borrowings, bonds and notes payable	(109,348)	(54,806)
Increase in Government advance for student loans	967	578
Net cash received from financing activities	262,438	79,367
Net increase (decrease) in cash	(1,635)	8,001
Cash at the beginning of the year	62,935	54,934
Cash at the end of the year	$ 61,300	$ 62,935

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Net assets, revenues, expenses, gains and losses are classified into three categories based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets. Unconditional promises to give (pledges) are recorded as receivables and revenues within the appropriate net asset category. See Note J for further information on the composition of the net assets in these three categories.

Permanently restricted net assets include gifts, pledges, trusts and remainder interests, income and gains that are required by donors to be permanently retained. Pledges, trusts and remainder interests are reported at their estimated fair market values.

Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period).

Unrestricted net assets are all the remaining net assets of the Institute.

Donor-restricted gifts which are received and either spent or deemed spent within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long lived assets are reported as temporarily restricted net assets until the monies are expended at which point they are reclassified to unrestricted net assets.

The Institute administers its various funds, including endowments, funds functioning as endowment, school or departmental funds and related accumulated gains in accordance with the principles of "fund accounting." Gifts are recorded in fund accounts and investment income is distributed to funds annually. Income distributed to funds may be a combination of capital appreciation and yield pursuant to the Institute's total return investment policy. Each year, the Investment and Executive Committees of the Corporation approve the rates of distribution of investment income to the funds from the Institute's investment pools. See Note B for further information on income distributed to funds.

The Institute's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy, auxiliary revenues, and operating expenditures. Results of operations are displayed in the Statement of Activities.

The Institute is a non-profit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

CASH

Current banking arrangements do not require outstanding checks to be funded until actually presented for payment. Outstanding checks in the amount of $45.8 million and $44.7 million in 2001 and 2000, respectively, are recorded in accounts payable until they are presented to our banks for payment. Certain cash balances, totaling $28.4 million and $27.2 million in 2001 and 2000, respectively, are restricted for use in connection with government research.

SPONSORED RESEARCH

Revenue associated with contracts and grants is recognized as related costs are incurred. The capital costs of buildings and equipment are depreciated over their life cycle and the sponsored research recovery allowance for depreciation is treated as research revenue. The Institute has recorded reimbursement of indirect costs relating to sponsored research at predetermined fixed billing rates. The income generated by the predetermined rates is adjusted at the close of each fiscal year to reflect any variance between the predetermined rates and rates based on actual cost. The actual cost rate is audited by the Defense Contract Audit Agency (DCAA) and a final fixed rate agreement is signed by the Government and the Institute. The variance between the predetermined fixed rate and the final audited rate results in a carryforward (over or under recovery). The carryforward will be included in the calculation of predetermined fixed billing rates in future years. Any adjustment in the rate is charged/(credited) to unrestricted net assets.

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are shown at cost or fair value as of the date of a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment and 3 to 5 years for software. Fully depreciated buildings and equipment are removed from the financial statements. These amounts totaled $45.8 million and $74.0 million during 2001 and 2000, respectively. Land, buildings and equipment are as follows at June 30:

	2001	2000
	(in thousands of dollars)	
Land	$ 37,994	$ 35,800
Educational buildings	584,689	529,875
Dormitories	80,381	80,381
Medical, athletic and recreational buildings	70,630	70,630
Other	26,829	27,969
Equipment	219,532	206,606
Software	752	752
Total	**1,020,807**	**952,013**
Less: accumulated depreciation	(388,768)	(369,774)
Construction in progress	247,449	102,101
Software projects in progress	3,163	2,662
Land, buildings and equipment	**$ 882,651**	**$ 687,002**

Depreciation expense was $61.6 million and $57.4 million during 2001 and 2000, respectively. Net interest expense of $.2 million was capitalized during fiscal 2001 in relation to the Institute's construction.

TUITION AND FINANCIAL AID

Tuition and similar revenues include tuition and fees in degree programs as well as tuition and fees for executive and continuing education programs at the Institute.

	Tuition and Similar Revenue *(in thousands of dollars)*	
	2001	**2000**
Tuition revenue	$ 273,461	$256,340
Executive & continuing education revenues	17,374	16,061
Total	**290,835**	**272,401**
Less: tuition discount	(129,804)	(111,711)
Net tuition	**$161,031**	**$160,690**

Tuition support is awarded to undergraduate students by the Institute based on need. Graduate students are provided with tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by the Institute was $248.0 million and $221.1 million in 2001 and 2000, respectively. Of that amount, $91.4 million in 2001 and $84.4 million in 2000, was aid from sponsors. Tuition support from Institute sources is displayed as tuition discount.

Financial Aid
(in thousands of dollars)

	2001			**2000**		
	Institute Sources	**External Sponsors**	**Total Financial Aid**	**Institute Sources**	**External Sponsors**	**Total Financial Aid**
Tuition support	$129,804	$36,186	$165,990	$111,711	$35,708	$147,419
Stipends	9,568	14,533	24,101	7,504	13,523	21,027
Student salaries	17,261	40,642	57,903	17,458	35,161	52,619
Total	**$156,633**	**$91,361**	**$247,994**	**$136,673**	**$84,392**	**$221,065**

GIFTS AND PLEDGES

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair market value at the date of contribution. Gifts of equipment during 2001 and 2000 totaling $6.8 million and $11.5 million, respectively, from manufacturers and other donors were put into use and recorded by the Institute at fair market value during the respective fiscal years. Pledges in the amount of $303.0 million and $278.6 million are recorded as receivables with the revenue assigned to the appropriate category of restriction for 2001 and 2000, respectively. Pledges consist of unconditional written or oral promises to contribute to the Institute in the future. Pledges are recorded after discounting the future cash flows to the present value.

Pledges receivable at June 30 are expected to be realized in the following time frame *(in thousands of dollars)*:

	2001	**2000**
In one year or less	$105,523	$ 58,093
Between one year and five years	163,970	180,160
More than five years	52,054	55,326
Less allowance for unfulfilled pledges	(18,500)	(15,000)
Pledges receivable, net of discount	**$303,047**	**$278,579**

A review of pledges has been made with regard to individual collectibility. As a result, some pledges have either been canceled or are no longer recorded in the statements. In addition, pledges are discounted in the amount of $31.6 million and $50.0 million in 2001 and 2000 respectively, which is determined using discount rates based on the U.S. Treasury rate at June 30, 2001 and 2000. The Institute had conditional pledges for the promotion of education and research in the amount of $28.7 million and $26.1 million in 2001 and 2000, respectively.

The Institute records items of collections as a gift at nominal value. They are received for educational purposes and generally displayed throughout the Institute. They are not disposed of for financial gain or otherwise encumbered in any manner.

ADVANCES

Amounts received by the Institute from the U.S. Government, corporations, industrial sources, foundations and other non-federal sponsors under the terms of agreements that generally require the exchange of assets, rights, or privileges between the Institute and the sponsor are recorded as advance payments. Revenue is recognized upon the Institute fulfilling the terms of the agreement.

LIFE INCOME FUNDS

The Institute's life income fund agreements with donors consist primarily of charitable gift annuities, pooled income funds and irrevocable charitable remainder trusts for which the Institute serves as trustee. Assets are invested and payments are made to donors and other beneficiaries in accordance with the respective agreements. Annually the Institute marks to market the assets that are associated with each life income fund and records the present value of the estimated future payments to be made to the donors and beneficiaries under these agreements as a liability.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain June 30, 2000 balances previously reported have been reclassified to conform to June 30, 2001 presentation.

B. INVESTMENTS

Total market value of investments approximated $7.3 billion and $7.6 billion at June 30, 2001 and 2000, respectively. The market values of publicly traded investments are generally determined based upon quoted market prices. The Institute's privately held equity investments are carried at estimated fair value provided by the management of the privately held equity funds with the majority being as of March 31, 2001, adjusted for cash receipts, cash disbursements and securities distributions through June 30, 2001. The Institute believes that the carrying value of its privately held equity investments is a reasonable estimate of the fair value as of June 30, 2001. Because investments in privately held equities are generally not marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed. Market values of certain real estate assets were determined by professional appraisers. Cash equivalents include money market funds, commercial paper, banker acceptances and negotiable certificates of deposit, maturing within 30 days.

