NEW ISSUE – BOOK ENTRY ONLY

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

$325,195,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES N (2008)

Dated: Date of delivery **Due: July 1, as shown below**

The Series N 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 Mellon Trust Company, N.A., New York, New York, as Trustee. 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 January 1, 2009, 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 redemption prior to maturity as more fully described 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 Mellon Trust Company, N.A., 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.

$35,000,000 5.00% Bonds due July 1, 2014 — Yield 3.28% CUSIP No. 57586C8D0
$15,000,000 3.50% Bonds due July 1, 2014 — Yield 3.28% CUSIP No. 57586C8E8
$50,000,000 5.00% Bonds due July 1, 2019— Yield 4.00%* CUSIP No. 57586C8F5
$225,195,000 5.00% Bonds due July 1, 2038— Yield 4.83%* CUSIP No. 57586C8G3

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 Edwards Angell 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 August 13, 2008.

LEHMAN BROTHERS ***Morgan Stanley***

Dated: July 25, 2008

* Yield to the July 1, 2017 optional redemption date.

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.

The CUSIP numbers have been assigned by an independent company not affiliated with the Institute and are included solely for the convenience of the owners of the Bonds. None of the Authority, the Institute, the Trustee or the Underwriters is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

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MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

99 Summer Street, Boston, Massachusetts 02110

OFFICIAL STATEMENT

Relating to

$325,195,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES N (2008)

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 $325,195,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series N (2008) (the "Bonds"), authorized by the Loan and Trust Agreement dated as of July 1, 2008 (the "Agreement"), among the Authority, the Institute and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). 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 will be used to (i) finance and refinance a portion of the Project (as defined below); (ii) pay capitalized interest; and (iii) pay certain costs relating to the issuance of the Bonds.

The "Project" means (a) construction, furnishing and equipping of new facilities bringing together in close proximity the McGovern Institute for Brain Research, the Picower Institute for Learning and Memory, and the Brain and Cognitive Sciences Department, consisting of an 8-story building with a large central atrium; (b) renovations to the existing Whitaker College Building (E25), consolidating the research laboratories of the Harvard-MIT Division of Health Sciences and Technology, relocating laboratories for the Department of Earth, Atmospheric, and Planetary Sciences, and addressing building-wide system improvements and code upgrades; (c) renovation of a portion of buildings 4, 6 and 8 and the construction of a new building in an existing courtyard to consolidate the Department of Physics, provide new laboratories for the Spectroscopy Laboratory, improve spaces for the Department of Materials Science and Engineering, and address building-wide system improvements and upgrades; (d) construction, furnishing and equipping of a new graduate residence facility to house approximately 550 students; (e) construction, furnishing and equipping of a new, six-story building for the School of Architecture + Planning and the Media Laboratory, adjacent and physically connected to the Media Laboratory's Wiesner Building E15; (f) construction, furnishing and equipping of a new six-story facility for the Sloan School of Management, adjacent and physically connected to the existing Sloan Building E52; (g) construction, furnishing and equipping of a new, three-level underground parking garage for approximately 430 cars, to be located directly beneath the new building for the Sloan School of Management; (h) construction and enhancement to the Vassar Street streetscape from Massachusetts Avenue to Audrey Street, Cambridge, MA; (i) acquisition and renovation of an existing building at 600 Memorial Drive, Cambridge, MA, to be occupied by various Institute administrative offices; (j) various utility upgrades, improvements and capacity additions to meet the utility needs of new and existing buildings of the Institute; (k) construction, furnishing and equipping of a new building, adjacent to the existing David Koch Biology Building, to house the Center for Cancer Research, along with spaces for engineering laboratories for cancer-related research, biological and engineering core facilities, and other related laboratories; (l) renovation of an existing building to update and convert the building from graduate housing to undergraduate housing for approximately 365 students, including the construction of a new dining facility; and (m) miscellaneous internal renovations and purchase of equipment, included or to be included in the Institute's capital budget over the next three years.

See "APPLICATION OF BOND PROCEEDS" herein.

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, interest and sinking fund installments 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:

ALLEN R. LARSON, Chairman; term as Member expires July 1, 2014.

Mr. Larson, a resident of Yarmouth Port, is the founding principal of a law firm and a separate consulting firm, the Enterprise Management Group, that advise business and non-profit clients on matters of government regulation, business competition, market entry, and economic development. Prior to establishing his law firm in 1984, Mr. Larson worked as an antitrust attorney for the Federal Trade Commission in Washington, D.C. Currently, he is a Trustee of Cape Cod Community College, President of the Cape Cod Center for Sustainability Inc., Vice President of TeenAIDS-PeerCorps, Inc. and a member of the Board of Directors of the Highlands Center, Inc. Mr. Larson graduated from Dartmouth College and earned a J.D. from Albany Law School and an M.B.A. from the University of Minnesota.

MARVIN A. GORDON, Vice Chairman; term as Member expires July 1, 2010.

Mr. Gordon, a resident of Milton, is Chairman of the Board and Chief Executive Officer of Gordon Logistics, L.L.C. in Mansfield, Massachusetts. From 1974 to 2001, Mr. Gordon was Chief Executive Officer and Chairman of Whitehall Co. Ltd. of 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 present affiliations include Board Member and Chairman of the Audit and Compliance Committee of The Milton Hospital Foundation, Inc. and Board Member of Milton Hospital, Inc., and President of Milton Fuller Housing Corporation. Mr. Gordon has been elected to and appointed to a number of public boards including serving as a Milton Selectman from 1986 to 1993 and belongs to several civic associations. Mr. Gordon holds a degree from Harvard College and Harvard Business School.

JACQUELINE J. CONRAD; term as Member expires July 1, 2010.

Ms. Conrad, a resident of Milton, is the Founder of delaCruz Communications in Stoughton, Massachusetts, a multicultural consulting firm that specializes in cause- related health awareness and strategic marketing campaigns for ethnic audiences, such as the African American and Latino communities. In addition, she is the Executive Director of the Latino Professional Network, one of Boston’s premier networking associations that creates career, educational and social opportunities for Latino professionals. Ms. Conrad is a sought after speaker at business roundtables and leadership seminars, on subjects ranging from Hispanic marketing and urban entrepreneurship, to home-ownership and property investments. Her present affiliations and memberships include Advisory Board Member to the Latino After School Initiative, and Vice President of the Christian Economic Development Association, Inc. Ms. Conrad has served as Advisory Board Member to the Women of Ethnic Diversity Initiative, Advisory Committee Member to Senator John Kerry’s Committee on Child Care and Small Business, Board of Directors of the Simmons Club, and Member of the Hispanic American

Chamber of Commerce. Ms. Conrad holds a B.A. degree in Sociology from Suffolk University and an M.A. degree from Simmons College.

MICHAEL P. MONAHAN; term as Member expires July 1, 2011.

Mr. Monahan, a resident of South Boston, is Business Manager of the International Brotherhood of Electrical Workers, Local 103, Boston, Massachusetts. Mr. Monahan represents the interests of more than 7,000 members; is Principal Negotiator of more than 40 Collective Bargaining Agreements, and is Trustee of Benefit Funds worth over $1 billion. From 1982 until present he has held several positions within the International Brotherhood of Electrical Workers, Local 103. From 2002 to present he has served as a Member of the Zoning Board of Appeals in the City of Boston. Mr. Monahan is a volunteer for many charitable organizations, such as WiFi, City of Boston, Habitat for Humanity; NET Day, City of Boston; Rosie's Place, Homeless Shelter for Women; Long Island Shelter and Family Inn, Brookline; Strive, Codman Square, Dorchester.

TIMOTHY O'CONNOR; term as Member expires July 1, 2009.

Mr. O'Connor, a resident of Salem, is Executive Vice President, Chief Financial Officer and Treasurer of Lahey Clinic Foundation, Inc.; Lahey Clinic Hospital, Inc.; Lahey Clinic, Inc.; Lahey Clinic Affiliated Services, Inc. and Lahey Clinic Canadian Foundation. In addition Mr. O'Connor is also President, Chief Financial Officer and Treasurer of Lahey Clinic Insurance Company Limited. His memberships and affiliations include the American Medical Group Association, the Healthcare Financial Management Association, the Healthcare Information and Management Systems Society and the Massachusetts Hospital Association's Committee on Finance.

ROBERT M. PLATT; term as Member expires July 1, 2009.

Mr. Platt, a resident of Newton, is President of National Consulting Inc., a business development and marketing strategy organization which assists clients in achieving their true market potential. Mr. Platt works in conjunction with both state and federal government to facilitate the exchange of ideas and opportunities for clients. His board memberships include Past President of the Newton Athletic Association, Past Board of Director of the Newton Youth Soccer for Boys and Girls, and Past Board Member of Youth Commission for the City of Newton. Mr. Platt's current board memberships include Commissioner of Parks and Recreation of his ward in Newton, Advisory Board Member for Second Step which aids women who have suffered domestic violence and abuse, and Member of the Board of Trustees for Curry College. Mr. Platt holds a B.A. from Curry College.

CHRISTINE C. SCHUSTER; term as Member expires July 1, 2013.

Ms. Schuster, a resident of Sudbury, is President and Chief Executive Officer of Emerson Health System located in Concord. Ms. Schuster formerly held the position of President and Chief Executive Officer of Quincy Medical Center. She is a Member of the Board of Trustees of the South Shore Chamber of Commerce where she serves as Vice Chairman of Government Affairs; and is a Member of the Board of Trustees of the Massachusetts Hospital Association ("MHA") where she serves as the MHA Chair of the Clinical Issues Advisory Council which provides advice and counsel to the MHA on key medical, clinical, and public policy issues. She also serves on the American Hospital Association Regional Policy Board. Ms. Schuster was recognized by Modern Healthcare magazine and Witt Kieffer Associates as one of the Year 2000 "Up and Comers Award" recipients. She is a frequent speaker both locally and nationally on a wide variety of healthcare topics. Ms. Schuster received an M.B.A. with Honors from the University of Chicago Graduate School of Business and a B.S. in Nursing from Boston University.

There are nine Board Members of the Authority. Currently, there are two vacancies and successors have not been appointed.

Staff and Advisers

BENSON T. CASWELL, a resident of North Andover, was appointed Executive Director of the Authority on April 9, 2002, and is responsible for the management of the Authority's affairs. From 1992 through 2002, Mr. Caswell worked for Ponder & Co. in Chicago where he was a Senior Vice President. From 1987 through 1992, he was Vice President of Ziegler Securities, Chicago, Illinois. From 1983 through 1986, he was an attorney with Gardner, Carton & Douglas. Mr. Caswell holds a Juris Doctor from the University of Chicago, an MBA from Lehigh University and a BS from the University of Maine.

EDWARDS ANGELL PALMER & DODGE LLP, attorneys of Boston, Massachusetts, are serving as Bond Counsel to the Authority and will submit their approving opinion with regard to the legality of the Bonds as provided by the Agreement 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 their date of delivery. Interest on the Bonds is payable on January 1, 2009, 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 will be payable upon surrender of the Bonds at the principal corporate trust office of the Trustee. 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 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 Trustee. 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 and the Institute against all liability and expense in connection therewith.

Redemption Provisions of the Bonds

Optional Redemption. The Bonds maturing July 1, 2019 and July 1, 2038 are redeemable prior to maturity on or after July 1, 2017, at the option of the Institute by the written direction of the Institute to the Authority and the Trustee. Such redemption shall be in accordance with the terms of the Bonds, as a whole or in part at any time, in such order of maturity as directed by the Institute (provided that, subject to the terms of the Agreement, if less than all of the Bonds outstanding of any maturity shall be called for redemption, the Bonds to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee), at par plus accrued interest, if any, to the redemption date.

Mandatory Redemption. The Bonds maturing July 1, 2038 are subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Bonds specified for each of the years shown below:

Bonds Maturing on July 1, 2038

Year	Amount	Year	Amount
2037	$109,850,000	2038	115,345,000†

†Final Maturity

Notice of Redemption. When Bonds are to be redeemed, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and state that such Bonds will be redeemed at the corporate trust office of the Trustee. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue. Any notice of optional redemption may state that the redemption is conditional and, if so, the notice shall state what the conditions are. The Trustee shall mail the redemption notice not more than forty-five (45) nor less than thirty (30) days prior to the date fixed for redemption, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Trustee. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond.

Acceleration of Bonds

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 securities 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 for each maturity of the Bonds in the aggregate principal amount of such maturity 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 provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 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. Beneficial Owners are, however, 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue 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 unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 payable dates in accordance with the respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and neither the Authority nor the Underwriters take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

Responsibility of Authority and Trustee. NEITHER THE AUTHORITY NOR 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.

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 and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. 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 the same series of Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Bonds, the Authority and the Trustee 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.

APPLICATION OF BOND PROCEEDS

The proceeds from the sale of the Bonds are expected to be applied as follows:

SOURCE OF FUNDS:

Principal Amount of Bonds	$325,195,000
Net Original Issue Premium	9,800,460
TOTAL SOURCES OF FUNDS	$334,995,460

USES OF FUNDS:

Deposit to Project Fund for Project Costs (including Capitalized Interest)	$333,371,548
Costs of Issuance (including Underwriters' Discount)	1,623,912
TOTAL USES OF FUNDS	$334,995,460

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Authority and the Institute have covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and that the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondowners 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 certain 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondowners should be aware that certain requirements and procedures contained or referred to in the Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondowners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondowners should consult with their own tax advisors with respect to such consequences.

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 2008 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, except that the filing with respect to fiscal year 2006 was not made in a timely manner.

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., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. 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 $1,137,411.76 from the public offering prices or yields 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 prices or yields 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, in accordance with its terms, 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 prices or yields 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 Edwards Angell 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 and refinance 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, 2007, which includes the Financial Statements of the Institute and related notes as of and for the fiscal years ended June 30, 2007 and June 30, 2006. 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 Opinion of Bond Counsel, have been prepared by Edwards Angell 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, 2007 and June 30, 2006 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 Executive Director have been duly authorized by the Authority.

