NEW ISSUE – BOOK ENTRY ONLY

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

$125,000,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES J-1

Price: 100%

Dated: Date of Delivery ***Due: July 1, 2031***

The Series J-1 Bonds (the "Bonds") will be issued only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their interests in the Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Principal of and interest on the Bonds will be paid by The Bank of New York, New York, New York, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein. Interest on the Bonds during the Weekly Mode or the Daily Mode will be payable on the first Business Day of each month to the Bondowners of record as of the close of business on the Business Day preceding such Interest Payment Date. The Bonds will initially bear interest at a variable rate in the Weekly Mode with interest payable commencing July 2, 2001. The initial interest rate in the Weekly Mode will be communicated by the Remarketing Agent to the prospective purchasers of the Bonds. During the Weekly Mode, the Bonds will bear interest at a variable rate which will be determined weekly by Lehman Brothers Inc. (the "Remarketing Agent") on each Wednesday (or if not a Business Day, the preceding Business Day). During the Daily Mode, the Bonds will bear interest at a variable rate which will be determined by the Remarketing Agent no later than 9:30 a.m., New York City time, on each Business Day. The Bonds will continue to bear interest from their initial issuance in the Weekly Mode unless, at the option of the Massachusetts Institute of Technology (the "Institute") and subject to the satisfaction of certain conditions precedent, the Bonds are adjusted to bear interest in the Daily Mode, Flexible Mode, Multiannual Mode or Fixed Rate Mode. This Official Statement describes the terms of the Bonds only during the Weekly Mode and the Daily Mode.

The Bonds are subject to redemption prior to maturity in certain circumstances, as set forth herein. The Bonds are also subject to optional and mandatory tender for purchase in certain circumstances, as set forth herein.

The payment of the purchase price of the Bonds that are not remarketed upon optional or mandatory tender by the holders thereof is not supported by any dedicated letter of credit, line of credit, standby bond purchase agreement or similar liquidity facility. The payment of such purchase price is a direct obligation of the Institute under the Agreement.

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

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Institute by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about June 5, 2001.

LEHMAN BROTHERS

Dated: June 1, 2001.

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

No dealer, broker, salesperson, or other person has been authorized by the Authority, the Institute or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Institute, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Authority. The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

99 Summer Street, Boston, Massachusetts 02110

OFFICIAL STATEMENT

Relating to

$125,000,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES J-1

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information concerning the Massachusetts Health and Educational Facilities Authority (the "Authority"), Massachusetts Institute of Technology (the "Institute") and the $125,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-1 (the "Bonds"), authorized by the Loan and Trust Agreement dated as of May 8, 2001 (the "Agreement"), among the Authority, the Institute and The Bank of New York, as trustee (the "Trustee"). The Bank of New York will also serve as paying agent (the "Paying Agent"). The Bonds will be issued in accordance with the provisions of the Agreement and Chapter 614 of the Massachusetts Acts of 1968, as amended (the "Act"). The information contained in this Official Statement is provided for use in connection with the initial sale of the Bonds.

Use of Proceeds

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

The "Project" means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the following: (i) the acquisition and installation of a telephone switch and decommissioning of the old telephone switch located on the Institute's campus; (ii) construction of a new undergraduate dormitory at 229-243 Vassar Street, Cambridge, consisting of an approximately 10 story, 190,000 square foot facility to house approximately 350 students, apartments for faculty residents, and common spaces to support social, educational, recreational, and dining activities; (iii) conversion of an existing mill building into efficiency apartment-style housing for approximately 120 graduate students, located at 224 Albany Street, Cambridge; (iv) construction of a new graduate dormitory at 70 Pacific Street, Cambridge, consisting of an approximately nine story, 346,000 square foot structure designed to house approximately 680 graduate students, together with 208 parking spaces and retail space; (v) construction of a new approximately 162,000 square foot fitness center at 120 Vassar Street, Cambridge, consisting of renovations to adjacent buildings, a 50-meter olympic pool with seating for approximately 500 spectators, instructional pools, a health & fitness area, squash courts, a multi-activity court, administrative offices and locker rooms; (vi) construction of a new center for computer, information and intelligence sciences at 10-40 Vassar Street, Cambridge, a 447,000 square foot building with two 120 foot high, 8-story towers; (vii) construction of a 3-story, 675 car underground garage at 10-40 Vassar Street on the site of the future center for computer, information and intelligence sciences; (viii) renovations to the existing Dreyfus Building, which houses the Department of Chemistry, consisting of efficiency, safety, and code-compliance renovations and repairs and upgrades to the building's exposed concrete skin, located in the center of the Institute's campus; and (ix) acquisition and construction of a new 5000-ton steam-driven chiller to be added to the Institute's central utility plant located at 57 Vassar Street, Cambridge, and extension of the chilled water, steam, condensate, electric power, and telecommunication ducts from the central utility plant along Vassar Street to meet the utility needs of new and existing buildings of the Institute, located on the Institute's campus.

