

NEW ISSUE – BOOK-ENTRY ONLY



\$750,000,000
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
Taxable Bonds, Series B

5.60% Bonds due July 1, 2111

Issue price: 99.581%

CUSIP: 575718AA9*

Interest payable: January 1 and July 1

Dated: Date of Delivery

The Massachusetts Institute of Technology Taxable Bonds, Series B (the "Bonds") will be issued pursuant to the terms of an Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), by and between the Massachusetts Institute of Technology (the "Institution") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used by the Institution to support current or future capital projects consistent with the Institution's capital plan and/or to refinance existing indebtedness and to pay costs of issuance.

The Bonds will be issued in fully registered form in denominations of \$1,000 and any integral multiple thereof and, when issued, will be registered under a global book-entry system in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$1,000 and any integral multiple thereof. Purchasers of the Bonds will not receive physical certificates (except under certain circumstances described in the Indenture) representing their ownership interests in the Bonds purchased.

Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing on January 1, 2012. So long as the Bonds are held by DTC, the principal or Make-Whole Redemption Price (as defined herein) of and interest on the Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal or Make-Whole Redemption Price and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to optional redemption prior to their stated maturity as described herein. See "THE BONDS – Redemption" herein.

Interest on the Bonds is generally subject to inclusion in federal gross income of the Holders thereof. For a discussion of certain federal tax considerations, see "CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS" herein.

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010" attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See "SECURITY FOR THE BONDS" herein.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the Underwriters, when, as and if issued by the Institution and accepted by the Underwriters, subject to the approval of legality by Greenberg Traurig, LLP, Boston, Massachusetts, counsel to the Institution. In addition, certain other 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 will be available for delivery to DTC in New York, New York on or about May 18, 2011.

Barclays Capital

J.P. Morgan

Morgan Stanley

May 11, 2011

* The CUSIP numbers have been assigned by an independent company not affiliated with the Institution and are included solely for the convenience of the owners of the Bonds. None of the Institution, 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.

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GENERAL INFORMATION

This Offering Memorandum does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by Barclays Capital Inc., Morgan Stanley & Co. Incorporated and J.P. Morgan Securities LLC (the "Underwriters") or the Institution to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds, or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being issued in reliance on an exemption or on exemptions contained therein. The Bonds are not exempt in every jurisdiction in the United States; some jurisdictions' securities laws (the "blue sky laws") may require a filing and a fee to secure the Bonds' exemption from registration.

The distribution of this Offering Memorandum and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Neither the Institution nor the Underwriters represent that this Offering Memorandum may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Institution or the Underwriters which would permit a public offering of any of the Bonds or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. To be clear, action may be required to secure exemptions from the blue sky registration requirements either for the primary distributions or any secondary sales that may occur. Accordingly, none of the Bonds may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

All information set forth herein has been obtained from the Institution and other sources. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Institution since the date hereof.

Certain statements included or incorporated by reference in this Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION" and APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010." A number of important factors, including factors affecting the Institution's financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. **THE INSTITUTION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.**

The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility 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.

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

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE “ISSUER” MEAN THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$1,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 150 UNITS (BEING 150 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

NO PROSPECTUS, PRODUCT DISCLOSURE STATEMENT OR OTHER DISCLOSURE DOCUMENT (AS DEFINED IN THE CORPORATIONS ACT) IN RELATION TO THE BONDS HAS BEEN, OR WILL BE, LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION (“ASIC”). EACH JOINT LEAD MANAGER HAS REPRESENTED AND AGREED THAT IT: (A) HAS NOT (DIRECTLY OR INDIRECTLY) OFFERED FOR ISSUE OR SALE OR INVITED APPLICATIONS FOR THE ISSUE OR OFFERS TO PURCHASE, AND WILL NOT OFFER FOR ISSUE OR SALE OR INVITE APPLICATIONS FOR THE ISSUE OR OFFERS TO PURCHASE, MADE OR INVITED, AND WILL NOT MAKE OR INVITE, AN OFFER OF ANY BONDS FOR ISSUE OR SALE IN AUSTRALIA (INCLUDING AN OFFER OR INVITATION WHICH IS RECEIVED BY A PERSON IN AUSTRALIA); AND (B) HAS NOT DISTRIBUTED OR PUBLISHED, AND WILL NOT DISTRIBUTE OR PUBLISH, ANY DRAFT, PRELIMINARY OR DEFINITIVE OFFERING OR INFORMATION MEMORANDUM, ADVERTISEMENT OR OTHER OFFERING MATERIAL RELATING TO THE BONDS IN AUSTRALIA, UNLESS (I) THE MINIMUM AGGREGATE CONSIDERATION PAYABLE BY EACH OFFEREE OR INVITEE IS AT LEAST A\$500,000 (OR ITS EQUIVALENT IN OTHER CURRENCIES, BUT DISREGARDING MONEYS LENT BY THE OFFEROR OR ITS ASSOCIATES) OR THE OFFER OR INVITATION OTHERWISE DOES NOT REQUIRE DISCLOSURE TO INVESTORS IN ACCORDANCE WITH PART 6D.2 OR CHAPTER 7 OF THE CORPORATIONS ACT AND IS NOT AN OFFER TO A “RETAIL CLIENT” UNDER CHAPTER 7 OF THE CORPORATIONS ACT, AND (II) SUCH ACTION COMPLIES WITH ALL APPLICABLE LAWS AND DIRECTIVES AND DOES NOT REQUIRE ANY DOCUMENT TO BE LODGED WITH ASIC.

NOTICE TO RESIDENTS OF BRAZIL

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS – “CVM”). ANY PUBLIC OFFERING, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE SECURITIES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW NO. 6.385/76.

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA (PRC)

THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED IN THE PRC, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, AND WILL NOT BE OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, TO ANY RESIDENTS OF THE PRC EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF THE PRC. FOR THE PURPOSES OF THIS PARAGRAPH, THE PRC DOES NOT INCLUDE TAIWAN, HONG KONG OR MACAU.

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF COLOMBIA

THE BONDS OFFERED HEREBY ARE NOT AND WILL NOT BE REGISTERED AT THE NATIONAL REGISTRY OF SECURITIES AND ISSUERS (“REGISTRO NACIONAL DE VALORES Y EMISORES RNVE”) AND ARE NOT SUPERVISED BY THE FINANCE SUPERINTENDENCE OF COLOMBIA. SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAW, THE OFFERING OF SUCH

SECURITIES SHOULD BE CARRIED OUT BY MEANS OF A LOCAL BROKER DULY AUTHORIZED BY THE FINANCE SUPERINTENDENCE OF COLOMBIA TO ADVERTISE AND PERFORM ALL THE MARKETING ACTIVITIES IN CONNECTION WITH THE SECURITIES BEING OFFERED. THIS DOCUMENT IS NOT A PUBLIC OFFER AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT WOULD BE UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THE DISTRIBUTION OF THIS OFFERING MEMORANDUM AND THE OFFERING OF THE BONDS MAY BE RESTRICTED IN CERTAIN JURISDICTIONS. THE ABOVE INFORMATION IS FOR GENERAL GUIDANCE ONLY, AND IT IS THE RESPONSIBILITY OF ANY PERSON OR PERSONS IN POSSESSION OF THIS OFFERING MEMORANDUM AND WISHING TO MAKE AN INVESTMENT IN THE BONDS TO INFORM THEMSELVES OF, AND OBSERVE, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO LEGAL REQUIREMENTS ALSO APPLYING, AS WELL AS ANY APPLICABLE EXCHANGE CONTROL REGULATIONS AND TAXES IN THE COUNTRIES OF THEIR RESPECTIVE CITIZENSHIP, RESIDENCE OR DOMICILE.

NOTICE TO PROSPECTIVE INVESTORS IN DENMARK

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS UNDER ANY DANISH LAW AND HAS NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY BECAUSE THIS OFFERING MEMORANDUM HAS NOT BEEN PREPARED IN THE CONTEXT OF A PUBLIC OFFERING OF SECURITIES IN DENMARK WITHIN THE MEANING OF THE DANISH SECURITIES TRADING ACT OR ANY EXECUTIVE ORDERS ISSUED PURSUANT THERETO. PURSUANT TO SECTION 11 (1) OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND SECTION 2 OF THE DANISH EXECUTIVE ORDER NO. 222 OF MARCH 10, 2010, THIS OFFERING MEMORANDUM WILL ONLY BE DIRECTED TO:

- (i) QUALIFIED INVESTORS AS DEFINED IN SECTION 2 OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND/OR
- (ii) FEWER THAN 100 NATURAL OR LEGAL PERSONS IN DENMARK, AND/OR
- (iii) INVESTORS WHO ACQUIRE SECURITIES FOR A TOTAL CONSIDERATION OF AT LEAST EUR 50,000 PER INVESTOR FOR EACH SINGLE OFFER OF SECURITIES, AND/OR
- (iv) SECURITIES WHICH ARE SUBJECT TO A MINIMUM DENOMINATION EQUIVALENT TO AT LEAST EUR 50,000 PER SECURITY.

ACCORDINGLY, THIS OFFERING MEMORANDUM MAY NOT BE MADE AVAILABLE NOR MAY THE SECURITIES OTHERWISE BE MARKETED AND OFFERED FOR SALE IN DENMARK OTHER THAN IN CIRCUMSTANCES WHICH ARE DEEMED NOT TO BE CONSIDERED AS MARKETING OR AN OFFER TO THE PUBLIC IN DENMARK.

NOTICE TO PROSPECTIVE INVESTORS IN DUBAI INTERNATIONAL FINANCIAL CENTRE

THIS OFFERING MEMORANDUM RELATES TO AN EXEMPT OFFER IN ACCORDANCE WITH THE OFFERED SECURITIES RULES OF THE DUBAI FINANCIAL SERVICES AUTHORITY.

THIS OFFERING MEMORANDUM IS INTENDED FOR DISTRIBUTION ONLY TO PERSONS OF A TYPE SPECIFIED IN THOSE RULES. IT MUST NOT BE DELIVERED TO, OR RELIED ON BY, ANY OTHER PERSON.

THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NO RESPONSIBILITY FOR REVIEWING OR VERIFYING ANY DOCUMENTS IN CONNECTION WITH EXEMPT OFFERS. THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NOT APPROVED THIS OFFERING MEMORANDUM NOR TAKEN STEPS TO VERIFY THE INFORMATION SET OUT IN IT, AND HAS NO RESPONSIBILITY FOR IT.

THE SECURITIES TO WHICH THIS OFFERING MEMORANDUM RELATES MAY BE ILLIQUID AND/OR SUBJECT TO RESTRICTIONS ON THEIR RESALE. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE SECURITIES.

IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS OFFERING MEMORANDUM YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISER.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFERING MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF DIRECTIVE 2003/7 1/EC (THE "PROSPECTUS DIRECTIVE"), AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "EEA"), FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER WITHIN THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFERING MEMORANDUM.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFERING MEMORANDUM IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES; (B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (I) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR, (II) A TOTAL BALANCE SHEET OF MORE THAN EURO 43,000,000, AND (III) AN ANNUAL NET TURNOVER OF MORE THAN EURO 50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; (C) TO FEWER THAN AN AGGREGATE OF 100 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE) SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR UNDERWRITERS NOMINATED BY THE ISSUER; OR (D) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/7 1/BC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF FRANCE

THE SECURITIES HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, BY WAY OF A PUBLIC OFFER IN FRANCE (OFFRE AU PUBLIC, AS DEFINED IN ARTICLE L. 411-1, OF THE CODE MONÉTAIRE ET FINANCIER). THE SECURITIES MAY ONLY BE SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) SOLELY FOR THEIR OWN ACCOUNT, AS PROVIDED BY ARTICLES L. 411-2, D. 411-1, D. 411-2, D. 734-

1, D. 744-1, D. 754-1 AND D. 764-1 OF THE CODE MONÉTAIRE ET FINANCIER. THUS, THE SECURITIES ACQUIRED SHALL NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY TO THE PUBLIC OTHERWISE THAN IN ACCORDANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE CODE MONÉTAIRE ET FINANCIER.

THIS OFFERING MEMORANDUM IS FURNISHED TO POTENTIAL QUALIFIED INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR QUALIFIED INVESTORS TO WHICH IT WAS INITIALLY SUPPLIED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES AND NEITHER THIS OFFERING MEMORANDUM NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS OFFERING MEMORANDUM OR ANY OTHER MATERIAL RELATING TO THE SECURITIES MAY NOT BE DISTRIBUTED TO THE PUBLIC IN FRANCE OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF SECURITIES IN FRANCE OTHER THAN IN ACCORDANCE WITH ARTICLES L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 AND D. 764-1 OF THE CODE MONÉTAIRE ET FINANCIER. THIS OFFERING MEMORANDUM HAS NOT BEEN SUBMITTED AND NO PROSPECTUS WILL BE SUBMITTED TO THE "AUTORITÉ DES MARCHÉS FINANCIERS" FOR APPROVAL. ANY CONTACT WITH POTENTIAL QUALIFIED INVESTORS IN FRANCE DOES NOT AND WILL NOT CONSTITUTE FINANCIAL AND BANKING SOLICITATION (DÉMARCHAGE BANCAIRE ET FINANCIER) AS DEFINED IN ARTICLES L. 341-1 ET SEQ. OF THE CODE MONÉTAIRE ET FINANCIER.

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

THE SECURITIES HAVE NOT BEEN, WILL NOT BE AND MAY NOT BE OFFERED, PROMOTED OR SOLD, EITHER DIRECTLY OR INDIRECTLY, IN GERMANY BY WAY OF AN OFFER TO THE PUBLIC WITHIN THE MEANING OF SECTION 2 NO. 4 OF THE SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ). THE SECURITIES MAY ONLY BE OFFERED TO, SOLD TO, SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT OR, IF APPLICABLE, ANY PERSON IN GERMANY WHOSE PROFESSIONAL OR COMMERCIAL ACTIVITIES INVOLVE THEM IN THE ACQUIRING OR DISPOSING OF INVESTMENTS WITHIN THE MEANING OF SECTION 8F SUBSECTION 2 NO. 4 OF THE SALES PROSPECTUS ACT (VERKAUFSPROSPEKTGESETZ) EITHER AS PRINCIPAL OR AGENT, OR TO INVESTORS WHO ACQUIRE THE BONDS FOR A TOTAL CONSIDERATION OF AT LEAST THE EQUIVALENT OF EUR 50,000 PER INVESTOR FOR EACH SEPARATE OFFER.

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR OR BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN GERMANY. THIS OFFERING MEMORANDUM IS GIVEN TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE DISTRIBUTED TO ANY OTHER PERSON. IT IS CONFIDENTIAL AND SOLELY TARGETED AT THE RECIPIENTS, I.E. QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT, TO WHICH IT HAS BEEN INITIALLY SUPPLIED.

NOTICE TO RESIDENTS OF HONG KONG

THE SECURITIES HAVE NOT BEEN AUTHORIZED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG FOR PUBLIC OFFERING IN HONG KONG, NOR HAS A COPY OF THIS OFFERING MEMORANDUM BEEN REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG.

THE SECURITIES MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE, OR FORM PART OF, AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), OR (II) TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), AND THAT NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING

TO THE SECURITIES MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SECURITIES WHICH ARE OR ARE INTENDED TO BE SOLD OR OTHERWISE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN INDIA

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR AN INVITATION FOR ANY INVESTMENT OR SUBSCRIPTION FOR THE BONDS IN INDIA IN ANY CIRCUMSTANCES WHICH WOULD CONSTITUTE AN OFFERING TO THE PUBLIC WITHIN THE MEANING OF THE (INDIAN) COMPANIES ACT, 1956, AND MAY NOT BE GENERALLY DISTRIBUTED OR CIRCULATED IN INDIA AND WILL BE FOR THE SOLE CONSIDERATION AND EXCLUSIVE USE OF THE PERSONS PERMITTED TO ACQUIRE THE BONDS UNDER INDIAN LAW TO WHOM IT IS ISSUED.

THE BONDS MAY NOT BE OFFERED, DIRECTLY OR INDIRECTLY, TO PERSONS EXCEEDING 49 IN NUMBER IN INDIA OR ANY OTHER NUMBER AS MAY BE SPECIFIED UNDER THE (INDIAN) COMPANIES ACT, 1956 FROM TIME TO TIME.

THIS OFFERING MEMORANDUM IS STRICTLY PERSONAL TO THE RECIPIENT AND NEITHER THIS OFFERING MEMORANDUM NOR THE ISSUE IS CALCULATED TO RESULT, DIRECTLY OR INDIRECTLY, IN THE SECURITIES BECOMING AVAILABLE FOR SUBSCRIPTION OR PURCHASE BY PERSONS OTHER THAN THOSE RECEIVING THE INVITATION OR OFFER.

THE BONDS HAVE NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA, RESERVE BANK OF INDIA OR ANY OTHER REGULATORY AUTHORITY OF INDIA, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS OR A STATEMENT IN LIEU OF PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN INDIA.

PROSPECTIVE INVESTORS FROM INDIA MUST SEEK LEGAL ADVICE AS TO WHETHER THEY ARE ENTITLED TO SUBSCRIBE TO THE BONDS AND MUST COMPLY WITH ALL RELEVANT INDIAN LAWS IN THIS RESPECT. EACH INVESTOR IS DEEMED TO HAVE ACKNOWLEDGED AND AGREED THAT IT IS ELIGIBLE AND PERMITTED TO INVEST IN THE BONDS UNDER APPLICABLE LAWS AND REGULATIONS IN INDIA AND THAT IT IS NOT PROHIBITED UNDER ANY LAW OR REGULATION IN INDIA FROM ACQUIRING, OWNING OR SELLING THE BONDS WHICH SHALL BE SUBJECT TO RESTRICTIONS/CEILINGS AS PER APPLICABLE LAWS.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED, THE "FIEL"). THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

FOR THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEL. AS IT IS A PRIMARY OFFERING, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE

BENEFIT OF, (I) A PERSON WHO IS NOT A RESIDENT OF JAPAN OR (II) A QUALIFIED INSTITUTIONAL INVESTOR (“QII”) DEFINED IN ARTICLE 10 OF THE CABINET ORDINANCE CONCERNING DEFINITIONS UNDER ARTICLE 2 OF THE FIEL (ORDINANCE NO. 14 OF 1993, AS AMENDED). A PERSON WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

NOTICE TO PROSPECTIVE INVESTORS IN KOREA

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENTS SERVICES AND CAPITAL MARKETS ACT OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE “FSCMA”) AND THE SECURITIES HAVE BEEN AND WILL BE OFFERED IN KOREA AS A PRIVATE PLACEMENT UNDER THE FSCMA. NONE OF THE SECURITIES MAY BE OFFERED, SOLD AND DELIVERED DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE “FETL”). FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE SECURITIES, THE DENOMINATION OF THE SECURITIES MAY NOT BE SUB-DIVIDED. FURTHERMORE, THE PURCHASER OF THE SECURITIES SHALL COMPLY WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE SECURITIES.

EACH UNDERWRITER WILL REPRESENT AND AGREE THAT IT HAS NOT OFFERED, SOLD OR DELIVERED THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA AND WILL NOT OFFER, SELL OR DELIVER THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FSCMA, THE FETL AND OTHER RELEVANT LAWS AND REGULATIONS OF KOREA.

NOTICE TO PROSPECTIVE INVESTORS IN MEXICO

THE BONDS OFFERED HEREBY ARE NOT AND WILL NOT BE REGISTERED IN THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*). THE BONDS MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO WITHOUT THE APPLICABILITY OF AN EXEMPTION FOR THE PRIVATE PLACEMENT OF SECURITIES PURSUANT TO THE MEXICAN SECURITIES LAW. IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN REVIEW AND EXAMINATION. THE BONDS ARE NOT BEING OFFERED AND MAY NOT BE OFFERED NOR ACQUIRED WITHIN THE TERRITORY OF THE UNITED MEXICAN STATES EXCEPT PURSUANT TO THE EXEMPTION FOR THE PRIVATE PLACEMENT OF SECURITIES PURSUANT TO THE MEXICAN SECURITIES LAW.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

1. IN ACCORDANCE WITH THE DUTCH FINANCIAL SUPERVISION ACT (“WET OP HET FINANCIËEL TOEZICHT” OR “WFT”) AND THE WFT EXEMPTIONS REGULATION (IN DUTCH: “VRIJSTELLINGSREGELING WFT”) A STRAIGHT FORWARD OFFERING OF THE SECURITIES TO THE PUBLIC IN THE NETHERLANDS REQUIRES PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE COMPETENT DUTCH AUTHORITY (I.E. NETHERLANDS AUTHORITY FOR THE FINANCIAL MARKETS, IN DUTCH: “AUTORITEIT FINANCIËLE MARKTEN” OR “AFM”) OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE, UNLESS:

- (a) THE SECURITIES ARE OFFERED EXCLUSIVELY TO QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR
- (b) THE SECURITIES ARE OFFERED TO LESS THAN 100 PEOPLE, NOT BEING QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR

- (c) THE SECURITIES ARE OFFERED IN MINIMUM LOTS OF EUR 50,000 IN TERMS OF NOMINAL VALUE OR SUBSCRIPTION PRICE; AND/OR
- (d) THE TOTAL CONSIDERATION VALUE OF THE OFFERING OF SECURITIES INVOLVES A TOTAL AMOUNT OF LESS THAN EUR 100,000 CALCULATED OVER A 12-MONTH-PERIOD; AND/OR
- (e) THE OFFERING OF SECURITIES FORMS PART OF AN OFFER UNDER WHICH THE TOTAL CONSIDERATION VALUE OF THE OFFER, CALCULATED OVER A PERIOD OF TWELVE MONTHS, DOES NOT EXCEED EUR 2.5 MILLION, PROVIDED THAT IN ALL RELEVANT DOCUMENTATION AND ADVERTISEMENTS THE OFFEROR MENTIONS THAT THE OFFER IN QUESTION IS EXEMPTED FROM THE STATUTORY REQUIREMENT TO PUBLISH A PROSPECTUS; AND/OR
- (f) THE SECURITIES ARE OFFERED TO INVESTORS, NOT BEING QUALIFIED INVESTORS, WHO HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT (“SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING”) WITH AN ASSET MANAGER ENTITLED TO PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO UNDERTAKE OR REALIZE TRANSACTIONS AT HIS OWN DISCRETION WITHOUT TAKING ORDERS FROM OR CONSULTING WITH THE INVESTORS WHO GRANTED THE MANDATE.

2. IN LIGHT OF THE ABOVE, THE SECURITIES THAT ARE OFFERED TO YOU WITHOUT PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE AFM OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE SHALL NOT BE DEEMED TO BE IN VIOLATION OF THE WFT AND THE WFT EXEMPTION REGULATION, IF AND INsofar AS:

- (a) YOU ARE A QUALIFIED INVESTOR AS DEFINED IN THE WFT; AND /OR
- (b) YOU ARE NOT A QUALIFIED INVESTOR AS DEFINED IN THE WFT, BUT YOU HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT (“SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING”) WITH AN ASSET MANAGER ENTITLED TO PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO UNDERTAKE OR REALIZE TRANSACTIONS IN THE SECURITIES AT HIS OWN DISCRETION WITHOUT BEING REQUIRED TO TAKE ORDERS FROM OR CONSULT WITH YOU; AND/OR
- (c) YOU INVEST AT LEAST EUR 50,000 IN THE ACQUISITION OF THE SECURITIES.

3. THE OFFERING OF SECURITIES IS ONLY AIMED AT, DIRECTED AND MADE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS WHO FALL WITHIN THE SCOPE OF PAR. 2 ABOVE AND, THEREFORE, ANY RESPONSE TO AN OFFER OF SECURITIES MADE BY AN INVESTOR THAT DOES NOT FALL WITHIN THE SCOPE OF PAR. 2 ABOVE SHALL NOT BE DEEMED TO CONSTITUTE NOR IMPLY ACCEPTANCE OF THE OFFER AND THE OFFEROR SHALL IN THAT CASE NOT BE HELD TO SELL THE SECURITIES TO THAT INVESTOR.