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Benson T. Caswell

Executive Director

APPENDIX A

THERESA STONE
EXECUTIVE VICE PRESIDENT & TREASURER

77 Massachusetts Avenue 3-221
Cambridge, Massachusetts 02139
617/253-1882
FAX 617/252-1387
E-MAIL tmstone@mit.edu

July 25, 2008

Massachusetts Health and Educational Facilities Authority
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 N (2008) (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 the 2007-2008 academic year was 10,220 students of which 5,837 were full-time graduate students. The Institute has 1,008 faculty members and other academic staff totaling 3,879. The Institute is located on a 168-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 161 buildings, with a total building area of approximately 11.8 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 Computer Science and Artificial Intelligence Laboratory, the Center for Cancer Research, the Kavli Institute for Astrophysics and Space Research, the Laboratory for Nuclear Science, the Media Laboratory, the Research Laboratory of Electronics, the Plasma Science and Fusion Center, the Francis Bitter Magnet Laboratory, the Broad Institute, McGovern Institute, and the Picower Center for Learning and Memory.

In addition, the Institute has three major off campus research facilities in Massachusetts: Lincoln Laboratory in Lexington, Haystack Observatory in Tyngsboro, and the Bates Linear Accelerator Center in Middleton. Lincoln Laboratory is operated by MIT as a Federally Funded Research and Development Center (FFRDC) for performing research and development in advanced electronics. Haystack Observatory is a research center engaged in radio astronomy, geodesy, atmospheric science, and radar applications.

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 73 active members who are leaders of science, engineering, industry, education, and public service and includes as *ex-officio* members the Chairman, the President, the Executive Vice President and Treasurer, the Secretary of the Corporation of MIT, and the President of the Alumni Association. Also serving as *ex-officio* members are the following representatives of the Commonwealth of Massachusetts: the Governor, the Chief Justice of the Supreme Judicial Court, and the Commissioner of Education. An additional 34 life members emeriti participate in Corporation activities, but without a vote. The Corporation meets four times a year with additional meetings called by the Chairman as necessary.

The Executive Committee consists of four *ex-officio* members (President, Chairman, Executive Vice President and Treasurer, and Chair of the MIT Investment Management Company Board) and eight members elected by the Corporation. The Executive Committee 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**
Susan Hockfield, Ex-Officio (*Chair*)	President Massachusetts Institute of Technology Cambridge, MA
Dana G. Mead, Ex-Officio	Chairman of the Corporation Massachusetts Institute of Technology Cambridge, MA
Theresa M. Stone, Ex-Officio	Executive Vice President and Treasurer Massachusetts Institute of Technology Cambridge, MA
Arthur J. Samberg, Ex-Officio	Chairman and Chief Executive Officer Pequot Capital Management Westport, CT
Denis A. Bovin	Stone Key Partners LLC New York, NY
James A. Champy	Chairman of Consulting Perot Systems Corporation Boston, MA
Anita K. Jones	University Professor University of Virginia Charlottesville, VA
Robert B. Millard *	Managing Director Lehman Brothers, Inc. New York, NY
A. Neil Pappalardo	Chairman and CEO Medical Information Technology Boston, MA
Raymond S. Stata	Chairman and Co-Founder Analog Devices, Inc. Norwood, MA

* Lehman Brothers Inc. is acting as an underwriter of the Bonds being offered by the Official Statement to which this Appendix is attached. The Institute believes that the participation of Lehman Brothers Inc. is on terms no less favorable to the Institute than could be obtained from other parties.

Chiquita V. White	Section Head of Product Development Procter & Gamble Cincinnati, Ohio
Barrie R. Zesiger	Managing Director Zesiger Capital Group LLC Rowayton, CT
Kirk D. Kolenbrander, Secretary	Vice President for Institute Affairs and Secretary of the Corporation Massachusetts Institute of Technology Cambridge, MA
R. Gregory Morgan, Regular Guest	Vice President and General Counsel Massachusetts Institute of Technology Cambridge, MA
Professor L. Rafael Reif, Regular Guest	Provost Massachusetts Institute of Technology Cambridge, MA

Administration

The principal administrative officers of the Institute are:

Dr. Dana G. Mead, Chairman of the MIT Corporation

Susan Hockfield, President

Theresa M. Stone, Executive Vice President and Treasurer

L. Rafael Reif, Provost

Phillip L. Clay, Chancellor

Alison Alden, Vice President for Human Resources and Equal Opportunity Officer

Jerrold Grochow, Vice President for Information Services & Technology

Kirk D. Kolenbrander, Vice President for Institute Affairs and Secretary of the Corporation

R. Gregory Morgan, Vice President and General Counsel

Jeffrey Newton, Vice President for Resource Development

Israel Ruiz, Vice President for Finance

Faculty and Staff

In October 2007, the Institute had 11,111 employees on campus, including Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 1,008 faculty and 3,879 other academic staff, which include instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 75% of the faculty is tenured. There were also 5,353 research, medical, administrative and support staff employees, and 871 service staff employees. There were an additional 2,729 research, support and service staff employees working at MIT's Lincoln Laboratory in Lexington, Massachusetts, a Federally Funded Research and Development Center (FFRDC).

Student Enrollments

MIT attracts students worldwide, with representation in the 2007-2008 student body from 50 states, the District of Columbia, four territories and 111 foreign countries. The following table shows actual enrollments for the last five academic years based on fall term registrations:

	Undergraduate		Graduate		Total
Academic Year	Full-Time Students	Part-Time Students	Full-Time Students	Part-Time Students	All Students
2003-04	4,070	42	5,928	300	10,340
2004-05	4,078	58	5,907	277	10,320
2005-06	4,014	52	5,865	275	10,206
2006-07	4,068	59	5,924	202	10,253
2007-08	4,119	53	5,837	211	10,220

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

The following tables show information concerning undergraduate applications and admissions over the last five academic years, as well as preliminary information for the 2008-2009 academic year:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
2003-04	10,549	1,735	16%	1,019	59%
2004-05	10,466	1,665	16%	1,077	65%
2005-06	10,440	1,494	14%	996	67%
2006-07	11,374	1,514	13%	1,002	66%
2007-08	12,445	1,553	12%	1,067	69%
2008-09 prelim	13,396	1,554	12%	tbd	tbd

The Institute expects the 2008-09 enrollment figure to be close to the targeted size of 1,040.

Academic Year	Freshmen Ranking in the Top Ten Percent of their High School Class	Average SAT Scores
2003-04	97%	1,463
2004-05	97%	1,471
2005-06	97%	1,461
2006-07	97%	1,460
2007-08	97%	1,457

Graduate Applications

The following table shows information concerning graduate applications and admissions over the last five academic years:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
2003-04	16,292	3,251	20%	1,858	57%
2004-05	15,654	3,308	21%	1,900	57%
2005-06	15,040	3,389	23%	2,003	59%
2006-07	16,154	3,187	20%	1,980	62%
2007-08	16,446	3,239	20%	1,948	60%

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*
2003	754,519,000	754,519,000
2004	850,564,000	814,456,000
2005	996,943,000	926,733,000
2006	1,035,417,000	927,188,000
2007	1,001,144,000	874,059,000

*CPIU deflator 2003 = 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. The following table presents the level of total sponsored research revenues at MIT, covering both direct and F&A costs, for fiscal years 2003 through 2007:

Massachusetts Institute of Technology
Sponsored Research Revenues
(in thousands)

	Fiscal Year Ending June 30,				
	2003	2004	2005	2006	2007
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	$93,254	$159,029	$180,682	$195,573	$201,557
Department of Energy	65,175	69,183	69,927	67,265	64,899
Department of Defense	85,866	86,948	86,096	89,552	90,571
National Science Foundation	57,718	65,443	66,768	65,163	65,057
National Aeronautics & Space Administration	35,735	31,442	32,170	31,228	27,889
Other Federal	13,120	12,114	11,954	15,570	14,431
Total Federal	350,868	424,159	447,597	464,351	464,404
Non-Federal Sponsored:					
State/Local/Foreign Governments	15,949	18,930	17,912	15,137	13,055
Non-profits	18,355	15,721	19,744	24,833	32,200
Industry	73,265	60,498	65,108	72,743	79,725
Total Non-Federal	107,569	95,149	102,764	112,713	124,980
F&A Adjustment	(8,332)	(1,889)	9,343	5,420	(18,586)
CAMPUS TOTAL	450,105	517,419	559,704	582,484	570,798
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	434,666	492,463	606,441	631,292	607,270
Non-Federal Sponsored	7,634	5,475	4,684	5,102	4,602
F&A and other adjustments					(5,942)
LINCOLN LABORATORY TOTAL	442,300	497,938	611,125	636,394	605,930
TOTAL RESEARCH	$892,405	$1,015,357	$1,170,829	$1,218,878	$1,176,728

Budget Process

The Executive Committee of the Corporation approves and monitors the current year budget in the context of a multi-year strategic financial plan. 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 provided which show both budgeted and actual charges. These accounts are monitored not only by the supervisor but also by a department head that 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 and Treasurer, the Vice President for Finance, the Director of Accounting Services and 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 2006 and 2007, as presented in the Statement of Activities within the Report of the Treasurer (Appendix B to the Official Statement):

Results of Operations and
Other Changes in Unrestricted Net Assets
(in thousands)

	Fiscal Year Ended June 30,	
	2006	2007
Total Operating Revenues	$2,140,735	$2,180,371
Total Operating Expenses	(2,181,696)	(2,207,621)
Results of Operations	(40,961)	(27,250)
Total Unrestricted Non-Operating Activities	495,759 *	1,511,555 †
Net Change in Unrestricted Net Assets	$454,798	$1,484,305

Unrestricted net assets increased $1,484.3 million in fiscal year 2007. This increase included gains on investments of $652.7 million. At June 30, 2007 the value of unrestricted net assets was $5.2 billion, an increase from the June 30, 2006 balance of approximately $3.7 billion.

The Institute's operating expenses exceeded operating revenues by $27.3 million for fiscal year 2007, compared to the previous year's negative operating results of $41.0 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests for current use, 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, auxiliary revenues, payments on

* 2006 includes ($33,509) arising from asset retirement obligations due to the adoption of FIN 47

† 2007 includes $847,795 arising from overfunded retirement plan, net of underfunding of retiree health benefit plan due to the adoption of SFAS No. 158.

pledges for unrestricted gifts and operating expenditures. Non-operating activities include pledges, restricted gifts and investment income, net investment gains (losses) not distributed to funds, changes in life income funds, and net asset reclassifications.

The underlying financial strength of the Institute can be demonstrated by the long-term growth of the market value of the investments. The following table shows total investments at market for the five fiscal years ended June 30 and the end of the third fiscal quarter for 2008:

Fiscal Year Ended June 30,	Investments at Market (in thousands)
2003	$6,174,059
2004	$7,250,527
2005	$8,022,655
2006	$9,500,178
2007	$11,061,142
2008-Q3(unaudited)	$11,317,490

The year to year change in Investments at Market reflects the sum of investment return and gifts less amounts distributed for expenses.

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 2008-2009 academic year is $36,390, except for students in the Sloan School of Management Master's Program for whom the tuition is $47,034. For the 2008 summer session, the tuition for full-time graduate students was $12,045. Tuition is subsidized for all graduate research assistants.

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	Tuition and Fees	Average Undergraduate Room & Board	Total
2003–04	$29,600	$8,710	$38,310
2004–05	$30,800	$9,100	$39,900
2005–06	$32,300	$9,500	$41,800
2006–07	$33,600	$9,950	$44,000
2007–08	$34,986	$10,400	$45,386
2008–09	$36,390	$10,860	$47,250

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, 2007, 59% of MIT undergraduate students received some form of Institute-administered student aid. The average award for the 2006-2007 academic year was $25,200.

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.

Student Financial Aid
by Source
(in thousands)

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Institute Sources					
Tuition Support	$154,692	$168,194	$165,458	$174,140	$185,399
Stipends	13,472	13,858	13,782	14,522	12,688
Student Salaries	22,916	24,494	23,735	24,957	25,877
Total	191,080	206,546	202,975	213,619	223,964
External Sponsors					
Tuition Support	40,405	41,634	54,603	56,903	58,076
Stipends	15,288	16,318	17,935	17,918	12,332
Student Salaries	50,730	53,725	52,182	53,546	51,855
Total	106,423	111,677	124,720	128,367	122,263
Total	$297,503	$318,223	$327,695	$341,986	$346,227

Federal and other programs in which the Institute regularly seeks participation provide a substantial portion of financial aid funding.

Labor Relations

MIT has collectively bargained with service staff employees for over 60 years. Approximately 1,250 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, security guards, campus police, and research technicians. Since the first of these contracts was agreed to in 1946, there have been three work stoppages -- one in 1955, one in 1962, and one in 1974, each of relatively short duration. All five bargaining units currently have contracts in place. The faculty, research, administrative and support staffs of the Institute are not represented by any union.

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, acquisition or construction, 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 4 years for software. Fully depreciated buildings and equipment are removed from the financial statements.

Fixed assets had a book value of $1.743 billion at June 30, 2007, up 3.3 percent from $1.687 billion at June 30, 2006. The most significant area of increase this past fiscal year was in the area of construction in progress.

Other Current and Future Building Plans

The Institute annually spends between $40.0 and $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's new capital initiative will add state-of-the-art facilities for emerging areas of research, increase educational infrastructure that supports residential and community life, as well as revitalize the physical campus. The program includes the addition of new buildings, expansion of utility infrastructure and the renovation of existing buildings. The estimated cost of these projects is over $990 million which the Institute plans to fund through a combination of gifts, internal funding sources, and external borrowings.

Recently completed projects include the new Brain and Cognitive Sciences building, the major renovation and upgrade of spaces in Building E25 - Whitaker College, and the Physics/Department of Material Sciences and Engineering/Spectroscopy Laboratory renovation. A portion of these projects will be financed through this offering.

Projects now underway include new buildings for the Sloan School of Management and the Koch Institute for Integrative Cancer Research, a new addition for the Media Laboratory and School of Architecture, a new graduate residence, Vassar Streetscape – East, an underground garage, the renovation of a newly-acquired office building for Resource Development and Alumni Affairs, the conversion of a former graduate residence to an undergraduate dormitory, and various utility infrastructure improvements. A portion of these projects will be financed with proceeds of the Bonds.