The table on the following page provides a detailed breakdown of investments by type as of June 30, 2001 and 2000.

Investments (in thousands of dollars)	June 30, 2001 Book	June 30, 2001 Market	June 30, 2000 Book	June 30, 2000 Market
General investments				
Cash equivalents	$ 363,813	$ 363,813	$ 301,927	$ 301,927
Fixed income	841,799	848,975	770,713	749,360
Equities:				
Publicly traded	2,727,087	3,039,780	2,602,269	3,510,328
Privately held	1,323,711	1,951,377	698,299	2,083,414
Total equities	4,050,798	4,991,157	3,300,568	5,593,742
Real estate:				
Held in Pool A	475,628	600,662	161,057	257,038
Held in Pool C	118,451	118,451	90,436	90,429
Total general investments	**5,850,489**	**6,923,058**	**4,624,701**	**6,992,496**
Separately invested	213,856	230,579	227,171	304,902
Life income funds	125,604	168,686	126,530	181,668
Receivables/payables arising from securities transactions	12,053	12,053	133,185	133,185
Total investments	**$6,202,002**	**$7,334,376**	**$5,111,587**	**$7,612,251**

The Institute deploys its investments into two major investment pools, Pool A, principally for endowment and funds functioning as endowment and Pool C, principally for investment of current funds of the schools and departments and Institute temporary funds. Shares in Pool A, like a mutual fund, are purchased and redeemed at the fair value of the share units as determined each month end. The total market value of Pool A was approximately $6.0 billion and $6.3 billion at June 30, 2001 and 2000, respectively. The unit market values at June 30, 2001 and 2000 were $928.4593 and $996.3170, respectively. Changes in unit values reflect market experience less distributions for spending. On a unit basis, the ownership assigned to each net asset classification at June 30, 2001 and 2000 was as follows:

	2001	2000
Unrestricted	1,982,041	1,951,094
Permanently restricted	4,491,721	4,403,534
Total units	**6,473,762**	**6,354,628**

Fund balances in Pool C are at the dollar amount "deposited" and earn income at rates as determined by the Executive Committee, with reference to short-term money market rates.

The following schedule summarizes the total investment gains (losses) by classification of net assets for the year ended June 30 *(in thousands of dollars)*:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2001				
Realized gains	$ 125,396	$ 860,475	$ 1,496	$ 987,367
Change in net unrealized gains (losses)	(199,861)	(1,156,209)	1,159	(1,354,911)
Total	**$ (74,465)**	**$ (295,734)**	**$ 2,655**	**$ (367,544)**
2000				
Realized gains	$411,607	$1,016,593	$ 6,742	$1,434,942
Change in net unrealized gains (losses)	524,292	528,332	(9,791)	1,042,833
Total	**$ 935,899**	**$1,544,925**	**$(3,049)**	**$2,477,775**

The Investment and Executive Committees of the Corporation have approved the practice whereby spending by funds in the general investments may come from both investment income and realized market gains. The policy of focusing on total investment return, a combination of both capital appreciation and investment income from interest, dividends and rents, is consistent with this spending policy. Although a portion of accumulated realized gains and losses are reported as part of the Institute's unrestricted resources, their use is availed of in a manner consistent with the Institute's spending policy and long-term goal of preservation of the endowment. The distribution rate on Pool A is declared by the Investment and Executive Committees each year for the upcoming new fiscal year. Pertinent information is shown on the following page.

	2001	2000
Pool A – Distribution per unit	$30.75	$22.65
Pool C – Declared rate before other distributions	4.0%	4.0%

The total distribution to all funds was $266.3 million in 2001 and $191.7 million in 2000. These distributions included accumulated investment gains of $111.1 million and $77.8 million, and investment income earned on internal advances amounting to $14.9 million and $14.4 million in 2001 and 2000 respectively. Investment income is reported net of related external expenses of $13.7 million and $12.4 million in 2001 and 2000, respectively.

The Institute has recorded perpetual trusts held by outside trustees of $42.5 million for 2001 and $60.7 million for 2000. The perpetual trusts are included in investments reported above.

Realized gains and losses are recorded by the Institute using the average cost basis. Investment transactions are recorded on trade date. Net gains and losses are classified as unrestricted net assets unless they are restricted by the donor or the law. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the Institute in accordance with the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

C. DERIVATIVE INSTRUMENTS

From time to time, the Institute will enter into various forward currency exchange contracts solely as partial offset of exchange note movements affecting the U. S. dollar values of portfolio holdings on bonds denominated in foreign currencies. These contracts obligate the Institute to deliver currencies at specific future dates in return for U. S. dollars at fixed exchanged rates and are recorded at market value. The Institute had open contracts with a market value of $23.5 million and $15.8 million at June 30, 2001 and 2000, respectively. During fiscal 2001 the Institute implemented SFAS No. 133 "Accounting for Derivative Instruments", which did not have a material impact on its operations or financial position. Refer to Note F for additional details.

D. STUDENT NOTES

Student notes consisted of the following at June 30, 2001 and 2000:

	2001	2000
	(in thousands of dollars)	
Institute-funded student notes receivable	$48,107	$45,173
Perkins student notes receivable	34,318	33,569
Total student notes receivable	82,425	78,742
Less: allowance for doubtful accounts	(1,208)	(1,419)
Student notes receivable, net	**$81,217**	**$77,323**

Perkins student notes receivable are funded by the United States Government and by the Institute to the extent required by the Perkins National Direct Student Loan Program. Funds advanced by the United States Government for this program, $30.9 million and $29.9 million at June 30, 2001 and 2000, respectively, are ultimately refundable to the United States Government and are classified as liabilities. Due to the nature and terms of the student loans, which are subject to significant restrictions, it is not practicable to determine the fair value of such loans.

E. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

The Institute's accounts payable, accruals and other liabilities consisted of the following at June 30:

	2001	2000
	(in thousands of dollars)	
Accounts payable and accruals	$172,432	$130,985
Accrued vacations	35,457	34,844
Accounts payable U.S. Government	14,770	5,681
Life interest funds	81,593	85,702
Total	**$304,252**	**$257,212**

The Institute is currently self-insured for health insurance and long term disability, workers' compensation and unemployment compensation. Reserves are provided for these coverage's totaling $13.6 million and $9.4 million for 2001 and 2000, respectively.

F. BORROWINGS-BONDS AND NOTES PAYABLE

Bonds and Notes Payable consist of the following at June 30, 2001 and 2000:

	2001	2000
	(in thousands of dollars)	
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHFA)		
Series A, lease purchase obligations (Note G)	$ 400	$ 800
Series B, 5%, due 2001-2003	1,355	1,980
Series C, 5-6.2%, due 2001-2006	1,940	2,260
Series H, 4.2 - 5%, due 2001-2023	67,698	67,599
Series I, 4.75 –5.20%, due 2028	59,863	59,900
Series J-1, variable rate, due 2032	125,000	-
Series J-2, variable rate, due 2032	125,000	-
Total MHEFA	**381,256**	**132,539**
Medium Term Notes Series A, 7.125% due 2026	17,316	17,312
Medium Term Notes Series A, 7.25% due 2096	45,424	72,012
Notes payable to bank, variable rate, due 2002	30,000	25,400
Notes payable Student Loan Marketing Association (SLMA), variable rate, due 2000	-	1,654
Total Educational Plant	**473,996**	**248,917**
STUDENT LOANS		
Notes payable to bank, variable rate, due 2002	25,000	25,000
Total Student Loans	**25,000**	**25,000**
OTHER		
Notes payable to bank, variable rate, due 2002	23,460	23,460
Notes payable to bank, variable rate, due 2001	-	1,792
Total Bonds and Notes Payable	**$522,456**	**$299,169**

At June 30, 2001 the Institute had pledged securities with a market value of $38.4 million, annual unrestricted operating revenue of $1.6 million, and certain other project revenue to comply with the terms of the MHEFA bond indentures. In addition, certain land and buildings are pledged as collateral for MHEFA Series B and C bonds.

The aggregate amount of long-term debt payments and sinking fund requirements for each of the next five years is:

	(in thousands of dollars)
2002	$87,465
2003	5,110
2004	4,635
2005	4,850
2006	5,095

Cash paid for interest on long-term debt in 2001 and 2000 was $14.7 million and $16.0 million, respectively.