See "APPLICATION OF BOND PROCEEDS."

Issuance of Series J-2 Bonds; Interest Rate Swap Agreements

The Institute will enter into a separate Loan and Trust Agreement with the Authority and The Bank of New York, as trustee, providing for the issuance of the Authority's Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-2 (the "Series J-2 Bonds") in an aggregate principal amount not to exceed $125,000,000. The Institute expects that the Series J-2 Bonds will be issued simultaneously with the Bonds. In addition, the Institute has entered into two interest rate swap agreements, one with a term of ten years and one with a term of thirty years, each with a notional amount of $125,000,000. Pursuant to each swap agreement, the Institute will pay a fixed rate of interest per annum and will receive a variable rate of interest per annum equal to The Bond Market Association Municipal Swap Index from the swap provider. The swap agreements have the effect of synthetically converting the interest rate on the Bonds and the Series J-2 Bonds from a variable rate to a fixed rate.

SECURITY FOR THE BONDS

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

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

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

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

THE AUTHORITY

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

Authority Membership and Organization

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

The members of the Authority are as follows:

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

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

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

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

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

Dr. Marram, a resident of Wayland, is Founder, CEO and Chairman of the Board of GEO-CENTERS, INC., a high-technology, professional services firm, and is currently the Entrepreneur-in-Residence at Babson College. From 1967 to 1975, Dr. Marram was a Manager at EG&G, Inc., from 1965 to 1967, he was a Senior Scientist at AVCO Corporation, and from 1961 to 1965 he was a scientist with ADL, Inc. Dr. Marram's experience included research and testing work for the Atomic Energy Commission and the Department of Energy's Nuclear Test Program. His honors and board memberships include Board of Directors, SBANE (Smaller Business Association of New England); Board of Directors, Professional Services Council; College Advisory Council, College of Natural Sciences and Mathematics, University of Massachusetts, Amherst; Chemistry Advisory Group, Tufts University; Steering Committee, Technology Transfer Society, New England Chapter; Massachusetts State Board of Women in Business; Small Business Technology Group of Massachusetts and the New England American Technion Society. Dr. Marram was nominated as a Price-Babson College Fellow and was awarded the Edwin M. Appel Prize for his academic accomplishments. Dr. Marram holds a B.S. in Chemistry and a M.S. degree in Physics from the University of Massachusetts, a Ph.D. in Physical Chemistry from Tufts, and attended the OPM Program at Harvard Business School.

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

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

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

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

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

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

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

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

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

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

RINA K. SPENCE; term as member expires July 1, 2001.

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

Staff and Advisers

ROBERT J. CIOLEK, a resident of West Hyannisport, was appointed Executive Director of the Authority on January 9, 1996, and is responsible for the management of the Authority's affairs. Mr. Ciolek served as the Chief Operating Officer of the City of Boston from January 1994 through January 1996. From 1989 to 1994, he was the Executive Director at the Boston Water and Sewer Commission. Prior to heading the Commission, Mr. Ciolek was the Budget Director for the City of Boston. Mr. Ciolek holds a B.A. degree from Rutgers University and a Juris Doctor from Boston University School of Law.

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

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

Powers of the Authority

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

Indebtedness of the Authority

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

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

THE BONDS

Pledge of Revenues Under the Agreement

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

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

Description of the Bonds

The Bonds will be issued in the aggregate principal amount set forth on the cover page hereof and initially will bear interest in the Weekly Mode. The Bonds will mature on July 1, 2031, and are subject to redemption and optional and mandatory tender for purchase prior to maturity as set forth below and in Appendix C—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT." The principal, purchase price or redemption price of the Bonds is payable at the principal office of the Paying Agent in New York, New York.