Litigation

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

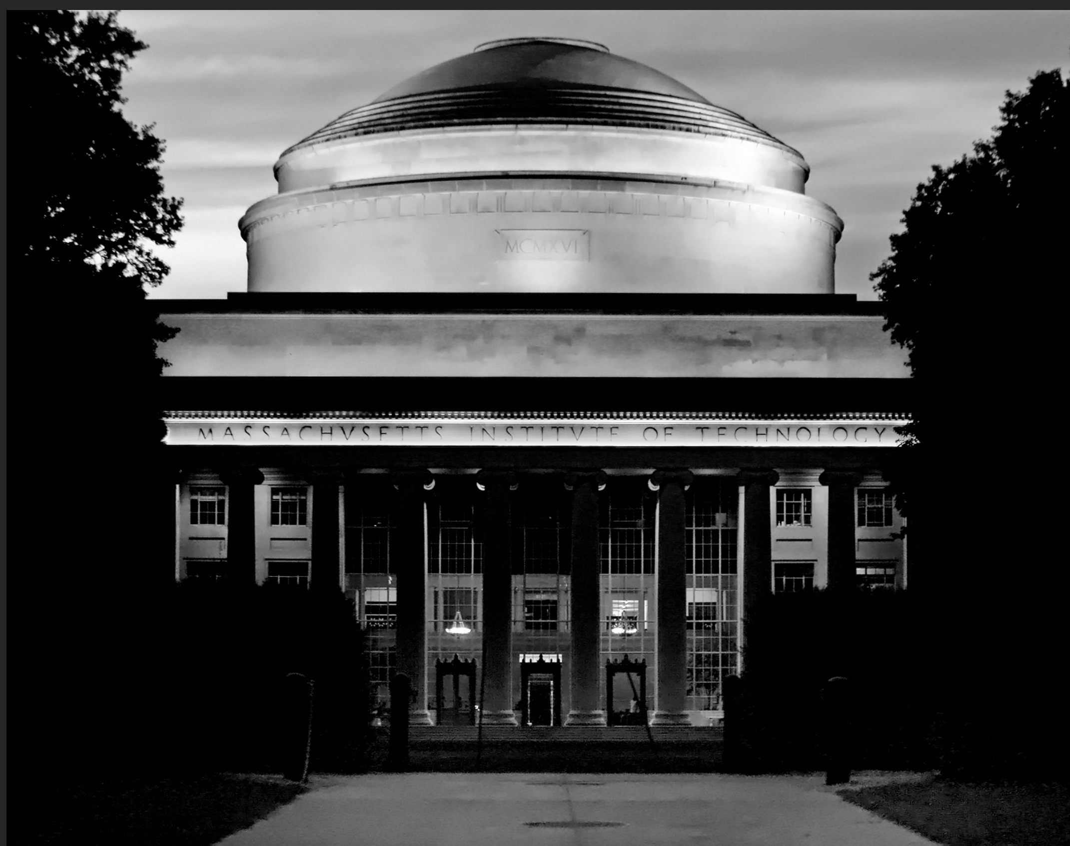
This letter and the information contained herein are submitted to the Authority for inclusion in its Official Statement relating to its Revenue Bonds, Massachusetts Institute of Technology Issue, Series N (2008).

By: /s/ Theresa M. Stone
Theresa M. Stone,
Executive Vice President and Treasurer

APPENDIX B

Report of the Treasurer

for the year ended
June 30, 2007



Massachusetts
Institute of
Technology

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Report of the Treasurer

For the year ended
June 30, 2007

Massachusetts
Institute of
Technology

The Corporation

2006–2007

as of June 30, 2007

Chairman: Dana G. Mead*
President: Susan Hockfield*
Executive Vice President and Treasurer: Theresa M. Stone*
Vice President and Secretary: Kirk D. Kolenbrander*

Life Members

John S. Reed; Shirley A. Jackson; Raymond S. Stata*; David H. Koch; Patrick J. McGovern; Robert A. Muh; Denis A. Bovin*; James A. Champy*; Judy C. Lewent*; A. Neil Pappalardo*; Arthur Gelb; Edie N. Goldenberg; Robert M. Metcalfe; Kenan E. Sahin; John K. Castle; Susan E. Whitehead; Charles M. Vest; Brian G. R. Hughes.

Members

Norman E. Gaut; Robert E. Wilhelm; Gerald J. Burnett; Anthony Sun; Barrie R. Zesiger*; Gordon M. Binder; Gururaj Deshpande; Linda C. Sharpe; John A. Thain; Thomas P. Gerrity; Mark P. Gorenberg; Scott P. Marks, Jr.; Marjorie M.T. Yang; Mark R. Epstein; Jennifer A. Frank; L. Robert Johnson; Jorge E. Rodriguez; James H. Simons; Alan G. Spoon; Sudeb C. Dalai; Lawrence K. Fish*; Claude L. Gerstle; David D. Ho; Robert B. Millard*; Gregory E. Moore; Arthur J. Samberg*; Carly S. Fiorina; Anita K. Jones; Paula J. Olsiewski; Sanjay K. Rao; Milton H. Roye, Jr.; Robert L. Blumberg; R. Erich Caulfield; Raymond C. Kurzweil; Kenneth Wang; David A. Berry; James A. Lash; Paul F. Levy; Megan J. Smith; Henri A. Termeer; Chiquita V. White; Abigail P. Johnson.

President of the Association of Alumni and Alumnae

Martin Y. Tang

Representatives of the Commonwealth

Governor: Deval L. Patrick
Chief Justice of the Supreme Judicial Court: Margaret H. Marshall
Commissioner of Education: David P. Driscoll

Life Members Emeriti

Irénée duPont, Jr.; John C. Haas; Norman B. Leventhal; George P. Gardner; Mitchell W. Spellman; D. Reid Weedon, Jr.; 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.; Emily V. Wade; Angus N. MacDonald; Kenneth H. Olsen; George N. Hatsopoulos; Charles H. Spaulding; Mary Frances Wagley; Alexander V. d'Arbeloff; Michael M. Koerner; Morris Tanenbaum; Breene M. Kerr; W. Gerald Austen; Richard P. Simmons; Morris Chang; Paul E. Gray; Alexander W. Dreyfoos, Jr.; Ronald A. Kurtz; DuWayne J. Peterson, Jr.

Members' names are listed in chronological order of election to each category

**member of the Executive Committee*

Table of Contents

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Report of the Treasurer

To Members of the Corporation

Summary

MIT strengthened its financial position during 2007. The Statements of Financial Position, on page 11, shows that total net assets were $12,695.3 million at June 30, 2007, an increase of $2,635.5 million, or 26.2 percent, from the $10,059.8 million on June 30, 2006. This increase was due primarily to investment gains being in excess of amounts distributed to operations, gifts, and the implementation of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, requiring the addition of $847.8 million of retirement assets (See Note A.). Without the change in accounting due to the adoption of SFAS No. 158, total net assets increased $1,787.7 million or 17.8 percent to $11,847.5 million. Total gifts and pledges received in 2007 were $332.9 million as compared with $232.5 million in 2006. Land, buildings and equipment were at $1,743.2 million, an increase of $55.4 million (net of depreciation) from the prior year. This increase compared to an increase of $79.1 million in 2006. Total borrowings outstanding decreased from $1,278.5 million to $1,078.2 million at June 30, 2007 due primarily to the sale of MIT's Technology Square property and the liquidation of related debt totaling $225 million. MIT's publicly held debt continues to be rated triple A by both Moody's and Standard & Poor's.

MIT'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 MIT's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts and operating expenditures. The Statements of Activities, on pages 12 and 13, show that operating expenses exceeded operating revenues by $27.3 million in 2007. This compares to 2006 when operating expenses exceeded operating revenues by $41.0 million.

Financial Position

Net assets are shown on the Statements of Financial Position on page 11. They are presented in three categories to recognize the significant ways in which universities are different from profit-making organizations. These categories reflect the nature of the restrictions placed on gifts by donors.

Permanently restricted net assets represent those gifts for which the original principal can never be spent. This category includes gifts and pledges to true endowment together with assets held in trust, such as life income funds, which, when received or matured, will be added to the endowment. The increase in permanently restricted net assets of $167.1 million, or 10.3 percent, to a total of $1,794.5 million, primarily reflects new gifts and pledges made to restricted endowment funds, increases in life income funds, and gains and losses 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 occur before they are available for spending. Over 90 percent of the assets in this category result from accumulated market gains on permanently restricted endowment funds.

This category also includes pledges not permanently restricted, gifts for construction projects that have not been expended, and life income funds, which, upon maturity, will be available for spending. The increase in temporarily restricted net assets of $984.1 million, or 20.9 percent, to a total of $5,684.0 million, primarily results from the increase in the market value of assets 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 MIT were allowed to follow the prevalent rule, unrestricted net assets would increase by $5,273.2 million to $10,490.1 million, and temporarily restricted net assets would decrease by a like amount to $410.8 million.

Unrestricted net assets comprise all the remaining economic resources available to MIT. This category includes MIT'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 MIT operations and capital projects. Also included are current funds received from donors for restricted purposes that, under the accounting rules, are categorized as unrestricted if MIT spends an equivalent amount of unrestricted funds for the same purpose. Unrestricted net assets increased $1,484.3 million, 39.8 percent, to a total of $5,216.8 million. This compares to an increase of $454.8 million, or 13.9 percent, in 2006. A major portion of the increase in unrestricted net assets, $847.8 million, is due to the implementation of SFAS No. 158 as described in Note A, Adoption of New Accounting Standards and Note I, Retirement Benefits. The market value for all invested funds exceeds book value at June 30, 2007.

Pledges receivable increased $8.3 million, or 2.6 percent, to $331.4 million at June 30, 2007. During fiscal 2007, new pledges totaled $98.4 million. Payments on pledges totaled $105.8 million. Change to discount and to allowance for unfulfilled pledges increased the pledge receivable by $15.7 million.

Operations

Operating revenues increased $39.6 million, or 1.9 percent, to $2,180.4 million, due primarily to increases in gifts and bequests for current use, and an increase in fees and services revenues. Operating expenses increased $25.9 million, or 1.2 percent, to a total of $2,207.6 million. Areas of increased spending included utilities, rents and repairs, salaries and wages, and subrecipient agreements. These results are shown in the Statements of Activities on pages 12 and 13.

Net tuition and other income increased $10.1 million, or 5.1 percent, to $209.3 million in 2007. As more fully described in the Notes to Financial Statements, tuition and related revenues before tuition discount grew $21.3 million, or 5.7 percent, to a total of $394.7 million including executive and continuing education revenues. Tuition support provided from MIT sources increased $11.3 million, or 6.5 percent, to $185.4 million. Total student financial support from all sources increased $4.2 million, or 1.2 percent, to $346.2 million.

Research revenues in departmental and interdepartmental laboratories were $570.8 million, a decrease of $11.7 million, or (2.0) percent from the prior year. While research spending at The Broad Institute increased $6.1 million, research elsewhere on campus declined $8.7 million; the Department of Health and Human Services (primarily through the National Institutes of Health) is the single largest sponsor on campus, with research support increasing 3.1 percent from $195.6 million to $201.6 million in 2007. The Department of Defense was the second largest sponsor, with research support of $90.6 million in 2007. Industrial support continued to be significant, totaling $79.7 million in 2007. The Department of Energy and the National Science Foundation also were significant sponsors of research on campus in 2007 with support of $64.9 million and $65.1 million, respectively. Research revenues at Lincoln Laboratory decreased from $636.4 million in 2006 to $605.9 million in 2007, a decrease of 4.8 percent. Research at the Lincoln Laboratory is funded primarily under a contract with the Department of Defense (Air Force). Research revenues include reimbursement from sponsors for both direct and indirect (facilities and administration) costs.

MIT's direct research expenditures "base", used as the basis for recovery of indirect costs, decreased by $9.4 million, or 1.4 percent; with $4.4 million of the decrease on campus and $5.0 million at Lincoln Laboratories. Research financed by MIT's unrestricted funds increased from $13.8 million in 2006 to $19.8 million in 2007.

Revenue from fees and services increased $22.8 million, or 19.6 percent, to $139.6 million. This was due primarily to strong revenue growth in technology licensing. Investment income, defined as dividends, interest and rents, increased $8.3 million, or 3.4 percent to $252.7 million. The financial statements include both realized and unrealized gains on investments. The table at the end of this section displays the change in MIT's net assets, excluding the net investment gains. Net asset reclassifications to operations of $33.7 million reflect payments on unrestricted pledges received and released to operations in 2007.

Operating expenses increased $25.9 million or 1.2 percent to a total of $2,207.6 million in 2007. The largest component of the increase was instruction and unsponsored research, which grew $49.5 million, or 8.9 percent. A significant contributor to this expense growth was The Broad Institute, where spending for instruction and unsponsored research grew $22.8 million to a total of $46.6 million. Research spending was down $34.3 million, or 3.3 percent, with most of the decrease, $28.6 million, at MIT's Lincoln Laboratory. General and administrative expenses increased $8.1 million or 1.7 percent. Employee benefits decreased slightly due primarily to a decrease in the net periodic benefit cost of MIT's defined benefit plan, which decreased $3.6 million to $4.5 million. This decrease was due to the continuing over-funded status of the defined benefit plan

■ (Decrease) Increase in Net Assets Excluding Net Investment Gains

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase in net assets	$ 1,484,305*	$ 984,125	$ 167,099	$ 2,635,529*
Deduct: net investment gains	660,799	997,591	14,885	1,673,275
(Decrease) increase in net assets excluding net investment gains	**$ 823,506***	**$ (13,466)**	**$ 152,214**	**$ 962,254***

* *Includes $847,795 arising from overfunded retirement plan, net of underfunding of retiree health benefit plan due to the adoption of SFAS No.158.*

and the requirements of generally accepted accounting principles. There were no contributions to the defined benefit plan in 2007 or 2006.

The Result of Operations changed by $13.7 million from a negative ($41.0) million in 2006 to a negative ($27.3) million in 2007. The Statements of Cash Flows, on page 14, show that the net cash provided by operating activities decreased from $183.4 million in 2006 to $143.8 million in 2007.

Gifts

In 2007, MIT set a new record for gifts and pledges. The Campaign for Students was initiated to support scholarships, fellowships, other educational programming, and student life activities. In addition, the MIT Energy Initiative is gaining interest from both individual donors and corporations. The planning for MIT's new cancer research facility and supporting programs is also garnering support.

Gifts and pledges for 2007 totaled $332.9 million, including gifts-in-kind (primarily gifts of equipment) valued at $0.4 million. Total gifts and pledges were $232.5 million in 2006. For 2007, gifts from individuals represented 40 percent of new gifts and pledges, down from 62 percent in the previous year. Gifts from foundations represented 46 percent of new gifts and pledges in 2007, up from 26 percent in 2006. Gifts from corporations and other sources represented 14 percent, up from 12 percent in 2006. New gifts and payments on pledges for unrestricted purposes were 5 percent of the total in 2007, compared with 8 percent in 2006. The largest category of gifts for 2007 was Research and Education at 61 percent.