Variable interest rates were as follows at June 30, 2001:

Notes payable to bank (Educational Plant)	4.19%
Notes payable to bank (Student Loan)	4.19%
Note payable to bank (Other)	6.88%
MHEFA Series J-1	2.60%
MHEFA Series J-2	2.40%

There was no unused line of credit at June 30, 2001. The carrying value of the outstanding debt approximates fair value based on estimates using current interest rates available for similarly rated debt of the same remaining maturities.

During fiscal year 2001, the Institute has entered into two interest rate swap agreements to manage the interest cost and risk associated with its variable rate debt portfolios. Under the terms of these agreements, the Institute pays fixed rates, ranging from 4.46 percent to 4.91 percent, determined at inception, and receives the Bond Market Association Index (BMA) rate on the respective notional principal amounts. The Institute's interest rate swaps, at June 30, 2001, had a notional amount of $250.0 million. These agreements are recorded at market value and the change in market value is included in non-operating investment income. These financial instruments involve counter party credit exposure. The counter parties for these swap transactions are major financial institutions that meet the Institute's criteria for financial stability and credit-worthiness.

G. COMMITMENTS AND CONTINGENCIES

Federal Government Funding

The Institute receives funding or reimbursement from Federal Government agencies for sponsored research under Government grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Office of Naval Research (ONR), the Institute's cognizant Federal agency. The Institute's indirect cost reimbursements have been based on fixed rates with carryforward of under or over recoveries.

The DCAA is responsible for auditing both direct and indirect charges to grants and contracts in support of ONR's negotiating responsibility. The Institute has final audited rates through the 1998 fiscal year. The Institute's 2001 research revenues of $758.8 million include reimbursement of indirect costs of $138.2 million, which includes the adjustment of the variance between the indirect cost income generated from the predetermined rates and rates based on actual 2001 costs.

Rentals

The Institute is committed under real estate leases. Rent expense was $24.9 million and $23.7 million in 2001 and 2000, respectively. Certain leases expiring in fiscal year 2002 are subject to renewal. Future minimum payments under operating leases are as follows:

(in thousands of dollars)	
2002	$25,563
2003	25,550
2004	26,136
2005	26,740
2006	27,196

Investments

The Institute is committed to invest approximately $853.8 million in private equity and other alternative investments over the next five years which includes $178.0 million in real estate commitments.

Future Construction

The Institute has contracted for Educational Plant in the amount of $257.5 million at June 30, 2001. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, unrestricted funds and future borrowings. The Institute will be committing significant additional resources to planned major construction projects over the next several years.

Related Entities

The Institute has entered into agreements, including collaborations with third party not-for-profit and for-profit entities, and has created a new for-profit entity, for education, research and technology transfers. Some of these agreements involve funding from foreign governments. These agreements subject the Institute to greater financial risk than do its normal operations. In the opinion of management, the realization of increased financial risks by the Institute under these agreements is remote. Revenue received from the related entities was $4.2 million and $4.7 million during 2001 and 2000 respectively.

General

The Institute is subject to certain other legal proceedings and claims which arise in the normal course of operations. In the opinion of management, the ultimate outcome of these actions will not have a material effect on the Institute's financial position.

H. RETIREMENT BENEFITS

The Institute offers retirement and post retirement benefits to its employees. The Massachusetts Institute of Technology retirement benefit has a defined benefit plan and a defined contribution plan. The retirement benefit covers substantially all employees of the Institute. The Institute contributes to the defined benefit plan amounts which are actuarially determined to provide the retirement plan with sufficient assets to meet future benefit requirements. There were no contributions to the defined benefit plan in 2001 or 2000. The costs recognized during 2001 and 2000 related to the defined contribution components of the Retirement Plan were $25.0 million and $24.0 million, respectively.

In addition to providing pension benefits, the Institute provides certain health care and life insurance benefits for retired employees. Substantially all of the Institute's employees may become eligible for those benefits if they reach a qualifying retirement age while working for the Institute. Retiree health plans are paid for in part by retirees' contributions, which are adjusted annually. Benefits are provided through various insurance companies whose charges are based either on the benefits paid during the year or annual premiums. Health benefits are provided to retirees, their covered dependents, and beneficiaries. Substantially all retiree life insurance plans are non-contributory and cover the retiree only. The Institute amortizes the past service amount relating to the accumulated postretirement benefit obligation for retiree costs and transition over the allowable 20-year period. The Institute maintains a trust to which it has contributed the postretirement health care and life insurance costs on the accrual basis. The following table provides detail changes in benefits obligations, component of benefit costs and weighted average assumptions *(figures are in thousands of dollars).*

	Pension Benefits		**Other Benefits**	
	2001	**2000**	**2001**	**2000**
Change in Benefit Obligation				
Benefit obligation at beginning of year	$1,382,431	$1,338,999	$208,490	$192,494
Service cost	40,441	37,746	4,018	3,475
Interest cost	103,514	99,991	15,460	13,907
Retiree contributions	-	-	1,613	1,488
Net benefit payment and transfers	(128,968)	(79,277)	(17,356)	(14,736)
Assumption changes and actuarial net gains/loss	93,906	(15,028)	30,241	11,862
Benefit obligation at end of year	**$1,491,324**	**$1,382,431**	**$242,466**	**$208,490**
Change in plan assets				
Fair value of plan assets at beginning of year	$2,247,662	$1,763,206	$155,246	$138,729
Actual return on plan assets	(57,170)	563,733	(2,839)	16,699
Employer contributions	-	-	13,215	13,066
Retiree contributions	-	-	1,613	1,488
Net benefit payments and transfers	(128,968)	(79,277)	(17,356)	(14,736)
Fair value of plan assets at end of year	**$2,061,524**	**$2,247,662**	**$149,879**	**$155,246**
Funded status	$ 570,200	$ 865,231	$(92,587)	$ (53,244)
Unrecognized net transition liability/(asset)	(18,374)	(24,498)	57,307	62,083
Unrecognized prior service costs	15,841	17,436	2,555	5,459
Unrecognized net (gain) loss	(524,027)	(852,841)	30,786	(16,237)
(Accrued)/prepaid benefit cost	**$ 43,640**	**$ 5,328**	**$(1,939)**	**$ (1,939)**
Component of net periodic benefit cost				
Service cost	$ 40,441	$ 37,746	$ 4,018	$ 3,475
Interest cost	103,514	99,991	15,460	13,907
Expected return on plan assets	(161,415)	(137,832)	(12,942)	(11,115)
Amortization of transition amount	(6,125)	(6,124)	4,776	4,776
Amortization of unrecognized net (gain)	(16,322)	(2,367)	(1,000)	(1,000)
Amortization of prior service cost	1,595	2,781	2,903	4,989
Net benefit (income) cost	**$ (38,312)**	**$ (5,805)**	**$ 13,215**	**$ 15,032**
Weighted-average assumptions as of June 30				
Discount rate	7.00%	7.50%	7.00%	7.50%
Expected return on plan assets	8.75%	9.25%	8.75%	9.25%
Average compensation increase	6.00%	6.00%	-	-

For measurement purposes a 5.5 percent annual rate of increase in per capita cost of covered health care benefits was assumed for 2001 and beyond for prior to age 65. The annual rate of increase for age 65 and older was assumed at 5.5 percent for 2001 and beyond. Assumed health care cost trend rates have a significant effect on the amount reported for health care plans. A one-percentage point change in the assumed health care trend rate would have the following effect:

Effect of 1% change in assumed health care trend on:	**1% increase**	**1% decrease**
Service cost plus interest cost	$ 1,660	$ (1,421)
Accumulated postretirement benefit obligation	19,120	(16,659)

I. FUNCTIONAL EXPENSE CLASSIFICATION

The Institute's expenditures on a functional basis are shown below:

	2001	2000
	(in thousands of dollars)	
General and administrative	$ 334,642	$ 300,551
Instruction and unsponsored research	335,361	315,445
Sponsored research	628,638	612,181
Auxiliary enterprises	76,740	66,387
Operation of alumni association	9,727	7,496
Total operating expenses	**$1,385,108**	**$1,302,060**