4. THIS NOTICE IS FURNISHED TO PROSPECTIVE INVESTORS IN THE NETHERLANDS ONLY IN CONNECTION WITH THIS OFFERING MEMORANDUM AND IS SOLELY FOR THEIR INFORMATION. THIS NOTICE IS NOT TO BE USED, CIRCULATED, QUOTED OR OTHERWISE RELIED UPON BY ANY OTHER PERSON OR ENTITY OR, FOR ANY PURPOSE.

NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND

NO ACTION HAS BEEN TAKEN TO AUTHORIZE THE OFFER OF ANY OF THE SECURITIES TO THE PUBLIC IN NEW ZEALAND. ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD, OR RE-OFFERED OR RESOLD, AND THIS OFFERING MEMORANDUM OR ANY OTHER MATERIAL IN CONNECTION WITH THE SECURITIES MAY NOT BE ISSUED, CIRCULATED, DELIVERED OR DISTRIBUTED, IN NEW ZEALAND, EITHER DIRECTLY OR INDIRECTLY, OTHER THAN TO:

- (a) PERSONS WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT OF MONEY OR WHO, IN THE COURSE OF AND FOR THE PURPOSES OF THEIR BUSINESS, HABITUALLY INVEST MONEY;
- (b) PERSONS WHO ARE EACH REQUIRED TO PAY A MINIMUM SUBSCRIPTION PRICE OF AT LEAST \$500,000 FOR THE SECURITIES BEFORE THE ALLOTMENT OF THOSE SECURITIES;
- (c) PERSONS WHO HAVE EACH, IN A SINGLE TRANSACTION, PREVIOUSLY PAID THE ISSUER OF THE CURRENT SECURITIES A MINIMUM SUBSCRIPTION PRICE OF AT LEAST \$500,000 FOR OTHER SECURITIES ISSUED BY THE SAME ENTITY BEFORE THE ALLOTMENT OF SUCH OTHER SECURITIES AND PROVIDED THAT THE OFFER OF THE CURRENT SECURITIES IS MADE WITHIN 18 MONTHS OF THE DATE OF THE FIRST ALLOTMENT OF THE PREVIOUS SECURITIES; OR
- (d) PERSONS WHO ARE "ELIGIBLE PERSONS" (AS DEFINED IN SECTION 5(2CC) OF THE SECURITIES ACT 1978 (NZ)),

IN EACH CASE AS INTERPRETED IN ACCORDANCE WITH THE SECURITIES ACT 1978 (NZ) AND THE LAWS OF NEW ZEALAND.

ALL PERSONS INTO WHOSE POSSESSION THIS MATERIAL MAY COME MUST INFORM THEMSELVES ABOUT AND STRICTLY OBSERVE THE RESTRICTIONS DETAILED IN THE PRECEDING SENTENCE.

THIS OFFERING MEMORANDUM IS NOT A NEW ZEALAND REGISTERED PROSPECTUS OR INVESTMENT STATEMENT, THE CONTENT OF WHICH IS PRESCRIBED BY THE SECURITIES ACT 1978 (NZ) AND OTHER LAWS, AND DOES NOT CONTAIN THE INFORMATION THAT SUCH DOCUMENTS WOULD BE REQUIRED TO CONTAIN.

NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

THE SECURITIES HAVE NOT AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO ANY PERSON IN NORWAY, OTHER THAN TO LEGAL AND PHYSICAL PERSONS DEEMED TO BE PROFESSIONAL INVESTORS AS FURTHER DEFINED IN SECTION 7-1 OF THE NORWEGIAN REGULATION OF SECURITIES TRADING ("THE REGULATION").

PROFESSIONAL INVESTORS ARE CATEGORIZED AS:

LEGAL ENTITIES THAT ARE DEEMED TO BE PROFESSIONAL INVESTORS WITHOUT FURTHER REQUIREMENTS, CF. SECTION 7-1 (1) OF THE REGULATION,

LEGAL AND PHYSICAL PERSONS THAT MUST BE REGISTERED WITH THE COMPETENT AUTHORITY RESPONSIBLE FOR INSPECTING PROSPECTUSES IN ORDER TO BE DEEMED PROFESSIONAL INVESTORS, CF. SECTION 7-1 (2) AND (3) OF THE REGULATION.

THIS OFFERING MEMORANDUM IS FURNISHED TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR PERSONS OR INSTITUTIONS TO WHICH IT WAS INITIALLY SUPPLIED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES. NEITHER THIS OFFERING MEMORANDUM NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS OFFERING MEMORANDUM HAS NOT BEEN SUBMITTED TO THE OSLO STOCK EXCHANGE / THE NORWEGIAN FINANCIAL SUPERVISORY AUTHORITY FOR APPROVAL.

INVESTMENT SERVICES, INCLUDING OFFERING AND SUBSCRIPTION OF SECURITIES, CAN ONLY BE MADE THROUGH INVESTMENT FIRMS AUTHORIZED BY THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY, CF. THE NORWEGIAN SECURITIES TRADING ACT CHAPTER 9. THE ISSUER RESERVES ITS RIGHTS, AT ITS SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION MADE THROUGH NON-AUTHORIZED INVESTMENT FIRMS.

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF PERU

THE BONDS AND THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SECURITIES EXCHANGE COMMISSION (*COMISIÓN NACIONAL SUPERVISORA DE EMPRESAS Y VALORES – CONASEV*) OR THE LIMA SECURITIES EXCHANGE (*BOLSA DE VALORES DE LIMA – BVL*). ACCORDINGLY, THE BONDS CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF SUCH OFFER QUALIFIES AS A PRIVATE OFFERING UNDER THE SECURITIES LAWS AND REGULATIONS OF PERU. THE PERUVIAN SECURITIES MARKET LAW ESTABLISHES THAT ANY PARTICULAR OFFER MAY QUALIFY AS PRIVATE IF IT IS DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS.

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS PRIVATE, CONFIDENTIAL AND IS SENT ONLY FOR THE EXCLUSIVE USE OF THE ADDRESSEE, WHO DECLARES THAT IT QUALIFIES AS AN “INSTITUTIONAL INVESTOR” IN ACCORDANCE WITH THE SECURITIES LAWS AND REGULATIONS OF PERU.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE TO ACCREDITED INVESTORS AND INSTITUTIONAL INVESTORS

NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE SECURITIES HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (MAS) UNDER THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE (SFA). ACCORDINGLY, MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY.

THIS OFFERING MEMORANDUM AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE SECURITIES MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE SECURITIES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA; (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (III) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (IV) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF SECURITIES ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA BY A CORPORATION (OTHER THAN A CORPORATION THAT IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE BUSINESS IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS EACH OF WHOM IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), SECURITIES OF SUCH CORPORATION SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE CORPORATION HAS ACQUIRED THE SECURITIES PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR

ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

PURSUANT TO THE REQUIREMENTS OF SECTION 276(4) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA FOR A TRUST (OTHER THAN A TRUST THE TRUSTEE OF WHICH IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THE TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE SECURITIES ARE ACQUIRED FOR THE TRUST PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S\$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

NOTICE TO SWEDISH INVESTORS

THIS OFFERING MEMORANDUM HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH OR APPROVED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (SW. FINANSINSPEKTIONEN). ACCORDINGLY, THIS OFFERING MEMORANDUM IS NOT INTENDED FOR AND MAY NOT BE MADE AVAILABLE TO THE PUBLIC IN SWEDEN. NOR MAY THE SECURITIES OTHERWISE BE MARKETED AND OFFERED FOR SALE, OTHER THAN UNDER CIRCUMSTANCES THAT ARE DEEMED NOT TO BE AN OFFER TO THE PUBLIC IN SWEDEN UNDER THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (1991:980). NOTWITHSTANDING THE ABOVE, IF THE OFFER IS DEEMED AS AN OFFER TO THE PUBLIC IN SWEDEN, PLEASE NOTE THAT THE OFFER IS DIRECTED SOLELY TO QUALIFIED INVESTORS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFERING MEMORANDUM TOGETHER WITH THE ANY ACCOMPANYING DOCUMENTS DOES NOT CONSTITUTE AN ISSUE PROSPECTUS PURSUANT TO ART. 1156 AND ART. 652A OF THE SWISS FEDERAL CODE OF OBLIGATIONS. THE SECURITIES MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND, BUT ONLY TO A SELECTED AND LIMITED CIRCLE OF INVESTORS. THIS OFFERING MEMORANDUM TOGETHER WITH ANY ACCOMPANYING DOCUMENTS AND ANY OTHER SUPPLEMENT HERETO ARE PERSONAL TO EACH OFFEREE AND DO NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON. THIS OFFERING MEMORANDUM TOGETHER WITH ANY ACCOMPANYING DOCUMENTS MAY ONLY BE USED BY THOSE PERSONS TO WHOM THEY HAVE BEEN DISTRIBUTED IN CONNECTION WITH THE OFFERING OF THE SECURITIES AND MAY NEITHER BE COPIED NOR DIRECTLY OR INDIRECTLY BE DISTRIBUTED NOR BE MADE AVAILABLE TO OTHER PERSONS WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE SECURITIES HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE SECURITIES, INCLUDING ANY COPY OF THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENTS RELATING TO THE SECURITIES, MAY NOT BE OFFERED, SOLD, DELIVERED OR DISTRIBUTED WITHIN TAIWAN THROUGH A PUBLIC OFFERING

OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE PRIOR REGISTRATION WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE SECURITIES SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF THAILAND

WARNINGS:

THE BONDS HAVE NOT BEEN APPROVED FOR MARKETING AND SALE IN THE KINGDOM OF THAILAND BY THE SECURITIES AND EXCHANGE COMMISSION OF THAILAND. ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD, OR THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENTS RELATING TO THE OFFER OF THE BONDS BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THAILAND TO ANY THAI PERSON EXCEPT UNDER CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND GUIDELINES PROMULGATED BY THE THAI GOVERNMENT AND REGULATORY AUTHORITIES IN EFFECT AT THE RELEVANT TIME. FOR THIS PERSON, "THAI PERSON" MEANS ANY PERSON RESIDENT IN THAILAND, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF THAILAND.

NOTHING IN THIS OFFERING MEMORANDUM SHOULD BE READ TO REPRESENT OR EVEN SUGGEST THAT THE SECURITIES AND EXCHANGE COMMISSION OR THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION HAVE RECOMMENDED INVESTMENT IN THE OFFERED SECURITIES OR BONDS; NOR DOES THIS OFFERING MEMORANDUM CONTAIN ANY ASSURANCE IN RELATION TO THE VALUE OR RETURNS ON THE OFFERED SECURITIES OR BONDS; NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION CERTIFIED THE ACCURACY AND COMPLETENESS OF INFORMATION CONTAINED IN THE OFFERING MEMORANDUM. PRIOR TO MAKING AN INVESTMENT DECISION, INVESTORS SHOULD EXERCISE THEIR OWN JUDGMENT WHEN CONSIDERING INFORMATION RELATING TO A PARTY ISSUING SECURITIES OR BONDS AS WELL AS THE TERMS AND CONDITIONS OF THE SECURITIES OR BONDS, INCLUDING THE SUITABILITY OF SUCH SECURITIES OR BONDS FOR INVESTMENT AND THEIR RELEVANT RISK EXPOSURE. THE LIABILITY FOR CERTIFICATION OF THE ACCURACY AND COMPLETENESS OF INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS VESTED IN THE OFFEROR OF THE SECURITIES OR BONDS.

IF THIS OFFERING MEMORANDUM CONTAINS ANY FALSE STATEMENTS OR OMITTS TO STATE ANY MATERIAL INFORMATION WHICH SHOULD HAVE BEEN DISCLOSED, THE SECURITIES OR BOND HOLDERS SHALL BE ENTITLED TO CLAIM DAMAGES FROM THE SECURITIES OR BOND OFFEROR OR THE SECURITIES OR BOND OWNERS PURSUANT TO SECTION 82 OF THE SECURITIES AND EXCHANGE ACT B.E. 2535 (1992) WITHIN ONE YEAR FROM THE DATE ON WHICH THE FACT THAT THIS OFFERING MEMORANDUM CONTAINED FALSE INFORMATION BECOMES KNOWN OR SHOULD HAVE BEEN KNOWN, BUT NOT EXCEEDING TWO YEARS FROM THE DATE THIS OFFERING MEMORANDUM WAS DELIVERED TO THE BOND OR SECURITIES HOLDERS.

RISKS AND RESTRICTIONS:

IN RESPECT OF INVESTING IN SECURITIES OR BONDS OFFERED IN THAILAND BY A FOREIGN OFFEROR, INVESTORS SHALL BE ENTITLED TO RIGHTS AND PROTECTIONS SIMILAR IN NATURE TO THOSE PROVIDED BY ANY FOREIGN JURISDICTION TO INVESTORS MAKING DIRECT INVESTMENTS IN THE SECURITIES OR BONDS OFFERED. ACCORDINGLY, INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW AND UPDATE THEMSELVES ON THE PERTINENT LAWS AND REGULATIONS OF THE FOREIGN OFFEROR'S HOME JURISDICTION AND OF ANY JURISDICTION WHERE THE SECURITIES OR BONDS OF THE FOREIGN OFFEROR ARE TRADED ON AN EXCHANGE.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED ARAB EMIRATES

THE OFFERING MEMORANDUM HAS NOT BEEN REVIEWED, APPROVED OR LICENSED BY THE UAE CENTRAL BANK OR ANY OTHER RELEVANT LICENSING AUTHORITIES OR GOVERNMENTAL AGENCIES IN THE UNITED ARAB EMIRATES. THIS OFFERING MEMORANDUM IS

STRICTLY PRIVATE AND CONFIDENTIAL AND HAS NOT BEEN REVIEWED, DEPOSITED OR REGISTERED WITH ANY LICENSING AUTHORITY OR GOVERNMENTAL AGENCY IN THE UNITED ARAB EMIRATES, AND IS BEING ISSUED TO A LIMITED NUMBER OF INSTITUTIONAL OR PRIVATE INVESTORS AND MUST NOT BE PROVIDED TO ANY PERSON OTHER THAN THE ORIGINAL RECIPIENT AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. THE SECURITIES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY TO THE PUBLIC IN THE UNITED ARAB EMIRATES.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFERING MEMORANDUM IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT BANKING ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

SUMMARY OF THE OFFERING

Issuer	Massachusetts Institute of Technology
Securities Offered	\$750,000,000 5.60% Taxable Bonds, Series B Bonds due July 1, 2111
Interest Accrual Dates	Interest will accrue from the Date of Issuance
Interest Payment Dates	January 1 and July 1 of each year, commencing January 1, 2012
Redemption	The Bonds are subject to optional redemption at the Make-Whole Redemption Price as discussed more fully herein. See “THE BONDS – Redemption.”
Date of Issuance	May 18, 2011
Authorized Denominations	\$1,000 and any integral multiple thereof
Form and Depository	The Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC.
Use of Proceeds	The Institution will use the net proceeds of the Bonds to support current or future capital projects consistent with the Institution’s capital plan and/or to refinance existing indebtedness and to pay costs of issuance. See “PLAN OF FINANCE” herein.
Ratings	Moody’s: Aaa S&P: AAA

OFFERING MEMORANDUM

Relating to

\$750,000,000

MASSACHUSETTS INSTITUTE OF TECHNOLOGY TAXABLE BONDS, SERIES B

INTRODUCTION

The purpose of this Offering Memorandum, which includes the cover page, the table of contents and appendices, is to provide certain information concerning the sale and delivery by the Massachusetts Institute of Technology (the "Institution") of its \$750,000,000 aggregate principal amount of the Massachusetts Institute of Technology Taxable Bonds, Series B (the "Bonds"). This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Offering Memorandum. All statements contained in this Introduction are qualified in their entirety by reference to the entire Offering Memorandum.

Purpose of the Bonds and the Plan of Finance

The proceeds of the Bonds will be used by the Institution to support current or future capital projects consistent with the Institution's capital plan and/or to refinance existing indebtedness and to pay costs of issuance.

The Institution

The Institution is an educational corporation existing under the laws of The Commonwealth of Massachusetts. Important information on the financial condition of the Institution is set forth in APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION" and APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010" attached hereto, which both should be read in their entirety.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), by and between the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Indenture, on each Payment Date, until the principal of and interest on the Bonds shall have been paid or provision for such payment shall have been made as provided in the Indenture, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of or interest on the Bonds. See "THE BONDS" herein.

Security for the Bonds

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See "Outstanding Indebtedness"

below. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See “SECURITY FOR THE BONDS” herein.

Additional Bonds

The Institution may, from time to time, without the consent of the holders of the Bonds, issue additional bonds under the Indenture in addition to the Bonds (the “Additional Bonds”). If issued, the Additional Bonds will become part of the same series as the Bonds being offered by this Offering Memorandum and will have the same interest rate, redemption provisions, maturity date and CUSIP number as the Bonds.

Outstanding Indebtedness

As of June 30, 2010, the outstanding indebtedness of the Institution totaled approximately \$1.7 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX B – “REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010” attached hereto.

Redemption

The Bonds are subject to optional redemption by the Institution prior to maturity at the Make-Whole Redemption Price described herein. See “THE BONDS – Redemption” herein.

Book-Entry Only System

When delivered, the Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of certificated securities (except under certain circumstances described in the Indenture). Payment of the principal or Make-Whole Redemption Price of and interest on the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to receive payment for any Bond will be based only upon and subject to the procedures and limitations of the DTC book-entry system. Purchasers may own beneficial ownership interests in the Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme (“Clearstream”), or the Euroclear System (“Euroclear”). See “BOOK-ENTRY ONLY SYSTEM” herein.

Certain Information Related to this Offering Memorandum

The descriptions herein of the Indenture and other documents relating to the Bonds do not purport to be complete and are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto for a brief summary of the

Indenture, including descriptions of certain duties of the Trustee, rights and remedies of the Trustee and the Bondholders upon an Event of Default, and provisions relating to amendments of the Indenture and procedures for defeasance of the Bonds.

All capitalized terms used in this Offering Memorandum and not otherwise defined herein have the same meanings as in the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto for definitions of certain words and terms used but not otherwise defined herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Offering Memorandum nor any sale made hereunder nor any future use of this Offering Memorandum will, under any circumstances, create any implication that there has been no change in the affairs of the Institution.

PLAN OF FINANCE

The proceeds of the Bonds will be applied to support current or future capital projects consistent with the Institution’s capital plan and/or to refinance existing indebtedness and to pay costs of issuance.

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of their original issuance and will bear interest and mature (subject to prior redemption) as shown on the front cover page hereof. The Bonds will be delivered in the form of fully registered Bonds in denominations of \$1,000 and any integral multiple thereof. The Bonds will be registered under a global book-entry system initially in the name of “Cede & Co.,” as nominee of the Securities Depository and will be evidenced by two Bonds in the total aggregate principal amount of the Bonds. Registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except as set forth in the Indenture. See “BOOK-ENTRY ONLY SYSTEM” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Interest on the Bonds will be payable on January 1 and July 1 of each year (each, an “Interest Payment Date”), commencing on January 1, 2012, and will be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

The principal and Make-Whole Redemption Price of the Bonds will be payable by check or by wire transfer of immediately available funds in lawful money of the United States of America at the Designated Office of the Trustee.

Interest on the Bonds will be payable from the later of (i) the date of issuance and (ii) the most recent Interest Payment Date to which interest has been paid or duly provided for. Payment of the interest on each Interest Payment Date will be made to the Person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least \$1,000,000 in aggregate principal amount of Bonds, submitted to

the Trustee at least one (1) Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Holder. The Record Date is the fifteenth day of the month immediately preceding each Interest Payment Date. Notwithstanding the foregoing, as long as Cede & Co. is the Holder of all or part of the Bonds in Book-Entry Form, said principal, Make-Whole Redemption Price and interest payments will be made to Cede & Co. by wire transfer in immediately available funds.

Redemption

The Bonds will be redeemable in whole or in part (in Authorized Denominations), at the Institution's option at any time and from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of any Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on any Bonds being redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points (the "Make-Whole Redemption Price"), plus in each case accrued and unpaid interest on the Bonds to, but excluding, the date of redemption. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

"Comparable Treasury Issue" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Institution.

"Reference Treasury Dealer" means each of Barclays Capital Inc., Morgan Stanley & Co. Incorporated and J.P. Morgan Securities LLC or their respective affiliates which are primary U.S. Government securities dealers, and their respective successors; provided that if Barclays Capital Inc., Morgan Stanley & Co. Incorporated or J.P. Morgan Securities LLC or their respective affiliates shall cease to be a primary U.S. Government securities dealer (a "Primary Treasury Dealer"), the Institution shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Partial Redemption of Bonds

Upon surrender of any Bond redeemed in part only, the Institution will execute (but need not prepare) and the Trustee will prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense of the Institution, a new Bond or Bonds of Authorized Denominations, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Notice of Redemption

Notice of redemption will be mailed by the Trustee by first class mail, not less than thirty (30) days, nor more than sixty (60) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Trustee shall also give notice of redemption by overnight mail to such securities depositories and/or securities information services as shall be designated in a certificate of the Institution. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the Make-Whole Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity (including CUSIP number, if any), and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Make-Whole Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Failure by the Trustee to give notice as described above to any one or more of the securities information services or depositories designated by the Institution, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption to any one or more of the respective Holders of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

The Institution may instruct the Trustee to provide conditional notice of redemption, which may be conditioned upon the receipt of moneys or any other event. Additionally, any such notice may be rescinded by written notice given to the Trustee by the Institution no later than five (5) Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same Persons, as notice of such redemption was given.

Effect of Redemption

Notice of redemption having been duly given as provided in the Indenture and as described above, and moneys for payment of the Make-Whole Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portion thereof) so called for redemption being held by the Trustee, on the date fixed for redemption designated in such notice, the Bonds (or portion thereof) so called for redemption shall become due and payable at the Make-Whole Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portion thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Make-Whole Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

Selection of Bonds for Redemption within a Maturity

Subject to the provisions described under “BOOK-ENTRY ONLY SYSTEM”, whenever provision is made in the Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, if less than all of the Bonds of a maturity are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

It is the Institution’s intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Institution nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

BOOK-ENTRY ONLY SYSTEM

The information set forth in this section under the subheading “General” has been obtained from sources that the Institution and the Trustee believe to be reliable, but the Institution and Trustee take no responsibility for the accuracy thereof.

NEITHER THE INSTITUTION 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, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

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

General

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 in the amount of \$500 million and one fully-registered Bond certificate in the amount of \$250 million will be issued for the Bonds, totaling in the aggregate the principal amount of the Bonds, and will be deposited with DTC. Purchasers may own beneficial ownership interests in the Bonds in the United States through DTC and in Europe through Clearstream or Euroclear.

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 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, thereby eliminating 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," and together with Direct Participants, "Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase; Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Institution 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).

Payments of principal, Make-Whole Redemption Price 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 Institution or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or the Institution, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Make-Whole Redemption Price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Institution 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such Bond certificates are required to be printed and delivered. The Institution may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC. See "Certificated Bonds" below.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Institution and the Underwriters believe to be reliable, but the Institution and the Underwriters take no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE INSTITUTION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.**

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 shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

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

The Institution, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Institution determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Institution or restricted registration is no longer in effect, Bond certificates will be delivered.

NONE OF THE INSTITUTION, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE AGREEMENT; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

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 Institution or the Trustee. In addition, the Institution may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry-Only system is discontinued, Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, 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 the Bonds, 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, and the Trustee may also require the Bondowners requesting such exchange to pay a reasonable sum to cover any expenses incurred by the Institution in connection with such exchange. The Trustee will not be required to exchange (i) any Bond during the fifteen (15) days next preceding the selection of Bonds for redemption or (ii) any Bond called for redemption.

Global Clearance Procedures

The Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg") is successor in name to Cedel Bank, S.A. Clearstream, Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On 1 January 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche Borse AG ("DBAG").