Prior to conversion to a Fixed Rate, the Bonds may bear interest at Flexible Rates or at a Variable Rate (which includes the Daily, Weekly and Multiannual Rates) effective for periods ("Flexible Rate Periods" in the case of Flexible Rates and "Variable Rate Periods" in the case of Variable Rates) selected from time to time by the Institute. The rate of interest to be borne by the Bonds during any particular Flexible Rate Period or Variable Rate Period will be determined by Lehman Brothers Inc. or its successor as remarketing agent (the "Remarketing Agent") as described below under "—Determination of Interest Rate on the Bonds Prior to Fixed Rate Conversion Date." This Official Statement generally describes the Bonds only in the Daily Mode and the Weekly Mode. The Bonds may bear interest as follows:

Daily Mode. While the Bonds bear interest in the Daily Mode, the interest rate will be determined daily by the Remarketing Agent at 9:30 a.m. to be effective for that day. The interest rate on any day which is not a Business Day shall be the rate in effect on the prior Business Day.

Weekly Mode. While the Bonds bear interest in the Weekly Mode, the interest rate will be determined each Wednesday (or if not a Business Day, the preceding Business Day) by the Remarketing Agent to be effective for a seven-day period commencing on Thursday of each week and ending on Wednesday of the following week (the period may be shorter than seven days and the commencement and ending dates may vary for a Rate Period immediately prior or subsequent to a conversion from or to the Weekly Mode).

Multiannual Mode. While the Bonds bear interest in the Multiannual Mode, the interest rate will be determined by the Remarketing Agent on the Business Day next preceding the Effective Date to remain in effect for a term of six months or one year or any whole multiple of six months or one year ending on the Interest Payment Date ending such Rate Period (the first Rate Period and the first Interest Payment Date may vary as provided in the Agreement).

Flexible Mode. While the Bonds bear interest at Flexible Rates, the interest rate for each particular Bond will be determined by the Remarketing Agent not later than 1:00 p.m. on the Effective Date and will remain in effect through the day preceding the end of the Rate Period (which will not be longer than 270 days) selected for that Bond. While the Bonds are in the Flexible Rate Mode, each Bond may bear interest at a rate and for a period different from any other Bond.

Fixed Rate Mode. During the Fixed Rate Mode, the Bonds will bear interest at a fixed rate determined by the Remarketing Agent on the Business Day immediately preceding the commencement date. The Fixed Rate Mode will remain in effect to the maturity of the Bonds.

Interest Rate Changes; Payment. Changes in interest rate Modes will be effective and notice of changes in interest rate Modes will be given as described below under "—Conversion Provisions of Bonds."

Interest on the Bonds will be calculated on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed, while the Bonds bear interest in the Daily or Weekly Mode. While the Bonds are in the Daily Mode or the Weekly Mode, principal and interest will be paid to the owner of record on the Record

Date by check or, if requested in writing by the registered owner of not less than $1,000,000 principal amount of Bonds, by wire or bank transfer within the continental United States, in immediately available funds.

During the Weekly Mode and the Daily Mode, interest on the Bonds will be payable on the first Business Day of each month, commencing July 2, 2001, for the immediately preceding interest period.

The Bonds will be issued in minimum denominations of $5,000 and whole multiples thereof.

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

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

Determination of Interest Rate on the Bonds

On the date of initial authentication and delivery of the Bonds, the Bonds will bear interest at the rate in the Weekly Mode determined by the Remarketing Agent before the Bonds are initially issued. The initial interest rate in the Weekly Mode will be communicated by the Remarketing Agent to the prospective purchasers of the Bonds. Thereafter, the Bonds will continue in the Weekly Mode until the Institute, as described below under "—Conversion Provisions of Bonds," elects that the Bonds will bear interest at a Variable Rate other than in the Weekly Mode, at Flexible Rates determined by the Remarketing Agent or at a Fixed Rate.

During the Weekly Mode and the Daily Mode, the rate of interest on the Bonds shall be that rate which, in the determination of the Remarketing Agent, is the lowest rate which would permit the sale of such Bonds on such date at par plus accrued interest, if any, on and as of the Effective Date.

The determination by the Remarketing Agent of the interest rate to be borne by the Bonds during the Weekly Mode and the Daily Mode shall be conclusive and binding on the registered owners of the Bonds, the Authority, the Institute, the Trustee and the Paying Agent. If the Remarketing Agent fails for any reason to determine the interest rate for any Rate Period during the Weekly Mode or the Daily Mode, the rate shall be the interest rate in effect immediately preceding such Rate Period.