J. COMPONENTS OF NET ASSETS

The following table presents the three categories of net assets by purpose as of June 30, 2001 (in thousands of dollars). The amounts listed in the unrestricted column labeled Endowment Fund Principal are those gifts received over the years which the Institute designated as funds functioning as endowment and invested with the endowment funds. The larger components of temporarily restricted net assets are (1) pledges, which will be reclassified to unrestricted net assets when cash is received and (2) accumulated net gains on investments of gifts which the donor required to be permanently retained; such gains will be reclassified to unrestricted net assets when appropriated for spending in accordance with the Institute's spending policy and the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

Fund Category	2001				2000
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Fund	Total Fund
Endowment Fund Principal					
General Purpose	$ 566,090	$ 564,606	$ 94,031	$1,224,727	$ 1,331,891
Departments and Research	327,313	458,822	158,099	944,234	994,975
Library	7,027	10,625	1,931	19,583	20,836
Salaries and Wages	256,545	1,335,685	413,945	2,006,175	2,126,546
Graduate General	3,974	58,358	22,491	84,823	88,676
Graduate Departments	27,952	138,501	79,675	246,128	253,980
Undergraduate	123,451	544,611	181,929	849,991	902,420
Prizes	4,360	11,287	3,670	19,317	20,641
Pledges	-	-	162,999	162,999	150,611
Miscellaneous	368,234	127,520	22,972	518,726	498,381
Investment income held for distribution	221,008	-	-	221,008	237,160
Total Endowment Funds	**1,905,954**	**3,250,015**	**1,141,742**	**6,297,711**	**6,626,117**
Other Invested Funds					
Student Loan Funds	9,099	-	15,180	24,279	22,586
Building Funds	61,746	88,883	-	150,629	139,737
Designated Purposes:					
Departments and Research	265,663	-	-	265,663	230,972
Other Purposes	109,912	-	-	109,912	104,399
Reserve Funds	37,097	-	-	37,097	58,177
Life Income Funds	2,574	40,331	44,188	87,093	95,966
Pledges	-	122,616	17,432	140,048	127,968
Accumulated net gains	208,110	53,341	-	261,451	359,579
Total Other Invested	**694,201**	**305,171**	**76,800**	**1,076,172**	**1,139,384**
Funds available for current expenses	187,764	-	-	187,764	126,717
Total Funds	**2,787,919**	**3,555,186**	**1,218,542**	**7,561,647**	**7,892,218**
Funds expended for Educational Plant	294,242	-	-	294,242	263,707
Total Net Assets at Market	**$3,082,161**	**$3,555,186**	**$1,218,542**	**$7,855,889**	**$8,155,925**

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

To the Auditing Committee of the
Massachusetts Institute of Technology:

In our opinion, the accompanying statements of financial position and the related statements of activities, and cash flows present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology at June 30, 2001 and 2000, and 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 Institute'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, which 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 5, 2001

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MASSACHUSETTS INSTITUTE OF TECHNOLOGY
FIVE YEAR TREND ANALYSIS

FINANCIAL HIGHLIGHTS (dollars in thousands)

	2001	**2000**	**1999**	**1998**	**1997**
Financial Position:					
Investments, at Market	$7,334,376	$7,612,251	$5,088,242	$4,370,325	$3,636,782
Land, Building, and Equipment:					
at cost less accumulated depreciation	882,651	687,002	607,345	572,290	535,980
Borrowings	522,456	299,169	319,874	297,170	314,027
Student Notes	81,217	77,323	73,700	66,247	63,644
Total Assets	8,868,119	8,884,732	6,144,224	5,361,290	4,557,408
Total Liabilities	1,012,230	728,807	691,741	685,257	663,172
Unrestricted Net Assets, at market	3,082,161	3,172,788	2,271,403	2,004,514	1,748,142
Market Value of Endowment Funds	6,297,711	6,626,117	4,349,812	3,713,766	3,064,437
Principal Sources of Revenue:					
Tuition and Other Income	290,835	272,401	260,596	248,493	241,106
Research Revenue:					
Campus	403,633	378,506	390,301	384,146	387,880
Lincoln Laboratory	355,192	350,195	353,321	364,783	352,592
Gifts and Bequests	207,207	356,957	224,015	158,538	128,831
Net realized gains (losses) on Investments	(367,544)	2,477,775	666,868	301,027	280,146
Investment Income Distributed	266,338	191,711	161,193	146,654	144,783
Principal Purposes of Expenditures:					
Total Operating Expenditures	1,385,108	1,302,060	1,282,134	1,223,500	1,179,848
Instruction and Unsponsored Research	335,361	315,445	303,378	269,945	250,108
Direct Cost of Sponsored Research -Current Dollars	628,638	612,181	621,080	624,439	620,871
Direct Cost of Sponsored Research -Constant Dollars (1996=100)	570,477	574,801	599,785	613,468	620,871
General and Administrative	334,642	300,551	304,046	261,712	253,715
Scholarships and Fellowships	129,804	111,711	77,584	75,169	67,557
Students:					
Undergraduate					
Full Time	4,199	4,240	4,303	4,326	4,376
Part Time	59	60	69	55	53

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
FIVE YEAR TREND ANALYSIS

FINANCIAL HIGHLIGHTS (dollars in thousands)

	2001	2000	1999	1998	1997
Undergraduate Applications					
Applicants	10,671	9,136	8,688	7,836	8,022
Accepted	1,726	1,742	1,890	1,938	1,947
Acceptance Rate	16%	19%	22%	25%	24%
Enrolled	1,012	1,048	1,043	1,067	1,071
Yield	59%	60%	55%	55%	55%
Freshmen Ranking in the top 10% of their Class	97%	94%	94%	93%	94%
Average SAT Scores	1,466	1,459	1,459	1,447	1,448
Graduate					
Full Time	5,575	5,469	5,338	5,331	5,389
Part Time	257	203	175	168	129
Graduate Applications					
Applicants	13,492	12,941	12,098	12,785	12,148
Accepted	3,435	3,380	2,651	2,548	2,445
Acceptance Rate	25%	26%	22%	20%	20%
Enrolled	1,899	1,895	1,392	1,304	1,353
Yield	55%	56%	53%	51%	55%
Student Financial Aid:					
Undergraduate Tuition Support	$37,793	$34,495	$33,389	$31,641	$32,082
Graduate Tuition Support	128,197	112,924	96,733	105,158	95,271
Fellowship Stipends	24,101	21,027	19,672	18,101	19,309
Student Loans	17,884	17,533	11,173	12,055	12,073
Student Employment	57,903	52,619	50,342	48,815	46,175
Total Financial Assistance	$265,878	$238,598	$211,309	$215,770	$204,910
Tuition: (in dollars)					
Tuition and Fees	$26,050	$25,000	$24,050	$23,100	$22,000
Average Room and Board	7,175	6,950	6,750	6,495	6,300
Faculty and Staff:					
Faculty	947	923	923	896	960
Employees	10,800	10,576	10,477	10,105	10,247

GLOSSARY FOR FINANCIAL STATEMENTS

Agency Funds—Amounts held as custodian or fiscal agent for affiliates such as alumni and student organizations.

Appropriations Among Funds—authorized transfer of resources between fund groups.

Auxiliary Activities—refers to the operations of Dining and Housing and MIT Press.

Book Value—the cost of investment. Bonds purchased at other than maturity value have a book value of amortized cost. The cost of real estate investments includes both the original cost and the capitalized cost of any improvements. The book value of gifts and other receipts is the cash or fair market value at the time of receipt.

Borrowings—represent mortgage bonds and notes payable to external agencies, institutions, and others.

Current Funds—expendable resources held for meeting current restricted or unrestricted expenses.

Endowment and Similar Funds—encompasses both endowment funds and funds functioning as endowment. **Endowment funds** are gifts and bequests where the donor has stipulated, as a condition of the gift, that the principal is to remain inviolate in perpetuity and is to be invested for the purpose of producing present and future income. **Funds functioning as endowment** are gifts, bequests, and other receipts that had no restrictions as to the expenditure of principal, which the Institute designated as additions to endowment for the present. See Net Assets.

Educational Plant Funds—funds invested and those available for investment in educational plant, as well as applicable mortgage bonds and notes payable.

Expendable Donor-Restricted Gifts—Donor restricted gifts which are received and either spent or deemed spent within the same year.

Fair Market Value—The amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. If a quoted market price is available for a financial instrument, the fair market value to be used is the product of the number of trading units of the instrument times the market price per unit.