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG.

DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby

eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier (“CSSF”), which supervises Luxembourg banks. Since 12 February 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of 12 January 2001, following the official notification to the regulators of the Clearstream, Luxembourg’s role as a payment system provider operating a securities settlement system. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. (“Euroclear Bank”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear as amended from time to time (the “Terms and Conditions”), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be

acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the

Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent receive by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or

existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE INSTITUTION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING MEMORANDUM.

THE INSTITUTION AND TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE CERTIFICATE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE INSTITUTION MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

SECURITY FOR THE BONDS

General

The Indenture provides that, on or before each Payment Date, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of and interest on the Bonds. In addition, the Indenture provides that each such payment made will at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date, the amounts held by the Trustee in the accounts within the Bond Fund (as described below) are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, the Institution is required to pay such deficiency to the Trustee. Upon the receipt thereof, the Trustee will deposit all payments received from the Institution into certain funds and accounts established pursuant to the Indenture. See "Certain Funds and Accounts Established by the Indenture" below.

The Bonds constitute unsecured general obligations of the Institution. The Bonds are not secured by a reserve fund, mortgage lien or security interest on or in any funds or other assets of the Institution, except for funds held from time to time by the Trustee for the benefit of the Holders of the Bonds under the Indenture. Pursuant to the Indenture, the Project Fund is held by the Institution, rather than the Trustee, and, as described above, the Institution is not required to deposit with the Trustee amounts necessary to pay the principal of and interest on the Bonds until the Payment Date on which such amounts become due and payable; therefore, the funds held from

time to time by the Trustee for the benefit of the Holders of the Bonds under the Indenture are expected to be minimal. Amounts held by the Institution in the Project Fund are not subject to any lien or charge in favor of the Holders of the Bonds and do not constitute security for the Bonds.

The Indenture does not contain any financial covenants limiting the ability of the Institution to incur indebtedness, encumber or dispose of its property or merge with any other entity, or any covenants. Further, the Institution is not required by the Indenture to produce revenues at any specified level or to obtain any insurance with respect to its property or operations.

The Institution has other unsecured general obligations outstanding. See APPENDIX B – “REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010” attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds.

Certain Funds and Accounts Established by the Indenture

Indenture Fund. Under the Indenture, the Trustee has established for the sole benefit of the Bondholders, a master fund referred to as the “Indenture Fund,” containing the Bond Fund and the Redemption Fund and each of the funds and accounts contained therein. The Institution has pledged, assigned and transferred the Indenture Fund and all amounts held therein to the Trustee for the benefit of the Bondholders to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Indenture Fund and all amounts on deposit therein constitute collateral security to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and provisions of the Indenture. Due to the timing of payments by the Institution to the Trustee, in general there is not expected to be any money in the Indenture Funds except for a brief period of time on the Interest Payment Dates.

Project Fund. The Indenture establishes a “Project Fund” to be held by the Institution. The moneys in the Project Fund will be used by the Institution to support current or future capital projects consistent with the Institution’s capital plan and/or to refinance existing indebtedness and to pay costs of issuance. The Institution may invest the Project Fund in whatever investments it so elects, including in units of the endowment; provided, however, that the Institution shall not invest the Project Fund in private equity or marketable alternative investments except through endowment units. At the option of the Institution, any remaining balance in the Project Fund may be transferred to the Trustee for deposit in the Indenture Fund. Amounts held by the Institution in the Project Fund are not subject to any lien or charge in favor of the Holders of the Bonds and do not constitute security for the Bonds.

For information on other funds and accounts established by the Indenture, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds. The discussion below is based upon current provisions of the

Internal Revenue Code of 1986, as amended (the “Code”), current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the “IRS”). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED HEREIN (I) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (II) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of Bonds and does not address U.S. federal gift or (for U.S. Holders) estate tax consequences or alternative minimum, foreign, state, local or other tax consequences. This summary does not purport to address special classes of taxpayers (such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the United States, broker-dealers, traders in securities and tax-exempt organizations) that are subject to special treatment under the federal income tax laws, or persons that hold Bonds that are a hedge against, or that are hedged against, currency risk or that are part of a hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary also does not address the tax consequences to an owner of Bonds held through a partnership or other pass-through entity treated as a partnership for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the Bonds for cash in this offering at their “issue price” within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of Bonds are sold to the public for cash), and it does not address the tax consequences to holders that purchase the Bonds after their original issuance. This discussion assumes that the Bonds will be held as capital assets within the meaning of section 1221 of the Code.

As used herein, the term “U.S. Holder” means a beneficial owner of Bonds that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) has the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States

person (within the meaning of the Code). As used herein, the term “Non-U.S. Holder” means a beneficial owner of Bonds that is not a U.S. Holder.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE HOLDERS OF THE BONDS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE PURCHASE, HOLDING AND DISPOSITION OF THE BONDS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

This section describes certain U.S. federal income tax consequences to U.S. Holders. Non-U.S. Holders should see the discussion under the heading “—Certain Federal Income Tax Consequences to Non-U.S. Holders” for a discussion of certain tax consequences applicable to them.

Interest. Interest on the Bonds will generally be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

It is expected that the Bonds will not be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated Make-Whole Redemption Price at maturity of the Bonds will not exceed their issue price, or because any such excess should only be a de minimis amount (as determined for tax purposes). De minimis OID is included in the income of a U.S. Holder as stated principal payments are made, and is treated as an amount received in retirement of a Bond. If, contrary to expectation, the Bonds are issued at a discount that gives rise to OID, a U.S. Holder may be required to include such OID in gross income in advance of the receipt of cash associated with such income.

Original Issue Discount. If any Bonds are issued at a discount from their stated redemption price at maturity, and the discount is equal to or more than the product of one-quarter of one percent (0.25%) of the stated redemption price at maturity of the Bonds multiplied by the number of full years to maturity, the Bonds will be “OID Bonds.” The difference between the issue price and the stated redemption price at maturity of the Bonds will be the “original issue discount.” The “issue price” of the Bonds will be the first price at which a substantial amount of the Bonds are sold to the public for money (i.e., excluding sales of Bonds to underwriters, placement agents, wholesalers, or similar persons). The “stated redemption price at maturity” will include all payments under the Bonds other than payments of qualified stated interest. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Institution) at least annually during the entire term of a Bond at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices.

If a U.S. Holder invests in an OID Bond, it generally will be subject to the special tax accounting rules for original issue discount obligations provided by the Code and U.S. Treasury regulations (the “OID Regulations”). If a U.S. Holder invests in an OID Bond, such U.S. Holder generally will be required to include original issue discount in ordinary gross income for U.S.

federal income tax purposes as it accrues ratably, or at the election of the U.S. Holder, on a constant-yield to maturity basis regardless of when such U.S. Holder receive the cash attributable to that income.

In general, and regardless of whether a U.S. Holder uses the cash or the accrual method of tax accounting, if such U.S. Holder is the holder of an OID Bond with a maturity greater than one year, such U.S. Holder will be required to include in ordinary gross income the sum of the “daily portions” of original issue discount on that Bond for all days during the taxable year that such U.S. Holder owns the Bond. The daily portions of original issue discount on an OID Bond are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that period. Accrual periods may be any length and may vary in length over the term of an OID Bond, so long as no accrual period is longer than one year and each scheduled payment of principal or interest occurs on the first or last day of an accrual period. The amount of original issue discount on an OID Bond allocable to each accrual period is determined by:

(i) multiplying the “adjusted issue price” (as defined below) of the Bond at the beginning of the accrual period by a fraction, the numerator of which is the annual yield to maturity (defined below) of the Bond and the denominator of which is the number of accrual periods in a year; and

(ii) subtracting from that product the amount (if any) payable as qualified stated interest allocable to that accrual period.

A U.S. Holder generally may make an irrevocable election to include in income its entire return on a Bond (i.e., the excess of all remaining payments to be received on the Bond, including payments of qualified stated interest, over the amount such U.S. Holder paid for the Bond) under the constant-yield method described above. If a U.S. Holder purchases Bonds at a premium or market discount and makes this election, such U.S. Holder will also be deemed to have made the election (discussed below under “Premium” and “Market Discount”) to amortize premium or to accrue market discount currently on a constant-yield basis in respect of all other premium or market discount Bonds that such U.S. Holder holds.

A U.S. Holder that purchases an OID Bond outside of the initial offering at a cost less than its remaining redemption amount (i.e., the total of all future payments to be made on the Bond other than payments of qualified stated interest), or purchases an OID Bond in the initial offering at a price other than the Bond’s issue price, such U.S. Holder generally will also be required to include in gross income the daily portions of original issue discount, calculated as described above. However, if a U.S. Holder acquires an OID Bond at a price greater than its adjusted issue price (but less than or equal to its remaining redemption amount), such U.S. Holder will be entitled to reduce its periodic inclusions of original issue discount to reflect the premium paid over the adjusted issue price.

Premium. A U.S. Holder who purchases a Bond at a cost greater than the Bond’s remaining redemption amount will be considered to have purchased the Bond at a premium, and may elect to amortize the premium as an offset to interest income, using a constant-yield method, over the remaining term of the Bond. If the Bond is redeemable prior to maturity, the amount of amortizable premium is determined with reference either to the amount payable on maturity or, if it results in a smaller premium attributable to the earlier redemption period, with reference to the

amount payable on the earlier redemption date. If a U.S. Holder makes the election to amortize the premium, it generally will apply to all debt instruments held by such U.S. Holder at the time of the election, as well as any debt instruments that are subsequently acquired by such U.S. Holder. In addition, a U.S. Holder may not revoke the election without the consent of the Internal Revenue Service. If such U.S. Holder elects to amortize the premium, such U.S. Holder will be required to reduce its tax basis in the Bond by the amount of the premium amortized during the holding period of the U.S. Holder. OID Bonds purchased at a premium will not be subject to the original issue discount rules described above. If such U.S. Holder does not elect to amortize premium, the amount of premium will be included in its tax basis in the Bond. Therefore, if a U.S. Holder does not elect to amortize premium and holds the Bond to maturity, such U.S. Holder generally will be required to treat the premium as capital loss when the Bond matures.

Market Discount. A Bond purchased by a U.S. Holder at a price that is lower than the Bond's remaining redemption amount (or in the case of an OID Bond, the Bond's adjusted issue price) by 0.25% or more of the remaining redemption amount (or adjusted issue price) of such Bond, multiplied by the number of remaining whole years to maturity of such Bond, will be considered to bear "market discount" in an amount equal to such difference in the hands of the U.S. Holder. In this case, any gain realized by a U.S. Holder on the disposition of the Bond generally will be treated as ordinary interest income to the extent of the market discount that accrued on the Bond during period it was held by such U.S. Holder. In addition, a U.S. Holder may be required to defer the deduction of all or a portion of the interest paid on any indebtedness that such U.S. Holder incurred or continued to purchase or carry the Bond. In general, market discount will be treated as accruing ratably over the term of the Bond, or, at election of the U.S. Holder, under a constant-yield method.

A U.S. Holder may elect to include market discount in gross income currently as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of the Bond as ordinary income. If a U.S. Holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. If a U.S. Holder does make such an election, it will apply to all market discount debt instruments that a U.S. Holder acquires on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the IRS.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption (including pursuant to an offer by the Institution) or other disposition of a Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of Bonds will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bonds which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Bonds (see discussion of tax basis below). Any such gain or loss generally will be long-term capital gain or loss, provided the Bonds have been held for more than one year at the time of the disposition. The deductibility of capital losses is subject to limitations.

Tax Basis. Initially, the tax basis of a U.S. Holder in a Bond generally will equal the amount paid for the Bond by such U.S. Holder. Subsequently, the basis will increase by any amounts that such U.S. Holder is required to include in income under the rules governing original issue discount and market discount, and will decrease by the amount of any amortized premium

and any payments other than “qualified stated interest” (as defined above under “Original Issue Discount” above) made on the Bond. The rules for determining these amounts are discussed above.

Retirement, Sale or Exchange of Bonds. When a Bond is sold or exchanged, or if a Bond is retired, the U.S. Holder of such Bond generally will recognize gain or loss equal to the difference between the amount it realized on the transaction (less any accrued and unpaid qualified stated interest, which will be subject to tax in the manner described above) and its tax basis in the Bond.

Nature of Gain or Loss on Sale, Exchange or Retirement of Bonds. Except for market discount, the gain or loss that a U.S. Holder recognizes on the sale, exchange or retirement of a Bond generally will be capital gain or loss. The gain or loss on the sale, exchange or retirement of a Bond will be long-term capital gain or loss of the U.S. Holder has held the Bond for more than one year on the date of disposition. Net long-term capital gain recognized by an individual U.S. holder generally will be subject to tax at a lower rate than net short-term capital gain or ordinary income. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Information Reporting and Backup Withholding. The Institution or its paying agent, if any (the “payor”) must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules do not constitute an additional tax and will be credited against the U.S. Holder’s federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the IRS.

Certain U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders

This section describes certain U.S. federal income and estate tax consequences to Non-U.S. Holders.

Interest. If, under the Code, interest on the Bonds is “effectively connected with the conduct of a trade or business within the United States” by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Bonds were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations may be subject to U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the payor.

Interest on the Bonds held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the “portfolio interest”

exemption applies, or, as discussed below, such withholding taxes are eliminated by an applicable treaty. In general, interest paid on the Bonds to a Non-U.S. Holder may qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (1) such Non-U.S. Holder is not a "controlled foreign corporation" (within the meaning of section 957 of the Code) related, directly or indirectly, to the Institution; (2) the Non-U.S. Holder is not a bank receiving interest on an extension of credit made in the ordinary course of its trade or business described in Section 881(c)(3)(A) of the Code; (3) the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code; (4) the Non-U.S. Holder is not an individual who ceased being a U.S. citizen or long-term resident of the United States for tax avoidance to which Section 877 of the Code applies; and (5) either (A) the payor receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN (or successor form), certifying that such owner is not a U.S. Holder and providing such owner's name and address or (B) a securities clearing organization, bank or other financial institution that holds the Bonds on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to the payor, under penalties of perjury, that such an IRS Form W-8BEN (or a successor form) has been received from the beneficial owner by it and furnishes the payor with a copy thereof. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

If a Non-U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non-U.S. Holder may be subject to a 30% withholding tax on interest payments on the Bonds. However, the Non-U.S. Holder may be able to claim the benefit of a reduced withholding tax rate under an applicable income tax treaty between the Non-U.S. Holder's country of residence and the U.S. Non-U.S. Holders are urged to consult their own tax advisors regarding their eligibility for treaty benefits. The required information for claiming treaty benefits is generally submitted on Form W-8BEN. In addition, a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

Disposition of the Bonds. A Non-U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption or other disposition of a Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the Bonds, which will be treated as interest). A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (1) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition; or (2) the gain is effectively connected with the conduct of a U.S. trade or business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

Information Reporting and Backup Withholding. The payor must report annually to the IRS and to each Non-U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the Bonds as long as the Non-U.S. Holder (i) has furnished to the payor a valid IRS Form W-8BEN certifying, under penalties of perjury, its status as a non-U.S. person, (ii) has furnished to the payor other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non-U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the Bonds through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the Bonds through a foreign office of a broker that has certain connections to the United States, unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

U.S. Federal Estate Tax. A Bond held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will not be includable in the decedent's gross estate for U.S. estate tax purposes, unless (1) at the time of such individual's death, payments in respect of the Bonds would have been effectively connected with the conduct by such individual of a U.S. trade or business, or (2) the Non-U.S. Holder was an individual who ceased being a U.S. citizen or long-term resident of the United States for tax avoidance purposes to which Section 877 of the Code applies. In addition, the U.S. estate tax may not apply with respect to such Bond under the terms of an applicable estate tax treaty.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans

are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; and (3) an employer or employee organization any of whose employees or members are covered by the plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the University were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the University would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the University and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

However without regard to whether the Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the University or the Issuing and Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment

funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of when is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

Any ERISA Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such in investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

UNDERWRITING

The Institution has entered into a purchase contract with the Underwriters listed on the cover hereof for whom Barclays Capital Inc. is acting as representative, and the Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of \$6,562,500 from the public offering price set forth on the cover page hereof.

The purchase contract pursuant to which the Bonds are being sold provides that the Underwriters will purchase not less than all of the Bonds. The Underwriters’ obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the initial offering price. The offering price of Bonds may be changed from time to time by the Underwriters.

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

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

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Institution as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

CONTINUING DISCLOSURE

The Institution has entered into continuing disclosure undertakings (the “Continuing Disclosure Undertakings”) in connection with tax-exempt revenue bonds issued for the benefit of the Institution (the “Tax-Exempt Bonds”). See APPENDIX B – “REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010.” Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Institution under those Continuing Disclosure Undertakings on Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”). Each Continuing Disclosure Undertaking terminates when the related tax-exempt revenue bonds are paid or deemed paid in full.

The Institution covenants in the Indenture that unless otherwise available on EMMA or any successor thereto or to functions thereof, copies of the audited financial statement will either be posted on the Institution’s website or filed with the Trustee.

APPROVAL OF LEGALITY

Legal matters incident to validity of the Bonds and certain other matters are subject to the approving opinion of Greenberg Traurig, LLP, counsel to the Institution. The proposed form of opinion of counsel to the Institution relating to the validity of the issuance of the Bonds and certain other matters is attached hereto as Appendix D. In addition, certain other legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

FINANCIAL STATEMENTS

The financial statements of the Institution presented in Appendix B present the financial position, changes in net assets and cash flows for the year ended June 30, 2010, with summarized comparative financial information as of and for the year ended June 30, 2009. These financial statements should be read in their entirety.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of June 30, 2010 and June 30, 2009 and for each of the two years in the period ended June 30, 2010, included in Appendix B to this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in Appendix B hereto.

RATINGS

Moody’s assigned a rating of “Aaa” and Standard & Poor’s assigned a rating of “AAA” on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody’s and Standard & Poor’s. Generally, rating agencies base their ratings on information and

materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

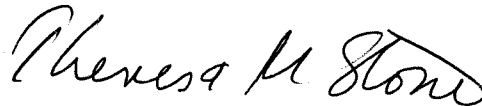
MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture and of other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions. Copies in reasonable quantity of the Indenture may be obtained upon request directed to the Underwriters or the Institution.

Any statements in this Offering Memorandum involving matters of opinion are intended as such and not as representations of fact. This Offering Memorandum is not to be construed as a contract or agreement between the Institution and Holders of any of the Bonds.

The execution and delivery of this Offering Memorandum has been duly authorized by the Institution.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY



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

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APPENDIX A

CERTAIN INFORMATION REGARDING THE INSTITUTION

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THE INSTITUTE

General

The Massachusetts Institute of Technology (“MIT” or the “Institute”) is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of the Commonwealth of Massachusetts. Enrollment for the 2010-2011 academic year was 10,566 students of which 6,108 were full-time graduate students. The Institute has 1,017 faculty members and other academic staff totaling 3,858. 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 33 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 enriching classroom teaching as faculty bring their latest research findings to their students.

Institute Facilities for Teaching and Research

MIT’s campus includes 159 buildings, with a total building area of approximately 13.0 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 MIT Energy Initiative, the Koch Institute for Integrative Cancer Research, the Computer Science and Artificial Intelligence Laboratory, 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 Institute for Soldier Nanotechnologies, the 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 Tyngsborough, 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. Additionally, MIT has a recently created Singapore subsidiary, the Singapore-MIT Alliance for Research and Technology (“SMART”).

Accreditations and Memberships

MIT is accredited by the New England Association of Schools and Colleges, Inc., through its Commission on Institutions of Higher Education. The Commission on Institutions of Higher Education of

the New England Association of Schools and Colleges, Inc., is the regional accreditation agency for colleges and universities in the six New England states. 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 Association of Public and Land-Grant Universities.

Governance

The governing body of the Institute is a board of trustees known as the Corporation. It is comprised of 74 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 33 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
Robert B. Millard, Ex-Officio	Chair, MIT Investment Management Company Managing Partner Realm Partners, LLC New York, NY
John S. Reed, 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
Denis A. Bovin	Co-Chairman & Co-CEO Stone Key Partners LLC New York, NY

James A. Champy	Business Consultant and Author Boston, MA
Lawrence K. Fish	Former Chairman & CEO Citizens Financial Group Boston, MA
A. Neil Pappalardo	Chairman Medical Information Technology (Meditech) Boston, MA
Arthur J. Samberg	Chairman and CEO Pequot Capital Management, Inc. Ossining, NY
Chiquita V. White	Section Head of Product Development Duracell Procter & Gamble Bethel, CT
Barrie R. Zesiger	Founding Partner and Managing Director Zesiger Capital Group LLC New York, NY
Kirk D. Kolenbrander, Regular Guest	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:

John S. Reed, Chairman of the MIT Corporation

Susan Hockfield, President

Theresa M. Stone, Executive Vice President and Treasurer

L. Rafael Reif, Provost

W. Eric Grimson, Chancellor

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

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

The MIT bylaws provide for the election and succession of the Institute's Chairman of the Corporation, President, Executive Vice President and Treasurer, and Secretary, who are elected by the MIT Corporation upon the nomination of the Executive Committee, and MIT's other senior administrative officers, who are elected by the Executive Committee.

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 to the department heads 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 Budget, Finance, and Treasury, 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.

Faculty and Staff

In October 2010, the Institute had 10,485 employees on campus, including Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 1,017 faculty and 3,858 other academic staff, which included instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 76% of the faculty were tenured. There were also 4,821 research, medical, administrative and support staff employees, and 789 service staff employees. There were an additional 3,194 research, support and service staff employees working at MIT's Lincoln Laboratory in Lexington, Massachusetts.

Labor Relations

MIT has collectively bargained with service staff employees for over 60 years. Approximately 1,200 service staff and technical 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, of which two contracts expire on June 30, 2012, and two expire on June 30, 2013. One contract is currently set to expire on June 30, 2011, and negotiations have begun for a one year extension. The faculty, research, administrative and support staffs of the Institute are not represented by any union.

Student Enrollments

MIT attracts students worldwide, with representation in the 2010-2011 student body from 50 states, the District of Columbia, three territories and 114 foreign countries. The following table shows actual enrollments for the last five academic years based on fall term registrations:

Academic Year	Undergraduate		Graduate		Total
	Full-Time Students	Part-Time Students	Full-Time Students	Part-Time Students	All Students
2006-07	4,068	59	5,924	202	10,253
2007-08	4,119	53	5,837	211	10,220
2008-09	4,118	35	5,991	155	10,299
2009-10	4,201	31	6,022	130	10,384
2010-11	4,252	47	6,108	159	10,566

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:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
2006-07	11,374	1,514	13%	1,002	66%
2007-08	12,445	1,553	12%	1,067	69%
2008-09	13,396	1,589	12%	1,048	66%
2009-10	15,663	1,676	11%	1,072	64%
2010-11	16,632	1,676	10%	1,067	64%

Preliminary data for undergraduate applications and admissions for the 2011-12 academic year are as follows: 17,909 applicants; 1,715 admitted, for an acceptance rate of 9.6%.

Academic Year	Freshmen Ranking in the Top Ten Percent of their High School Class	Average SAT Scores*
2006-07	97%	1,461
2007-08	97%	1,458
2008-09	97%	1,453
2009-10	95%	1,455
2010-11	98%	1,457

* Total of critical reasoning and math

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
2006-07	15,968	3,002	19%	1,877	63%
2007-08	16,208	3,058	19%	1,843	60%
2008-09	17,323	3,215	19%	2,000	62%
2009-10	19,336	2,994	15%	1,930	64%
2010-11	22,139	3,431	15%	2,139	62%

Tuition and Fees

Tuition for full-time undergraduate and graduate students for the 2010-2011 academic year is \$39,212, except for students in the Sloan School of Management Master's Program for whom the tuition is \$50,353. For the 2010 summer session, the tuition for full-time graduate students was \$12,975. 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
2006-07	\$33,600	\$9,950	\$43,550
2007-08	\$34,986	\$10,400	\$45,386
2008-09	\$36,390	\$10,860	\$47,250
2009-10	\$37,782	\$11,360	\$49,142
2010-11	\$39,212	\$11,234	\$50,446

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, 2010, 62% of MIT undergraduate students received an MIT scholarship. The average scholarship award for the 2009-2010 academic year was \$31,928.