Endowment and Similar Funds

The market value of investments in the endowment and similar funds totaled $9,980.4 million at June 30, 2007, compared to $8,368.1 million at June 30, 2006, an increase of $1,612.3 million, or 19.3 percent. The market value at June 30, 2007 includes $9,803.0 million invested in Pool A, MIT's primary investment pool, and $177.4 million held in separately invested funds. The increase in the market value of endowed and similar funds was the result of investment performance as discussed in detail below.

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

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 are credited with Pool A units based on the current month's market value of the units in Pool A.

Investments

Investments at market value were $11,061.1 million, an increase of $1,560.9 million, or 16.4 percent, from the $9,500.2 million of the previous year. Over the past five years, total invested assets have increased from $6,174.1 million to $11,061.1 million while distributions for expenditure have totaled $1,642.1 million. More specific information is included in the Notes to Financial Statements, Note B.

General Investments

General investments at market value were $10,629.0 million, an increase of $1,466.7 million, or 16.0 percent from the $9,162.3 million of the previous year. General investments primarily include Pool A, MIT's long-term investment pool which holds primarily endowment funds and funds functioning as endowment, and Pool C which is the investment pool primarily for expendable funds and which holds funds invested with a shorter investment time horizon.

The asset allocation among fixed income, equity and real estate investments remained essentially the same during the year. Equity and real estate investments at market value were 82.2 percent of the general investments at June 30, 2007. Net realized gains during the year amounted to $1,015.9 million. The increase in the market value of general investments resulted primarily from market action and rebalancing trades between asset classes. Real estate investments held in Pool A and Pool C decreased by $428.7 million to $622.3 million. The decrease was primarily due to the sale of Technology Square in Cambridge.

Investment income in the form of dividends, interest and rents was $262.4 million. This compares to $252.5 million in the previous year, an increase of 3.9 percent. This measure of investment income does not include any investment gains.

The Executive Committee of the Corporation provides for distributions for spending from the general investments from both investment income and market appreciation, and in the separately invested funds only of investment income. This policy is consistent with the investment policy which focuses on total investment return, a combination of both capital appreciation and income from interest, dividends, and rents. In 2007, the distribution rate was $40.50 per Pool A unit, up from the $38.20 per Pool A unit distribution rate in 2006. In 2007, the amount distributed for spending from the general investments totaled $349.6 million, compared to $320.7 million distributed in the prior year. The amount distributed for spending from the general investments in 2007 included $92.6 million from investment gains, or 26.5 percent of the total distributed to funds. In 2006, the comparable amount distributed from the general investments included $62.3 million, or 19.4 percent, from investment gains. During 2007 distributions from separately invested funds were $4.8 million, compared to $2.7 million in 2006. The income earned in Pool C, currently invested funds, was fully distributed. In addition to the distributions from total return in Pool A and from income in Pool C and the separately invested funds, there was also a special distribution of $5.0 million from gains in Pool C in 2007 and 2006. Between 1998 and 2007, the distribution from Pool A increased from $17.55 to $40.50 per unit. For 2008, the approved distribution rate will be $53.00 per unit.

Other Investments

Separately invested assets increased by $56.7 million to a market value of $239.8 million. This increase was a result of new gifts and market activity. Investments held by the life income funds increased $16.6 million to a market value of $165.2 million. This increase was the result of new gifts and market activity less transfers to general investments. Life income funds are invested primarily in two partnerships organized and managed by MIT, one for equity assets and the other for fixed income assets. The partnership pools simplify and bring greater uniformity to the investment process for MIT's life income funds.

The Board of Directors of the MIT Investment Management Company ("MITIMCo") held four regularly scheduled meetings during the fiscal year. During 2007 MITIMCo continued its program to diversify international and emerging market equities management with multiple investment firms. The investment program in non-marketable and marketable alternative investments in the domestic and international markets continued to expand to meet the asset allocation policy adopted by MITIMCo. Non-marketable alternatives include investments such as venture capital and private equity. Marketable alternatives include investments in event arbitrage, distressed debt and hedge funds. The alternative investments are managed by more than one hundred independent organizations primarily through pooled investment partnerships. At June 30, 2007, alternative investments, marketable and non-marketable, plus real estate assets, represented slightly more than 56 percent of the assets in Pool A.

Land, Buildings and Equipment

Fixed assets had a net book value of $1,743.2 million at June 30, 2007, an increase of 3.3 percent from $1,687.8 million at June 30, 2006. The most significant area of increase this past fiscal year was in the area of construction in progress.

The PDSI project in the Green Building (named for the Departments of Physics and Materials Science and Engineering, Spectroscopy Lab and Infrastructure renewal enhancements) is nearly complete. PDSI consists of a new 49,000 square foot infill building in the courtyard encompassed by Buildings 2, 4, 6, and 8, along with the comprehensive renovation of 79,000 square feet of adjacent space, and infrastructure for an additional 127,000 square feet. The major renovation of Building E25 to accommodate the Department of Earth, Atmospheric, and Planetary Sciences and the Harvard-MIT Program in Health Sciences and Technology will be completed this fall. A new graduate residence at 235 Albany Street moved into the construction phase this fiscal year. New Ashdown House will be a five-story building with 548 beds and has a planned occupancy date of late summer 2008. Significant improvements to Vassar Street west of Massachusetts Avenue are well underway. Incorporating spring plantings, the project will be completed in the spring of 2009. The Media Lab and School of Architecture and Planning building, a new six-story 163,000 square foot structure, began construction during fiscal year 2008. Adjacent to the Media Lab's Wiesner building, it will be completed in the fall of 2009. Construction has begun on a three-level underground East Campus Garage. The structure will accommodate approximately 430 cars and will be located directly beneath the new Sloan building. The Sloan School expansion will be a six-story, 217,000 square foot building providing offices, classrooms, team study rooms, and executive education space. The project will be completed during the summer of 2010. The estimated cost of these projects is over $550 million.

Further academic and research projects include a new cancer research facility and related activities in bioengineering. In addition there will be substantial investment in infrastructure and utilities.

Smaller projects completed during the fiscal year include the renovation of the third and fourth floors of Building E23, and the expansion of the exhibit space for the MIT Museum on the first floor of Building N51.

Our new capital initiative will add state-of-the-art facilities for emerging areas of research, increase educational infrastructure that supports residential and community life, as well as revitalize the physical campus. The new campus development program will further advance the Institute's historic mission to generate new knowledge, fuel innovation and educate leaders for the next generation.

General

Under the leadership of President Susan Hockfield and Provost Rafael Reif, the Institute embarked upon the current fiscal year with leadership strength in all academic and administrative areas.

We are pleased to report that the Institute's financial strength has grown, thanks to generous donations and the outstanding performance of our endowment investments. MIT's endowment fund posted investment gains of 22.1 percent for the year ended June 30, 2007. For the past 10 years the Institute's endowment has had an annualized return of 15.3 percent. With total net assets of $12,695.3 million, an increase of 26.2 percent for the year, we are well positioned to increase our support for research and educational initiatives as well as our new and renewal capital projects.

Our purpose remains to support MIT's mission of advancing knowledge and educating students in science, technology and the humanities, and to serve the nation and the world in 2008 and beyond.

Respectfully submitted,

Theresa M. Stone

Theresa M. Stone
Executive Vice President and Treasurer

September 21, 2007

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Massachusetts Institute of Technology

Statements of Financial Position

at June 30, 2007 and 2006

(in thousands of dollars)

	2007	2006
Assets		
Cash	$ 91,744	$ 71,321
Accounts receivable, net	207,335	207,989
Pledges receivable, net	331,443	323,187
Contracts in progress, principally U.S. Government	53,145	56,105
Deferred charges, inventories and other assets	60,780	55,687
Student notes receivable, net	49,781	54,702
Investments, at fair value	11,061,142	9,500,178
Collateral for securities lending and other assets	328,008	277,999
Retirement plan asset-overfunded status	1,019,788	127,448
Land, buildings and equipment, at cost ($2,477,000 for 2007 and $2,342,029 for 2006), net of accumulated depreciation	1,743,203	1,687,835
Total assets	$ 14,946,369	$ 12,362,451
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals and other liabilities	$ 247,214	$ 243,233
Liabilities due under life income fund agreements	74,661	76,996
Collateral for securities lending and minority interest	328,008	277,999
Accrued benefits, deferred revenue and other credits	211,442	139,202
Advance payments	278,750	254,200
Borrowings	1,078,234	1,278,489
Government advances for student loans	32,756	32,557
Total liabilities	2,251,065	2,302,676
Net Assets:		
Unrestricted (includes $970,766 for 2007 and $127,448 for 2006 arising from the overfunded defined benefit plan, net of underfunding of the post-retirement benefit plan)	5,216,844	3,732,539
Temporarily restricted	5,684,006	4,699,881
Permanently restricted	1,794,454	1,627,355
Total net assets	12,695,304	10,059,775
Total liabilities and net assets	$ 14,946,369	$ 12,362,451

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2007 and 2006

(in thousands of dollars)

	Unrestricted		Temporarily Restricted	
	2007	2006	2007	2006
Operating Activities				
Operating Revenues:				
Tuition and other income, net of discount of $185,399 in 2007 and $174,140 in 2006	$ 209,253	$ 199,168	$ –	$ –
Research revenues:				
Campus direct	407,650	419,144	–	–
Campus indirect	163,148	163,340	–	–
Lincoln Laboratory direct	573,696	602,426	–	–
Lincoln Laboratory indirect	32,234	33,968	–	–
Total research revenues	1,176,728	1,218,878	–	–
Gifts and bequests for current use	120,064	96,832	–	–
Fees and services	139,602	116,766	–	–
Other programs	93,962	97,571	–	–
Investment income	252,675	244,386	–	–
Net gains on investments, distributed	68,808	55,557	–	–
Auxiliary enterprises	85,603	82,000	–	–
Net asset reclassifications and transfers	33,676	29,577	–	–
Total operating revenues	2,180,371	2,140,735	–	–
Operating Expenses:				
Salaries and wages	836,686	816,999	–	–
Employee benefits	193,826	195,198	–	–
Supplies and services	778,649	770,235	–	–
Subrecipient agreements	73,692	68,001	–	–
Utilities, rent and repairs	161,831	153,216	–	–
Depreciation	111,597	118,981	–	–
Interest expense	51,340	59,066	–	–
Total operating expenses	2,207,621	2,181,696	–	–
Results of operations	(27,250)	(40,961)	–	–
Non-Operating Revenues, Gains and Losses				
Pledges	–	–	71,094	72,968
Gifts and bequests	–	–	9,541	9,782
Investment income	–	–	7,044	4,748
Net gain on investments and other assets	652,749	533,869	997,591	895,308
Distribution of accumulated investment gains	(25,180)	(20,578)	(43,628)	(34,979)
Net change in life income funds	3,087	4,521	8,630	1,130
Net asset reclassifications and transfers	33,104	11,456	(66,147)	(41,105)
Total non-operating activities	663,760	529,268	984,125	907,852
Increase in net assets before cumulative effect of change in accounting principles	636,510	488,307	984,125	907,852
– Retirement benefits	847,795	–	–	–
– Asset retirement obligation	–	(33,509)	–	–
Increase in net assets	1,484,305	454,798	984,125	907,852
Net assets at the beginning of the year	3,732,539	3,277,741	4,699,881	3,792,029
Net assets at the end of the year	$ 5,216,844	$ 3,732,539	$ 5,684,006	$ 4,699,881

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2007 and 2006

(in thousands of dollars)

Permanently Restricted 2007	Permanently Restricted 2006	Total 2007	Total 2006	
				Operating Activities
				Operating Revenues:
$ –	$ –	$ 209,253	$ 199,168	Tuition and other income, net of discount of $185,399 in 2007 and $174,140 in 2006
				Research revenues:
–	–	407,650	419,144	Campus direct
–	–	163,148	163,340	Campus indirect
–	–	573,696	602,426	Lincoln Laboratory direct
–	–	32,234	33,968	Lincoln Laboratory indirect
–	–	1,176,728	1,218,878	Total research revenues
–	–	120,064	96,832	Gifts and bequests for current use
–	–	139,602	116,766	Fees and services
–	–	93,962	97,571	Other programs
–	–	252,675	244,386	Investment income
–	–	68,808	55,557	Net gains on investments, distributed
–	–	85,603	82,000	Auxiliary enterprises
–	–	33,676	29,577	Net asset reclassifications and transfers
–	–	2,180,371	2,140,735	Total operating revenues
				Operating Expenses:
–	–	836,686	816,999	Salaries and wages
–	–	193,826	195,198	Employee benefits
–	–	778,649	770,235	Supplies and services
–	–	73,692	68,001	Subrecipient agreements
–	–	161,831	153,216	Utilities, rent and repairs
–	–	111,597	118,981	Depreciation
–	–	51,340	59,066	Interest expense
–	–	2,207,621	2,181,696	Total operating expenses
–	–	(27,250)	(40,961)	Results of operations
				Non-Operating Revenues, Gains and Losses
42,966	6,215	114,060	79,183	Pledges
89,209	46,675	98,750	56,457	Gifts and bequests
2,715	3,411	9,759	8,159	Investment income
14,885	3,375	1,665,225	1,432,552	Net gain on investments and other assets
–	–	(68,808)	(55,557)	Distribution of accumulated investment gains
17,957	11,807	29,674	17,458	Net change in life income funds
(633)	72	(33,676)	(29,577)	Net asset reclassifications and transfers
167,099	71,555	1,814,984	1,508,675	Total non-operating activities
167,099	71,555	1,787,734	1,467,714	Increase in net assets before cumulative effect of change in accounting principles
–	–	847,795	–	– Retirement benefits
–	–	–	(33,509)	– Asset retirement obligation
167,099	71,555	2,635,529	1,434,205	Increase in net assets
1,627,355	1,555,800	10,059,775	8,625,570	Net assets at the beginning of the year
$ 1,794,454	$ 1,627,355	$12,695,304	$10,059,775	Net assets at the end of the year

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, 2007 and 2006

(in thousands of dollars)

	2007	2006
Cash Flow from Operating Activities:		
Increase in net assets	$ 2,635,529	$ 1,434,205
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gain on investments	(1,673,275)	(1,432,552)
Cumulative effect of change in accounting principle, asset retirement obligation	–	33,509
Change in retirement plan asset, net of accrued benefits	(843,291)	–
Depreciation	111,597	118,981
Net (gain) on life income funds	(24,495)	(11,273)
Other adjustments	6,624	(419)
Change in operating assets and liabilities:		
Pledges receivable	(8,256)	(8,387)
Accounts receivable	654	17,543
Contracts in progress	2,960	(13,128)
Deferred charges, inventories and other assets	(5,093)	(3,041)
Accounts payable, accruals and other liabilities	3,981	9,826
Liabilities due under life income fund agreements	(2,335)	(2,423)
Deferred revenue and other credits	23,191	60,340
Advance payments	24,550	44,829
Reclassify investment income	(9,759)	(8,159)
Reclassify contributions restricted for long-term investment	(98,750)	(56,457)
Net cash provided by operating activities	143,832	183,394
Cash Flow from Investing Activities:		
Purchase of land, buildings and equipment	(173,132)	(204,079)
Purchases of investments	(23,658,438)	(7,323,177)
Proceeds from sale of investments	23,792,872	7,377,107
Student notes issued	(30,435)	(34,668)
Collections from student notes	34,900	41,884
Net cash (used in) investing activities	(34,233)	(142,933)
Cash Flow from Financing Activities:		
Proceeds from contributions restricted for:		
Investment in endowment	89,211	46,675
Investment in plant and other	9,539	9,782
Total proceeds from contributions	98,750	56,457
Increase in investment income for restricted purposes	9,759	8,159
Increase (decrease) in collateral for securities lending and minority interest	2,371	(87,628)
Proceeds from borrowings	37,800	34,900
Repayment of borrowings	(238,055)	(14,512)
Increase in government advance for student loans	199	138
Net cash (used in) financing activities	(89,176)	(2,486)
Net increase in cash	20,423	37,795
Cash at the beginning of the year	71,321	33,346
Cash at the end of the year	$ 91,744	$ 71,321

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).