Fund—an entity consisting of assets, liabilities, and fund balance. The assets and income must be invested or spent in accordance with the designated purpose of the fund.

Fund Accounting by MIT—The accounting for each fund includes both the balance sheet and the statement of income and expenses. The use of individual fund accounting assures the donors and others who provide these financial resources that the stated purposes of the fund are being met. MIT has thousands of individual funds that have been established, including many during the past year.

General Investments—assets of funds that have been pooled for investment purposes. These pools are Pool A (endowment and similar funds) and Pool C (current invested and operating funds).

Life Income Funds—gifts for investment with income payable to one or more beneficiaries during their lives. Upon the termination of life interests, the principal becomes available for Institute purposes, which may be designated by the donor.

Market Value—the fair market value on the statement date. Real estate held for investment is carried at appraised value, and certain assets are carried at book value or nominal value when value cannot readily be determined.

Net Assets—the assets remaining after all liabilities have been deducted. Net assets are categorized into three groups according to the nature of the restrictions placed on the gifts by donors. **Permanently Restricted Net Assets** are those gifts for which the original principal can never be spent. They comprise gifts to true endowment, outstanding pledges and assets held in trust which, when paid or matured, will go to the endowment, and gifts which are required to be used for student loans. **Temporarily Restricted Net Assets** are those gifts which will ultimately become available for operations or capital expenditures. They require some event or lapse of time to take place before they are available for spending. They include pledges, gifts of real estate not yet sold, gifts for construction projects which have not been completed and certain life income funds which, upon maturity, will be available for spending. **Unrestricted Net Assets** comprise all of the remaining economic resources available to the Institute.

Permanent Funds—funds designated by the donor as unexpendable.

Plant Funds—see Educational Plant Funds.

Pledge—a written or oral agreement to contribute cash or other assets to the Institute. A pledge may be either conditional or unconditional. **Conditional Pledge specifies** a future and uncertain event whose occurrence, or failure to occur, releases the promisor from its obligation. **Unconditional Pledge** is a promise to give that depends only on the passage of time or a demand by the promisee for performance.

Restricted—resources, the use of which has been designated by a donor.

Separately Invested Funds—funds held by or for the Institute and maintained in separate portfolios for investment purposes.

Statements of Activities - The Statements of Activities summarize the revenues, other additions, expenses, and other deductions that resulted in the changes in the Institute's net assets as shown in the Statement of Financial position. The Statements show this activity by net asset category. These statements show details of the Institutes operating and non-operating activities.

Statements of Cash Flows - These statements show the change in the cash balances of the Institute from the end of the preceding year to the end of the current year. The statements start with the overall change in net assets for the year, then add back expenses and other transactions which did not require cash, and then show the changes in the specific balance sheet items. Receivables and payables are created when transactions are booked for reporting purposes, but cash has not yet been received or paid. A positive adjustment for accounts receivable during the year reflects the net decrease in receivables.

Statements of Financial Position - The Statements of Financial Position report the Institute's assets, liabilities, and net assets. Invested assets are reported at market value while other assets are valued at amortized cost. The net assets section of the Statements of Financial Position, the Institute's assets less its liabilities, is comparable to stockholders' equity in a for-profit corporation.

Student Loan Funds—resources loaned to students or available for such loans.

Unrestricted—resources that are available for the general purposes of the Institute, and are not restricted by donors as to use.

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DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Loan and Trust Agreement and used in this Official Statement:

"Act" means Chapter 614 of the Massachusetts Acts of 1968, as amended from time to time;

"Agreement" means the Loan and Trust Agreement executed by and among the Authority, the Institution, and the Trustee, dated as of January 25, 2002 as it may be further amended or supplemented as provided therein;

"Authority" means the Massachusetts Health and Educational Facilities Authority, a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts;

"Authorized Officer" means: (i) in the case of the Authority, the Chairman, Vice Chairman, Secretary, Executive Director, Director of Financing Programs, Director of Administration and Finance or General Counsel, and when used with reference to an act or document of the Authority also means any other person authorized to perform the act or execute the document; and (ii) in the case of the Institution, the President, Executive Vice President or Treasurer, and when used with reference to an act or document of the Institution, also means any other person or persons authorized to perform the act or execute the document;

"Bonds" means the $230,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series K dated February 1, 2002 and any bond duly issued in exchange or replacement therefor;

"Bondowners" means the registered owners of the Bonds from time to time as shown in the books kept by the Paying Agent as bond registrar and transfer agent;

"Business Day" means a day on which banks in each of the cities in which the principal offices of the Trustee and the Paying Agent are located, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed;

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the Institution and the Trustee dated the date of issuance and delivery of the Bonds as originally executed and as it may be amended from time to time in accordance with the terms thereof;

"Debt Service Fund" means the fund established and so designated the Agreement;

"Government or Equivalent Obligations" means (i) obligations issued or guaranteed by the United States; (ii) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (i), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee or the Authority, as the case may be, in a special account separate from the general assets of such custodian; (iii) prerefunded tax-exempt obligations of any state or instrumentality, agency, or political subdivision thereof which are secured by Government or Equivalent obligations described in clause (i) or (ii) above and are rated "Aaa" by Moody's Investors Service or Standard & Poor's, a Division of McGraw-Hill Companies, Inc. and (iv) shares in any open end or closed end management type investment company or trust registered under 15 U.S.C. §80(a)-1, et.

seq. provided that the portfolio of such investment company or trust is limited to obligations described in clause (i) and repurchase agreements fully collateralized by such obligations, and provided further that such investment company or trust shall take custody of such collateral either directly or through a custodian satisfactory to the Trustee or the Authority;

"Institution" means the nonprofit institution for higher education, duly incorporated and existing under the laws of The Commonwealth of Massachusetts, located in the City of Cambridge, Massachusetts, the corporate name of which is Massachusetts Institute of Technology and sometimes in this Official Statement called the "Institute" or "MIT";

"IRC" means the Internal Revenue Code of 1986, as it may be amended from time to time;

"Outstanding" when used to modify Bonds, refers to Bonds issued under the Agreement, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment, (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iii) of the definition thereof, bearing interest at such rates and with such maturities as will provide sufficient funds, without reinvestment, to pay or redeem them provided, however, that if any such Bonds are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee;

"Paying Agent" means, The Bank of New York, or any other Paying Agent designated from time to time pursuant to the Agreement;

"Project" means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the following: (i) the acquisition and installation of a telephone switch and decommissioning of the old telephone switch located on the Institution's campus; (ii) construction of a new undergraduate dormitory at 229-243 Vassar Street, Cambridge, consisting of an approximately 10 story, 190,000 square foot facility to house approximately 350 students, apartments for faculty residents, and common spaces to support social, educational, recreational, and dining activities; (iii) conversion of an existing mill building into efficiency apartment-style housing for approximately 120 graduate students, located at 224 Albany Street, Cambridge; (iv) construction of a new graduate dormitory at 70 Pacific Street, Cambridge, consisting of an approximately nine story, 346,000 square foot structure designed to house approximately 680 graduate students, together with 208 parking spaces and retail space; (v) construction of a new approximately 162,000 square foot fitness center at 120 Vassar Street, Cambridge, consisting of renovations to adjacent buildings, a 50-meter olympic pool with seating for approximately 500 spectators, instructional pools, a health & fitness area, squash courts, a multi-activity court, administrative offices and locker rooms; (vi) construction of a new center for computer, information and intelligence sciences consisting of two approximately eight story, 430,000 square foot towers, located at 10-40 Vassar Street, Cambridge; (vii) construction of a 3-story, 675 car underground garage at 10-40 Vassar Street on the site of the future Ray and Maria Stata Center; (viii) renovations to the existing Dreyfus Building, which houses the Department of Chemistry, consisting of efficiency, safety, and code-compliance renovations and repairs and upgrades to the building's exposed concrete skin, located in the center of the Institution's campus; and (ix) acquisition and construction of a new 5000-ton steam-driven chiller to be added to the Institution's central utility plant located at 57 Vassar Street, Cambridge, and extension of the chilled water, steam, condensate, electric power, and telecommunication ducts from the central utility plant along Vassar Street to meet the utility needs of new and existing buildings of the Institution, located on the Institution's campus;

"Project Costs" means the costs of issuing the Bonds and carrying out the Project, including repayment of external loans and internal advances for the same, but excluding general administrative expenses, overhead of the Institution and interest on internal advances;

"Revenues" means all rates, payments, rents, fees, charges, and other income and receipts, payable to the Authority or the Trustee under the Agreement, excluding administrative fees of the Authority, fees of the Trustee, reimbursements to the Authority or the Trustee for expenses incurred by the Authority or the Trustee, and indemnification of the Authority and the Trustee;

"Trustee" means The Bank of New York, or any other bank, trust company or national banking association appointed by or pursuant to the Agreement to act as Trustee.