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,				
	2006	2007	2008	2009	2010
Institute Sources					
Tuition Support	\$174,140	\$185,399	\$192,131	\$214,383	\$230,269
Stipends	14,522	12,688	13,418	15,566	15,850
Student Salaries	24,957	25,877	26,421	27,374	25,820
Total	213,619	223,964	231,970	257,323	271,939
External Sponsors					
Tuition Support	56,903	58,076	60,313	51,883	54,722
Stipends	17,918	12,332	12,229	11,943	12,254
Student Salaries	53,546	51,855	52,471	54,913	58,484
Total	128,367	122,263	125,013	118,739	125,460
Total	\$341,986	\$346,227	\$356,983	\$376,062	\$397,399

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

Sponsored Research

Sponsored research represents a substantial portion of the revenues 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
(in thousands)**

Fiscal Year Ended June 30,	Current Dollars	Constant Dollars*
2006	\$1,035,417	\$1,035,417
2007	\$1,001,144	\$975,905
2008	\$1,054,474	\$991,164
2009	\$1,167,036	\$1,081,864
2010	\$1,192,041	\$1,094,453

*CPIU deflator 2006 = 100

On July 1, 2009, The Broad Institute, previously a unit of MIT, became a separately incorporated entity. The Broad Institute is a research center located adjacent to the MIT campus. Before July 1, 2009, MIT administered The Broad Institute as a collaboration among MIT and Harvard University and its affiliated hospitals, and The Whitehead Institute for Biomedical Research. Following the separation, The Broad Institute is a self-administered collaboration of MIT and Harvard University and its affiliated hospitals. Following the Broad Institute separation, MIT's research revenues were able to compensate for the loss of the Broad Institute's volume and MIT's sponsored research revenues remained roughly flat in fiscal 2010. The five-year trend of research revenues is detailed in the table below. Through December 31, 2010 MIT's total sponsored research revenues increased 6.5% over the same period last year.

In total MIT received \$150 million in federal funding from The American Recovery and Reinvestment Act of 2009 ("ARRA"); of that amount, \$127 million was awarded for organized research projects, \$17 million for facilities and construction, and \$6 million for student support, mainly pre- and post-doctoral fellowships. As of March 31, 2011, \$66 million remains to be spent. MIT considers the infusion of economic stimulus funds to be a one-time event.

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 2006 through 2010:

Massachusetts Institute of Technology
Sponsored Research Revenues*
(in thousands)

	2006	2007	2008	2009	2010*
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	\$195,573	\$201,557	\$226,307	\$255,896	\$144,561
Department of Energy	67,265	64,899	65,611	65,773	73,274
Department of Defense	89,552	90,571	87,370	97,528	106,890
National Science Foundation	65,163	65,057	64,973	61,386	69,801
National Aeronautics & Space Administration	31,228	27,889	25,479	27,358	30,629
Other Federal	15,570	14,431	14,169	14,559	12,717
Total Federal	464,351	464,404	483,909	522,500	437,872
Non-Federal Sponsored:					
State/Local/Foreign Governments	15,137	13,055	18,549	27,145	33,339
Non-profits	24,833	32,200	47,695	60,538	50,639
Industry	72,743	79,725	82,194	99,219	93,330
Total Non-Federal	112,713	124,980	148,438	186,902	177,308
F&A Adjustment	5,420	(18,586)	(10,827)	(18,620)	(11,044)
CAMPUS TOTAL	582,484	570,798	621,520	690,782	604,136
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	631,292	607,270	606,850	675,329	749,974
Non-Federal Sponsored	5,102	4,602	3,602	2,989	3,068
F&A and other adjustments		(5,942)	9,235	(8,550)	(8,710)
LINCOLN LABORATORY TOTAL	636,394	605,930	619,687	669,768	744,332
RESEARCH AT THE SINGAPORE-MIT ALLIANCE FOR RESEARCH AND TECHNOLOGY (SMART)[†]					
Non-Federal Sponsored			3,963	14,522	21,135
SMART TOTAL			3,963	14,522	21,135
TOTAL RESEARCH	\$1,218,878	\$1,176,728	\$1,245,170	\$1,375,072	\$1,369,603

* The amounts in this table reflect revenues received on account of The Broad Institute through June 30, 2009. The Broad Institute separated from MIT as of June 30, 2009 and therefore its revenues are not included in fiscal 2010.

[†] The amounts represent research that has taken place in Singapore.

Administration Discussion of Operations and Unrestricted Net Assets

The Institute's operating revenues exceeded operating expenses by \$280.5 million for fiscal year 2010, compared to the previous year's positive operating results of \$182.7 million. Fiscal year 2010 was a year of stabilization and growth for MIT, following the year of careful response to the economic crisis and planning for the future that defined fiscal year 2009. MIT has continued to successfully navigate the instability in economic markets through a combination of collaborative budget adjustment process, prudent endowment management, and careful liquidity management and forecasting, all of which allowed MIT to conclude fiscal year 2010 with a balanced general budget and favorable consolidated operating results. Consolidated operating results reflect, in part, timing differences in receipt of revenues from research grants and endowment payout and the expenditure of funds from these sources, as well as strong performance on pledge payments.

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 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 following table summarizes the Results of Operations and Other Changes in Unrestricted Net Assets for fiscal years 2006 through 2010, as presented in the Statement of Activities within the Report of the Treasurer (Appendix B to the Offering Memorandum):

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

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Total Operating Revenues	\$2,140,735	\$2,180,371	\$2,408,428	\$2,643,958	\$2,663,103
Total Operating Expenses	(2,181,696)	(2,207,621)	(2,294,247)	(2,461,286)	(2,382,566)
Results of Operations	(40,961)	(27,250)	114,181	182,672	280,537
Total Unrestricted Non-Operating Activities	529,268	663,760	(244,755)	(1,709,017)	(81,161)
Effect of Change in Accounting Principles	(33,509)	847,795	-	-	-
Net Change in Unrestricted Net Assets	\$454,798	\$1,484,305	(\$130,574)	(\$1,526,345)	\$199,376

Unrestricted net assets increased \$199.4 million in fiscal year 2010. At June 30, 2010 the value of MIT's total net assets was \$10.3 billion, of which \$3.8 billion were unrestricted net assets.

Investments

The following table shows total investments at market for the past five fiscal years ended June 30:

Fiscal Year Ended June 30,	Investments at Market (in thousands)
2006	\$9,500,178
2007	\$11,061,142
2008	\$11,308,429
2009	\$9,519,413
2010	\$9,904,271

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

In making its annual determination of the amount of the endowment to be used to support operations, the Executive Committee considers the following factors:

- (i) the duration and preservation of the endowment;
- (ii) MIT's mission and the purposes of its endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other MIT resources; and
- (vii) MIT's investment policy.

For further information on the financial operations and financial condition of the Institute through June 30, 2010, please refer to the Report of the Treasurer (Appendix B to the Offering Memorandum).

The Institute estimates the market value of the MIT endowment has increased in the range of 10% to 15% over the nine month period ending March 31, 2011. The market value increase is an estimate because a significant proportion of MIT's endowment is invested in non-marketable assets.

In an environment where asset prices continue to rise, the endowment has generated solid absolute returns across all major asset classes. MIT believes the rise in asset prices is reaching levels where history suggests some caution is in order. As a result, MIT has positioned the portfolio in a manner that will likely cause the endowment to lag strongly rising markets, but believes that strategy should provide some downside protection in a period of market decline.

Liquidity

The Institute has various sources of internal liquidity at its disposal, and the extent of MIT's liquidity constantly changes. As of March 31, 2011, MIT had approximately \$2.2 billion of assets or available line of credit that could have been liquidated or accessed within one week. Of that total, approximately \$1.1 billion would have been available same day.

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 to 6 years for software. Fully depreciated buildings and equipment are removed from the financial statements.

Fixed assets had a book value of \$2.3 billion at June 30, 2010, up 9.7 percent from \$2.1 billion at June 30, 2009. The most significant area of increase during fiscal year 2010 was the new Media Lab and School of Architecture + Planning coming online, the new Sloan School of Management building nearing completion, and the Koch Institute for Integrative Cancer Research building construction in progress. These buildings have been completed and came online during fiscal year 2011.

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 provide 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 ongoing capital initiative will add state-of-the-art facilities for emerging areas of research and increase educational infrastructure that supports residential and community life. The capital plan, known as MIT 2030, is an articulation of the Deans' visions for MIT's mission in education and research for the coming decades and provides a physical platform to accomplish that mission. The current phase of the program includes the addition of new buildings, expansion of utility infrastructure and the renovation of existing buildings to be completed over the next decade. The estimated total cost of these planned projects for this current phase is over \$1.5 billion, which the Institute plans to fund through a combination of gifts, internal funding sources, and external borrowings including 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 Indenture of Trust or carry out its obligations thereunder.

APPENDIX B

REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2010

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Report of the Treasurer

for the year ended
June 30, 2010



Massachusetts
Institute of
Technology

Report of the Treasurer

for the year ended June 30, 2010



Massachusetts
Institute of
Technology

The Corporation

2009–2010

as of June 30, 2010

Chairman: John S. Reed*

President: Susan Hockfield*

Executive Vice President and Treasurer: Theresa M. Stone*

Vice President for Institute Affairs and Secretary: Kirk D. Kolenbrander*

Life Members

Shirley A. Jackson; Dana G. Mead; 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; Charles M. Vest; Susan E. Whitehead; Brian G. R. Hughes; Norman E. Gaut; L. Robert Johnson; Arthur J. Samberg; Gordon M. Binder; Gururaj Deshpande; Barrie R. Zesiger*.

Members

Linda C. Sharpe; John A. Thain; Thomas P. Gerrity; Mark P. Gorenberg; Marjorie M.T. Yang; James H. Simons; Alan G. Spoon; Lawrence K. Fish; David D. Ho; Robert B. Millard*; Carly S. Fiorina; Anita K. Jones*; Robert L. Blumberg; R. Erich Caulfield; Raymond C. Kurzweil; David A. Berry; James A. Lash; Paul F. Levy; Scott P. Marks, Jr.; Megan J. Smith; Henri A. Termeer; Chiquita V. White*; O. Reid Ashe, Jr.; John W. Jarve; Abigail P. Johnson; Frederick A. Middleton, Jr.; Barun Singh; Diana C. Walsh; Ursula M. Burns; Diane B. Greene; Helen Greiner; Harbo P. Jensen; Marta M. Luczynska; Victor J. Menezes; Peter L. Slavin; Laura D. Tyson; Tony Keng Yam Tan; Raja H.R. Bobbili; Rafael del Pino; Mohammed A. L. Jameel; Cleve L. Killingsworth; Alejandro Padilla; Antonia D. Schuman

President of the Association of Alumni and Alumnae

Kenneth Wang

Representatives of the Commonwealth

Governor: Deval L. Patrick

Chief Justice of the Supreme Judicial Court: Margaret H. Marshall

Secretary of Education: S. Paul Reville

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.; Louis W. Cabot; Christian J. Matthew; 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; 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.; Raymond S. Stata; Brit J. d'Arbeloff

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

*member of the Executive Committee

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■ **Financial Statements**

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Report of the Treasurer

To Members of the Corporation

General

Fiscal 2010 was a year of stabilization and growth for MIT, following the year of careful response to the economic crisis and planning for the future that defined fiscal 2009. MIT has continued to successfully navigate the instability in economic markets through a combination of a collaborative budget adjustment process, prudent endowment management, and careful liquidity management and forecasting, all of which have allowed MIT to conclude fiscal 2010 with a balanced general budget and favorable consolidated operating results. MIT's dedicated faculty, staff, students, and valued alumni have all played a fundamental role in planning this response and affecting the results through the work of the Institute-wide Planning Task Force, the fiscal leadership shown within our units, and the generosity of our donors. We are grateful for their ongoing collaboration and support as we close this fiscal year and prepare to celebrate MIT's 150th anniversary in 2011.

MIT was able to maintain a balanced budget in fiscal 2010, and has made the necessary budget cuts that anticipate continued constrained resources driven by the economic climate while maintaining our commitment to MIT's mission. This year, MIT showed increases in endowment assets returns of 10.2 percent, and consolidated net assets were \$10,324.3 million as of June 30, 2010, up \$377.9 million, or 3.8 percent, from net assets of \$9,946.4 million at the end of fiscal 2009. Consolidated operating results reflect, in part, timing differences in receipt of revenues from research grants and endowment payout and the expenditure of funds from these sources, as well as strong performance on pledge payments.

Fiscal 2010 was also a year in which MIT completed the new Media Lab and School of Architecture and Planning building and substantially completed the new Sloan School of Management building, which was occupied in July 2010. Fundraising for both buildings was largely complete before construction. A third major construction effort, the Koch Institute for Integrative Cancer Research, is scheduled to be completed in December 2010. We have also engaged in a long-term visioning exercise for future campus growth in order to strengthen

and preserve MIT's premiere position in education and research. This community-based process called 'MIT 2030' sets forth the Deans' visions for MIT's mission in education and research in the coming decades and illustrates options for continuing to provide the physical platform worthy of that mission. In so doing, we will improve the flexibility of our campus to respond to innovative academic initiatives and promote research collaboration and discovery.

The projects being generated by MIT 2030 and the Institute-wide Planning Task Force's innovative strategies for cost reductions and revenue enhancement demonstrate MIT's continued commitment to our mission to provide world-class education and cutting-edge research for future generations.

Following are additional details on MIT's financial position, operating activities, gifts and pledges, investments, endowments, and land, buildings and equipment.

Financial Position

Net assets 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 is to be preserved. 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 \$116.5 million, or 5.9 percent, to a total of \$2,101.9 million, primarily reflects new gifts and pledges made to restricted endowment funds.

Temporarily restricted net assets represent those gifts that ultimately can be used to fund operating or capital expenditures. They require an event or lapse of time to occur before they are available for spending. Approximately 90 percent of the assets in this category are accumulated market gains on permanently restricted endowment funds. This category also includes pledges not permanently restricted, gifts for construction projects that have not been completed and put into use, and

life income funds, which, upon maturity, will be available for spending. The increase in temporarily restricted net assets of \$62.1 million, or 1.4 percent, to a total of \$4,463.1 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 report accumulated market gains on both permanently and temporarily restricted net assets as temporarily restricted net assets until appropriated for use.

Unrestricted net assets comprise all the remaining economic resources available to MIT. This category includes MIT's working capital and those assets, designated by MIT as "funds functioning as endowment," to be invested over the long-term to generate support for MIT's operations and capital projects. Also included in this category 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 \$199.4 million, or 5.6 percent, to a total of \$3,759.3 million. The increase in unrestricted net assets is due to the increase in endowment value partially offset by the net decrease in the overfunded status of MIT's retirement plan resulting from increased benefit obligations. During fiscal 2010 and fiscal 2009, unrestricted net assets were reduced by \$4.8 million and \$24.0 million respectively, to offset investment losses on permanently restricted net assets where market value dropped below book value. This amount will be restored to unrestricted net assets over time with subsequent market value increases.

Operations

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 spending policy, auxiliary revenues, payments on pledges for unrestricted gifts, and operating expenditures.

The Statements of Activities, on pages 10 and 11, show that fiscal 2010 operating revenues increased \$19.1 million, or 0.7 percent, to \$2,663.1 million, while operating expenses decreased \$78.7 million, or 3.2 percent, to a total of \$2,382.6 million, with operating results of \$280.5 million. In fiscal 2009, operating revenues exceeded operating expenses by \$182.7 million. The fiscal 2010 increase in operating surplus was driven

primarily by improved recoveries of indirect research costs, increased revenues from executive education programs, and increases in gifts and bequests to operations, as well as payments on pledges for unrestricted purposes. These revenue increases were accompanied by expense reductions, including reduced expenses associated with patent administration and utilities cost reductions. As of July 1, 2009, The Broad Institute became a separately incorporated entity, which had the effect of further reducing campus expenses relative to fiscal 2009.

Net tuition revenue, which includes executive education programs, increased \$20.9 million, or 9.6 percent, to \$238.3 million. Reflecting MIT's commitment to increasing the affordability of undergraduate education, financial support for undergraduate students from MIT sources grew 13.7 percent.

Total research revenues increased \$145.6 million from the previous year to \$1,354.3 million in fiscal 2010 excluding The Broad Institute. Of these amounts, campus labs and centers at MIT experienced a \$64.4 million increase, or 12.3 percent, in research revenues to \$588.8 million, and research revenue at Lincoln Laboratory totaled \$744.3 million in fiscal 2010, an increase of \$74.6 million, or 11.1 percent. The Singapore-MIT Alliance for Research and Technology (SMART) generated \$21.1 million of research revenue during fiscal 2010, an increase of \$6.6 million or 45.5 percent, for research activities taking place in Singapore. Cumulative research awards received via the American Recovery and Reinvestment Act of 2009 (ARRA) totaled \$133.8 million as of June 30, 2010.

Research revenues include reimbursement from sponsors for both direct and indirect (facilities and administration) costs. MIT's modified total direct research expenditures, which form the basis for recovery of indirect costs, increased by \$42.3 million, or 5.8 percent, driven by increased spending at Lincoln Lab of \$47.4 million offset by a net reduction in campus spending of \$5.1 million due to the separate incorporation of The Broad Institute.

When the effects of The Broad Institute are excluded, it is clear that MIT's remaining campus labs and centers are growing, with total Federal sponsorship of research growing 12.8 percent over fiscal 2009. Approximately half of the growth in Federal funding, or 6.5 percent, came via ARRA. Research volume sponsored by the Department of Health and Human Services grew \$20.1 million, or 17.2 percent, after accounting for the separation of The Broad Institute. Similarly, research

volume sponsored by the National Science Foundation grew by \$9.4 million, or 15.6 percent; Department of Defense volume increased \$9.4 million, or 9.6 percent; Department of Energy volume increased \$7.5 million, or 11.4 percent; and volume sponsored by the National Aeronautics and Space Administration increased \$3.3 million, or 12.0 percent, over last year. Non-Federal funding for campus research increased by \$23.0 million, or 15.3 percent, with the greatest increases coming from non-profit foundations and foreign governments.

Total operating expenses in fiscal 2010 were reduced to \$2,382.6 million, a decrease of \$78.7 million, or 3.2 percent, \$47.8 million of which was due to reduced rent and depreciation expenses for The Broad Institute. Other expense reductions included reduced supplies and services costs of \$37.9 million and reduced utilities costs of \$12.2 million. These savings were offset by an increase in employee benefits expense of \$11.4 million, or 6.7 percent, primarily due to increases in medical costs for active employees and retirees, partially offset by an increase in the pension income.

Gifts and Pledges

As of June 30, 2010, the Campaign for Students had reached a total of \$475.5 million, with 95.1 percent of the \$500 million goal raised. Gifts to the campaign support scholarships, fellowships, educational programming, and student life activities. The MIT Energy Initiative (MITEI) has received funds from 1,428 donors and has raised \$81.3 million in philanthropic dollars. Since fundraising began for the Koch Institute for Integrative Cancer Research, the Institute has raised \$232.8 million from 1,052 donors, including \$107.7 million in commitments for building construction. Additionally, the MIT Annual Fund, which is primarily supported by alumni but also has participation from parents and friends of the Institute raised \$42.7 million in fiscal 2010, with increased undergraduate and graduate alumni participation driving \$35.1 million in gifts.

Gifts and pledges for fiscal 2010 totaled \$246.6 million, a decrease of \$57.3 million, or 18.9 percent, from the fiscal 2009 total of \$303.9 million. Gifts from individuals represented 54.5 percent of new gifts and pledges, up from 35.6 percent in the previous year. Gifts from foundations represented 21.8 percent of new gifts and pledges in fiscal 2010, down from 40.9 percent in the previous year. Gifts from corporations and other sources represented 23.7 percent, slightly up from 23.5 percent

in fiscal 2009. New gifts and payments on pledges for unrestricted purposes were 5.2 percent of the total, compared with 7.7 percent in fiscal 2009. The largest category of gifts for fiscal 2010 was Research and Education, which accounted for 54.8 percent of the total.

Investments

Investments at fair value were \$9,904.3 million at June 30, 2010, an increase of \$384.9 million, or 4.0 percent, from \$9,519.4 million in the previous year. Over the past five years, total invested assets have increased from \$8,022.7 million to \$9,904.3 million while distributions for expenditures have totaled \$2,331.3 million. More specific information is included in Note C to the financial statements.

The financial statements include both realized and unrealized gains and losses on investments. Realized and unrealized gains and losses, including those related to the disposition of fixed assets, increased from a loss of \$1,854.4 million in fiscal 2009 to a gain of \$784.3 million in fiscal 2010.

MIT's investment policy is based on the primary goal of generating high real rates of return without exceptional volatility. To generate high real rates of return, MIT's investment policy favors equity investments over fixed income instruments. MIT's asset allocation reflects the basic tenets of its investment philosophy. To reduce volatility, the portfolio is broadly diversified. The portfolio is primarily invested in equities and heavily weighted towards inefficient markets such as private equity, real estate, and marketable alternatives, creating a portfolio with high expected real returns. Marketable alternatives include investments in absolute return strategies, distressed debt, and hedge funds. Total asset allocation among equity, marketable alternatives, and real estate investments in fiscal 2010 remained similar to that in fiscal 2009. Equity, marketable alternatives, and real estate investments at market value were 83.7 percent of the investments as of June 30, 2010, as compared to 84.5 percent at June 30, 2009.

MIT primarily invests through external fund managers. Working with external fund managers allows MIT to tap into the best investment talent globally. By identifying a wide variety of top-tier investment managers with specific competencies, MIT is able to construct a broadly diversified portfolio while accessing deep sector expertise. Decisions regarding the selection of managers, direct investments, and asset allocation are conducted

by the MIT Investment Management Company (MITIMCo). The Board of Directors for MITIMCo holds four regularly scheduled meetings during the fiscal year where investment policy, performance, and asset allocation are reviewed with MITIMCo staff.

Endowment and Similar Funds

The market value of investments in the endowment and similar funds, excluding pledges for endowed purposes, totaled \$8,317.3 million as of June 30, 2010 and \$7,880.3 million as of June 30, 2009. 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 preserves for reinvestment an amount at least equal to annual inflation on the value of the investment at the beginning of that year. Endowment funds invested in Pool A, MIT's primary investment pool, receive distributions based on relative ownership calculated as 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 previous month's market value of the units in Pool A.

Land, Buildings, and Equipment

Land, buildings and equipment had a net book value of \$2,325.8 million as of June 30, 2010, an increase of 9.7 percent from \$2,120.6 million as of June 30, 2009, driven by expenditures for educational facilities, including the completion of the new 163,000 square-foot building for the Media Lab and School of Architecture and Planning. Other additions include a new 217,000 square-foot building for the Sloan School of Management, which opened in July 2010, including a three-level, 430-car garage located directly under the new building as well as various utility and infrastructure improvements.

Other major, ongoing construction projects include a new 367,000 square-foot laboratory research building for the Koch Institute for Integrative Cancer Research that will be completed by December 2010 and the exterior rehabilitation of an historic building to be converted into an undergraduate dormitory at 305 Memorial Drive.

More extensive renovations related to 305 Memorial Drive have been deferred as part of a portfolio of measures designed to preserve financial flexibility. These projects are part of a campus development program that adds state-of-the-art facilities for emerging areas of research, increases educational infrastructure that supports residential and community life, and revitalizes the physical campus.

Summary

MIT's full financial statements and footnotes follow, describing our financial position and activities through June 30, 2010. In closing, we again thank the MIT community for its generous financial support, advice, and collaboration throughout the year and reaffirm our optimism for the future.