The financial statements include MIT and its wholly owned subsidiaries.

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.

Permanently restricted net assets include gifts, pledges, trusts and remainder interests, and 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, and 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 MIT.

Donor-restricted gifts and unexpended restricted endowment income which are received and either spent or the restriction is otherwise met 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 and the assets placed in service at which point they are reclassified to unrestricted net assets.

MIT administers its various funds, including endowments, funds functioning as endowments, 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 MIT's total return investment policy. Each year, the Executive Committee of the Corporation approves the rates of distribution of investment income to the funds from MIT's investment pools. See Note B for further information on income distributed to funds.

MIT'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 MIT's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts, and operating expenditures. Results of operations are displayed in the Statements of Activities.

MIT is a non-profit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code, originally recognized in October 1926, with the most recent affirmation letter dated July 2001.

Cash

Current banking arrangements do not require outstanding checks and wires to be funded until actually presented for payment. Outstanding checks and wires in the amount of $19.8 million and $18.6 million in 2007 and 2006, respectively, are recorded in accounts payable until they are presented to our banks for payment. Certain cash balances, totaling $60.1 million and $53.2 million in 2007 and 2006, 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 indirect research revenue. MIT has recorded reimbursement of indirect costs relating to sponsored research at negotiated fixed billing rates. The income generated by the negotiated rates is adjusted each fiscal year to reflect any variance between the negotiated fixed 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 U.S. Government and MIT. The variance between the negotiated fixed rate and the final audited rate results in a carry-forward (over or under recovery). The carry-forward will be included in the calculation of negotiated fixed billing rates in future years. Any adjustment in the rate is charged/(credited) to unrestricted net assets.

A. Accounting Policies (continued)

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 4 years for software. Fully depreciated buildings and equipment were removed from the financial statements in the amount of $25.2 million and $54.9 million during 2007 and 2006, respectively. Land, buildings and equipment are as follows at June 30:

Land, Buildings and Equipment

(in thousands of dollars)	2007	2006
Land	$ 48,283	$ 42,768
Educational buildings	2,033,987	2,030,924
Equipment	188,057	163,690
Software	33,988	24,747
Total	**2,304,315**	**2,262,129**
Less: accumulated depreciation	(733,797)	(654,194)
Construction in progress	164,766	67,749
Software projects in progress	7,919	12,151
Land, buildings and equipment	**$ 1,743,203**	**$ 1,687,835**

Depreciation expense was $111.6 million and $125.9 million during 2007 and 2006, respectively. Net interest expense of $0.5 million and $1.3 million was capitalized during fiscal 2007 and 2006, respectively, in relation to MIT'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 MIT.

Tuition and Similar Revenue

(in thousands of dollars)	2007	2006
Tuition revenue	$ 373,265	$ 356,214
Executive and continuing education revenues	21,387	17,094
Total	**394,652**	**373,308**
Less: tuition discount	(185,399)	(174,140)
Net tuition	**$ 209,253**	**$ 199,168**

Tuition support is awarded to undergraduate students by MIT 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 MIT was $346.2 million and $342.0 million in 2007 and 2006, respectively. Of that amount, $122.3 million in 2007 and $128.4 million in 2006, was aid from sponsors. Tuition support from MIT sources is displayed as tuition discount. Components of financial aid are detailed in Table 1.

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 received from manufacturers and other donors during 2007 and 2006 were put into use and recorded by MIT at fair market value and totaled $0.4 million and $0.9 million in 2007 and 2006, respectively. Pledges in the amount of $331.4 million and $323.2 million are recorded as receivables with the revenue assigned to the appropriate classification of restriction for 2007 and 2006, respectively. Pledges consist of unconditional written promises to contribute to MIT in the future. Pledges are recorded after discounting the future cash flows to the present value.

Table 1. Financial Aid

(in thousands of dollars)	2007			2006		
	Institute Sources	External Sponsors	Total Financial Aid	Institute Sources	External Sponsors	Total Financial Aid
Tuition support	$ 185,399	$ 58,076	$ 243,475	$ 174,140	$ 56,903	$ 231,043
Stipends	12,688	12,332	25,020	14,522	17,918	32,440
Student salaries	25,877	51,855	77,732	24,957	53,546	78,503
Total	**$ 223,964**	**$ 122,263**	**$ 346,227**	**$ 213,619**	**$ 128,367**	**$ 341,986**

A. Accounting Policies (continued)

Pledges receivable at June 30 are expected to be realized in the following time periods:

Pledges Receivable

(in thousands of dollars)	2007	2006
In one year or less	$ 88,693	$ 121,150
Between one year and five years	125,937	115,517
More than five years	153,643	136,520
Less: allowance for unfulfilled pledges	(36,830)	(50,000)
Pledges receivable, net of discount	**$ 331,443**	**$ 323,187**

A review of pledges is made with regard to collectibility. As a result, the allowance for pledges that may not be fulfilled is adjusted, and some pledges have been canceled and are no longer recorded in these statements. In addition, pledges are discounted in the amount of $109.7 million and $112.2 million in 2007 and 2006, respectively, using discount rates based on the applicable U.S. Treasury rates at June 30, 2007, and 2006. MIT has gross conditional pledges, not recorded, for the promotion of education and research in the amount of $159.2 million and $197.7 million in 2007 and 2006, respectively.

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

Advance Payments

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

Life Income Funds

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

Adoption of New Accounting Standards

SFAS No. 158

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106 and 132(R) ("SFAS No. 158"). SFAS No. 158 requires recognition in the statements of financial position of the over or underfunded status of defined pension and other postretirement plans, measured as the difference between the fair value of plan and the projected benefit obligation ("PBO") for pension plans and the accumulated postretirement benefit obligation ("APBO") for other benefit plans. This effectively requires the recognition of all previously unrecognized actuarial gains and losses, prior service cost and transition liability in unrestricted net assets upon adoption, and provides additional annual disclosure.

FASB Statement No. 87, *Employers' Accounting for Pension* ("SFAS No. 87") and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pension*

The following table sets forth the incremental effect of applying SFAS No. 158 on individual line items in the statement of financial position at June 30, 2007.

(in thousands of dollars)	Prior to adopting SFAS No. 158	Effect of adopting SFAS No. 158	As Reported at June 30, 2007
Retirement plan asset-overfunded status	$ 122,944	$ 896,844	$ 1,019,788
Total assets	14,049,525	896,844	14,946,369
Accrued benefits, deferred revenue and other credits	162,393	49,049	211,442
Total liabilities	2,202,016	49,049	2,251,065
Unrestricted net assets	4,369,049	847,795	5,216,844
Total net assets	11,847,509	847,795	12,695,304
Total liabilities and net assets	14,049,525	896,844	14,946,369

A. Accounting Policies (continued)

("SFAS No. 106") continue to apply in measuring plan assets and benefit obligations, as of the date of the fiscal year-end statement of financial position, and in determining the amount of net periodic benefit income or cost. The provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2006 and were applied prospectively in fiscal year 2007.

MIT's adoption of SFAS No. 158 at June 30, 2007 resulted in an $847.8 million increase to unrestricted net assets. The adoption of SAFS No. 158 had no effect on MIT's results of operations or liquidity for the year ended June 30, 2007, or for any prior period presented, and it will not affect MIT's operating results in future periods as SFAS No. 158 does not affect the determination of net periodic benefit income or cost.

EITF 04-5

In the year ended June 30, 2007, MIT adopted EITF (Emerging Issues Task Force) 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. The impact of the implementation was an increase in MIT's investments and collateral due in relation to securities lending and minority interest by $161.8 million.

FIN 47

MIT adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, ("FIN 47"), as of July 1, 2005. FIN 47 is an interpretation of SFAS No. 143, *Accounting for Asset Retirement Obligations* and requires that asset retirement obligations that are conditional on a future event, such as the obligation to safely dispose of asbestos when a building is remodeled or demolished, be recognized when the fair value of the obligation can be reasonable estimated. In 2006 MIT recorded an obligation of $39.9 million reflecting its asset retirement obligations. Total expenses recorded in 2006 were $35.8 million, including accretion expense of $1.9 million and depreciation expense of $0.3 million relating to 2006, and $33.5 million for years prior to 2006. In fiscal 2007, accretion expense net of spending for asset retirements was $0.8 million, and depreciation was $0.6 million.

Use of Estimates

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

Reclassifications

Certain June 30, 2006 balances previously reported have been reclassified to conform to June 30, 2007 presentation.

Net asset reclassifications and transfers consist primarily of payments on unrestricted pledges and use of building funds in accordance with donor restrictions. Expirations of temporary restrictions on net assets and the release of permanent restrictions by a donor are also reported as reclassifications of net assets from temporarily or permanently restricted net assets to unrestricted net assets. In 2006, net asset reclassifications and transfers also reflect the return of $14.4 million of gains over-distributed in 2005, restored to the balance of accumulated undistributed gains.

B. Investments

Total market value of investments approximated $11,061.1 million and $9,500.2 million at June 30, 2007 and 2006, respectively. The market values of publicly traded investments are generally determined based upon quoted market prices. MIT's privately held equity investments include both publicly-traded and private equity investments held in private partnerships. MIT's positions in these private partnerships are carried at estimated fair value provided by the management of the privately held equity investments and validated by MIT management. The majority of these funds have been valued based upon estimated fair values provided to MIT as of June 30, with the remainder valued as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. MIT believes that the carrying value of its privately held equity investments, based upon the valuation methodologies above, is a reasonable estimate of the fair value as of June 30. These estimated values are 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.

Table 2 provides a detailed breakdown of investments by type as of June 30, 2007 and 2006.

MIT has two interest rate swap agreements, one expiring in 2011 and one expiring in 2031, to manage the interest cost and risk associated with its Massachusetts Health and Educational Facilities Authority (MHEFA) variable rate debt portfolios. Under the terms of these swap agreements, MIT 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. MIT's interest rate swaps had a notional value of $250.0 million at June 30, 2007 and 2006. These agreements are recorded at an estimated market value of ($14.4) million and ($10.9) million at June 30, 2007 and 2006, respectively, and the change in market value of $(3.5) million and $19.0 million in 2007 and 2006, respectively is included in non-operating net gain on investments and other assets. These financial instruments involve counter-party credit exposure. The counter parties for these swap transactions are major financial institutions that meet MIT's criteria for financial stability and creditworthiness.

MIT maintains its investments primarily in two major investment pools: Pool A, principally for endowment and

Table 2. Investments

(in thousands of dollars)	June 30, 2007		June 30, 2006	
	Book	Market	Book	Market
General Investments				
Cash equivalents	$ 1,044,990	$ 1,044,990	$ 334,971	$ 334,971
Fixed income	856,685	847,974	912,276	884,943
Equities:				
Publicly traded	2,068,506	2,830,724	2,137,981	2,697,779
Privately held	3,345,041	5,282,940	2,753,490	4,193,605
Total equities	$ 5,413,547	$ 8,113,664	$ 4,891,471	$ 6,891,384
Real estate:				
Held in Pool A	254,079	423,462	625,595	867,776
Held in Pool C	198,881	198,881	183,225	183,225
Total real estate	452,960	622,343	808,820	1,051,001
Total general investments	**$ 7,768,182**	**$10,628,971**	**$ 6,947,538**	**$9,162,299**
Separately invested	225,749	239,847	176,664	183,178
Life income funds	149,943	165,161	147,573	148,599
MHEFA Series J-1 & J-2 interest rate swap agreements	–	(14,384)	–	(10,820)
Other investments	18,319	18,319	10,700	10,700
Receivables (Payables) arising from securities transactions	23,228	23,228	6,222	6,222
Total investments	**$ 8,185,421**	**$11,061,142**	**$ 7,288,697**	**$ 9,500,178**

B. Investments (continued)

funds functioning as endowment and Pool C, principally for investment of current funds of the schools and departments and MIT's operating funds. Pool A operates as a mutual fund with units purchased and redeemed at month end at that month's fair value. The total market value of Pool A was $10,161.5 million and $8,550.1 million at June 30, 2007 and 2006, respectively. The total value of Pool A includes Pool C investment of $358.5 million and $318.0 million at June 30, 2007 and 2006, respectively. The unit market values at June 30, 2007 and 2006 were $1,340.1420 and $1,135.3265, respectively. Changes in unit values reflect investment results less distributions for spending. On a unit basis, the ownership assigned to each net asset classification at June 30, 2007 and 2006 was as follows:

Pool A Units	2007	2006
Unrestricted	2,476,655	2,502,813
Permanently restricted	5,105,730	5,028,146
Total units	**7,582,385**	**7,530,959**

The decrease in the number of unrestricted units resulted from new gifts less distributions to support general operations. 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 total value of Pool C as of June 30, 2007 was $1,119.1 million and was $986.3 million at June 30, 2006.

Table 3 summarizes the total investment gains by classification of net assets for the years ended June 30, 2007 and 2006.