SUMMARY OF THE LOAN AND TRUST AGREEMENT

The following is a brief summary, prepared by Palmer & Dodge LLP, Bond Counsel to the Authority, of certain provisions of the Loan and Trust Agreement dated as of January 25, 2002 (the "Agreement") pertaining to the Bonds. This summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

The Agreement is entered into pursuant to a resolution adopted by the Authority on January 25, 2002 which authorizes the issuance of the Bonds.

Upon the receipt of the proceeds of the Bonds, including accrued interest, if any, the Authority shall make payments from such proceeds as follows: (a) a sum equal to the accrued interest on the Bonds shall be deposited in the Debt Service Fund; (b) amounts equal to the outstanding loans and advances being refinanced with Bond proceeds, including interest due on such loans, as certified by an Authorized Officer of the Institution and approved by the Authority's bond counsel as eligible for financing hereunder, shall be used to pay off all or part of such loans and advances; (c) the amount, together with funds provided by the Institution, estimated to be needed to pay the costs of issuing the Bonds shall be deposited in the Expense Fund; and (d) the balance of such proceeds shall be deposited in the Construction Fund. (Section 302)

Establishment of Funds

The following funds shall be established and maintained with the Trustee for the account of the Institution, to be held in trust by the Trustee and applied subject to the provisions of the Agreement:

Debt Service Fund; and
Redemption Fund

A Construction Fund and an Expense Fund have been established with the Authority to be held by the Authority in trust for the account of the Institution and applied subject to the provisions of the Agreement.

Construction Fund

The moneys in the Construction Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Authority solely to the payment or reimbursement of Project Costs. If there is an Event of Default known to the Authority with respect to payments to the Debt Service Fund or to the Authority, the Paying Agent or the Trustee, the Authority may use the Construction Fund without requisition to make up the deficiency, and the Institution shall restore the funds so used. (Section 401)

Expense Fund

The moneys and investments held in the Expense Fund shall be applied by the Authority, except as otherwise provided, solely to the payment or reimbursement of the costs of issuing the Bonds. The Authority shall pay from the Expense Fund the costs of issuing the Bonds, including the Authority's initial administrative fee, the reasonable fees and expenses of financial consultants, bond counsel and counsel to the Institution, any recording or similar fees and any expenses of the Institution in connection with the issuance of the Bonds which are approved by the Authority. Earnings on the Expense Fund shall not be applied to pay costs of issuance of the Bonds, but shall be transferred to the Construction Fund. After all costs of issuing the Bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Construction Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the Institution shall be liable for the deficiency and shall pay such deficiency as directed by the Authority. (Section 307)

Debt Service Fund

The moneys and investments held in the Debt Service Fund shall be applied, except as otherwise provided, to the payment of the principal, redemption premiums, if any, and interest on the Bonds. The Trustee shall transfer moneys from the Debt Service Fund to the Paying Agent for the payment of Bonds. (Section 304)

Redemption Fund

The moneys and investments held in the Redemption Fund shall be applied, except as otherwise provided, to the redemption of Bonds. The Trustee may, and upon written direction of the Institution for specific purchases shall, apply moneys in the Redemption Fund to the purchase of Bonds for cancellation at prices not exceeding the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not within the forty-five (45) days preceding a redemption date. Accrued interest on the purchase of Bonds shall be paid by the Institution. Moneys in the Redemption Fund to be applied to the redemption of Bonds shall be transferred by the Trustee to the Paying Agent for payment.

If on any date the amount in the Debt Service Fund is less than the amount then required to be transferred to the Paying Agent to pay the principal and interest then due on the Bonds the Trustee shall apply the amount in the Redemption Fund (other than any sum irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) to the Debt Service Fund to the extent necessary to meet the deficiency. The Institution shall remain liable for any sums which it has not paid into the Debt Service Fund and any subsequent payment thereof shall be used to restore the funds so applied. (Section 305)

Rebate

The Institution covenants to pay when due any rebate due to the United States. (Section 306)

Application of Moneys

If available moneys in the Debt Service Fund after any required transfers from the Redemption Fund are not sufficient on any day to pay all principal, redemption price and interest on the Outstanding Bonds then due or overdue, such moneys (other than any sum in the Redemption Fund irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) shall, after payment of all charges and disbursements of the Trustee in accordance with the Agreement, be applied first to the payment of interest, including interest on overdue principal, and second to the payment of principal and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due). Whenever moneys are to be applied pursuant to this paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment. (Section 308)

Investment of Moneys

Pending their use under the Agreement, moneys in the Debt Service Fund and Redemption Fund may be invested by the Trustee in Permitted Investments (described below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Institution if there is not then an Event of Default known to the Trustee. Moneys in the Expense Fund and the Construction Fund shall be invested in Permitted Investments maturing or redeemable at the option of the holder no later than when such moneys are expected to be needed. Notwithstanding the foregoing, any amount of Bond proceeds deposited in the Construction Fund pursuant to Subsection 302(d) which has not been expended by February __, 2005 will be invested only in Permitted Investments with a yield not more than 1/8% higher than the yield on the Bonds, or in Permitted Investments described in Clause (ii) below without regard to yield. Any investments pursuant to this paragraph shall be held by the Trustee or the Authority, as the case may be, as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-611 of the Uniform Commercial Code to the extent applicable.

Except as set forth below, any interest realized on investments in any Fund and any profit realized upon the sale or other disposition thereof shall be credited to the Fund with respect to which they were earned and any loss shall be charged thereto. Earnings on the Expense Fund shall be transferred to the Construction Fund not less often than quarterly. Earnings on the Redemption Fund shall be transferred to the Debt Service Fund and credited against the payments otherwise required to be made thereto.

The term "Permitted Investments" means (i) Government or Equivalent Obligations; (ii) tax-exempt bonds as defined in IRC §105(a)(6) (other than specified private activity bonds as defined in IRC §57(a)(5)(c) if the moneys invested in such bonds are required to be yield-restricted), rated at least AA or Aa by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") or Moody's Investors Service, Inc. ("Moody's"), respectively, or the equivalent by any other nationally recognized rating agency at the time of acquisition thereof or shares of a so-called money market or mutual fund that do not constitute "investment property" within the meaning of IRC §148(b)(2) provided either that the fund has all of its assets invested in such obligations of such rating quality, or, if such obligations are not so rated, the fund has comparable credit worthiness through insurance or otherwise and which fund is rated Aam or Aam-G if rated by S&P; (iii) shares of money market funds rated AAAm-G, AAAm or AAm by S&P; (iv) certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company which has a capital and surplus of not less than $50,000,000; (v) bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States of America; (vi) commercial paper rated in one of the two highest rating categories by Moody's and S&P; (vii) long-term or medium-term (maturity date greater than one year from date of purchase) corporate debt issued or guaranteed by any corporation that is rated by Moody's and S&P in their two highest rating categories; (viii) investment agreements or contracts representing the unconditional obligations of entities (A) the secured long-term debt obligations of which are rated in either of the two highest rating categories by Moody's or S&P or (B) the short-term debt obligations of which are rated in the highest category of either of such rating agencies; (ix) investment agreements, including without limitation, forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clauses (A), (E) or (F) of this definition of Permitted

Investments; (x) money market funds having a rating in the highest investment category granted thereby by Moody's or S&P at the time of acquisition, including any fund for which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder servicing agent, custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (provided, however, that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) the Trustee charges and collects fees and expenses for services rendered, pursuant to this Agreement, provided that (1) such fund is formed and has its principal office outside the United States, (2) no income to be received from such fund or vehicle is or will subject to deduction or withholding for or on account of any withholding or similar tax and (3) the ownership of an interest of such fund or vehicle will not be subject the Authority or the Institution, as the case may be, to net income tax in any jurisdiction where it would not otherwise be subject to tax; and (xi) Repurchase Agreements. The term "Repurchase Agreement" shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than $50,000,000, or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from, the Authority or the Trustee obligations issued or guaranteed by the United States; provided that the market value of such obligations is, at the time of entering into the agreement, at least 103% of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer; and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee or the Authority, as the case may be, to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee. (Section 312)

Payments by the Institution

Not later than 10:00 A.M., on the date on which a payment of principal or interest is due, the Institution shall pay in immediately available funds to the Trustee for deposit in the Debt Service Fund an amount equal to such payment less the amount, if any, in the Debt Service Fund and available therefor.