Optional Tender of the Bonds for Purchase

While the Bonds bear interest in the Weekly Mode or the Daily Mode, the registered owners of the Bonds may tender their Bonds to the Paying Agent for purchase at a price equal to the principal amount thereof plus accrued interest as summarized in the table under "—Summary of Certain Provisions of the Bonds" below and as described in Appendix C—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT - Optional Tender."

Payment of the purchase price of Bonds to be purchased upon optional tender as described herein will be made by the Paying Agent by check in immediately available funds or, while the Bonds are in the Daily Mode or the Weekly Mode and if requested by the registered owner of not less than $1,000,000 principal amount of Bonds in the Daily Mode or the Weekly Mode, by wire or bank transfer in immediately available funds within the continental United States.

Mandatory Tender of the Bonds for Purchase

The Bonds are subject to mandatory tender for purchase at the Purchase Price on the date of conversion or proposed conversion from one Mode to another Mode. The Bondowners, by acceptance of the Bonds, agree to sell the Bonds to any purchaser determined in accordance with the provisions of the Agreement in the event of such mandatory tender for purchase and, on the Purchase Date, to surrender such Bonds to the Paying Agent upon payment of the Purchase Price.

Payment of the Purchase Price of Bonds to be purchased upon mandatory tender as described herein will be made by wire or bank transfer in immediately available funds within the continental United States if requested by the registered owner of not less than $1,000,000 principal amount of Bonds, while the Bonds bear interest in the Daily Mode or the Weekly Mode; otherwise, payment will be made by check in immediately available funds.

Failure to Deliver Tendered Bonds

If there are sufficient funds on the Purchase Date to pay the Purchase Price, no further interest, from and after the Purchase Date, shall be payable to the registered owner of Bonds who has elected or is required to tender Bonds for purchase.

Conversion Provisions of Bonds

At the option of the Institute and upon certain conditions, as set forth in the Agreement, the Bonds may be (i) converted or reconverted from time to time to or from the Daily Mode, Weekly Mode or Multiannual Mode, (ii) converted from time to time to or from the Flexible Mode, and (iii) converted to the Fixed Rate Mode. While the Bonds are in the Daily Mode or the Weekly Mode, any such conversion or reconversion may only take place on an Interest Payment Date on not less than 10 days notice to the Bondowners by the Paying Agent. Upon such conversion or reconversion, such Bonds are subject to mandatory tender for purchase.

The interest rate on the Bonds may be converted to a Fixed Rate, at the sole option of the Institute, provided that no default exists under the Agreement as certified to the Trustee by an Authorized Officer of the Institute. See Appendix C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT -Conversion to a Fixed Rate."

The Agreement sets forth certain conditions which must be met prior to conversion from one Variable Rate Mode to another Variable Rate Mode, to or from the Variable Rate Mode or the Flexible Mode or to the Fixed Rate Mode. If the conditions for conversion set forth in the Agreement are not met, such conversion shall not occur, the Bonds will remain in the Mode then in effect and, unless the Bonds are in the Daily Mode or the Weekly Mode, such Bonds shall nevertheless be subject to mandatory tender for purchase on the proposed conversion date. If the Bonds are in the Daily Mode or the Weekly Mode and if such conversion shall not occur, the Paying Agent shall immediately notify each Bondowner, by mail, (i) that the conversion has failed, and (ii) of the new interest rate in the Weekly Mode. In no event shall the failure of Bonds to be converted to the new Mode for any reason be deemed to be a default or an Event of Default under the Agreement, so long as the purchase price of all Bonds required to be purchased is made available as provided in the Agreement.

Partial Conversion of the Bonds

The Bonds may be converted in whole or in part to or from the Flexible Mode, any of the Variable Rate Modes or to the Fixed Rate Mode upon compliance with the conditions set forth in the Agreement. In the event the Bonds are in more than one Mode the provisions of the Bonds and the Agreement as described herein shall refer to Bonds in each of such Modes. See Appendix C—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT - Partial Conversions."

Remarketing and Purchase of the Bonds

In the event that notice is received of any optional tender, or if the Bonds become subject to mandatory tender, the Remarketing Agent shall use its best efforts to sell the tendered Bonds in accordance with the Agreement.

The Purchase Price of Bonds tendered for purchase shall be paid by the Paying Agent from moneys derived from the remarketing of such Bonds and, if such remarketing proceeds are insufficient, from immediately available funds made available by the Institute. The obligation of the Institute to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed is a general obligation of the Institute.