MITIMCo and the Executive Committee of the Corporation have adopted a total return investment policy. MIT's endowment spending policy thus allows for consumption of both investment yield and gains to support academic and research programs. The spending rate is managed to preserve the purchasing power of the endowment. Although a portion of accumulated realized gains and losses are reported as part of MIT's unrestricted resources, their use is availed of in a manner consistent with MIT's spending policy and long-term goal of preservation of the purchasing power of the endowment. The distribution rate on Pool A is declared by the Executive Committee each year for the next fiscal year. Pool A per unit distribution rates were $40.50 and $38.20 for fiscal years 2007 and 2006, respectively. Pool C distributed 4% on average balances to participating funds in 2007 and 2006, in the amounts of $8.8 and $6.8 million respectively, with earnings in excess of that amount distributed for general operations.

The total distribution to all funds was $347.5 million in 2007 and $323.0 million in 2006. The amount distributed in 2007 is net of adjustments of $8.3 million of investment earnings held in temporarily restricted net assets pending compliance with donor restrictions. Without these adjustments, the 2007 distribution would have totaled $355.8 million. Total distributions include amounts distributed to non-operating activities, internal rents and internal interest charges eliminated for financial statement purposes, and other adjustments totaling $26.1 million in 2007 and $23.1 million in 2006. MIT has recorded perpetual trusts held by outside trustees of $61.9 million for 2007 and $48.9 million for 2006. These amounts are included in the investments reported in Table 2 as part of separately invested funds. In 2007 and 2006, net asset reclassifications include certain distributions made in previous years to unrestricted funds that have not yet been expended for the donor's restricted purpose, where the donor requires reinvestment, or where the donor has not yet stipulated the use of the funds. These amounts were reclassified from unrestricted net assets to temporarily or permanently restricted net assets as appropriate.

Realized gains and losses are recorded by MIT using the average cost basis. Investment transactions are recorded on trade date. Net gains and losses are classified as unrestricted

Table 3. Investment Gains

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2007				
Realized gains	$ 379,007	$ 643,628	$ 6,274	$ 1,028,909
Change in net unrealized gains	281,792	353,963	8,611	644,366
Total	**$ 660,799**	**$ 997,591**	**$ 14,885**	**$ 1,673,275**
2006				
Realized gains	$ 185,371	$ 362,247	$ 3,382	$ 551,000
Change in net unrealized gains (losses)	348,498	533,061	(7)	881,552
Total	**$ 533,869**	**$ 895,308**	**$ 3,375**	**$ 1,432,552**

B. Investments (continued)

net assets unless they are restricted by the donor or by law. Market value for all invested funds exceeds book value at June 30, 2007. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by MIT in accordance with the Massachusetts Management of Institutional Funds Act and guidance from the Attorney General of the Commonwealth of Massachusetts.

MIT has an agreement with a major financial institution to lend Institute securities in exchange for a fixed annual fee less a contractual rebate on the cash collateral received. All securities are returnable on demand and are collateralized by daily cash deposits based on the market value of the securities loaned. MIT manages the investment process for all cash collateral received. MIT is indemnified against borrower default by the financial institution. MIT had investment securities with an aggregate market value of $161.2 million and $271.7 million on loan at June 30, 2007 and 2006, respectively. Cash collateral under management was $166.2 million and $278.0 million at June 30, 2007 and 2006, respectively. The cash collateral received is shown as an asset and a liability on the Statements of Financial Position.

C. Derivative Instruments

From time to time, MIT will enter into various forward currency exchange contracts solely as partial offset of exchange rate movements affecting the U.S. dollar values of portfolio holdings on securities denominated in foreign currencies. These contracts obligate MIT to deliver currencies at specific future dates in return for U.S. dollars at fixed exchange rates and are recorded at market value. MIT had open contracts with a market value of $3.5 million at June 30, 2007. MIT had no open contracts at June 30, 2006. Additional information is included in Note F.

D. Student Notes

Student notes consisted of the following at June 30, 2007 and 2006:

Student Notes Receivable

(in thousands of dollars)	2007	2006
Institute-funded student notes receivable	$ 22,946	$ 26,775
Perkins student notes receivable	29,835	30,927
Total student notes receivable	**52,781**	**57,702**
Less: allowance for doubtful accounts	(3,000)	(3,000)
Student notes receivable, net	**$ 49,781**	**$ 54,702**

Perkins student notes receivable are funded by the U.S. Government and by MIT to the extent required by the Perkins National Direct Student Loan Program. Funds advanced by the U.S. Government for this program, $32.8 million and $32.6 million at June 30, 2007 and 2006, respectively, are ultimately refundable to the U.S. 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 feasible to determine the fair value of such loans.

E. Accounts Payable, Accruals and Other Liabilities

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

Accounts Payable, Accruals and Other Liabilities

(in thousands of dollars)	2007	2006
Accounts payable and accruals	$ 195,555	$ 187,109
Accrued vacation	48,946	49,498
Accounts payable U.S. Government	2,713	6,626
Total	**$ 247,214**	**$ 243,233**

MIT is currently self-insured for health insurance, long-term disability, workers' compensation and unemployment compensation. Liabilities recorded for these benefits totaled $32.4 million and $30.3 million for 2007 and 2006, respectively.

F. Borrowings

Table 4. Borrowings

(in thousands of dollars / due dates are calendar based)	2007	2006
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series I, 4.75%–5.20%, due 2028, par value $59,200	$ 59,713	$ 59,738
Series J-1, variable rate, due 2031	125,000	125,000
Series J-2, variable rate, due 2031	125,000	125,000
Series K, 5.25%–5.50%, due 2012–2032, par value $230,000	245,261	245,897
Series L, 3.0%–5.25%, due 2005–2033, par value $184,860	194,848	197,816
Series M, 5.25%, due 2014-2030, par value $131,110	147,937	148,869
Total MHEFA	**897,759**	**902,320**
Medium Term Notes Series A, 7.125%, due 2026	17,339	17,335
Medium Term Notes Series A, 7.25%, due 2096	45,436	45,434
Notes payable to bank, variable rate, due 2008	112,700	74,900
Total Educational Plant	**1,073,234**	**1,039,989**
STUDENT LOANS		
Notes payable to bank, variable rate, due 2008	5,000	13,500
Sub-total	**1,078,234**	**1,053,489**
Technology Square Loan, 5.26%, due 2005-2039	–	225,000
Total Borrowings	**$ 1,078,234**	**$ 1,278,489**

The aggregate amount of debt payments and sinking fund requirements for each of the next five fiscal years is as follows:

Debt Obligations

(in thousands of dollars)	
2008	$ 119,785
2009	2,190
2010	2,260
2011	2,370
2012	28,990
Thereafter	874,499

Cash paid for interest on long-term debt in 2007 and 2006 was $48.8 million and $56.4 million, respectively.

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. MIT maintains a line of credit with a major financial institution for an aggregate commitment of $118.5 million. As of June 30, 2007, $0.8 million was available under this line of credit. At June 30, 2007, the interest rate would have been 5.37%. The line of credit expires on September 30, 2007.

Variable interest rates were as follows at June 30, 2007:

Borrowings	Amount	Rate
MHEFA Series J-1	$ 125,000	3.63%
MHEFA Series J-2	$ 125,000	3.69%
Notes payable to bank	$ 117,700	5.37%

G. Commitments and Contingencies

Federal Government Funding

MIT 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), MIT's cognizant Federal agency. MIT's indirect cost reimbursements have been based on fixed rates with carry forward of under or over recoveries. MIT's net over recovery decreased from $4.1 million in 2006 to $2.0 million in 2007.

The DCAA is responsible for auditing both direct and indirect charges to grants and contracts in support of ONR's negotiating responsibility. MIT has final audited rates through the 2003 fiscal year. MIT's 2007 research revenues of $1,176.7 million include reimbursement of indirect costs of $195.4 million, which includes the adjustment for the variance between the indirect cost income determined by the fixed rates and that based on actual costs for 2007. In 2006, research revenues were $1,218.9 million which included reimbursement of indirect costs of $197.3 million.

Leases

At June 30, 2007 there were no capital lease obligations. MIT is committed under operating (rental) leases. Rent expense was $62.8 million and $42.1 million in 2007 and 2006, respectively. Certain leases expiring in fiscal year 2007 are subject to renewal. Future minimum payments under operating leases are as follows:

Lease Obligations
(in thousands of dollars)

2008	$ 63,553
2009	$ 65,861
2010	$ 68,515
2011	$ 71,301
2012	$ 74,227

Investments

As of June, 2007, MIT is committed to invest approximately $2,285.4 million with equity managers and with private partnerships for hedge funds, private equity and other alternative investments. As of June 30, 2007, $40.8 million of investments were pledged as collateral to various supplier and government agencies, the largest being to the Nuclear Regulatory Commission and for self-insured workers' compensation insurance.

Future Construction

MIT has contracted for Educational Plant in the amount of $123.5 million at June 30, 2007. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, unrestricted funds and future borrowings. MIT will be committing additional resources to planned major construction projects and improvements to the current infrastructure over the next several years.

Related Entities

MIT has entered into agreements, including collaborations with third-party not-for-profit and for-profit entities for education, research and technology transfers. Some of these agreements involve funding from foreign governments. These agreements subject MIT to greater financial risk than do its normal operations. In the opinion of management, the realization of increased financial risks by MIT under these agreements is remote. Revenue received from the related entities was $3.3 million and $9.1 million during 2007 and 2006, respectively.

General

MIT is subject to certain other legal proceedings and claims that 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 MIT's financial position.

H. Functional Expense Classification

MIT's expenditures on a functional basis are shown below:

Institute Expenditures by Functional Classification

(in thousands of dollars)	2007	2006
General and administrative	$ 488,452	$ 480,389
Instruction and unsponsored research	608,423	558,956
Sponsored research	1,001,144	1,035,417
Auxiliary enterprises	98,327	96,417
Operation of alumni association	11,275	10,517
Total operating expenses	**$ 2,207,621**	**$ 2,181,696**

I. Retirement Benefits

MIT offers retirement and post-retirement benefits to its employees, consisting of a defined benefit plan and a defined contribution plan. The plans cover substantially all employees of MIT. MIT contributes to the defined benefit plan amounts that 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 2007 or 2006.

For purposes of calculating net periodic pension cost for the defined benefit plan, plan amendments are amortized in a straight line basis over the average future service to expected retirement of active participants at the date of the amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10% of the greater of the projected benefit obligation and the market related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1 million.

The amount contributed and expenses recognized during 2007 and 2006 related to the defined contribution plan were $35.5 million and $34.3 million, respectively.

MIT also provides retiree welfare benefits (certain health-care and life insurance benefits) for retired employees. Substantially all of MIT's employees may become eligible for those benefits if they reach a qualifying retirement age while working for MIT. Retiree health plans are paid for in part by retirees and covered retirees, their covered dependents and beneficiaries. Benefits are provided through various insurance companies whose charges are based either on the benefits and administrative expenses paid during the year or annual insured premiums. Substantially all retiree life insurance plans are non-contributory and cover the retiree only. MIT also maintains a trust to pay for retiree welfare benefits. MIT's contributions to the trust during 2007 and 2006 were $20.1 million and $24.5 million, respectively.

For purposes of calculating net periodic postretirement benefit cost, a portion of current obligation related to transition to SFAS No. 106 is being amortized in a straight line basis over 20 years from the date of adoption of that statement in 1994. Plan amendments are amortized in a straight line basis over the average future service to full eligibility of active participants at the date of amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10% of the greater of the plan's obligation and the market related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1 million.

As discussed in Note A, MIT adopted the recognition and related disclosure provisions of SFAS No. 158, as required, prospectively in 2007.

The estimated net actuarial gain and prior service cost for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit income over the next fiscal year are $7.8 million and $2.1 million, respectively. The estimated net actuarial loss, prior service cost and transition obligation for the other postretirement plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $1.0 million, $3.5 million and $4.8 million, respectively.

Components of Net Periodic Benefit Cost

The following table summarizes the components of net periodic benefit cost recognized in the statement of activities for the years ended June 30, 2007 and 2006.

(in thousands of dollars)	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	$ 57,707	$ 63,451	$ 11,915	$ 13,524
Interest cost	117,660	103,608	17,999	17,392
Expected return on plan assets	(172,044)	(162,141)	(17,163)	(17,102)
Amortization of transition amount	–	–	4,775	4,775
Amortization of net actuarial (gain) loss	(1,000)	1,000	(1,000)	2,368
Amortization of prior service cost	2,181	2,185	3,557	3,557
Net periodic benefit cost	**$ 4,504**	**$ 8,103**	**$ 20,083**	**$ 24,514**

I. Retirement Benefits (continued)

Benefit Obligations and Fair Value of Assets

The following table summarizes the funded status, benefit obligations, amounts recognized in the statements of financial position, and amounts recognized in unrestricted net assets for the MIT's benefit plans. MIT uses a June 30 measurement date for its pension and postretirement benefit plans.

(in thousands of dollars)	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 1,880,847	$ 1,963,321	$ 284,472	$ 327,315
Service cost	57,707	63,451	11,915	13,524
Interest cost	117,660	103,608	17,999	17,392
Retiree contributions	–	–	2,741	2,418
Net benefit payments and transfers	(108,797)	(108,801)	(21,643)	(18,563)
Assumption changes and actuarial net loss (gain)	95,312	(140,732)	38,952	(57,614)
Benefit obligation at end of year	**$ 2,042,729**	**$ 1,880,847**	**$ 334,436**	**$ 284,472**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 2,648,070	$ 2,266,599	$ 243,772	$ 217,306
Actual return on plan assets	523,244	490,272	40,461	18,097
Employer contributions	–	–	20,083	24,514
Retiree contributions	–	–	2,741	2,418
Net benefit payments and transfers	(108,797)	(108,801)	(21,643)	(18,563)
Fair value of plan assets at end of year	**$ 3,062,517**	**$ 2,648,070**	**$ 285,414**	**$ 243,772**
Reconciliation of prepaid benefit cost and total amount recognized				
Funded (unfunded) status of the plans	$ 1,019,788	$ 767,223	$ (49,022)	$ (40,700)
Unrecognized net transition liability	–	–	–*	33,429
Unrecognized prior service costs	–*	14,048	–*	17,782
Unrecognized net gain	–*	(653,823)	–*	(10,485)
Net amount recognized	**$ 1,019,788**	**$ 127,448**	**$ (49,022)**	**$ 26**
Amounts recognized in the statements of financial position consist of:				
Benefit assets	$ 1,019,788	–**	–	–
Prepaid benefit cost	–*	127,448	–*	26
Benefit liability	–	–	(49,022)	–**
Total	**$ 1,019,788**	**$ 127,448**	**$ (49,022)**	**$ 26**
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	$ (908,710)	–**	$ 6,168	–**
Prior service cost	11,866	–**	14,226	–**
Transition liability	–	–	28,655	–**
Total	**$ (896,844)**	**–****	**$ 49,049**	**–****

** not applicable in 2007 due to the application of SFAS No. 158.*
*** not applicable in 2006 due to the application of SFAS No. 158.*

I. Retirement Benefits (continued)

The accumulated benefit obligation for MIT's defined benefit pension plan was $1,933.8 million and $1,825.5 million at June 30, 2007 and 2006, respectively.