The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of Bonds, accrued interest deposited in the Debt Service Fund, if any, and any purchase or redemption of Bonds so that there will be available on each payment date in the Debt Service Fund the amount necessary to pay the interest and principal coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

At any time when any principal of the Bonds is overdue, the Institution shall also have a continuing obligation to pay to the Trustee for deposit in the Debt Service Fund an amount equal to interest on the overdue principal but the installment payments required as described above shall not otherwise bear interest. Redemption premiums shall not bear interest.

Payments by the Institution to the Trustee for deposit in the Debt Service Fund under the Agreement shall discharge the obligation of the Institution to the extent of such payments; provided, that if any moneys are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay principal and interest on the Bonds when due, the Institution shall supply the deficiency.

The Institution shall pay the Authority's annual administrative fee. Within thirty (30) days after notice, the Institution shall also pay all expenditures (except general administrative expenses or overhead) reasonably incurred by the Authority by reason of the Agreement and the reasonable fees and expenses of the Trustee and the Paying Agent. (Section 309)

Default

"Event of Default" means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice.

(i) Debt Service. The Institution shall fail to make any debt service payment when the same becomes due as provided in the Agreement.

(ii) Other Obligations. The Institution shall fail to make any other required payment to the Trustee, and such failure is not remedied within seven (7) days after written notice; or the Institution shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement and such failure is not remedied within sixty (60) days after written notice.

(iii) Warranties. There shall be a material breach of warranty made in the Agreement by the Institution and the breach is not cured within sixty (60) days after written notice.

(iv) Voluntary Bankruptcy. The Institution shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by a trustee, a receiver, a custodian or similar official or agent for itself or any substantial part of its property.

(v) Appointment of Receiver. A trustee, a custodian, a receiver or similar official or agent shall be appointed for the Institution or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days.

(vi) Involuntary Bankruptcy. The Institution shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it or a petition seeking reorganization, readjustment, arrangement, composition or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days.

(vii) Breach of Other Agreements. A breach shall occur (and continue beyond any applicable grace period) with respect to a payment by the Institution of other indebtedness of the Institution for borrowed money with respect to loans exceeding $5,000,000, or with respect to the performance of any agreement securing such other indebtedness or pursuant to which the same was issued or incurred, or an event shall occur with respect to provisions of any such agreement relating to matters of the character referred to in this paragraph so that a holder or holders of such indebtedness or a trustee or trustees under any such agreement accelerates or is empowered to accelerate any such indebtedness; but an Event of Default shall not be deemed to be in existence or to be continuing under the provisions of the Agreement summarized in this paragraph if (a) the Institution is in good faith contesting the existence of such breach or event and if such acceleration is being stayed by judicial proceedings, (b) the power of acceleration is not exercised and it ceases to be in effect, or (c) such breach or event is remedied and the acceleration, if any, is wholly annulled. Immediately upon becoming aware of such breach or event, the Institution will notify the Trustee and the Authority.

If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, including any acceleration, with the written consent of the Authority, by written notice to the Institution and shall do so, with the written consent of the Authority, upon written instruction of the owners of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds. (Section 501)

Remedies for Events of Default

If an Event of Default occurs and is continuing, the Trustee may by written notice to the Institution and the Authority declare immediately due and payable the principal of the Outstanding Bonds and the payments to be made by the Institution therefor, and accrued interest on the foregoing.

The Trustee may exercise all of the rights and remedies of a secured party under the Massachusetts Uniform Commercial Code (the "UCC") with respect to securities in the Debt Service Fund and the Redemption Fund, including the right to sell or redeem such securities and the right to retain such securities in satisfaction of the obligations of the Institution hereunder. (Section 502)

Remedies Cumulative

The rights and remedies under the Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. (Section 506)

Limitations on Bondowners' Remedies

Upon a failure of the Institution to make a required debt service payment when the same becomes due and payable, the Trustee shall give written notice of such default to the Authority and the Institution. The Trustee shall not be required to take notice of any other breach or default by the Institution or the Authority, and the Authority shall not be required to take notice of a breach or default by the Institution, in each case unless given written notice thereof by the owners of at least ten percent (10%) in principal amount of the Outstanding Bonds. The Trustee shall give default notices and accelerate payments, and the Authority shall give default notices, in each case when so instructed in writing by the owners of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds. The Trustee shall institute legal proceedings to enforce the obligations of the Authority and the Authority shall institute legal proceedings to enforce the obligations of the Institution under the Agreement, in each case in accordance with the written directions of the owners of a majority in principal amount of the Outstanding Bonds. Neither the Trustee nor the Authority shall be required to take remedial action (other than acceleration, in the case of the Trustee, or the giving of notice), unless reasonable indemnity is furnished for any expense or liability to be incurred therein.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the Agreement or any applicable remedy under the Agreement unless the Authority and the Trustee have failed or refused to take action as required by the Agreement. (Sections 502, 602, and 801)

Tax Status of the Bonds

The Institution represents and warrants that (i) it is an organization described in Section 501(c)(3) of the IRC (or corresponding provisions of prior law) and it is not a "private foundation" as defined in Section 509 of the IRC; (ii) it has received letters from the Internal Revenue Service to that effect; (iii) such letters have not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letters; (v) the facts and circumstances which form the basis of such letters continue substantially to exist as represented to the Internal Revenue Service; and (vi) it is exempt from federal income taxes under Section 501(a) of the IRC. To the extent consistent with its status as a nonprofit educational institution, the Institution agrees that it will not take any action or omit to take any action if such action or omission would cause any revocation or adverse modification of such federal income tax status of the Institution.

The Institution shall not take or permit any action which would cause the Bonds to be "arbitrage bonds" under Section 148 of the IRC or cause the Bonds to cease to be "qualified 501(c)(3) bonds" under Section 145 of the IRC. (Section 902)

Maintenance of Corporate Existence

The Institution shall maintain its existence as a nonprofit corporation qualified to do business in Massachusetts and shall not dissolve or dispose of or spin off all or substantially all of its assets, or consolidate with or merge into another entity or entities, or permit one or more other entities to consolidate with or merge into it, except upon satisfaction of the conditions set forth in the Agreement which include (a) that each of the surviving, resulting or transferee entity or entities meet certain requirements set forth in the Agreement as to its nonprofit, tax-exempt status, (b) that the transaction not result in a conflict, breach or default as referred to in the Agreement, and (c) that the surviving, resulting or transferee entity or entities each assumes by written agreement with the Authority and the Trustee all the obligations of the Institution under the Agreement. (Section 905)

Insurance

The Institution shall maintain insurance with insurance companies authorized to transact business in The Commonwealth of Massachusetts or otherwise satisfactory to the Authority on such of its properties, in such amounts and against such risks as is customarily maintained by similar institutions of higher education operating in the area and promptly file with the Authority upon request, from time to time, certificates of all such insurance. (Section 405)

Amendments

The Agreement may be amended by the parties without Bondowner consent for any of the following purposes: (a) to subject additional property to the lien of this Agreement, (b) to provide for the establishment of a book entry system of registration for the Bonds through a securities depository, (c) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, or (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with this Agreement and which do not impair the security for the Bonds.