Summary of Certain Provisions of the Bonds

The following table summarizes certain terms of the Bonds in the Daily Mode and the Weekly Mode, including the dates on which interest will be paid, the date each interest rate will be determined, the date each interest rate will become effective and the period of time each interest rate will be in effect, the requirements for notice to registered owners of interest rate adjustments, the dates on which registered owners may tender their Bonds for purchase to the Paying Agent and the notice requirements therefor, the requirements for physical delivery of tendered Bonds and payment provisions therefor (subject to the provisions described under "—Book -Entry Only System" below), the notice requirements in order to change from one interest rate Mode to a different interest rate Mode and the date on which Bonds are subject to mandatory tender for purchase in the event of a change between interest rate modes. All times shown are New York City time. The Bonds are to be initially issued in the Weekly Mode. The following table does not describe the provisions of the Bonds when they bear interest in the Multiannual Mode, the Flexible Mode or the Fixed Rate Mode, and does not purport to be comprehensive. See Appendix C—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE LOAN AND TRUST AGREEMENT" for a further summary of the provisions of the Agreement.

	Daily Mode	**Weekly Mode**
Interest Payment Date	First Business Day of the calendar month.	First Business Day of the calendar month.
Interest Rate Determination Date	9:30 a.m. on the Business Day the interest rate is effective.	The Business Day immediately preceding the day the interest rate is effective.
Effective Date of New Interest Rate	The day on which the new interest rate is determined.	First day of Rate Period, and every Thursday thereafter.
Variable Rate Period	One day.	Through Wednesday of the following week; length of Rate Period, day of commencement and last day of Rate Period may vary in the event of conversion to or from the Weekly Mode.
Notification of Interest Rate	Paying Agent receives notice from Remarketing Agent.	Paying Agent receives notice from Remarketing Agent.
Optional Tender Dates; Bondowner Notice of Optional Tender	Any Business Day; facsimile notice by owner to Paying Agent by 11:00 a.m.	Any Business Day; written notice by owner to Paying Agent on a Business Day not less than 7 calendar days prior to optional tender date.
Physical Delivery of and Payment for Bonds Subject to Optional and Mandatory Tender	To Tender Agent by 3:00 p.m. on designated tender date; payment by 5:00 p.m. same day (subject to the provisions described under "—Book -Entry Only System" below).	To Tender Agent by 3:00 p.m. on designated tender date; payment by 5:00 p.m. same day (subject to the provisions described under "—Book -Entry Only System" below).
Written Notice of Mode Change	Paying Agent to mail notice to owners at least 10 days prior to Effective Date of Mode Change.	Paying Agent to mail notice to owners at least 10 days prior to Effective Date of Mode change.
Mandatory Tender Date Upon Mode Change	Effective Date of Mode change, which must be an Interest Payment Date.	Effective Date of Mode change, which must be an Interest Payment Date.

Redemption Provisions of the Bonds

The Bonds are subject to redemption in accordance with the optional redemption provisions described below.

Optional Redemption. During the Daily Mode or the Weekly Mode, the Bonds are subject to redemption at the election of the Institute, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

Selection of Bonds. If fewer than all the Bonds are to be redeemed, the particular Bonds to be called for redemption shall be selected by the Trustee as provided in the Agreement. Bonds shall be selected by the Trustee by lot or in any customary manner as determined by the Trustee. However, Bonds which have not yet been remarketed and which have been purchased by the Institute shall be selected first for redemption before any other Bonds.

Notice of Redemption and Other Notices. During the Daily Mode and the Weekly Mode, notice of redemption of Bonds shall be mailed to the registered owners of any Bonds which are to be redeemed, at the addresses shown on the registration books kept by the Paying Agent, not less than 10 days prior to the redemption date. Notice of redemption shall identify the Bonds to be redeemed, identify the CUSIP number of such Bonds, state the date fixed for redemption and state that such Bonds will be redeemed at the corporate trust office of the Paying Agent. The notice of redemption shall further state that on such date there shall become due and payable upon each Bond (or portion thereof) to be redeemed, the redemption price thereof, together with interest accrued to the redemption date. Moneys therefor having been deposited with the Paying Agent, interest on any Bond called for redemption shall cease to accrue from and after the date fixed for redemption. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bonds.