Respectfully submitted,



Theresa M. Stone
Executive Vice President and Treasurer

September 16, 2010

Massachusetts Institute of Technology**Statements of Financial Position**

at June 30, 2010 and 2009

(in thousands of dollars)

	2010	2009
Assets		
Cash	\$ 151,050	\$ 77,387
Accounts receivable, net	203,116	241,024
Pledges receivable, net, at fair value	412,310	464,736
Contracts in progress, principally U.S. Government	68,344	85,821
Deferred charges, inventories and other assets	48,828	57,457
Student notes receivable, net	49,496	48,953
Investments, at fair value	9,904,271	9,519,413
Minority interest	230,433	168,306
Retirement plan asset-overfunded status	18,841	165,842
Land, buildings & equipment (at cost \$3,206,147 for June 2010; \$2,994,190 for June 2009), net of accumulated depreciation	2,325,817	2,120,613
Total assets	<u>\$ 13,412,506</u>	<u>\$ 12,949,552</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals and other liabilities	\$ 309,098	\$ 299,565
Liabilities due under life income fund agreements, at fair value	74,256	72,606
Minority interest	230,433	168,306
Deferred revenue and other credits	112,516	175,070
Advance payments	362,147	343,296
Borrowings	1,728,526	1,735,843
Government advances for student loans	33,590	33,341
Accrued benefit liabilities	237,635	175,137
Total liabilities	<u>3,088,201</u>	<u>3,003,164</u>
Net Assets:		
Unrestricted	3,759,301	3,559,925
Temporarily restricted	4,463,066	4,401,015
Permanently restricted	2,101,938	1,985,448
Total net assets	<u>10,324,305</u>	<u>9,946,388</u>
Total liabilities and net assets	<u>\$ 13,412,506</u>	<u>\$ 12,949,552</u>

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2010 and 2009

(in thousands of dollars)

	Unrestricted		Temporarily Restricted	
	2010	2009	2010	2009
Operating Activities				
Operating Revenues:				
Tuition and similar revenues, net of discount of \$230,269 in 2010 and \$214,383 in 2009	\$ 238,301	\$ 217,389	\$ -	\$ -
Research revenues:				
Direct	1,172,406	1,153,620	-	-
Indirect	197,197	221,452	-	-
Total research revenues	<u>1,369,603</u>	<u>1,375,072</u>	-	-
Gifts and bequests for current use	108,674	100,072	-	-
Fees and services	162,300	157,110	-	-
Other programs	70,439	86,133	-	-
Investment income	99,669	100,624	-	-
Net gains on investments, distributed	459,138	476,822	-	-
Auxiliary enterprises	96,015	94,041	-	-
Net asset reclassification and transfers	58,964	36,695	-	-
Total operating revenue	<u>2,663,103</u>	<u>2,643,958</u>	-	-
Operating Expenses:				
Salaries and wages	967,190	967,160	-	-
Employee benefits	181,116	169,741	-	-
Supplies and services	811,780	849,641	-	-
Subrecipient agreements	117,442	112,732	-	-
Utilities, rent, and repairs	144,201	181,264	-	-
Depreciation	103,910	125,018	-	-
Interest expense	56,927	55,730	-	-
Total operating expenses	<u>2,382,566</u>	<u>2,461,286</u>	-	-
Results of operations	<u>280,537</u>	<u>182,672</u>	-	-
Non-Operating Revenues, Gains and Losses				
Pledges	-	-	67,716	92,836
Gifts and bequests	-	-	3,507	2,730
Investment Income	-	-	2,861	5,084
Net gain (loss) on investments and other assets	359,337	(686,881)	419,054	(1,143,063)
Distribution of accumulated investment gains	(152,081)	(151,590)	(307,057)	(325,232)
Net change in life income funds	675	1,775	5,324	(4,669)
Pension-related charges other than net periodic pension benefit income	(238,137)	(825,440)	-	-
Transfer of net assets to The Broad Institute	(90,975)	-	-	-
Net asset reclassifications and transfers	40,020	(46,881)	(129,354)	8,027
Total non-operating activities	<u>(81,161)</u>	<u>(1,709,017)</u>	<u>62,051</u>	<u>(1,364,287)</u>
Increase (decrease) in net assets	199,376	(1,526,345)	62,051	(1,364,287)
Net assets at the beginning of the year	3,559,925	5,086,270	4,401,015	5,765,302
Net assets at the end of the year	<u>\$ 3,759,301</u>	<u>\$ 3,559,925</u>	<u>\$ 4,463,066</u>	<u>\$ 4,401,015</u>

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

Massachusetts Institute of Technology

Statements of Activities

for the years ended June 30, 2010 and 2009

(in thousands of dollars)

Permanently Restricted		Total	
2010	2009	2010	2009
\$	\$	\$	\$
—	—	238,301	217,389
—	—	1,172,406	1,153,620
—	—	197,197	221,452
—	—	<u>1,369,603</u>	<u>1,375,072</u>
—	—	108,674	100,072
—	—	162,300	157,110
—	—	70,439	86,133
—	—	99,669	100,624
—	—	459,138	476,822
—	—	96,015	94,041
—	—	58,964	36,695
—	—	<u>2,663,103</u>	<u>2,643,958</u>
—	—	967,190	967,160
—	—	181,116	169,741
—	—	811,780	849,641
—	—	117,442	112,732
—	—	144,201	181,264
—	—	103,910	125,018
—	—	56,927	55,730
—	—	<u>2,382,566</u>	<u>2,461,286</u>
—	—	280,537	182,672
28,651	35,028	96,367	127,864
38,032	73,224	41,539	75,954
4,442	4,046	7,303	9,130
5,957	(24,436)	784,348	(1,854,380)
—	—	(459,138)	(476,822)
9,038	(22,975)	15,037	(25,869)
—	—	(238,137)	(825,440)
—	—	(90,975)	—
30,370	2,159	(58,964)	(36,695)
<u>116,490</u>	<u>67,046</u>	<u>97,380</u>	<u>(3,006,258)</u>
116,490	67,046	377,917	(2,823,586)
<u>1,985,448</u>	<u>1,918,402</u>	<u>9,946,388</u>	<u>12,769,974</u>
<u>\$ 2,101,938</u>	<u>\$ 1,985,448</u>	<u>\$ 10,324,305</u>	<u>\$ 9,946,388</u>

Operating Activities

Operating Revenues:

Tuition and similar revenues, net of discount of
\$230,269 in 2010 and \$214,383 in 2009

Research revenues:

Direct

Indirect

Total research revenues

Gifts and bequests for current use

Fees and services

Other programs

Investment income

Net gains on investments, distributed

Auxiliary enterprises

Net asset reclassifications and transfers

Total operating revenues

Operating Expenses:

Salaries and wages

Employee benefits

Supplies and services

Subrecipient agreements

Utilities, rent, and repairs

Depreciation

Interest expense

Total operating expenses

Results of operations

Non-Operating Revenues, Gains and Losses

Pledges

Gifts and bequests

Investment income

Net gain (loss) on investments and other assets

Distribution of accumulated investment gains

Net change in life income funds

Pension-related charges other than net periodic
pension benefit income

Transfer of net assets to The Broad Institute

Net asset reclassifications and transfers

Total non-operating activities

Increase (decrease) in net assets

Net assets at the beginning of the year

Net assets at the end of the year

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

Statements of Cash Flows

for the years ended June 30, 2010 and 2009

(in thousands of dollars)

	2010	2009
Cash Flow from Operating Activities:		
Increase (decrease) in net assets	\$ 377,917	\$ (2,823,586)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (gain) loss on investments	(784,348)	1,854,380
Change in retirement plan asset, net of change in accrued benefit liability	209,499	800,472
Depreciation	103,910	125,018
Gifts of securities	(4,135)	(1,894)
Net (gain) loss on life income funds	(5,144)	38,230
Transfer of land, buildings and equipment to The Broad Institute	82,563	-
Amortization of bond premiums and discounts and other adjustments	(3,823)	(2,838)
Change in operating assets and liabilities:		
Pledges receivable	52,426	(21,433)
Accounts receivable	37,908	(17,234)
Contracts in progress	17,477	(17,883)
Deferred charges, inventories and other assets	8,629	4,859
Accounts payable, accruals and other liabilities, excluding building and equipment accruals	4,765	22,928
Liabilities due under life income fund agreements	1,650	(5,766)
Deferred revenue and other credits	(62,554)	10,600
Advance payments	18,851	28,094
Reclassify investment income	(7,303)	(9,130)
Reclassify contributed securities received as payment on pledges	(28,121)	(22,479)
Reclassify contributions restricted for long-term investment	(41,539)	(75,954)
Net cash used in operating activities	<u>(21,372)</u>	<u>(113,616)</u>
Cash Flow from Investing Activities:		
Purchase of land, buildings and equipment	(387,908)	(299,049)
Purchases of investments	(37,929,592)	(21,221,423)
Proceeds from sale of investments, including contributed securities	38,373,562	21,105,189
Student notes issued	(9,641)	(16,016)
Collections from student notes	8,863	14,019
Net cash provided by (used in) investing activities	<u>55,284</u>	<u>(417,280)</u>
Cash Flow from Financing Activities:		
Proceeds from contributions restricted for:		
Investment in endowment	38,032	73,224
Investment in plant and other	3,507	2,730
Less: contributed securities, gifts for endowment, plant and other	(7,080)	(2,145)
Total proceeds from contributions	34,459	73,809
Increase in investment income for restricted purposes	7,303	9,130
Proceeds from borrowings and re-marketing of swap related to borrowings	-	649,150
Repayment of borrowings	(2,260)	(205,196)
Increase in government advances for student loans	249	284
Net cash provided by financing activities	<u>39,751</u>	<u>527,177</u>
Net increase (decrease) in cash	73,663	(3,719)
Cash at the beginning of the year	77,387	81,106
Cash at the end of the year	<u>\$ 151,050</u>	<u>\$ 77,387</u>

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) in the United States of America. 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 values.

Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that 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 (net gains on permanently restricted gifts that have not been appropriated for spending). Net unrealized losses on permanently restricted endowment funds for which the book value exceeds market value are recorded as a reduction to unrestricted net assets.

Unrestricted net assets are all the remaining net assets of MIT. Donor-restricted gifts and unexpended restricted endowment income that 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 buildings are put into use, at which point they are reclassified to unrestricted net assets.

Net asset reclassifications and transfers consist primarily of payments on unrestricted pledges and use of building funds in accordance with donor restrictions for buildings put into use during the year. 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.

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 and spending policies. Each year, the Executive Committee of the Corporation approves the rates of distribution of investment return to the funds from MIT's investment pools. See Note L 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 spending 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 nonprofit 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.

Restricted Cash

Certain cash balances, totaling \$78.3 million and \$42.1 million at June 30, 2010 and 2009, respectively, are restricted for use under certain sponsored research agreements.

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 estimated 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 is included in the calculation of negotiated fixed billing rates in future years. Any adjustment in the rate is charged or credited to unrestricted net assets.

A. Accounting Policies (continued)

Land, Buildings and Equipment

Land, buildings and equipment are shown at cost when purchased, or fair value as of the date of a gift, when received as gifts, 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 to 6 years for software. Fully depreciated assets were removed from the financial statements in the amount of \$98.2 million and \$42.5 million during 2010 and 2009, respectively. Land, buildings and equipment at June 30, 2010 and 2009 are shown in Table 1 below.

Table 1. Land, Buildings and Equipment

<i>(in thousands of dollars)</i>	2010	2009
Land	\$ 59,598	\$ 51,944
Land Improvements	61,830	60,962
Educational buildings	2,423,625	2,311,995
Equipment	149,320	220,027
Software	36,733	33,084
Total	2,731,106	2,678,012
Less: accumulated depreciation	(880,330)	(873,577)
Construction in progress	471,514	309,468
Software projects in progress	3,527	6,710
Land, buildings and equipment	\$ 2,325,817	\$2,120,613

Depreciation expense was \$103.9 million in 2010 and \$125.0 million in 2009. Net interest expense of \$17.6 million and \$10.5 million was capitalized during 2010 and 2009, respectively, in relation to MIT's construction projects. At July 1, 2009, the separation of The Broad Institute resulted in the removal of a net of \$82.6 million from MIT's land, buildings and equipment (see Note B).

Tuition and Financial Aid

Tuition and similar revenues, shown in Table 2 below, include tuition and fees in degree programs as well as tuition and fees for executive and continuing education programs at MIT.

Table 2. Tuition and Similar Revenues

<i>(in thousands of dollars)</i>	2010	2009
Tuition revenue	\$ 432,778	\$ 409,195
Executive and continuing education revenues	35,792	22,577
Total	468,570	431,772
Less: tuition discount	(230,269)	(214,383)
Net tuition	\$ 238,301	\$ 217,389

Tuition support is awarded to undergraduate students by MIT based on need. Graduate students are provided with tuition support in connection with research assistance, teaching assistance, and fellowship appointments. Total financial aid granted to students was \$397.4 million and \$376.1 million in 2010 and 2009, respectively. Of that amount, \$125.5 million in 2010 and \$118.7 million in 2009, was aid from sponsors. Tuition support from MIT sources is displayed as tuition discount. Components of financial aid are detailed in Table 3 below.

Table 3. Financial Aid

<i>(in thousands of dollars)</i>	2010			2009		
	Institute Sources	External Sponsors	Total Financial Aid	Institute Sources	External Sponsors	Total Financial Aid
Tuition support	\$ 230,269	\$ 54,722	\$ 284,991	\$ 214,383	\$ 51,883	\$ 266,266
Stipends	15,850	12,254	28,104	15,566	11,943	27,509
Student salaries	25,820	58,484	84,304	27,374	54,913	82,287
Total	\$ 271,939	\$ 125,460	\$ 397,399	\$ 257,323	\$ 118,739	\$ 376,062

A. Accounting Policies (continued)

Gifts and Pledges

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair value at the date of contribution. Gifts of equipment received from manufacturers and other donors are put into use and recorded by MIT at fair value. Gifts of equipment totaled \$0.6 million and \$2.0 million in 2010 and 2009, respectively. Pledges in the amount of \$412.3 million and \$464.7 million are recorded as receivables at June 30, 2010 and 2009, respectively with the revenue assigned to the appropriate classification of restriction for 2010 and 2009, respectively. Pledges consist of unconditional written promises to contribute to MIT in the future and are recorded after discounting the future cash flows to the present value.

MIT records items of collections as a gift at nominal value. They are received for educational purposes and most are displayed throughout MIT. In general, collections 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 when MIT fulfills 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 the assets that are associated with each life income fund at fair value and records as liabilities the present value of the estimated future payments at current interest rates to be made to the donors and beneficiaries under these agreements. Life income fund liabilities are classified as Level 3 under the valuation hierarchy disclosed in Note C. A rollforward

of liabilities due under life income fund agreements is presented in Table 4.

Recently Adopted Accounting Standards

On July 1, 2008, MIT adopted the accounting standard relating to *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard applies to fair value measurements that are already required or permitted by other accounting standards and does not require any new fair value measurements. The statement defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

On July 1, 2008, MIT adopted the accounting standard update for *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This standard clarifies the application of fair value in inactive markets and allows for the use of management's internal assumptions about future cash flows with appropriately risk-adjusted discount rates when relevant observable market data does not exist. The objective of this update has not changed and continues to be the determination of the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date. The result of this update did not have a material effect on MIT's results of operations, financial position, or liquidity.

On July 1, 2008, MIT adopted the provisions of the accounting standard *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, and applied them prospectively in 2009. This standard provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased and re-emphasizes that regardless of market conditions the fair value measurement is an exit price concept. The scope of this standard does not include assets and liabilities measured under Level 1 inputs (quoted prices in active markets for identical assets).

On July 1, 2008, and in conjunction with the accounting standard *Fair Value Measurements*, MIT adopted *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard allows an entity the irrevocable option to elect fair value to measure certain financial assets and liabilities under an instrument-by-instrument election, and establishes additional disclosure requirements. MIT elected the fair value option in accounting for pledges receivable and life income fund liabilities. The adoption of this standard did not have a material impact on MIT's financial statements.

Table 4. Liabilities Due Under Life Income Funds

(in thousands of dollars)

Balance at beginning of year	\$ 72,606
Additions for new gifts	5,123
Terminations and Payments to beneficiaries	(10,845)
Net investment and actuarial gain	7,372
Balance at end of year	\$ 74,256

A. Accounting Policies (continued)

On July 1, 2008, MIT adopted the accounting standard *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The adoption of this standard had no impact on the way that MIT classifies donor-restricted endowment funds, but does require additional financial statement disclosures about MIT's endowment funds. The additional disclosures are included in Note L.

On June 30, 2009, MIT adopted the accounting standard *Subsequent Events*. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of this standard did not have a material impact on MIT's financial statements. MIT has evaluated subsequent events through September 15, 2010, the date the financial statements were available to be issued.

On July 1, 2009, MIT adopted the *Fair Value Measurements* standard for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with US GAAP. As a practical expedient, MIT is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. MIT's investments in private equity, real estate and marketable alternatives are fair valued based on the most current NAV.

On July 1, 2009, MIT adopted the accounting standard, *Disclosures about Derivative Instruments*. This standard requires specific tabular disclosures presenting the fair value amounts of derivative instruments for assets and liabilities and their location on the balance sheet, as well as derivative gains and losses and their location on the income statement. The new disclosure requirements call for specific fair value and gain/loss information by the derivative instrument's primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, or overall price) on a gross basis.

On July 1, 2009, MIT adopted the accounting standard, *Disclosures about Postretirement Benefit Plan Assets*. This standard provides guidance on expanded disclosures for plan assets of a defined benefit pension or other postretirement plan. The adoption has no impact on the valuation of MIT's retirement benefit plans. It does however require additional disclosures included in Note K.

Non-Cash Items

Non-cash transactions excluded from the Statements of Cash Flows include the increase (decrease) in collateral for securities lending and minority interest of \$62.1 million and (\$195.2) million, as well as \$35.1 million and \$30.3 million of accrued liabilities related to plant and equipment purchases for 2010 and 2009, respectively.

Use of Estimates

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

Reclassifications

Certain June 30, 2009 balances and amounts previously reported have been reclassified to conform to the June 30, 2010 presentation.

B. The Broad Institute

On July 1, 2009, The Broad Institute, previously a unit of MIT, became a separately incorporated entity. The Broad Institute is a research center located adjacent to the MIT campus. Before July 1, 2009, MIT administered The Broad Institute as a collaboration among MIT, Harvard University and its affiliated hospitals, and The Whitehead Institute for Biomedical Research. Following the separation, The Broad Institute is a self-administered collaboration of MIT, Harvard University, and its affiliated hospitals.

The separation was enabled by a \$400 million gift pledged by Los Angeles philanthropists Eli and Edythe Broad to The Broad Institute. The gift serves to create an endowment to transform The Broad Institute from a 10-year experiment, as it was conceived when founded in 2004 with a \$100 million gift of operating funds to MIT, into a permanent entity.

The Broad Institute's assets and liabilities reflected in MIT's Statements of Financial Position as of June 30, 2009 were \$188.3 million and \$97.3 million, respectively. Assets consist primarily of equipment, leasehold improvements, accounts receivable, grants and contracts in progress, cash, investments, and inventory. Liabilities include sponsor advances, agency funds held, and deferred landlord-financed leasehold improvements. The Broad Institute's revenues as reflected in MIT's Statement of Activities in 2009 totaled \$206.0 million; expenses were \$215.4 million.

At separation on July 1, 2009, MIT transferred \$91.0 million of net assets to the separately incorporated The Broad Institute as shown in the Statement of Activities.

C. Investments

Investment transactions are accounted for on the trade date. Realized gains and losses are recorded by MIT using the average cost basis. Dividend income is recorded on the ex-dividend date.

As discussed in Note A, as of July 1, 2008, MIT has valued its investments in accordance with the principles of accounting standards which establish a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. MIT follows a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by MIT for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from relevant exchange or dealer markets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for

similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Investments may be classified as Level 2 when market information (observable net asset values) is available, yet the investment is not traded in an active market. Market information, including observable net asset values, subscription and redemption activity, if applicable, and the length of time until the investment will become redeemable is considered when determining the proper categorization of the investment's fair values measurement within the fair valuation hierarchy. Fund investments that have observable market inputs (published net asset values) and from which MIT has the ability to redeem within twelve months of June 30 are classified in the fair value hierarchy as Level 2.

Investment funds that have unobservable inputs or from which MIT does not have the ability to redeem within twelve months are classified in the fair value hierarchy as Level 3.

C. Investments (continued)

Table 5 below presents MIT's investments at fair value as of June 30, 2010, grouped by the valuation hierarchy as defined on page 17.

<i>(in thousands of dollars)</i>	2010			Total fair value	2009 Total fair value
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Cash equivalents	\$ 771,475	\$ —	\$ —	\$ 771,475	\$ 751,923
Fixed income	582,090	131,788	75,097	788,975	682,134
Long equities	1,377,596	272,684	3,994,837	5,645,117	4,587,465
Short equities	(518,544)	—	—	(518,544)	—
Marketable alternatives	—	426,755	1,388,138	1,814,893	2,203,965
Real estate	—	—	1,352,644	1,352,644	1,256,126
Perpetual trusts	—	—	53,134	53,134	47,618
Interest rate, credit & other derivatives	(1,592)	(1,831)	—	(3,423)	(9,818)
Total investments	\$ 2,211,025	\$ 829,396	\$ 6,863,850	\$ 9,904,271	\$ 9,519,413

Cash equivalents include money market funds, repurchase agreements and negotiable certificates of deposit and are valued at cost, which approximates fair value. Fixed income investments include US government, agency, and other obligations. Fixed income investments are generally valued using independent pricing sources that use broker quotes or models using market observable inputs. Equity investments include public equities and private equity investment funds. Public equities are generally valued based on the closing price listed on a public securities exchange. Marketable alternatives include investments in absolute return strategies, distressed debt, and hedge funds. Private equity and marketable alternative investments generally consist of funds and limited partnerships managed by external managers. Securities held in these external investment vehicles that do not have readily determinable fair values are determined by the external managers and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the external managers taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Using these valuations, most of these external managers calculate MIT's capital account or net asset value (NAV) in accordance with, or in a manner consistent with US GAAP. As a practical expedient, MIT is permitted under US GAAP to estimate the fair value of its investment in these external managers using the external managers' reported NAV without further adjustment unless

MIT expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. Direct real estate holdings are valued at fair market value based on external appraisals. Perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement. Over-the-counter positions such as interest rate swaps, credit default swaps, options, exchange agreements, and interest rate cap and floor agreements are valued using broker quotes or models using market observable inputs. Because the interest rate swaps and other derivative instruments have inputs that can generally be corroborated by market data, they are generally classified within Level 2.

As a result of adopting new guidance for estimating the fair value of investments, certain investments have been transferred to Level 2 assets subject to criteria described above based upon recorded amounts at June 30, 2010.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. MIT has performed due diligence around its private equity and marketable alternative investments to ensure they are recorded at fair value as of June 30, 2010 and 2009.

Furthermore, while MIT believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

C. Investments (continued)

Table 6 below is a rollforward of the investments classified by MIT within Level 3 of the fair value hierarchy defined on page 17 at June 30, 2010 and 2009.