In accordance with the provision of FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, MIT has recognized the effect of the expected Medicare subsidy by reducing its accumulated postretirement benefit obligation of $53.6 million and $49.6 million as of June 30, 2007 and 2006, respectively. This initial reduction was recognized as an actuarial gain. Additionally, the service and interest cost components of postretirement benefits cost were reduced in 2007 and future periods.

Assumptions and Health Care Cost Trend Rate Sensitivity

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	6.25%	6.25%	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%		
Assumptions used to determine net periodic benefit (income) cost for year ended June 30:				
Discount rate	6.25%	5.25%	6.25%	5.25%
Expected long-term return on plan assets	8.00%	8.00%	7.25%	8.00%
Rate of compensation increase	4.00%	4.00%		
Assumed health care cost trend rates:				
Health care cost trend rate assumed for next year			8.00%	8.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			5.00%	5.00%
Year that the rate reaches the ultimate trend rate			2010	2009

The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns.

As an indicator of sensitivity, a one-percentage-point change in the assumed health care cost trend rate would have the following effects for 2007:

(in thousands of dollars)	1% point increase	1% point decrease
Effect on 2007 post-retirement service and interest cost	$ 4,758	$ 3,946
Effect on post-retirement benefit obligation as of June 30, 2007	$ 36,910	$ 31,322

I. Retirement Benefits (continued)

Plan Assets

The weighted-average asset allocations of the investment portfolio for its pension plan and other postretirement benefit plans at June 30 and target allocations are as follows:

	Pension Benefits Plan Assets as of June 30			Other Benefits Plan Assets as of June 30		
	Target Allocation	2007	2006	Target Allocation	2007	2006
Asset Category						
Equity Securities	35.0%	35.2%	37.7%	75.0%	75.0%	76.8%
Fixed Income Securities	15.0%	21.5%	19.6%	25.0%	22.6%	23.2%
Real Estate	10.0%	6.5%	6.2%	–	–	–
Other	40.0%	36.8%	36.5%	–	2.4%	–
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The investment objectives for the assets of the plans are to minimize expected funding contributions and to meet or exceed the rate of return assumed for plan funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers and the maintenance of a portfolio diversified by asset class, investment approach and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due. The defined benefit plan also participates in securities lending programs in order to generate additional income by loaning plan assets to borrowers on a fully collateralized basis.

Contributions

MIT does not expect to contribute to its defined benefit pension plan, and expects to contribute approximately $24.0 million to its other postretirement benefit plan in fiscal year 2008. These contributions have been estimated based on the same assumptions used to measure MIT's benefit obligation at year end, except for expected long term return of the plan's assets increases from 8% to 8.25% for the defined benefit pension plan, and from 7.25% to 7.5% for the post-retirement benefit plan.

Expected Future Benefit Payments

The following table reflects total expected benefit payments for the defined benefit and other postretirement benefit plans, as well as expected receipt of the federal subsidy. These payments have been estimated based on the same assumptions used to measure MIT's benefit obligation at year end.

(in thousands of dollars)	Pension Benefits	Other Benefits[1]	Federal Subsidy[2]
2008	$ 109,419	$ 24,942	$ 2,393
2009	114,727	26,667	2,612
2010	119,398	28,167	2,814
2011	123,711	29,406	2,999
2012	127,694	30,415	3,212
Years 2013-2017	694,841	168,874	19,488

[1] *Other benefits reflect the total net benefits expected to be paid from the plans and exclude the participants' share of the cost, which is funded by participant contributions to the plans, and does not reflect any subsidy expected to be received from the government for MIT's retiree prescription drug coverage*

[2] *Federal subsidy reflects the amount MIT is expected to receive from the government and reflects MIT's expected drugs claims experience.*

J. Components of Net Assets

The following table presents the three categories of net assets by purpose as of June 30, 2007. The amounts listed in the unrestricted column labeled Endowment Funds Principal are those gifts received over the years which MIT 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 MIT's spending policy and the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

Fund Category *(in thousands of dollars)*	2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2006 Total
Endowment Fund Principal					
General Purpose	$ 786,108	$ 905,644	$ 212,418	$ 1,904,170	$ 1,652,567
Departments and Research	417,353	821,442	325,879	1,564,674	1,252,144
Library	10,214	18,835	7,221	36,270	30,142
Salaries and Wages	364,022	2,179,671	526,639	3,070,332	2,591,406
Graduate General	53,348	103,846	50,281	207,475	173,831
Graduate Departments	54,057	266,576	140,747	461,380	377,505
Undergraduate	183,615	884,000	255,200	1,322,815	1,112,599
Prizes	6,121	24,842	16,276	47,239	37,950
Miscellaneous	953,417	68,366	25,268	1,047,051	869,672
Investment income held for distribution	319,003	–	–	319,003	270,250
Endowment funds before pledges	3,147,258	5,273,222	1,559,929	9,980,409	8,368,066
Pledges	–	–	124,629	124,629	110,021
Total Endowment Funds	**3,147,258**	**5,273,222**	**1,684,558**	**10,105,038**	**8,478,087**
Other Invested Funds					
Student Loan Funds	19,251	–	16,936	36,187	35,139
Building Funds	54,916	145,874	–	200,790	168,159
Designated Purposes:					
– Departments and Research	227,336	–	–	227,336	191,357
– Other Purposes	20,945	–	–	20,945	12,416
Reserve Funds	7,255	–	–	7,255	15,581
Real Estate gifts held for sale	9,430	–	–	9,430	2,252
Life Income Funds	7,315	39,405	81,514	128,234	101,898
Pledges	–	195,368	11,446	206,814	213,166
Accumulated net gains	119,478	30,137	–	149,615	89,542
Total Other Invested	**465,926**	**410,784**	**109,896**	**986,606**	**829,510**
Funds available for current expenses	217,169	–	–	217,169	212,130
Total Funds	**3,830,353**	**5,684,006**	**1,794,454**	**11,308,813**	**9,519,727**
Funds expended for Educational Plant	415,725	–	–	415,725	412,600
Retirement benefits overfunded	970,766	–	–	970,766	127,448
Total Net Assets at Market	**$ 5,216,844**	**$ 5,684,006**	**$ 1,794,454**	**$12,695,304**	**$10,059,775**

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Report of Independent Auditors

To the Audit Committee of the
Massachusetts Institute of Technology

In our opinion, the accompanying statement 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 (the "Institute") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A to the financial statements, in 2007 the Institute changed its method of accounting for defined benefit pension and other post retirement obligations by adopting Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132R* ("SFAS No. 158"). In accordance with the transition provisions of SFAS No. 158, the 2007 financial statements include the cumulative effect of adopting this new accounting principle as of June 30, 2007.

PricewaterhouseCoopers LLP

September 21, 2007

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights

(Dollars in thousands)

	2007	2006	2005	2004	2003
Financial Position:					
Investments, at fair value	$ 11,061,142	$ 9,500,178	$ 8,022,655	$ 7,250,527	$ 6,174,059
Land, Building and Equipment: at cost less accumulated depreciation	1,743,203	1,687,835	1,608,719	1,563,641	1,365,470
Borrowings	1,078,234	1,278,489	1,249,591	1,286,131	912,135
Student Notes Receivable, net	49,781	54,702	62,408	69,394	76,778
Total Assets	14,946,369	12,362,451	10,856,158	10,263,280	8,351,406
Total Liabilities	2,251,065	2,302,676	2,230,588	2,521,896	1,420,781
Unrestricted Net Assets, at market	5,216,844	3,732,539	3,277,741	3,014,458	2,697,089
Temporarily Restricted Net Assets, at market	5,684,006	4,699,881	3,792,029	3,248,635	2,881,496
Permanently Restricted Net Assets, at market	1,794,454	1,627,355	1,555,800	1,478,291	1,352,040
Total Net Assets	12,695,304	10,059,775	8,625,570	7,741,384	6,930,625
Market Value of Endowment Funds	9,980,409	8,368,066	6,712,436	5,869,810	5,133,613
Principal Sources of Revenue:					
Tuition and Other Income	$ 394,652	$ 373,308	$ 362,299	$ 344,009	$ 322,525
Research Revenues:					
Campus	570,798	582,484	559,704	517,419	450,105
Lincoln Laboratory	605,930	636,394	611,125	497,938	442,300
Gifts, Bequests and Pledges	332,874	232,472	177,305	205,759	237,063
Net gains (losses) on Investments	1,673,275	1,432,552	885,605	852,030	(114,275)
Investment Distribution	355,848	329,375	318,067	332,419	335,772
Principal Purposes of Expenditures:					
Total Operating Expenditures	$ 2,207,621	$ 2,181,696	$ 2,036,545	$ 1,839,905	$ 1,686,573
General and Administrative	488,452	491,089	428,798	395,088	382,810
Instruction and Unsponsored Research	608,423	548,256	503,901	494,426	451,092
Direct Cost of Sponsored Research – Current Dollars	1,001,144	1,035,417	996,943	850,564	754,519
Direct Cost of Sponsored Research – Constant Dollars (2003=100)	874,059	927,188	926,733	814,456	754,519
Scholarships and Fellowships	185,399	174,140	165,458	168,194	154,692

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

(Dollars in thousands)

	2007	2006	2005	2004	2003
Research Revenues:[A]					
Campus:					
Federal Government Sponsored:					
Health and Human Services	$ 201,557	$ 195,573	$ 180,682	$ 159,029	$ 93,254
Department of Energy	64,899	67,265	69,927	69,183	65,175
Department of Defense	90,571	89,552	86,096	86,948	85,866
National Science Foundation	65,057	65,163	66,768	65,443	57,718
National Aeronautics and Space Administration	27,889	31,228	32,170	31,442	35,735
Other Federal	14,431	15,570	11,954	12,114	13,120
Total Federal	464,404	464,351	447,597	424,159	350,868
Non-Federal Sponsored:					
State/Local/Foreign Governments	13,055	15,137	17,912	18,930	15,949
Non-profits	32,200	24,833	19,744	15,721	18,355
Industry	79,725	72,743	65,108	60,498	73,265
Total Non-Federal	124,980	112,713	102,764	95,149	107,569
Total Federal & Non Federal	589,384	577,064	550,361	519,308	458,437
F&A and other adjustments	(18,586)	5,420	9,343	(1,889)	(8,332)
Total Campus	570,798	582,484	559,704	517,419	450,105
Lincoln Laboratory:					
Federal Government Sponsored	607,270	631,292	606,441	492,463	434,666
Non-Federal Sponsored	4,602	5,102	4,684	5,475	7,634
F&A and other adjustments	(5,942)	–	–	–	–
Total Lincoln Laboratory	605,930	636,394	611,125	497,938	442,300
Total Research Revenues	**$ 1,176,728**	**$ 1,218,878**	**$ 1,170,829**	**$ 1,015,357**	**$ 892,405**

[A] *The amounts in this table reflect revenues from the original source of funds.*

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

	2007	2006	2005	2004	2003
Students:					
Undergraduate					
Full Time	4,068	4,014	4,078	4,070	4,115
Part Time	59	52	58	42	63
Undergraduate Applications					
Applicants	11,374	10,440	10,466	10,549	10,664
Accepted	1,514	1,494	1,665	1,735	1,724
Acceptance Rate	13%	14%	16%	16%	16%
Enrolled	1,002	996	1,077	1,019	980
Yield	66%	67%	65%	59%	57%
Freshmen Ranking in the top 10% of their Class	97%	97%	97%	97%	99%
Average SAT Scores (Math and Verbal)	1,460	1,461	1,471	1,463	1,460
Graduate					
Full Time	5,924	5,865	5,907	5,928	5,789
Part Time	202	275	277	300	350
Graduate Applications					
Applicants	16,154	15,040	15,654	16,292	16,133
Accepted	3,187	3,389	3,308	3,251	3,416
Acceptance Rate	20%	23%	21%	20%	21%
Enrolled	1,980	2,003	1,900	1,858	2,071
Yield	62%	59%	57%	57%	61%
Student Financial Aid *(in thousands of dollars)*:					
Undergraduate Tuition Support	$ 71,454	$ 63,746	$ 58,677	$ 52,106	$ 47,857
Graduate Tuition Support	172,021	167,297	161,384	157,722	147,240
Fellowship Stipends	25,020	32,440	31,717	30,176	28,760
Student Loans	8,962	9,542	11,052	13,544	25,928
Student Employment	77,732	78,503	75,917	78,219	73,646
Total Financial Assistance	**$ 355,189**	**$ 351,528**	**$ 338,747**	**$ 331,767**	**$ 323,431**
Tuition *(in dollars)*:					
Tuition and Fees	$ 33,600	$ 32,300	$ 30,800	$ 29,600	$ 28,230
Average Room and Board	9,950	9,500	9,100	8,710	7,830
Faculty and Staff:					
Faculty	998	992	983	971	966
Employees	12,453	11,970	11,490	11,091	10,832

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Report of the Treasurer

for the year ended June 30, 2007

Massachusetts
Institute of
Technology

Photograph by John Tarantino

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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 Institute, and the Trustee, dated as of July 1, 2008 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, Executive Director, Director of Financing Programs, Deputy Director of Financing Programs or Director of Finance, 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 Institute, the President, Executive Vice President and Treasurer or Vice President for Finance, and when used with reference to an act or document of the Institute, also means any other person or persons authorized to perform the act or execute the document.

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

"Bonds" means the $325,195,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series N (2008), dated the date of delivery thereof, and any bond duly issued in exchange or replacement therefor.

"Business Day" means a day on which banks in each of the cities in which the principal office of the Trustee is 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 Institute 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 "AAA" by Standard & Poor's, a Division of The 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.

"Institute" 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 "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, 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.