Except as provided in the foregoing paragraph, the Agreement may be amended only with the written consent of the owners of at least two-thirds (2/3) in principal amount of the Outstanding Bonds; provided, however, that no amendment of this Agreement may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (i) to extend the maturity of any Bond, (ii) to reduce the principal amount or interest rate of any Bond, (iii) to make any Bond redeemable other than in accordance with its terms, (iv) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) to reduce the percentage of the Bonds required to be represented by the Bondowners giving their consent to any amendment. When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consents, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. (Section 1001)

Defeasance

When there are in the Debt Service Fund and the Redemption Fund sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iii) of the definition thereof in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay or redeem the Bonds in full, and when all the rights of the Authority and Trustee have been provided for, upon written notice from the Institution to the Authority and Trustee, the Bondowners shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien of the Agreement, the security interests created by the Agreement (except in such funds and investments) shall terminate, and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created under the Agreement; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee. Upon defeasance of the Agreement, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose subject to the requirements of the Agreement, and moneys held for defeasance shall be invested only as provided above in this paragraph. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Institution upon such indemnification, if any, as the Authority or the Trustee may reasonably require. (Section 203)

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Massachusetts Health and Educational
Facilities Authority
99 Summer Street, Suite 1000
Boston, Massachusetts 02110

We have acted as bond counsel to the Massachusetts Health and Educational Facilities Authority (the "Authority") in connection with the issuance by the Authority of the following bonds (the "Bonds"):

$230,000,000
Revenue Bonds, Massachusetts Institute of Technology Issue,
Series K, dated February 1, 2002

We have examined the law and such certified proceedings and other papers as deemed necessary to render this opinion, including the Loan and Trust Agreement pursuant to which the Bonds are being issued (the "Agreement") dated as of January 25, 2002, among the Authority, Massachusetts Institute of Technology (the "Institution") and The Bank of New York (the "Trustee").

As to questions of fact material to our opinion we have relied upon representations and covenants of the Authority and the Institution contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Institution and others, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. Under the Agreement, the Institution has agreed to make payments sufficient to pay when due the principal of, and premium (if any) and interest on the Bonds. Such payments and other moneys payable to the Authority or the Trustee under the Agreement, including proceeds derived from any security provided thereunder (collectively the "Revenues"), and the rights of the Authority under the Agreement to receive the same (excluding, however, certain administrative fees, indemnification, and reimbursements), are pledged and assigned by the Authority as security for the Bonds. The Bonds are payable solely from the Revenues.

Reference is made to an opinion of even date of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., special counsel to the Institution, with respect to, among other matters, the corporate existence of the Institution, the power of the Institution to enter into and perform the Agreement, the authorization, execution and delivery of the Agreement by the Institution and the extent to which the Agreement is binding and enforceable upon the Institution.

We express no opinion with respect to compliance by the Institution with applicable legal requirements in connection with the operation of the Project (as defined in the Agreement).

Based on our examination, we are of opinion, as of the date hereof and under existing law, as follows:

1. The Authority is a duly created and validly existing body corporate and politic and a public instrumentality of The Commonwealth of Massachusetts with the power to enter into and perform the Agreement and to issue the Bonds.

2. The Agreement has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable upon the Authority. As provided in Chapter 614 of the Acts of 1968 of The Commonwealth of Massachusetts, as amended, the Agreement creates a valid lien on the Revenues and on the rights of the Authority or the Trustee on behalf of the Authority to receive Revenues under the Agreement (except certain rights to indemnification, reimbursements and fees) on a parity with other bonds (if any) issued or to be issued under the Agreement.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the Revenues.

4. Under existing law, interest on the Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds will not be treated as a preference item in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "IRC") on individuals and corporations. However, we call your attention to the fact that interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). We also call your attention to the fact that failure by the Authority or the Institution to comply subsequent to the issuance of the Bonds with certain requirements of the IRC may cause interest on the Bonds to become includable in the gross income of the owners of the Bonds for federal income tax purposes retroactive to the date of issuance of the Bonds. The Institution and, to the extent necessary, the Authority have covenanted in the Agreement to take all lawful action necessary under the IRC to ensure that interest on the Bonds will remain excluded from the gross income of the owners of the Bonds for federal income tax purposes and to refrain from taking any action which would cause interest on the Bonds to become included in such gross income. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Under existing law, interest on the Bonds (including any original issue discount properly allocable to the owners thereof) and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Agreement are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Massachusetts Institute of Technology (the "Institution") and The Bank of New York (the "Trustee") in connection with the issuance of $230,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series K (the "Bonds"). The Bonds are being issued pursuant to a Loan and Trust Agreement dated as of January 25, 2002 among the Authority, the Trustee and the Institution (the "Agreement"). The proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to the Agreement. The Institution and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Institution and the Trustee for the benefit of the Bondowners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Institution and the Trustee acknowledge that the Authority 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 any Bondowner, with respect to any such reports, notices or disclosures. The Trustee, except as provided in Section 3(c), 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 any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean the Report of the Treasurer provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bondowner" shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or Institution.

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institution and which has filed with the Institution, the Trustee and the Authority a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. The initial Dissemination Agent shall be the Institution. In the absence of a third-party Dissemination Agent, the Institution shall serve as the Dissemination Agent.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories as of the date of execution of this Disclosure Agreement are listed in Exhibit B.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by The Commonwealth of Massachusetts as a state repository for the purpose of the Rule.

SECTION 3. Provision of Annual Reports.

(a) Commencing in fiscal year 2002, the Dissemination Agent, not later than 180 days after the end of each fiscal year (the "Filing Deadline"), shall provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited financial statements of the Institution at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Institution shall submit the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to each Repository as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Authority and the Trustee.

(b) The Dissemination Agent shall:

(i) determine each year within five (5) Business Days of the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any (insofar as determinations regarding National Repositories are concerned, the Dissemination Agent or the Institution, as applicable, may rely conclusively on the list of National Repositories maintained by the United States Securities and Exchange Commission); and

(ii) file a report with the Institution, the Authority and the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided (the "Compliance Certificate"); such report shall include a certification from the Institution that the Annual Report complies with the requirements of this Disclosure Agreement.

(c) If the Trustee has not received a Compliance Certificate by the Filing Deadline, the Trustee shall send, and the Institution hereby authorizes and directs the Trustee to submit on its behalf, a notice to each Repository in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the Repositories by the Filing Deadline, the Institution shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Trustee submits such notice.

SECTION 4. Content of Annual Reports. The Institution's Annual Report shall contain or incorporate by reference the following:

The Institution's Report of the Treasurer.

The financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Institution is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Institution shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.

9. Defeasance of the Bonds or any portion thereof.

10. Release, substitution or sale of property securing repayment of the Bonds.

11. Rating changes.

(b) Whenever the Institution obtains knowledge of the occurrence of a Listed Event, if such Listed Event is material, the Institution shall, in a timely manner, direct the Dissemination Agent to file a notice of such occurrence with the Repositories. The Institution shall provide a copy of each such notice to the Authority and the Trustee. The Dissemination Agent, if other than the Institution, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institution, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Institution may, from time to time with notice to the Trustee and the Authority appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Authority, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon 30 days' written notice to the Institution, the Trustee and the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Institution) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Institution and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution and the Trustee may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Agreement pursuant to Section 1001 of the Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of Bondowners representing at least 25% in aggregate principal amount of Outstanding Bond, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. As to the Trustee, Article VI of the Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Agreement. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, director, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Trustee shall have no obligation under this Disclosure Agreement to report any information to any Repository or any Bondowner. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Trustee shall timely notify the Institution of such occurrence, provided, however, that any failure by the Trustee to give such notice to the Institution shall not affect the Institution's obligations under this Disclosure Agreement or give rise to any liability by the Trustee for such failure.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondowners, and shall create no rights in any other person or entity.

SECTION 13. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Date: February 21, 2002

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By ______________________________
Treasurer

THE BANK OF NEW YORK,
as Trustee

By ______________________________
Authorized Officer

APPENDIX E

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Health and Educational Facilities Authority

Name of Bond Issue: Revenue Bonds, Massachusetts Institute of Technology Issue, Series K

Name of Obligated Person: Massachusetts Institute of Technology

Date of Issuance: February 21, 2002

NOTICE IS HEREBY GIVEN that the Massachusetts Institute of Technology (the "Institution") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated February 21, 2002 between the Institution and The Bank of New York.

Dated: ____________________

[TRUSTEE/DISSEMINATION AGENT on behalf of] INSTITUTION

[cc: Institution]

EXHIBIT B

NATIONAL REPOSITORIES

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

Standard and Poor's J.J. Kenney Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

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