<i>(in thousands of dollars)</i>	Fixed income	Equities	Marketable alternatives	Real estate	Perpetual trusts	Total investments
Fiscal Year 2009						
Fair value, July 1, 2008. . . .	\$ 57,679	\$ 4,480,221	\$ 2,898,174	\$1,235,092	\$ 66,912	\$ 8,738,078
Realized gains (losses).	—	(62,307)	(45,793)	91	—	(108,009)
Unrealized losses	—	(990,951)	(522,800)	(166,114)	(19,850)	(1,699,715)
Net purchases, sales, and settlements	7,845	552,914	(125,616)	187,057	556	622,756
Fair Value, June 30, 2009. . .	\$ 65,524	\$ 3,979,877	\$ 2,203,965	\$1,256,126	\$ 47,618	\$ 7,553,110
Fiscal Year 2010						
Fair value, July 1, 2009. . . .	\$ 65,524	\$ 3,979,877	\$ 2,203,965	\$ 1,256,126	\$ 47,618	\$ 7,553,110
Realized gains (losses).	—	(46)	1,868	(389)	—	1,433
Unrealized gains (losses) . . .	9,270	282,355	203,573	76,600	5,516	577,314
Net purchases, sales, and settlements	303	(113,178)	(594,513)	20,307	—	(687,081)
Transfer of assets between levels	—	(154,171)	(426,755)	—	—	(580,926)
Fair Value, June 30, 2010. . .	\$ 75,097	\$ 3,994,837	\$ 1,388,138	\$ 1,352,644	\$ 53,134	\$ 6,863,850

All net realized and unrealized gains and losses relating to financial instruments held by MIT and shown in Table 5 are reflected in the Statements of Activities. Cumulative unrealized gains related to Level 3 investments totaled \$1,165.5 million at June 30, 2010 and \$588.1 million at June 30, 2009.

MIT enters into short sales whereby it sells securities which may or may not be owned by MIT in anticipation of a decline in the price of such securities or in order to hedge portfolio positions. Cash collateral and certain securities owned by MIT held at counterparty brokers were provided at June 30, 2010 to collateralize these positions and are included in investments on the Statement of Financial Position.

Certain investments in real estate, equities, and private investments may be subject to restrictions that (i) limit MIT's ability to withdraw capital after such investment and (ii) may be subject to limitations that limit the amount that may be withdrawn as of a given redemption date. Most marketable alternative investments are held in funds where withdrawal is limited to monthly, quarterly, or other periods, and may require notice periods. In addition, certain of these funds are able to designate a portion of the investments as "illiquid" in "side-pockets",

and these funds may not be available for withdrawal until liquidated by the investing fund. Generally, MIT has no discretion as to withdrawal with respect to its investment in private equity and real estate funds. Distributions are made when sales of assets are made within these funds and the investment cycle for these funds can be as long as fifteen to twenty years. These restrictions may limit MIT's ability to respond quickly to changes in market conditions. MIT does have various sources of internal liquidity at its disposal, including cash, cash equivalents, marketable debt and equity securities, and lines of credit.

The unfunded commitments that MIT has made to various investments at June 30, 2010 and 2009 are listed in Table 7 below. MIT expects these funds to be called currently and for a period to extend between twelve and fifteen years.

<i>(in thousands of dollars)</i>	2010	2009
Equities	\$ 1,296,483	\$ 1,607,993
Marketable alternatives	177,771	153,498
Real estate	456,656	581,070
Total Unfunded Commitments	\$ 1,930,910	\$ 2,342,561

D. Derivative Financial Instruments

Effective July 1, 2009, MIT adopted an accounting standard which required entities to provide additional disclosures regarding derivative instruments held.

MIT has entered into certain interest rate swap agreements to manage the interest cost and risk associated with its variable rate debt, further described in Note H. Under the terms of these agreements, MIT pays fixed rates, ranging from 4.46 percent to 4.91 percent, determined at inception, and receives the Securities Industry and Financial Market Association (SIFMA)'s municipal swap index rate on the respective notional principal amounts. At June 30, 2010, swap agreements in place for the purpose of managing interest rate risk on MIT's variable rate debt had a total fair value of \$(40.5) million and net losses for 2010 totaled \$4.9 million. The notional amount of contracts related to these swaps at June 30, 2010 was \$250.0 million. The notional amounts of these derivatives are not recorded on MIT's Statement of Financial Position.

For its investment management, MIT uses a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement. MIT uses these instruments primarily to decrease its exposure to extreme market events and to partially offset exchange rate movements with respect to any currency exposure. These instruments include futures, credit default swaps, and interest-rate cap and swaption agreements. The futures are exchange traded and the swap, swaptions, and cap agreements are executed over the counter.

MIT's portfolio of interest caps and swaptions is designed for protection from significant increases in interest rates. An interest rate swaption is an option to enter into an interest rate swap agreement on pre-set terms at a future date. The purchaser and seller of the swaption agree on the expiration date, option type, exercise style, the terms of the underlying swap and the type of settlement. As the expiration date approaches, the swaption holder can either notify the seller of its intention to exercise or let the option expire. An interest rate cap places a ceiling on a floating rate of interest on a specified notional principal amount for a specific term. The buyer of the cap uses the cap contract to limit its maximum interest rate exposure. If the buyer's floating rate rises above the cap strike, the cap contract provides for payments from the seller to the buyer of the cap for the difference between the floating rate and the cap strike. If the floating rate remains below the cap strike, no payments are required. The cap buyer is required to pay an up-front fee or premium for the cap. The cap premium charged by the seller depends upon the market's assessment of the probability that rates will move through the cap strike over the time horizon of the deal. The interest-rate cap and swaption instruments offer MIT an opportunity to create an asymmetric return payoff pattern in which downside

exposure is limited and upside potential is unlimited. The payoff is expected to occur in extreme market conditions that would negatively impact other of MIT's assets.

Table 8 at the top of page 21 summarizes the notional exposure and net ending fair value relative to the financial instruments with off-balance sheet risk as of June 30, 2010 related to MIT's investment management.

Table 9 at the top of page 21 provides further details related to MIT's credit instruments. The act of entering into a credit default swap contract is often referred to as "buying protection" or "selling protection" on an underlying reference obligation. The buyer is obligated to make premium payments to the seller over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to the underlying obligation. The seller bears the obligation to "protect" the buyer in the event of default of the underlying issuer. Upon this event, the cash payment which the buyer receives is equal to the clearing price established by an auction of credit default swap claims, which is designed to approximate the recovery value of an unsecured claim on the issuer in default. The swap will last for a predetermined amount of time, typically five years. Upon termination of the swap, the buyer is no longer obligated to make any premium payments and there is no other exchange of capital.

Financial instruments with off-balance sheet risk involve counterparty credit exposure. MIT requires collateral to the maximum extent possible under normal trading practices. Collateral is moved on a daily basis as required by fluctuations in the market. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. In the event of counterparty default, MIT has the right to use the collateral to offset the loss associated with the replacements of the agreements. MIT enters into arrangements only with counterparties believed to be creditworthy.

D. Derivative Financial Instruments (continued)

Table 8. Derivative Financial Instruments

(in thousands of dollars)

	Notional Exposure		Net ending fair value *	Net gain (loss)**
	Long	Short		
Fixed income instruments				
Fixed income futures	\$ —	\$ (32,700)	\$ (526)	\$ (1,494)
Options on interest rate exchange agreements .	1,084,172	(82,198)	20,371	(17,547)
Interest rate caps and floors	2,750,000	(1,950,000)	5,287	11,638
Total fixed income instruments	3,834,172	(2,064,898)	25,132	(7,403)
Currency instruments				
Currency forwards	52,496	(53,829)	(1,333)	(1,007)
Total currency instruments	52,496	(53,829)	(1,333)	(1,007)
Commodity instruments				
Commodity futures	1,364	—	269	(3,424)
Total commodity futures	1,364	—	269	(3,424)
Credit instruments	200,607	(1,553,312)	12,969	35,390
Total	\$ 4,088,639	\$ (3,672,039)	\$ 37,037	\$ 23,556

*The fair value of all derivative financial instruments is reflected in Investments at fair value in the Statements of Financial Position.

**Net gain (loss) from the derivative financial instruments is located in the non-operating section as net gain (loss) on investments and other assets in the Statements of Activities.

The following table summarizes the notional amounts and fair value of the purchased and written credit derivatives, classified by the expiration terms and the external credit ratings of the reference obligations at June 30, 2010.

Table 9. Credit Derivatives

(in thousands of dollars)

	Purchased protection				Written protection notional amount			
	Purchased notional amounts	Purchased fair value*	Years to maturity < 5 years	5-10 years	Written notional amounts	Offsetting purchased credit protection**	Net written credit protection	Net written credit protection fair value
Credit rating on underlying or index								
A- to AAA	\$ 547,155	\$ (3,897)	\$ 36,000	\$ 511,155	\$ 200,607	\$ (200,607)	\$ —	\$ 6,651
BBB- to BBB+	709,450	(6,819)	87,450	622,000	—	—	—	—
Non-investment grade	47,000	1,296	—	47,000	—	—	—	—
Non-rated	20,000	(292)	—	20,000	—	—	—	—
ABX index	29,100	16,030	—	29,100	—	—	—	—
Total	\$ 1,352,705	\$ 6,318	\$ 123,450	\$ 1,229,255	\$ 200,607	\$ (200,607)	\$ —	\$ 6,651

*The fair value of all credit derivative instruments is reflected in Investments, at fair value in the Statements of Financial Position.

**Net gain (loss) of the credit derivative instruments is located in the non-operating section as net gain (loss) on investments and other assets in the Statements of Activities.

E. Pledges Receivable

Table 10 below shows the time periods in which pledges receivable at June 30, 2010 and 2009 are expected to be realized.

	2010	2009
In one year or less	\$ 99,057	\$ 152,686
Between one year and five years	193,666	195,033
More than five years	165,997	168,897
Less: allowance for unfulfilled pledges	(46,410)	(51,880)
Pledges receivable, net	\$ 412,310	\$ 464,736

A review of pledges is periodically made with regard to collectability. 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 the financial statements. In addition, pledges are discounted in the amount of \$59.0 million and \$89.5 million in 2010 and 2009, respectively. MIT has gross conditional pledges, not recorded, for the promotion of education and research in the amount of \$44.1 million and \$114.0 million as of June 30, 2010 and 2009, respectively. In 2009, \$95.0 million of the \$114.0 million related to The Broad Institute.

As discussed in Note A, MIT adopted *The Fair Value Option for Financial Assets and Financial Liabilities* in accounting for pledges receivable. Pledges receivable are classified as Level 3 under the valuation hierarchy in Note C.

Table 11 below is a rollforward of the pledges receivable for 2010 and 2009.

	2010	2009
Pledges receivable at beginning of year	\$ 464,736	\$ 443,303
New pledges	61,630	125,502
Pledge payments received	(139,549)	(106,431)
Decrease in pledge discount	30,494	5,542
Decrease (increase) in reserve for unfulfilled pledges	5,470	(3,180)
Transfer to The Broad Institute	(10,471)	—
Balance at end of year	\$ 412,310	\$ 464,736

F. Student Notes Receivable

Table 12 below details the components of student notes receivable at June 30, 2010 and 2009.

	2010	2009
Institute-funded student notes receivable	\$ 16,570	\$ 18,188
Perkins student notes receivable	35,926	33,765
Total student notes receivable	52,496	51,953
Less: allowance for doubtful accounts	(3,000)	(3,000)
Student notes receivable, net	\$ 49,496	\$ 48,953

F. Student Notes Receivable (continued)

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, \$33.6 million and \$33.3 million at June 30, 2010 and

2009, 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.

G. Accounts Payable, Accruals and Other Liabilities

MIT's accounts payable, accruals and other liabilities at June 30, 2010 and 2009 are shown in Table 13 below.

	2010	2009
Accounts payable and accruals	\$ 256,213	\$ 249,445
Accrued vacation	52,885	50,120
Total	\$ 309,098	\$ 299,565

H. Borrowings

	2010	2009
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series I, 4.75%–5.20%, due 2028, par value \$59,200	\$ 59,638	\$ 59,663
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	243,041	243,804
Series L, 3.0%–5.25%, due 2004–2033, par value \$184,860	185,394	188,616
Series M, 5.25%, due 2014–2030, par value \$131,110	144,968	145,998
Series N, 3.5%–5.0%, due 2014–2038, par value \$325,195	332,815	333,991
Series O, 4.0%–6.0%, due 2016–2036, par value \$266,460	273,368	274,475
Total MHEFA	1,489,224	1,496,547
Medium Term Notes Series A, 7.125%, due 2026	17,351	17,347
Medium Term Notes Series A, 7.25%, due 2096	45,441	45,439
Notes payable to bank, variable rate, due 2011	83,033	83,033
Total educational plant	1,635,049	1,642,366
OTHER		
Notes payable to bank, variable rate, due 2011	93,477	93,477
Total Borrowings	\$ 1,728,526	\$ 1,735,843

H. Borrowings (continued)

In 2010, fair value of the outstanding debt is approximately 7 percent greater than the carrying value. In 2009, fair value of the outstanding debt is approximately 3 percent more than the carrying value. Carrying value is based on estimates using current interest rates available for similarly rated debt of the same remaining maturities.

The aggregate amount of debt payments and sinking fund requirements for each of the next five fiscal years is shown in Table 15 below.

Table 15. Debt Obligations
(in thousands of dollars)

2011	\$ 178,879
2012	2,490
2013	26,500
2014	26,000
2015	59,110

MIT maintains a line of credit with a major financial institution for an aggregate commitment of \$500.0 million. As of June 30, 2010, \$323.5 million was available under this line of credit. The line of credit expires on March 28, 2011

I. 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, except in 2008, during which fixed rates were negotiated without carry-forward for most on and off-campus research activity. At June 30, 2010 and 2009, MIT recorded a net over-recovery of \$12.3 million and \$2.4 million, respectively.

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 2009. MIT's 2010 research revenues of \$1,369.6 million include reimbursement of indirect costs of \$197.2 million, which includes the adjustment for the variance between the indirect cost income determined by the fixed rates and actual costs for 2010. In 2009, research revenues were \$1,375.1 million, which included reimbursement of indirect costs of \$221.5 million.

and MIT plans to secure replacement financing.

Cash paid for interest on long-term debt in 2010 and 2009 was \$79.4 million and \$56.1 million, respectively. The increased cash payments in 2010 were largely due to the Series N and O fixed rate debt issued in 2009.

Variable interest rates at June 30, 2010 are shown in Table 16 below.

Table 16. Variable Interest Rates

(in thousands of dollars)	Amount	Rate
MHEFA Series J-1	\$ 125,000	0.22%
MHEFA Series J-2	125,000	0.24%
Notes payable to bank.	176,510	0.40%

In the event that MIT receives notice of any optional tender on its Series J-1 and Series J-2 variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, MIT will be obligated to purchase the bonds tendered.

Leases

At June 30, 2010, there were no capital lease obligations. MIT is committed under certain operating (rental) leases. Rent expense incurred under operating lease obligations was \$37.9 million and \$65.5 million in 2010 and 2009, respectively. In 2009, \$22.1 million of rent expense related to The Broad Institute. Future minimum payments under operating leases are shown in Table 17 below.

Table 17. Lease Obligations

(in thousands of dollars)	
2011	\$ 32,783
2012	31,852
2013	29,961
2014	21,778
2015	9,126

Investments

As of June 30, 2010, \$41.8 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.

I. Commitments and Contingencies (continued)

Future Construction

MIT has contracted for educational plant in the amount of \$116.5 million at June 30, 2010. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, and unrestricted funds. 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 likelihood of realization of increased financial risks by MIT under these agreements is remote.

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.

J. Functional Expense Classification

MIT's expenditures on a functional basis are shown in Table 18 below.

	2010	2009
General and administrative	\$ 438,863	\$ 497,043
Instruction and unsponsored research	635,668	680,848
Sponsored research	1,192,041	1,167,036
Auxiliary enterprises	104,489	104,443
Operation of alumni association	11,505	11,916
Total operating expense	\$2,382,566	\$2,461,286

K. Retirement Benefits

MIT offers a defined benefit plan and a defined contribution plan to its employees. The plans cover substantially all of MIT's employees.

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, their covered dependents, and beneficiaries. Benefits are provided through various insurance companies whose charges are based either on the claims and administrative expenses paid during the year or annual insured premiums. Retiree life insurance plans are non-contributory and cover the retiree only. MIT maintains a trust to pay for retiree welfare benefits.

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 2010 or 2009.

For purposes of calculating net periodic pension cost for the defined benefit plan, plan amendments are amortized on 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 percent of the greater of the projected benefit obligation or 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.

K. Retirement Benefits (continued)

The amount contributed and expenses recognized during 2010 and 2009 related to the defined contribution plan were \$39.2 million and \$40.3 million, respectively.

For purposes of calculating net periodic postretirement benefit cost, a portion of the current obligation, related to the transition to the accounting standard *Employers' Accounting for Postretirement Benefits Other than Pensions*, is being amortized on a straight-line basis over 20 years from the date of adoption of that statement in 1994. Plan amendments are

amortized on 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 percent of the greater of the plan's obligation or 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.

Components of Net Periodic Benefit (Income) Cost and Other Amounts Recognized in Unrestricted Net Assets

Table 19 summarizes the components of net periodic benefit (income) cost recognized in the Statement of Activities and other amounts recognized in unrestricted net assets for the years ended June 30, 2010 and 2009.

<i>(in thousands of dollars)</i>	Defined Benefit Plan		Postretirement Welfare Benefit Plan	
	2010	2009	2010	2009
Components of net periodic benefit (income) cost				
Service cost	\$ 54,179	\$ 54,344	\$ 16,581	\$ 15,009
Interest cost	131,994	134,080	25,901	25,137
Expected return on plan assets	(222,291)	(215,752)	(20,422)	(20,647)
Amortization of transition amount	-	-	4,776	4,776
Amortization of net actuarial (gain) loss	(29,500)	(31,172)	4,409	2,380
Amortization of prior service cost	2,180	2,180	3,555	3,555
One-time specific termination benefits	-	1,143	-	-
Net periodic benefit (income) cost	(63,438)	(55,177)	34,800	30,210
Other amounts recognized in unrestricted net assets				
Current year actuarial loss	\$ 183,120	\$ 728,482	\$ 40,437	\$ 78,677
Amortization of actuarial gain (loss)	29,500	31,172	(4,409)	(2,380)
Current year prior service cost	-	-	-	-
Amortization of prior service cost	(2,180)	(2,180)	(3,555)	(3,555)
Amortization of transition obligation	-	-	(4,776)	(4,776)
Total recognized in unrestricted net assets	210,440	757,474	27,697	67,966
Total recognized in net periodic benefit (income) cost and unrestricted net assets	\$ 147,002	\$ 702,297	\$ 62,497	\$ 98,176

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 during the next fiscal year are \$3.1 million and \$2.2 million, respectively. The estimated net actuarial loss, prior service cost,

and transition obligation for the postretirement welfare benefit plan that will be amortized from unrestricted net assets into net periodic benefit cost during the next fiscal year are \$10.3 million, \$3.6 million, and \$4.8 million, respectively.

K. Retirement Benefits (continued)

Benefit Obligations and Fair Value of Assets

Table 20 summarizes the benefit obligations, plan assets, amounts recognized in the Statements of Financial Position, and amounts recognized in unrestricted net assets for MIT's retirement benefit plans. MIT uses a June 30 measurement date for its defined benefit pension and postretirement welfare benefit plans.

<i>(in thousands of dollars)</i>	Defined Benefit Plan		Postretirement Welfare Benefit Plan	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 2,118,977	\$ 2,066,978	\$ 409,738	\$ 382,845
Service cost	54,179	54,344	16,581	15,009
Interest cost	131,994	134,080	25,901	25,137
Retiree contributions	—	—	3,200	3,105
Net benefit payments and transfers	(117,535)	(111,972)	(23,474)	(22,043)
Assumption changes and actuarial net loss (gain)	106,262	(25,596)	40,224	5,685
One-time specific termination benefits	—	1,143	—	—
Benefit obligations at end of year	2,293,877	2,118,977	472,170	409,738
Change in plan assets				
Fair value of plan assets at beginning of year	2,284,819	2,989,316	234,601	251,684
Actual return on plan assets	145,434	(538,325)	20,209	(52,345)
Employer contributions	—	(54,200)	2,038	56,604
Retiree contributions	—	—	3,200	3,105
Net benefit payments and transfers	(117,535)	(111,972)	(25,513)	(24,447)
Fair value of plan assets at end of year	2,312,718	2,284,819	234,535	234,601
Funded (unfunded) status at end of year	\$ 18,841	\$ 165,842	\$ (237,635)	\$ (175,137)
Amounts recognized in the statements of financial position consist of:				
Benefit assets	\$ 18,841	\$ 165,842	\$ —	\$ —
Benefit liability	—	—	(237,635)	(175,137)
Total	\$ 18,841	\$ 165,842	\$ (237,635)	\$ (175,137)
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss (gain)	\$ 192,250	\$ (20,371)	\$ 184,971	\$ 148,942
Prior service cost	9,001	11,182	3,557	7,113
Transition liability	—	—	14,327	19,103
Total	\$ 201,251	\$ (9,189)	\$ 202,855	\$ 175,158

K. Retirement Benefits (continued)

The accumulated benefit obligation for MIT's defined benefit pension plan was \$2,157.9 million and \$2,011.3 million at June 30, 2010 and 2009, respectively.

Defined benefit plan funding rules are set forth under the Pension Protection Act of 2006 (PPA). On a PPA basis, the funded position of a plan is measured by comparing the actuarial value of assets with the funding target. The actuarial value of assets is an average of the fair market value over a three-year period adjusted for cash flow and expected earnings, but not greater than 110 percent of the fair market value. The funding target is the present value of benefits accrued or earned as of the valuation date (January 1). As of January 1, 2010 (the plan's valuation date), the MIT defined benefit pension plan was estimated at 132.4 percent funded on a PPA basis. This is based on a funding target of \$1,986.0 million and an actuarial value of assets of \$2,630.3 million.

Under rules set forth in the accounting standard for accounting and reporting of pension costs, the funded position of the plan is measured by comparing the fair value

of assets with the accumulated benefit obligation (ABO) or the projected benefit obligation (PBO). The ABO equals the present value of benefits as of the end of the fiscal year (June 30). The PBO equals the ABO adjusted for the effect of future expected pay increases. As of June 30, 2010, the MIT defined benefit pension plan was 107.2 percent funded on an ABO basis. This is based on an ABO of \$2,157.9 million and the fair value of assets of \$2,312.7 million.

The ABO and PPA funded percentages differ primarily due to the difference in plan assets and economic conditions (and therefore plan valuation assumptions) between January 1, 2010 and June 30, 2010.

MIT has recognized the effect of the expected Medicare subsidy by reducing its accumulated postretirement benefit obligation by \$62.6 million and \$67.8 million as of June 30, 2010 and 2009, respectively. This initial reduction was recognized as an actuarial gain. Additionally, the service and interest cost components of postretirement benefits cost were reduced in 2010 and future periods.

Table 21. Assumptions and Health Care Cost Trend Rates

	Pension Benefit Plan		Postretirement Welfare Benefit Plan	
	2010	2009	2010	2009
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	5.84%	6.25%	5.71%	6.25%
Rate of compensation increase ¹	4.00%	4.00%		
Assumptions used to determine net periodic benefit (income) cost for year ended June 30:				
Discount rate	6.25%	6.50%	6.25%	6.50%
Expected long-term return on plan assets	8.00%	8.00%	7.00%	7.00%
Rate of compensation increase ¹	4.00%	4.00%		
Assumed health care cost trend rates:				
Health care cost trend rate assumed for next year			7.50%	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			2015	2015

¹ The average rate of salary increase is assumed to be 2% for 2011, 3% for 2012, and 4% thereafter.

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.

K. Retirement Benefits (continued)

As an indicator of sensitivity, a one percentage point change in the assumed health care cost trend rate would effect 2010 as shown in Table 22 below.

Table 22. Health Care Cost Trend Rate Sensitivity

<i>(in thousands of dollars)</i>	1% point increase	1% point decrease
Effect on 2010 post-retirement service and interest cost	\$ 7,078	\$ (5,820)
Effect on post-retirement benefit obligation as of June 30, 2010.....	\$ 56,690	\$ (47,743)

Plan Assets

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.

Table 23 below presents investments of MIT's defined benefit plan and postretirement welfare benefit plan, which are included in plan assets at fair value as of June 30, 2010, grouped by the valuation hierarchy defined in Note C. Details of the methodology used to value each category of investments are discussed in Note C.