"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: (a) construction, furnishing and equipping of new facilities bringing together in close proximity the McGovern Institute for Brain Research, the Picower Institute for Learning and Memory, and the Brain and Cognitive Sciences Department, consisting of an 8-story building with a large central atrium totaling approximately 410,000 square feet, located at 43 Vassar Street, Cambridge, MA; (b) renovations to the existing Whitaker College Building (E25) at 45 Carleton Street, Cambridge, MA, consolidating the research laboratories of the Harvard-MIT Division of Health Sciences and Technology, relocating laboratories for the Department of Earth, Atmospheric, and Planetary Sciences, and addressing building-wide system improvements and code upgrades; (c) renovation of approximately 79,000-square-feet in buildings 4, 6 and 8 and the construction of a new 49,000-square-foot infill building in an existing courtyard, all located at 182 Memorial Drive (rear) and 21 Ames Street, Cambridge, MA, to consolidate the Department of Physics, provide new laboratories for the Spectroscopy Laboratory, improve spaces for the Department of Materials Science and Engineering, and address building-wide system improvements and upgrades; (d) construction, furnishing and equipping of a new, 256,000-square-foot graduate residence facility to be located at 235 Albany Street, Cambridge, MA, at the corner of Pacific and Albany Streets, to house approximately 550 students; (e) construction, furnishing and equipping of a new, six-story 163,000-square-foot building for the School of Architecture + Planning and the Media Laboratory, to be located at the corner of Ames and Amherst Streets, Cambridge, MA, adjacent and physically connected to the Media Laboratory's Wiesner Building E15; (f) construction, furnishing and equipping of a new six-story 215,000-square-foot facility for the Sloan School of Management, to be located at 38 Memorial Drive, Cambridge, MA, adjacent and physically connected to the existing Sloan Building E52; (g) construction, furnishing and equipping of a new, three-level underground parking garage for approximately 430 cars, to be located directly beneath the new building for the Sloan School of Management at 38 Memorial Drive, Cambridge MA; (h) construction and enhancement to the Vassar Street streetscape from Massachusetts Avenue to Audrey Street, Cambridge, MA, contiguous to the Institute's Campus; (i) acquisition and renovation of an existing 72,000-square-foot office building at 600 Memorial Drive, Cambridge, MA, to be occupied by various Institute administrative offices, including Resource Development; (j) various utility upgrades, improvements and capacity additions to meet the utility needs of new and existing buildings of the Institute, including upgrades to the chillers in the Central Utility Plant at 57 Vassar Street, Cambridge, MA, replacement of the cooling towers at the East Campus utility plant in the Muckley Building (E40) at 1 Amherst Street, Cambridge, MA, and the extension of the chilled water, steam, condensate, electric power, and telecommunication ducts to new and existing Institute buildings; (k) construction, furnishing and equipping of a new 360,000 square-foot building at the corner of Ames Street and Main Street in Cambridge, MA, adjacent to the existing David Koch Biology Building, to house the Center for Cancer Research, along with spaces for engineering laboratories for cancer-related research, biological and engineering core facilities, and other related laboratories; (l) renovation of an existing 150,000-square-foot building at 305 Memorial Drive, Cambridge, MA, to update and convert the building from graduate housing to undergraduate housing for approximately 365 students, including the construction of a new dining facility; and (m) miscellaneous internal renovations and purchase of equipment at any of the aforementioned locations, or at the main campus of the Institute located at 77 Massachusetts Avenue, Cambridge, MA, and included or to be included in the Institute's capital budget over the next three years.

The word "Project" also refers to the facilities which result or have resulted from the foregoing activities. The scope of the Project may be increased or decreased with the written consent of the Authority upon certification by the Project Officer on behalf of the Institute describing the change, estimating the resulting increase or decrease in the cost of the Project and stating that the amendment will not cause the Project to violate any applicable building, zoning, land use, environmental protection, historical, sanitary, safety or educational laws, rules and regulations or applicable grant, reimbursement or insurance requirements or the provisions of the Agreement. The signer of the certificate may rely, as to conclusions of law, on an opinion of counsel furnished to the Authority and referred to in the certificate. The Authority may waive any provision required to be contained in the certificate upon advice of counsel that the waiver does not adversely affect the security for the Bonds. The scope of the Project may be increased only upon receipt by the Authority of an opinion of nationally recognized bond counsel to the effect that the increase will not adversely affect the federal tax status of interest on the Bonds.

"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, and interest prior to, during and for up to one year after construction is substantially complete, but excluding general administrative expenses and overhead of the Institute.

"Project Officer" means the Institute's Executive Vice President and Treasurer, Vice President for Finance or Controller or an alternate or successor appointed by the Institute.

"Revenues" means all rates, payments, rents, fees, charges, and other income and receipts, including proceeds of insurance, eminent domain and sale, and including proceeds derived from any security provided under the Agreement, payable to the Authority or the Trustee under the Loan and Trust 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.

"Tax Certificate" means the Tax Certificate and Agreement between the Authority and the Institute dated the date of original issuance of the Bonds.

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

"UCC" means the Massachusetts Uniform Commercial Code.

APPENDIX C

SUMMARY OF THE LOAN AND TRUST AGREEMENT

The following is a brief summary, prepared by Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Authority, of certain provisions of the Loan and Trust Agreement dated as of July 1, 2008 (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 Assignment and Pledge of Revenues

The Authority assigns and pledges to the Trustee in trust upon the terms of the Agreement (a) all Revenues to be received from the Institute or derived from any security provided under the Agreement and (b) all rights to receive such Revenues and the proceeds of such rights. This assignment and pledge 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 of the Agreement. As additional security for its obligations to make payments to the Debt Service Fund and the Project Fund, and for its other payment obligations under the Agreement, the Institute grants to the Trustee a security interest in its interest in the moneys and other investments and any proceeds thereof held from time to time in such Funds and the Expense Fund established under the Agreement. (Section 201)

Establishment of Funds

The Debt Service Fund shall be established and maintained with the Trustee for the account of the Institute, to be held in trust by the Trustee and applied subject to the provisions of the Agreement. A Project Fund and an Expense Fund have been established with the Authority to be held by the Authority in trust for the account of the Institute and applied subject to the provisions of the Agreement. (Sections 303, 305 and 401)

Project Fund

The moneys in the Project 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 or the Trustee, the Authority may use the Project Fund without requisition to make up the deficiency, and the Institute 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, the reasonable fees and expenses of financial consultants and bond counsel, the reasonable fees and expenses of the Trustee in accordance with the Agreement, any recording or similar fees and any expenses of the Institute 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 Project Fund. After all costs of issuing the Bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Project Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the Institute shall be liable for the deficiency and shall pay such deficiency as directed by the Authority. (Section 305)

Debt Service Fund

The moneys and investments held in the Debt Service Fund shall be applied solely, 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 Trustee for the payment of Bonds. (Section 303)

Rebate

The Institute covenants to pay when due any rebate due to the United States. (Section 304)

Application of Moneys

If available moneys in the Debt Service 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 Debt Service 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, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal 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 306)

Investment of Moneys

Pending their use under the Agreement, moneys in the Debt Service 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 Institute if there is not then an Event of Default known to the Trustee. Moneys in the Expense Fund and the Project 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 Project Fund which has not been expended within three (3) years of the date of closing shall 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 Project Fund not less often than quarterly and credited against 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), 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) asset-backed or mortgage-backed securities rated by Moody's and S&P in the two highest rating categories; (ix) 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; (x) investment agreements, including without limitation, forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clauses (i), (v) or (vi) of this definition of Permitted Investments; (xi) 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 the 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 Institute, as the case may be, to net income tax in any jurisdiction where it would not otherwise be subject to tax; and (xii) 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 310)

Payments by the Institute

Not later than 10:00 A.M., on the date on which a payment of principal or interest is due, the Institute 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, any earnings on amounts in the Debt Service Fund, any purchase or redemption of Bonds and capitalized interest to be paid from the Project Fund under the Agreement, if any, 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 capitalized 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 Institute 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.

Payments by the Institute to the Trustee for deposit in the Debt Service Fund under the Agreement shall discharge the obligation of the Institute 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 Institute shall supply the deficiency.

Within thirty (30) days after notice, the Institute shall pay to the Authority all expenditures (except general administrative expenses or overhead) reasonably incurred by the Authority by reason of the Agreement and to the Trustee the reasonable fees and expenses of the Trustee. (Section 307)

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 Institute shall fail to make any debt service payment when the same becomes due and payable as provided in the Agreement.

(ii) Other Obligations. The Institute 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 Institute 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 Institute and the breach is not cured within sixty (60) days after written notice.

(iv) Voluntary Bankruptcy. The Institute 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 Institute 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 Institute 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 Institute of debt service or other indebtedness of the Institute for borrowed money with respect to loans exceeding $10,000,000, 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 Institute 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 Institute 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 Institute 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 Institute and the Authority declare immediately due and payable the principal of the Outstanding Bonds and the payments to be made by the Institute therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable.

The Trustee may exercise all of the rights and remedies of a secured party under 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 Institute under the Agreement. (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 Institute 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 Institute. The Trustee shall not be required to take notice of any other breach or default by the Institute or the Authority, and the Authority shall not be required to take notice of a breach or default by the Institute, except when 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 Institute 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 602, 702 and 801)

Tax Matters

The Institute shall not take or omit to take any action if such action or omission would (i) cause the Bonds to be "arbitrage bonds" under Section 148 of the IRC, (ii) cause the Bonds to not meet any of the requirements of Section 149 of the IRC, or (iii) cause the Bonds to cease to be "qualified 501(c)(3) bonds" under Section 145 of the IRC. Without limiting the foregoing, the Institute shall not permit the $150,000,000 nonhospital bond limitation of IRC §145(b) to be exceeded. To the extent consistent with its status as a nonprofit educational institution, the Institute 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 Institute.

Partly in furtherance of the foregoing, the Authority and the Institute are entering into the Tax Certificate with respect to matters of federal tax law pertaining to the Bonds. Such Tax Certificate, including any provisions therein permitting amendment thereof or otherwise permitting the altering of actions allowed or required thereby upon receipt of an Opinion of Bond Counsel, will be treated as incorporated by reference in the Agreement and the Institute shall comply with the covenants therein. (Section 902)

Maintenance of Corporate Existence

The Institute 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 Institute under the Agreement. (Section 905)

Insurance

The Institute 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 the 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 Institute or to surrender or limit any right or power of the Institute, or (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the 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 a majority in principal amount of the Outstanding Bonds; provided, however, that no amendment of the 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 the Bonds in full, and when all the rights of the Authority and Trustee have been provided for, upon written notice from the Institute 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 Institute upon such indemnification, if any, as the Authority or the Trustee may reasonably require. (Section 203)

EDWARDS ANGELL PALMER & DODGE LLP
111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

[PROPOSED FORM OF BOND COUNSEL OPINION]

[Date of Closing]

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

$325,195,000
Massachusetts Health and Educational Facilities Authority
Revenue Bonds, Massachusetts Institute of Technology Issue, Series N (2008)
Dated the date of delivery

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 above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Loan and Trust Agreement dated as of July 1, 2008 (the "Agreement") among the Authority, the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (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 and in the certified proceedings and other certifications of public officials furnished to us, and certifications of officials of the Institution and others, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. The Bonds are payable solely from funds to be provided therefor by the Institution pursuant to the Agreement. Under the Agreement, the Institution has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) and redemption price of 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.

We express no opinion with respect to compliance by the Institution with applicable legal requirements with respect to the Agreement or in connection with the construction or operation of the Project (as defined in the Agreement) being financed and refinanced by the Bonds.

Reference is made to an opinion of even date of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. with respect to, among other matters, the corporate existence of the Institution, the power of the Institution to carry out the Project, the power of the Institution to enter into and perform its obligations under the Agreement, and the authorization, execution and delivery of the Agreement by the Institution. We have relied on such opinion with regard to such matters and to the other matters addressed therein, including, without limitation, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the Project in activities of the Institution that do not constitute unrelated trades or businesses of the Institution within the meaning of Section 513 of the Code. We note that such opinion is subject to the limitations and conditions described therein. Failure of the Institution to maintain its status as an organization described in Section 501(c)(3) of the Code or to use the Project in activities of the Institution that do not constitute unrelated trades or businesses of the Institution within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

Based on our examination, we are of the opinion, 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 its obligations under 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 against the Authority. As provided in Section 13 of Chapter 614 of the Acts of 1968 of The Commonwealth of Massachusetts, as amended, the Agreement creates a valid lien on the Revenues, the other funds pledged by the Agreement as security for the Bonds 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).

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 and other funds provided therefor in the Agreement.

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Authority and the Institution with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be,

and continue to be, excluded from gross income for federal income tax purposes. The Institution and, to the extent necessary, the Authority have covenanted in the Agreement to comply with all such requirements. Failure by the Authority or the Institution to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds 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 regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

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

EDWARDS ANGELL PALMER & DODGE LLP

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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 Mellon Trust Company, N.A. (the "Trustee") in connection with the issuance of $325,195,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series N (2008) (the "Bonds"). The Bonds are being issued pursuant to a Loan and Trust Agreement dated as of July 1, 2008 (the "Agreement") among the Massachusetts Health and Educational Facilities Authority (the "Authority"), the Trustee and the Institution and 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 any Annual Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bondowner" or "Owner of the Bond" 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.

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agents are listed on Exhibit B attached hereto.

SECTION 3. Provision of Annual Reports.

(a) Commencing in Fiscal Year 2008, 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 (mandatory sinking fund installments are not material).

9. Defeasances.

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

11. Rating changes.

Items 3, 4, 5 and 10 are inapplicable to the Bonds.

(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. Alternative Methods for Reporting. The Institution may satisfy its obligation to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. 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 8. 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 9. 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 determines, or 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 10. 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 11. 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 Bonds, 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 12. 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) 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 13. 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 14. 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: [_____], 2008

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By_______________________________
Title:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By_______________________________
Title:

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 N (2008)
Name of Obligated Person:	Massachusetts Institute of Technology
Date of Issuance:	[______], 2008

NOTICE IS HEREBY GIVEN that 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 __________, 2008 between the Institution and The Bank of New York Mellon Trust Company, N.A., as Trustee.

Dated: _______, 20__

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., on behalf of
MASSACHUSETTS INSTITUTE OF
TECHNOLOGY

cc: Institution

EXHIBIT B

NATIONAL REPOSITORIES AND TRANSMISSION AGENTS

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.MuniFILINGS.com
Email: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
http://www.interactivedata-prd.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com
Email: nrmsir_repository@sandp.com

TRANSMISSION AGENTS

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Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667

Digital Assurance Certification, L.L.C.
390 North Orange Avenue, Suite 1750
Orlando, Florida 32801
Phone: (407) 515-1100
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