Table 23. Investments in Retirement Benefit Plans

(in thousands of dollars)

	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total fair value
Defined Benefit Plan				
Cash equivalents	\$ 11,441	\$ -	\$ -	\$ 11,441
Fixed income	196,123	65,130	-	261,253
Equities	325,635	112,441	727,149	1,165,225
Marketable alternatives	-	42,150	597,032	639,182
Real estate	-	-	225,241	225,241
Interest rate futures	(196)	-	-	(196)
	<u>\$ 533,003</u>	<u>\$ 219,721</u>	<u>\$ 1,549,422</u>	<u>\$ 2,302,146</u>
Less: Amounts held in 401(h) accounts				(4,371)
Total investments				<u>\$ 2,297,775</u>
Postretirement Welfare Benefit Plan				
Cash equivalents	\$ 1,920	\$ -	\$ -	\$ 1,920
Fixed income	-	52,857	-	52,857
Equities	20,823	73,176	29,527	123,526
Marketable alternatives	-	7,328	33,232	40,560
Real estate	-	-	7,140	7,140
Total investments	<u>\$ 22,743</u>	<u>\$ 133,361</u>	<u>\$ 69,899</u>	<u>\$ 226,003</u>

K. Retirement Benefits (continued)

Table 24 below is a rollforward of the investments classified by MIT's defined benefit plan and postretirement welfare benefit plan within Level 3 of the fair value hierarchy defined in Note C as at June 30, 2010.

Table 24. Rollforward of Level 3 Investments for the Retirement Benefit Plans

(in thousands of dollars)

Defined Benefit Plan	Marketable alternatives			Total Investments
	Equities		Real Estate	
Fair value, July 1, 2009	\$ 718,968	\$ 625,515	\$ 239,666	\$ 1,584,149
Realized gains (losses)	(53)	755	—	702
Unrealized gains (losses)	21,745	34,408	(38,337)	17,816
Net purchases, sales, settlements	(4,432)	(21,496)	23,912	(2,016)
Transfers of assets	(9,079)	(42,150)	—	(51,229)
Fair value, June 30, 2010	<u>\$ 727,149</u>	<u>\$ 597,032</u>	<u>\$ 225,241</u>	<u>\$ 1,549,422</u>
Postretirement Welfare Benefit Plan				
Fair value, July 1, 2009	\$ 23,511	\$ 32,919	\$ 6,519	\$ 62,949
Realized gains (losses)	(5)	105	—	100
Unrealized gains (losses)	2,948	(1,409)	(108)	1,431
Net purchases, sales, settlements	4,299	8,945	729	13,973
Transfers of assets	(1,226)	(7,328)	—	(8,554)
Fair value, June 30, 2010	<u>\$ 29,527</u>	<u>\$ 33,232</u>	<u>\$ 7,140</u>	<u>\$ 69,899</u>

The unfunded commitments which MIT's defined benefit plan and postretirement welfare benefit plan have made to various investments as of June 30, 2010 and 2009 are listed in Table 25 below.

Table 25. Unfunded Commitments

(in thousands of dollars)

	Defined Benefit Plan		Postretirement Welfare Benefit Plan	
	2010	2009	2010	2009
Equities	\$ 276,607	\$ 313,986	\$ 20,440	\$ 22,881
Marketable alternatives	65,078	114,244	10,061	10,891
Real estate	183,496	222,749	11,280	12,993
Total	<u>\$ 525,181</u>	<u>\$ 650,979</u>	<u>\$ 41,781</u>	<u>\$ 46,765</u>

Target allocations and weighted-average asset allocations of the investment portfolio for the MIT defined benefit plan and postretirement welfare benefit plan at June 30, 2010 and 2009 are shown in Table 26 at the top of the next page.

K. Retirement Benefits (continued)

Table 26. Plan Investments

	Defined Benefit Plan Plan Assets as of June 30			Postretirement Welfare Benefit Plan Plan Assets as of June 30		
	Target Allocation	2010	2009	Target Allocation	2010	2009
Cash & cash equivalents	—	—	4%	—	1%	1%
Fixed income	8%	11%	8%	20%	23%	18%
Equities	52%	51%	51%	55%	55%	62%
Marketable alternatives	29%	28%	27%	20%	18%	16%
Real estate	11%	10%	10%	5%	3%	3%
Total	100%	100%	100%	100%	100%	100%

The following table summarizes the notional exposure and net ending fair value of derivative financial instruments held by the MIT defined benefit plan at June 30, 2010. Refer to Note D for detailed discussion regarding derivative financial instruments. The postretirement welfare benefit plan did not have any outstanding derivative financial instrument at June 30, 2010.

Table 27. Derivative Financial Instrument for Defined Benefit Plan

<i>(in thousands of dollars)</i>	Notional exposure		Net ending fair value amount	Net loss
	Long	Short		
Fixed income instruments				
Fixed income futures	\$ —	\$ (11,900)	\$ (196)	\$ (649)
Total fixed income instruments	\$ —	\$ (11,900)	\$ (196)	\$ (649)

Contributions

MIT does not expect to contribute to its defined benefit pension plan, and expects to contribute approximately \$37.2 million to its postretirement welfare benefit plan in 2011. These contributions have been estimated based on the same assumptions used to measure MIT's benefit obligation at June 30, 2010. In 2009, under the provisions of Section 420 of the Internal Revenue Code, the MIT defined benefit plan transferred \$54.2 million of excess pension assets to the postretirement welfare benefit plan. The transfer resulted in a negative contribution of \$54.2 million for the defined benefit plan and a positive contribution of

\$54.2 million to the postretirement welfare benefit plan. MIT also contributed \$2.0 million and \$2.4 million to the postretirement welfare benefit plan in 2010 and 2009, respectively.

Expected Future Benefit Payments

Table 28 reflects total expected benefit payments for the defined benefit and postretirement welfare 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 June 30, 2010.

Table 28. Expected Future Benefit Payments

<i>(in thousands of dollars)</i>	Pension Benefits	Other Benefits ¹	Federal Subsidy ²
2011	\$ 119,717	\$ 30,251	\$ 2,449
2012	128,704	32,710	2,716
2013	132,490	34,896	2,988
2014	136,379	36,755	3,249
2015	140,416	38,554	3,494
2016–2020	763,818	218,485	21,261

¹ Other benefits reflect the total net benefits expected to be paid from the plans (i.e., gross benefit reimbursements offset by retiree contributions).
² Federal subsidy reflects the amount MIT is expected to receive from the government and reflects MIT's expected drugs claims experience.

L. Components of Net Assets and Endowment

Table 29 below presents the three categories of net assets by purpose as of June 30, 2010. The amounts listed in the unrestricted column labeled Endowment Funds Principal are those gifts received over the years that MIT designated as funds functioning as endowment and invested with the endowment funds. A large component of temporarily

restricted net assets in other investment funds is pledged, the majority of which will be reclassified to unrestricted net assets when cash is received. Certain funds invested in MIT's endowment pool previously shown as part of MIT's endowment have been reclassified to other invested funds to conform to the June 30, 2010 presentation.

Table 29. Fund Category

<i>(in thousands of dollars)</i>	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Endowment funds principal					
General purpose	\$ 582,060	\$ 684,205	\$ 217,665	\$ 1,483,930	\$ 1,432,233
Departments and research.....	346,759	585,748	417,113	1,349,620	1,271,207
Library	8,119	13,397	7,833	29,349	28,463
Professorships	330,279	1,611,015	582,449	2,523,743	2,416,802
Graduate general	50,029	76,029	76,856	202,914	189,690
Graduate departments.....	63,678	179,230	171,322	414,230	386,302
Undergraduate.....	146,915	656,135	312,027	1,115,077	1,058,510
Prizes	5,719	15,705	17,041	38,465	37,225
Miscellaneous.....	711,311	124,036	71,087	906,434	813,699
Investment income held for distribution .	253,559	—	—	253,559	246,190
Endowment funds before pledges.....	2,498,428	3,945,500	1,873,393	8,317,321	7,880,321
Pledges.....	—	—	146,137	146,137	169,784
Total endowment funds.....	2,498,428	3,945,500	2,019,530	8,463,458	8,050,105
Other invested funds					
Student loan funds.....	20,180	—	16,928	37,108	37,425
Building funds	45,396	143,373	—	188,769	205,881
Designated purposes:					
– Departments and research	265,207	—	—	265,207	258,747
– Other purposes	83,620	—	—	83,620	51,440
Reserve funds.....	95,168	—	—	95,168	98,316
Real estate gifts held for sale.....	6,275	—	—	6,275	7,908
Life income funds	6,209	36,598	65,480	108,287	99,412
Pledges	—	264,945	—	264,945	294,953
Other funds available for current expenses	329,537	72,650	—	402,187	416,783
Funds expended for educational plant ...	409,281	—	—	409,281	425,418
Total other funds	1,260,873	517,566	82,408	1,860,847	1,896,283
Total net assets at fair value.....	\$ 3,759,301	\$ 4,463,066	\$ 2,101,938	\$ 10,324,305	\$9,946,388

L. Components of Net Assets and Endowment (continued)

MIT's endowment consists of approximately 3,000 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Executive Committee of the MIT Corporation (Executive Committee) to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee of MIT has interpreted the Massachusetts-enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing MIT to appropriate for expenditure or accumulate so much of an endowment fund as MIT determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Executive Committee.

As a result of this interpretation, MIT has not changed the way permanently restricted net assets are classified. See Note A for further information on net asset classification. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Executive Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- i. the duration and preservation of the fund
- ii. the purposes of MIT and the endowment fund
- iii. general economic conditions
- iv. the possible effects of inflation and deflation
- v. the expected total return from income and the appreciation of investments
- vi. other resources of MIT
- vii. the investment policies of MIT

Fiscal Year 2010

Table 30. Endowment Net Asset Composition by Type of Fund as of June 30, 2010

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (29,106)	\$ 3,945,500	\$ 2,019,530	\$ 5,935,924
Board-designated endowment funds	2,527,534	—	—	2,527,534
Total endowment funds	\$ 2,498,428	\$ 3,945,500	\$ 2,019,530	\$ 8,463,458

Table 31. Changes in Endowment Net Assets for the Fiscal Year ended June 30, 2010

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	\$ 2,328,856	\$ 3,807,297	\$ 1,913,952	\$ 8,050,105
Investment return:				
Investment income	20,403	42,293	8,406	71,102
Net appreciation (realized and unrealized).	276,468	414,261	5,957	696,686
Total investment return.	296,871	456,554	14,363	767,788
Contributions	2,964	—	58,815	61,779
Appropriation of endowment assets for expenditure	(137,784)	(317,796)	(3,964)	(459,544)
Other changes:				
Underwater gain adjustment and funds held for reinvestment.	(4,794)	4,794	630	630
Net asset reclassifications and transfers to create board-designated endowment funds	12,315	(5,349)	35,734	42,700
Endowment net assets, June 30, 2010	\$ 2,498,428	\$ 3,945,500	\$ 2,019,530	\$ 8,463,458

L. Components of Net Assets and Endowment (continued)

Fiscal Year 2009

Table 32. Endowment Net Asset Composition by Type of Fund as of June 30, 2009

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (24,312)	\$ 3,807,297	\$ 1,913,952	\$ 5,696,937
Board-designated endowment funds	2,353,168	—	—	2,353,168
Total endowment funds	\$ 2,328,856	\$ 3,807,297	\$ 1,913,952	\$ 8,050,105

Table 33. Changes in Endowment Net Assets for the Fiscal Year ended June 30, 2009

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	\$ 3,033,023	\$ 5,257,253	\$ 1,823,073	\$ 10,113,349
Investment return:				
Investment income	21,970	48,094	4,046	74,110
Net depreciation (realized and unrealized)	(609,868)	(1,131,858)	(24,337)	(1,766,063)
Total investment return	(587,898)	(1,083,764)	(20,291)	(1,691,953)
Contributions	4,455	—	108,155	112,610
Appropriation of endowment assets for expenditure	(153,545)	(364,402)	—	(517,947)
Other changes:				
Underwater gain adjustment and funds held for reinvestment	(23,984)	23,984	4,587	4,587
Net asset reclassifications and transfers to create board-designated endowment funds	56,805	(25,774)	(1,572)	29,459
Endowment net assets, June 30, 2009	\$ 2,328,856	\$ 3,807,297	\$ 1,913,952	\$ 8,050,105

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets. Total underwater endowment funds reported in unrestricted net assets were \$29.1 million and \$24.3 million as of June 30, 2010 and 2009, respectively. The underwater status of these funds resulted from unfavorable market fluctuations.

Investment and Spending Policies

MIT maintains its investments primarily in two investment pools: Pool A, principally for endowment and funds functioning as endowment, and Pool C, principally for investment of current funds of MIT's schools and departments and MIT's operating funds. Pool A operates as a mutual fund with units purchased and redeemed based on the previous month's unit market value of Pool A. The total market value of Pool A was \$8,603.4 million at June 30, 2010 and \$8,143.7 million at June 30, 2009. Pool A includes certain operating and life income funds totaling \$454.7 million at June 30, 2010 and \$425.5 million at June 30, 2009. Certain assets are also maintained in separately invested funds. Separately invested funds totaled \$168.6 million as of June 30, 2010 and \$162.1 million as of June 30, 2009.

L. Components of Net Assets and Endowment (continued)

MIT has adopted endowment investment and spending policies designed to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of endowment assets. An additional investment goal is to maximize return relative to appropriate risk such that performance exceeds appropriate benchmark returns at the total pool, asset class and individual manager levels.

To achieve its long-term rate of return objectives, MIT relies on a total return strategy in which investment returns are realized through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). MIT targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Executive Committee of the Corporation votes to distribute funds for operational support from general investments. In accordance with MIT's spending policy,

these distributions are funded from both investment income and market appreciation. In 2010, the distribution rate was \$69.21 per Pool A unit, consistent with 2009. In 2010, the amount distributed for spending from Pool A and Pool C totaled \$581.8 million, compared to \$574.5 million distributed in the prior year. In 2010, the distribution to Pool A and Pool C included \$459.1 million from investment gains, or 78.9 percent of the total distributed to funds. In 2009, the comparable amount distributed included \$476.8 million, or 83.0 percent, from investment gains. During 2010, distributions from separately invested funds were \$4.2 million, compared to \$5.4 million in 2009. The income earned in Pool C, or currently invested funds, was fully distributed. In addition to the aforementioned distributions, there was also a special distribution of \$24.0 million from gains in Pool C in 2009. No such distribution was made in 2010.

Report of Independent Auditors

To the Audit Committee of the
Massachusetts Institute of Technology

In our opinion, the accompanying consolidated balance sheets and the related consolidated 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, 2010 and 2009, 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.

PricewaterhouseCoopers LLP

September 15, 2010

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights

(in thousands of dollars)

	2010	2009	2008	2007	2006
Financial Position:					
Investments, at fair value	\$ 9,904,271	\$ 9,519,413	\$ 11,308,429	\$ 11,061,142	\$ 9,500,178
Land, buildings, and equipment, at cost less accumulated depreciation . .	2,325,817	2,120,613	1,938,919	1,743,203	1,687,835
Borrowings	1,728,526	1,735,843	1,335,393	1,078,234	1,278,489
Total assets	13,412,506	12,949,552	15,458,982	14,946,369	12,362,451
Total liabilities	3,088,201	3,003,164	2,689,008	2,251,065	2,302,676
Unrestricted net assets, at market	3,759,301	3,559,925	5,086,270	5,216,844	3,732,539
Temporarily restricted net assets, at market	4,463,066	4,401,015	5,765,302	5,684,006	4,699,881
Permanently restricted net assets, at market	2,101,938	1,985,448	1,918,402	1,794,454	1,627,355
Total net assets	10,324,305	9,946,388	12,769,974	12,695,304	10,059,775
Market value of endowment funds	8,317,321	7,880,321	9,947,636	9,980,409	8,368,066
Principal Sources of Revenue:					
Tuition and similar revenues	\$ 468,570	\$ 431,772	\$ 421,230	\$ 394,652	\$ 373,309
Research revenues:					
Campus direct	431,611	497,493	448,065	407,650	419,144
Campus indirect	172,525	193,289	173,455	163,148	163,340
Lincoln Laboratory direct	719,883	642,101	587,076	573,696	602,426
Lincoln Laboratory indirect	24,449	27,667	32,611	32,234	33,968
SMART direct	20,912	14,026	3,857	–	–
SMART indirect	223	496	106	–	–
Gifts, bequests and pledges	246,580	303,890	385,952	332,874	232,472
Net gain (loss) on investments and other assets .	784,348	(1,854,380)	154,765	1,673,275	1,432,552
Investment distribution	585,987	603,907	456,154	355,848	329,375
Principal Purposes of Expenditures:					
Total operating expenditures	\$ 2,382,566	\$ 2,461,286	\$ 2,294,247	\$ 2,201,696	\$ 2,175,913
General and administrative	438,863	497,043	486,444	482,527	485,306
Instruction and unsponsored research	635,668	680,848	641,241	608,423	548,256
Direct cost of sponsored research – current dollars	1,192,041	1,167,036	1,054,474	1,001,144	1,035,417
Direct cost of sponsored research – constant dollars (2006 = 100)	1,094,453	1,081,864	991,164	975,905	1,035,417
Scholarships and fellowships	230,269	214,383	192,131	185,399	174,140

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

(in thousands of dollars)

	2010	2009	2008	2007	2006
Research Revenues:^(A)					
Campus:					
Federal government sponsored:					
Health and Human Services	\$ 144,561	\$ 255,896	\$ 226,307	\$ 201,557	\$ 195,573
Department of Defense	106,890	97,528	87,370	90,571	89,552
Department of Energy	73,274	65,773	65,611	64,899	67,265
National Science Foundation	69,801	61,386	64,973	65,057	65,163
National Aeronautics and Space Administration	30,629	27,358	25,479	27,889	31,228
Other federal	12,717	14,559	14,169	14,431	15,570
Total federal	<u>437,872</u>	<u>522,500</u>	<u>483,909</u>	<u>464,404</u>	<u>464,351</u>
Non-Federal sponsored:					
State/local/foreign governments	33,339	27,145	18,549	13,055	15,137
Non-profits	50,639	60,538	47,695	32,200	24,833
Industry	93,330	99,219	82,194	79,725	72,743
Total non-Federal	<u>177,308</u>	<u>186,902</u>	<u>148,438</u>	<u>124,980</u>	<u>112,713</u>
Total Federal & non-Federal	<u>615,180</u>	<u>709,402</u>	<u>632,347</u>	<u>589,384</u>	<u>577,064</u>
F&A and other adjustments	(11,044)	(18,620)	(10,827)	(18,586)	5,420
Total campus	<u>604,136</u>	<u>690,782</u>	<u>621,520</u>	<u>570,798</u>	<u>582,484</u>
Lincoln Laboratory:					
Federal government sponsored	749,974	675,329	606,850	607,270	631,292
Non-Federal sponsored	3,068	2,989	3,602	4,602	5,102
F&A and other adjustments	(8,710)	(8,550)	9,235	(5,942)	–
Total Lincoln Laboratory	<u>744,332</u>	<u>669,768</u>	<u>619,687</u>	<u>605,930</u>	<u>636,394</u>
SMART:^(B)					
Non-Federal sponsored	21,135	14,522	3,963	–	–
Total SMART	<u>21,135</u>	<u>14,522</u>	<u>3,963</u>	<u>–</u>	<u>–</u>
Total Research Revenues	<u>\$ 1,369,603</u>	<u>\$ 1,375,072</u>	<u>\$ 1,245,170</u>	<u>\$ 1,176,728</u>	<u>\$ 1,218,878</u>

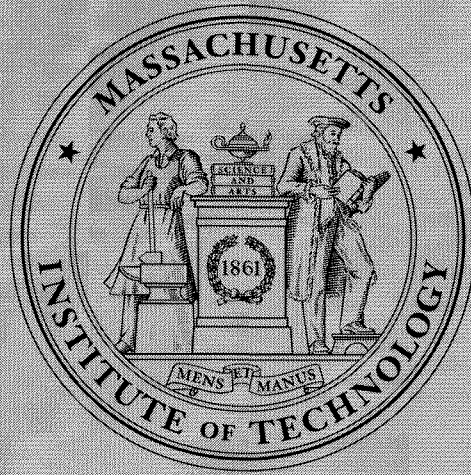
^(A) The amounts in this table reflect revenues from the original source of funds and The Broad Institute.

^(B) The amounts represent research that has taken place in Singapore.

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

	2010	2009	2008	2007	2006
Students:					
Undergraduate					
Full-time	4,201	4,118	4,119	4,068	4,014
Part-time	31	35	53	59	52
Undergraduate Applications					
Applicants	15,663	13,396	12,445	11,374	10,440
Accepted	1,676	1,589	1,553	1,514	1,494
Acceptance rate	11%	12%	12%	13%	14%
Enrolled	1,072	1,048	1,067	1,002	996
Yield	64%	66%	69%	66%	67%
Freshmen ranking in the top 10% of their class	95%	97%	97%	97%	97%
Average SAT scores (math and verbal)	1,455	1,453	1,458	1,461	1,477
Graduate					
Full-time	6,022	5,991	5,837	5,924	5,865
Part-time	130	155	211	202	275
Graduate applications					
Applicants	19,336	17,323	16,208	15,968	14,958
Accepted	2,994	3,215	3,058	3,002	3,115
Acceptance rate	15%	19%	19%	19%	21%
Enrolled	1,939	2,000	1,823	1,877	1,894
Yield	65%	62%	60%	63%	61%
Tuition (in dollars):					
Tuition and fees	\$ 37,782	\$ 36,390	\$ 34,986	\$ 33,600	\$ 32,300
Average room and board	11,360	10,860	10,400	9,950	9,500
Student Financial Aid: (in thousands of dollars)					
Undergraduate tuition support	\$ 89,813	\$ 78,534	\$ 70,157	\$ 65,529	\$ 57,963
Graduate tuition support	195,178	187,732	174,847	172,021	167,297
Fellowship stipends	28,104	27,509	25,647	25,020	32,440
Student loans	9,641	9,641	8,766	8,962	9,542
Student employment	84,304	82,287	78,892	77,732	78,503
Total financial assistance	\$ 407,040	\$ 385,703	\$ 358,309	\$ 349,264	\$ 345,745
Faculty and staff (including unpaid appointments):					
Faculty	1,025	1,008	1,007	997	991
Staff and fellows	12,577	13,393	12,852	12,454	11,971



Report of the Treasurer

for the year ended
June 30, 2010



Massachusetts
Institute of
Technology

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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The following is a summary of certain provisions of the Indenture that are not described elsewhere in this Offering Memorandum. The Bonds are issued and secured pursuant to the Indenture. References to the Indenture or a fund or account refer to the related document, fund or account with respect to the Bonds, as described in the Offering Memorandum. Unless otherwise specified to the contrary in this Appendix C, all definitions and provisions summarized refer to the Indenture. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

Definitions

Unless the context otherwise requires, the following terms shall have the meanings specified below.

“Authorized Denomination” means \$1,000 or any multiple integral thereof.

“Authorized Representative” means the Institution’s Executive Vice President and Treasurer and Vice President for Finance or any other Person designated as an Authorized Representative of the Institution by a Certificate of the Institution signed by the Institution’s Executive Vice President and Treasurer or Vice President for Finance and filed with the Trustee.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries) established to the reasonable satisfaction of the Trustee or the Institution.

“Bond Fund” means the fund by that name established pursuant to the Indenture.

“Bonds” means the Massachusetts Institute of Technology, Taxable Bonds, Series B authorized by, and at any time Outstanding pursuant to, the Indenture.

“Book-Entry Form” or “Book-Entry System” means a form or system, as applicable, under which physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Bondholder, with the physical bond certificates held by and “immobilized” in the custody of the Securities Depository and the book-entry system maintained by and the responsibility of others than the Institution or the Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

“Business Day” means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Designated Office of the Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request” or “Requisition” of the Institution” mean, respectively, a written certificate, statement, request or requisition signed in the name of the Institution by an Authorized Representative. Any such instrument and supporting opinions or

representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

“Comparable Treasury Price” means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

“Default” means any event which is or after notice or lapse of time or both would become an Event of Default.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Institution.

“Designated Office” means the Designated Office of the Trustee, which as of the date of the Indenture is located at 222 Berkeley Street, 2nd Floor, Boston, MA, Attention: Corporate Trust Department, and such other offices as the Trustee may designate from time to time by written notice to the Institution and the Holders.

“DTC” means the Depository Trust Company, a New York corporation.

“DTC Custodian” means the Trustee as a custodian for DTC.

“Event of Default” means any of the events specified as such in the Indenture.

“Global Bond” means any Bond registered in the name of the Securities Depository or its nominee, beneficial interests of which are reflected on the books of the Securities Depository or on the books of a Person maintaining any account with such Securities Depository (directly or as an indirect participant in accordance with the rules of such Securities Depository).

“Holder” or “Bondholder,” whenever used in the Indenture with respect to a Bond, means the Person in whose name such Bond is registered.

“Indenture” means the Indenture of Trust, by and between the Institution and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Indenture Fund” means the fund by that name established pursuant to the Indenture.

“Institution” means Massachusetts Institute of Technology, an educational corporation existing under the laws of The Commonwealth of Massachusetts, or said educational corporation’s successor or successors.

“Interest Account” means the account by that name in the Bond Fund established pursuant to the Indenture.

“Interest Payment Date” means January 1 and July 1 of each year, commencing January 1, 2012.

“Investment Securities” means either of the following: (1) direct nonprepayable, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or direct nonprepayable, noncallable obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause (1) such as CATS, TIGRs, and Stripped Treasury Coupons rated or assessed in the highest Rating Categories by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities, and (2) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAA m-G, AAAM or AAM, including such funds for which the Trustee or its affiliates provide investment advisory or other management services.

“Make-Whole Redemption Price” means the greater of:

- (1) 100% of the principal amount of any Bonds being redeemed; and
- (2) the sum of the present values of the remaining scheduled payments of principal and interest on any Bonds being redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution upon notice to the Trustee.

“Offering Memorandum” means the final offering memorandum dated May 11, 2011, relating to the Bonds.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Institution, but not an employee thereof) satisfactory to the Trustee.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being,

authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Institution shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Payment Date” means an Interest Payment Date or the Principal Payment Date.

“Person” means an individual, corporation, firm, association, partnership, trust, limited liability company or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Bond Fund established pursuant to the Indenture.

“Principal Payment Date” means July 1, the date of final maturity of the Bonds.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Rating Agency” means Moody’s and S&P.

“Rating Category” means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Reference Treasury Dealer” means each of Barclays Capital Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. Incorporated, or their respective affiliates which are primary U.S. Government securities dealers, and their respective successors; provided that if Barclays Capital Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. Incorporated or their respective affiliates shall cease to be a primary U.S. Government securities dealer (a “Primary Treasury Dealer”), the Institution shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Indenture.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and

their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution upon notice to the Trustee.

“Securities Depository” means DTC and its successors and assigns, or any other securities depository selected as set forth in the Indenture, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as the record date for the payment of defaulted interest on the Bonds.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Institution and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by-virtue of the laws of the United States of America, or its successor or successors, as Trustee under the Indenture as provided in the Indenture.

“Underwriters” means Barclays Capital Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. Incorporated.

“Uniform Commercial Code” means the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts from time to time.

Establishment and Pledge of Indenture Fund

Subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture Fund and all amounts held therein are pledged, assigned and transferred by the Institution to the Trustee for the benefit of the Bondholders to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Institution grants to the Trustee a security interest in and acknowledges and agrees that the Indenture Fund and all amounts on deposit therein shall constitute collateral security to secure the full payment of the principal or Make-Whole Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. For purposes of creating, perfecting and maintaining the security interest of the Trustee on behalf of the Bondholders in and to the Indenture Fund and all amounts on deposit therein, the parties to the Indenture agree as follows: (1) the Indenture shall constitute a “security agreement” for purposes of the Uniform Commercial Code; (2) the Trustee shall maintain on its books records

reflecting the interest, as set forth in the Indenture, of the Bondholders in the Indenture Fund and/or the amounts on deposit therein; and (3) the Indenture Fund and the amounts on deposit therein and any proceeds thereof shall be held by the Trustee acting in its capacity as an agent of the Bondholders, and the holding of such items by the Trustee (including the transfer of any items among the funds and accounts in the Indenture Fund) is deemed possession of such items on behalf of the Bondholders.

Nothing in the Indenture or in the Bonds, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or otherwise in the assets of the Institution other than in any interest of the Institution in the Indenture Fund and/or the amounts on deposit therein. No recourse for the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Institution in the Indenture or in any Supplemental Indenture or in any Bond, or because of the creation of any indebtedness represented thereby, shall be had against any employee, agent, or officer, as such, past, present or future, of the Institution or of any successor entity, either directly or through any successor entity, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, it being expressly understood that all such liability is expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issue of the Bonds. No officer or agent of the Institution, nor any Person executing the Bonds, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Funds and Accounts

The Indenture creates an Indenture Fund (and a Bond Fund and a Redemption Fund thereunder) and a Project Fund. The Indenture also creates an Interest Account and Principal Account under the Bond Fund. All of the funds and accounts, except for the Project Fund, are to be held by the Trustee. The Institution is to hold the Project Fund.

Application of Proceeds of Bonds. The proceeds from the sale of the Bonds (net of underwriters discount and original issue discount, if any) shall be applied to support current or future capital projects and/or to refinance existing indebtedness and to pay costs of issuance.

Indenture Fund. The Trustee establishes for the sole benefit of the Bondholders, a master fund referred to in the Indenture as the "Indenture Fund" containing the Bond Fund and the Redemption Fund and each of the accounts contained therein. The Indenture Fund and each of the funds and accounts in the Indenture Fund shall be identified on the books of the Trustee with reference hereto and shall be maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and the Trustee shall have the exclusive and sole right of withdrawal therefrom in accordance with the terms of the Indenture. All amounts deposited with the Trustee pursuant to the Indenture shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Bond Fund. Upon the receipt thereof, the Trustee shall deposit all payments received from the Institution (other than proceeds from the sale of the Bonds which are to be deposited in the Project Fund, amounts which are to be deposited in the Redemption Fund or income or profit

from investments which are to be applied pursuant to the Indenture) in a special fund designated the "Bond Fund" which the Trustee shall establish and maintain and hold in trust and which shall be disbursed and applied only as authorized in the Indenture.

At the times specified below, the Trustee shall allocate within the Bond Fund in the following order of priority the following amounts to the following accounts or funds, each of which the Trustee shall establish and maintain and hold in trust and each of which shall be disbursed and applied only as hereinafter authorized: (1) On each Interest Payment Date, the Trustee shall deposit in the "Interest Account" the aggregate amount of interest becoming due and payable on such Interest Payment Date, until the balance in said account is equal to said aggregate amount of interest; and (2) On the Principal Payment Date, the Trustee shall deposit in the "Principal Account" the aggregate amount of principal becoming due and payable on the Principal Payment Date, until the balance in said account is equal to said aggregate amount of such principal.

Interest Account. All amounts in the Interest Account of the Bond Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. All amounts in the Principal Account of the Bond Fund shall be used and withdrawn by the Trustee solely to pay at maturity the Bonds.

Redemption Fund. Upon the receipt thereof, the Trustee shall deposit the following amounts in a special fund designated the "Redemption Fund" which the Trustee shall establish and maintain and hold in trust: (1) all moneys deposited by the Institution with the Trustee directed to be deposited in the Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Redemption Fund.

All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given; provided that, at any time prior to the selection of Bonds for such redemption, the Trustee shall, upon direction of the Institution, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Institution may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Make-Whole Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Principal Account as set forth in a Request of the Institution.

Payments by the Institution; Allocation of Funds. On or before 11:00 AM on each Payment Date, until the principal of and interest on, the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Institution shall pay to the Trustee a sum equal to the amount payable on such Payment Date as principal of

and interest on, the Bonds. Each payment made pursuant to this paragraph shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date the amounts held by the Trustee in the accounts within the Bond Fund are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, the Institution shall forthwith pay such deficiency to the Trustee.

The obligations of the Institution to make the payments required by the immediately preceding paragraph and to perform and observe the other agreements on its part contained in the Indenture shall be a general obligation of the Institution, absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Trustee, and during the term of the Indenture, the Institution shall pay all payments required to be made by the immediately preceding paragraph (which payments shall be net of any other obligations of the Institution) as prescribed therein and all other payments required under the Indenture, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Institution (i) will not suspend or discontinue any payments provided for in the immediately preceding paragraph; (ii) will perform and observe all of its other covenants contained in the Indenture; and (iii) except as otherwise provided in the Indenture, will not terminate the Indenture for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of the projects financed with the proceeds of the Bonds, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of The Commonwealth of Massachusetts or any political subdivision of either of these, or any failure of the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, except to the extent permitted by the Indenture.

Validity of Bonds

The recital contained in the Bonds that the same are issued pursuant to the Indenture shall be conclusive evidence of their validity and of compliance with the provisions of the Indenture in their issuance.

Additional Bonds

The Institution may, from time to time, without the consent of the Bondholders, issue additional bonds under the Indenture in addition to the Bonds ("Additional Bonds"). If issued, the Additional Bonds will become part of the same series as the Bonds and will have the same interest rate, redemption provisions, maturity date and CUSIP number as the Bonds.

Use of Securities Depository

The Bonds will be issued as Global Bonds.

Notwithstanding any provision of the Indenture to the contrary:

The Bonds shall be issued as fully registered Bonds, registered under a global book-entry system initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by two Bonds in the total aggregate principal amount of the Bonds. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except: (1) to any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this paragraph ("substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it; (2) to any substitute depository designated by the Institution and not objected to by the Trustee, upon (i) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the Institution that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or (3) to any Person as provided below, upon (i) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Trustee can be obtained or (ii) a determination by the Institution that it is in the best interests of the Institution to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

In the case of any transfer pursuant to clause (1) or clause (2) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Trustee, together with a Certificate of the Institution to the Trustee, a new Bond or Bonds shall be executed and delivered in the aggregate principal amount of the Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Institution. In the case of any transfer pursuant to clause (3) of the immediately preceding paragraph, upon receipt of the Outstanding Bonds by the Trustee together with a Certificate of the Institution to the Trustee, new Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such a Certificate of the Institution, subject to the limitations of the Indenture, provided the Trustee shall not be required to deliver such new Bonds within a period less than 60 days from the date of receipt of such a Certificate of the Institution.

In the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

The Institution and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Indenture and any applicable

laws, notwithstanding any notice to the contrary received by the Institution or the Trustee. With respect to Bonds registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, the Institution and the Trustee shall have no responsibility or obligation with respect to the payment to any Beneficial Owner or any other person, other than the Securities Depository, of any amount with respect to the principal of and premium, if any, and interest on the Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective fully to satisfy and discharge the Institution's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid.

Particular Covenants

Punctual Payment. The Trustee shall from funds provided by the Institution punctually pay the principal or Make-Whole Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, from funds made available by the Institution. When and as paid in full, all Bonds shall be delivered to the Trustee and shall forthwith be cancelled by the Trustee and delivered to, or upon the order of, the Institution.

Compliance with Indenture. The Institution covenants not to issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Indenture, and shall not suffer or permit any Default (within its power to prevent) to occur under the Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture.

Against Encumbrances. The Institution shall not create or suffer to be created any pledge, lien, charge or other encumbrance upon all or any part of the Indenture Fund or any of the amounts held therein pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture and any statutory liens or other liens arising by operation of law. The Institution will assist the Trustee in contesting any pledge, lien, charge or other encumbrance that does not comply with the provisions of the Indenture.

Power to Issue Bonds and Make Pledge and Assignment. The Institution is duly authorized to issue the Bonds and to enter into the Indenture and to pledge and assign the funds and accounts purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The Bonds are and will be legal, valid and binding obligations of the Institution in accordance with their terms, and the Institution and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of funds and accounts and all the rights of the Bondholders under the Indenture against all claims and demands of all Persons whomsoever, subject to the limitations set forth in the Indenture relating to the Trustee.

Accounting Records and Financial Statements. With respect to each fund or account established and maintained by the Trustee pursuant to the Indenture, the Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all

transactions relating to the receipt, investment, disbursement, allocation and application of payments received from the Institution and the proceeds of the Bonds. Such books of record and account shall be available for inspection by the Institution and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Trustee shall file and furnish to each Bondholder who shall have filed his or her name and address with the Trustee for such purpose, within 30 days after the end of each month, a complete financial statement (which need not be audited and may be its regular account statements) covering receipts, disbursements, allocation and application of any moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to the Indenture for such month; provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that has a balance of \$0.00 and has not had any activity since the last reporting. The Trustee shall also furnish a copy of its monthly statement to the Institution.

Continuing Disclosure. Unless otherwise available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") or any successor thereto or to the functions thereof, copies of the audited financial statements will either be posted on the Institution's web site or filed with the Trustee.

Events of Default and Remedies of Bondholders

Events of Default. The following events shall be "Events of Default": (a) default in the due and punctual payment of the principal or Make-Whole Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise; (b) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable; (c) default by the Institution in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" under the Indenture, shall have been given to the Institution by the Trustee, or to the Institution and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; (d) the commencement by the Institution of a voluntary case under the federal bankruptcy laws, or if the Institution 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, receiver, custodian or similar official or agent for itself or any substantial part of its property; (e) the appointment of a trustee, receiver, custodian or similar official or agent for the Institution or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days; or (f) an order or decree for relief in an involuntary case under the federal bankruptcy laws shall be entered against the Institution, 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.

Acceleration of Maturity. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, upon notice in writing to the Institution, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration by the Trustee the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all the principal or Make-Whole Redemption Price of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Bonds by written notice to the Institution, rescind and annul such declaration and its consequences and waive such Default; but no such rescission and annulment shall extend to or shall affect any subsequent Default, or shall impair or exhaust any right or power consequent thereon.

Rights as a Secured Party. The Trustee, as appropriate, may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code with respect to securities in the Indenture Fund, including without limitation the Bond Fund and the Redemption Fund, including the right to sell or redeem such securities and the right to retain the securities in satisfaction of the obligation of the Institution hereunder. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least seven (7) days before an event under Uniform Commercial Code Sections 9-610 and 9-611, or any successor provision of law shall constitute reasonable notification of such event.

Application of Moneys Collected by the Trustee. If an Event of Default shall occur and be continuing, all moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to provisions of the Indenture requiring moneys to be held for payment of particular Bonds) shall be applied by the Trustee as follows and in the following order:

(A) To the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(B) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds; and

(C) To the payment of the principal or Make-Whole Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Make-Whole Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Make-Whole Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, or in such Holders under the Bonds, the Indenture or any applicable law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the amounts pledged under the Indenture, pending such proceedings. If more than one such request is received by the Trustee from the Holders, the Trustee shall follow the written request executed by the Holders of the

greatest percentage (which percentage shall be, in any case, not less than a majority in aggregate principal amount) of the Bonds then Outstanding. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the time, method and place of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Bondholder's Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture or applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Institution. Notwithstanding any other provision of the Indenture, or in the Bonds, nothing shall affect or impair the obligation of the Institution, which is absolute and unconditional, to pay the principal or Make-Whole Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, or, subject to the provisions of the Indenture

regarding limitation on Bondholders' right to sue, affect or impair the right of such Holders to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Institution, the Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Institution, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any Default shall impair any such right or power or shall be construed to be a waiver of any such Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Waiver of Past Defaults. The Trustee may, and upon request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall, on behalf of the Holders of all the Bonds waive any past Default under the Indenture and its consequences, except a Default: (A) in the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, or (B) in respect of a covenant or other provision of the Indenture which, pursuant to the Indenture, cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Undertaking for Costs. Subject to the provisions of the Indenture regarding the Trustee's rights to compensation and indemnification, the parties to the Indenture agree, and each Holder of any Bond by such Person's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee or to any suit instituted by any Bondholder or group of

Bondholders holding in the aggregate more than a majority in aggregate principal amount of the Outstanding Bonds.

Notice of Default. Upon a Responsible Officer's actual knowledge of the existence of any Default under the Indenture, the Trustee shall notify the Institution in writing as soon as practicable but in any event within 5 Business Days.

Upon a Responsible Officer's actual knowledge of the existence of any Default under the Indenture, the Trustee shall transmit by mail to all Bondholders, as their names and addresses appear in the bond register, notice of such Default under the Indenture within 90 days, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal or Make-Whole Redemption Price of or interest on any Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Bondholders; and provided, further, that in the case of any Default of the character specified in (c) under "Events of Default" above, no such notice to Bondholders shall be given until at least 30 days after the occurrence thereof.

Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Institution or any other obligor upon the Bonds or the property of the Institution or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Institution for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise: (1) to file and prove a claim for the whole amount of principal (or Make-Whole Redemption Price) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel) and of the Bondholders allowed in such judicial proceeding; and (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator or sequestrator (or other similar official) in any such judicial proceeding is, by the Indenture, authorized by each Bondholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel including expenses and fees of outside counsel and allocated costs of internal legal counsel, and any other amounts due the Trustee under the Indenture.

Nothing contained in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

The Trustee

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Institution may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Institution and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Institution shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of itself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Institution and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the

successor Trustee, the Institution shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Institution shall mail or cause to be mailed (at the expense of the Institution) a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Institution fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Institution.

Any successor Trustee shall be a trust company or bank having trust powers having a corporate trust office in The Commonwealth of Massachusetts, having a combined capital and surplus of (or if such trust company or bank is a member of a bank holding system, its bank holding company shall have a combined capital and surplus of) at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or Commonwealth of Massachusetts authority. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject upon prior written notice to the inspection of the Institution and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Institution and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Institution and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Indenture Fund or the amounts pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on the Indenture Fund and such amounts (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Institution and the Trustee of any Supplemental Indenture pursuant to this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to the Bondholders at the addresses shown on the registration books maintained by the Trustee.

Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Institution, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Institution and the Trustee may enter into without the necessity of obtaining the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Institution contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Institution, provided that such covenant, agreement, pledge, assignment or surrender shall not materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Institution or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds (provided, however, that such modifications, amendments, supplements and additions shall be permitted under this paragraph only if qualification under said act or similar federal statute is required by applicable law now or hereafter in effect); or (4) to provide for the procedures required to permit any Bondholder, at its option, to utilize an uncertificated system of registration of its Bond or to facilitate the registration of the Bonds in the name of a nominee of the Securities Depository in accordance with the provisions of the Indenture.

The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by either of the two preceding paragraphs which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Institution, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Amendment of Particular Bonds. The provisions of the Indenture regarding modification or amendment of the Indenture shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

Defeasance

Discharge of Indenture. The Bonds may be paid or discharged by the Institution or the Trustee on behalf of the Institution in any of the following ways: (A) by paying or causing to be paid the principal or Make-Whole Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (B) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or (C) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Institution shall also pay or cause to be paid all other sums payable under the Indenture by the Institution, then and in that case at the election of the Institution (evidenced by a Certificate of the Institution filed with the Trustee signifying the intention of the Institution to discharge all such indebtedness and the Indenture and upon receipt by the Trustee of an Opinion of Counsel to the effect that the obligations under the Indenture and the Bonds have been discharged), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of the Indenture Fund and all amounts held therein made under the Indenture and all covenants, agreements and other obligations of the Institution under the Indenture (except as otherwise provided in the Indenture) shall cease, terminate, become void and be completely discharged and satisfied and the Bonds shall be deemed paid.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Institution in respect of such Bond shall cease, terminate and be completely discharged, and the Bonds shall be deemed paid, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Make-Whole Redemption Price of and interest on such Bond by the Institution, and the Institution shall remain liable for such payments, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture regarding payment of Bonds after discharge of the Indenture.

The Institution may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Institution may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or Make-Whole Redemption Price of, or interest on, any Bonds and remaining unclaimed for three years (or, if shorter, one day before such moneys would escheat to The Commonwealth of Massachusetts under then applicable Massachusetts law) after such principal, Make-Whole Redemption Price or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption), shall be repaid to the Institution free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the

Institution and the Trustee indemnifying the Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Trustee and the Institution with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Institution as aforesaid, the Trustee may (at the cost of the Institution) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Institution of the moneys held for the payment thereof.

Limitation of Rights to Parties and Bondholders

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Institution, the Trustee and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Institution, the Trustee and the Holders of the Bonds.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the registration books for the Bonds held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Institution in accordance therewith or reliance thereon.

Waiver of Personal Liability

No member, officer, agent or employee of the Institution shall be individually or personally liable for the payment of the principal or Make-Whole Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the performance of any duty under the Indenture; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Law; Venue

The Indenture shall be construed in accordance with and governed by the Constitution and the laws of The Commonwealth of Massachusetts applicable to contracts made and performed in The Commonwealth of Massachusetts. The Indenture shall be enforceable in The Commonwealth of Massachusetts, and any action arising under the Indenture shall (unless waived by the Institution) be filed and maintained in The Commonwealth of Massachusetts.

CUSIP Numbers

Neither the Trustee nor the Institution shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice.

APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

11/11/11

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[Date of Closing]

Massachusetts Institute of Technology
77 Massachusetts Avenue
Cambridge, Massachusetts 02139

Ladies and Gentlemen:

As counsel for Massachusetts Institute of Technology (the "Institution"), we have been requested to furnish you with an opinion in connection with the proposed issue by the Institution of \$750,000,000 principal amount of Taxable Bonds, Series B (the "Bonds").

We have examined executed copies of the Indenture of Trust dated as of May 1, 2011 (the "Indenture of Trust") between the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and a certified copy of proceedings of the Institution authorizing the execution of the Indenture of Trust and certain other documents.

In addition, we have examined such other documents and have made such investigation and such examination of law as we have deemed necessary for the purposes of the following opinion.

For purposes of this opinion, we have assumed that the Trustee has all requisite power and authority and has taken all necessary corporate action, consistent with all applicable laws and regulations, to execute and deliver the Indenture of Trust and to effect the transactions contemplated thereby.

Based upon the foregoing, we are of the opinion that:

1. The Indenture of Trust has been duly authorized, executed and delivered and constitutes a valid and legally binding obligation of the Institution and, subject to the qualifications stated in the unnumbered paragraphs at the end of this opinion, is enforceable against the Institution in accordance with their terms.
2. The Bonds have been duly authorized, issued and delivered against payment of the agreed upon consideration and, subject to the qualifications contained in the unnumbered paragraphs at the end of this opinion, are valid, legally binding, general obligations of the Institution, enforceable against the Institution in accordance with their terms.

Our opinion that the Indenture of Trust delivered to you today is the legal, valid and binding obligation of the Institution, enforceable in accordance with its terms, is subject to (a) bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors and secured parties, and (b) general principles of equity. We do not express any opinion herein as to the availability of the remedy of specific performance or injunctive relief or other relief in equity upon breach of any of the agreements, documents, or obligations referred to herein.

The opinions expressed herein are subject to the qualification that the enforceability of provisions in the Indenture of Trust providing for indemnification or contribution may be limited by public policy considerations. In addition, we express no opinion as to (i) the extent to which broadly worded waivers may be enforced, (ii) the enforceability of any provision of the Indenture of Trust that purports to grant the right of setoff, that permits the exercise of a right of setoff against amounts not then due, or that constitutes a penalty or forfeiture, or (iii) the enforceability of any provision that provides for conclusive presumptions or determinations, non-effectiveness of oral modifications, powers of attorney, waiver of or consent to service of process and venue, or waiver of offset or defenses.

In addition, certain provisions contained in the Indenture of Trust may be unenforceable in whole or in part but the inclusion of such provisions in the Indenture of Trust does not affect the validity of any of the other provisions thereof, and the remaining provisions of the Indenture of Trust are sufficient for the practical realization of the benefits intended to be provided thereby.

This opinion is solely for your benefit and the benefit of the Underwriters who purchase the Bonds, and may not be relied upon by any subsequent holders of the Bonds or by any other person.

Very truly yours,

Greenberg Traurig, LLP