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

Acceleration of Bonds

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

No Liquidity Facility for the Bonds

The payment of the purchase price of the Bonds that are not remarketed upon optional or mandatory tender by the holders thereof is not supported by any dedicated letter of credit, line of credit, standby bond purchase agreement or similar liquidity facility. The payment of such purchase price is a general obligation of the Institute under the Agreement.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC") will act as depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of CEDE & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of the Bonds, and will be deposited with DTC.

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

Purchase of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a single maturity of an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts for customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bond purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement of physical delivery of Bonds in connection with an optional tender or a mandatory tender will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

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

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

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

APPLICATION OF BOND PROCEEDS

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

SOURCE OF FUNDS:

Principal Amount of Bonds	$125,000,000
TOTAL SOURCES OF FUNDS	$125,000,000

USES OF FUNDS:

Deposit to Construction Fund and Reimbursement to Institute	$124,674,984
Costs of Issuance (including Underwriter's Discount)	325,016
TOTAL USES OF FUNDS	$125,000,000

TAX EXEMPTION

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

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

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

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

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

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

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

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

CONTINUING DISCLOSURE

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

The Institute has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Institute (the "Annual Report") by not later than 180 days after the end of each fiscal year, commencing with the report for the 2001 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Institute or a dissemination agent with each Nationally Recognized Municipal Securities Information Repository and with the State Repository, if any. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

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

COMMONWEALTH NOT LIABLE ON THE BONDS

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

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services are expected to assign long-term ratings of "Aaa" and "AAA" respectively, to the Bonds and short term ratings of VMIG-1 and A-1+ to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's Corporation, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

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

UNDERWRITING

The Bonds are being purchased for reoffering by Lehman Brothers Inc. In connection with their purchase of the Bonds, Lehman Brothers Inc. will be paid a fee equal to $157,516.22. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at a price lower than the public offering price stated on the cover page hereof. The purchase contract provides that the Underwriter will purchase all the Bonds if any are purchased, and requires the Institute to deliver to the Underwriter and the Authority on the date the Bonds are sold its letter of representation constituting the agreement of the Institute, in accordance with its terms, to indemnify the Underwriter and the Authority and certain other parties against losses, claims, damages, and liabilities arising out of any incorrect statements or information, including the omission of material facts, contained in this Official Statement pertaining to the Institute and other specified matters. The public offering price set forth on the cover page of this Official Statement may be changed after the initial offering by the Underwriter.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel to the Authority, whose opinion approving the validity and tax-exempt status of the Bonds will be delivered with the Bonds. A copy of the proposed form of the opinion is attached hereto as Appendix D. Certain legal matters will be passed on for the

Institute by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, and for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

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

REMARKETING OF THE BONDS

Pursuant to the Agreement, Lehman Brothers Inc. has been appointed as Remarketing Agent for the Bonds. If Bonds are tendered or deemed tendered for purchase as described herein under the caption "THE BONDS – Optional Tender of the Bonds for Purchase" and "- Mandatory Tender of the Bonds for Purchase" the Remarketing Agent is required to use its best efforts to remarket the Bonds in accordance with the terms of the Agreement and the Remarketing Agreement. The Remarketing Agent will also be responsible for determining the interest rate during the Daily Mode and the Weekly Mode in accordance with the Agreement and the Remarketing Agreement.

MISCELLANEOUS

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

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

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

Appendix B to this Official Statement sets forth the report of the Treasurer of the Institute for the fiscal year ended June 30, 2000, which includes the Financial Statements of the Institute and related notes for the fiscal year ended June 30, 2000 (with comparative totals for fiscal year 1999). This information was prepared by and is the responsibility of the Institute's management. The Authority and the Underwriter have relied on the information contained in Appendix A and Appendix B.

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

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

INDEPENDENT AUDITORS

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

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

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Robert J. Ciolek
Executive Director

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APPENDIX A

OFFICE OF THE TREASURER

ALLAN S. BUFFERD
TREASURER

238 Main Street, Suite 200
Cambridge, Massachusetts 02142-1012
617/253-3333
FAX 617/258-6676
E-MAIL bufferd@mit.edu

June 1, 2001

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

Dear Members of the Authority:

We are pleased to submit the following information with respect to Massachusetts Institute of Technology ("MIT" or "the Institute"). This letter and the information contained herein are submitted to the Massachusetts Health and Educational Facilities Authority for inclusion as Appendix A to the Official Statement relating to the Authority's Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-1 (the "Bonds").

The Institute

The Massachusetts Institute of Technology is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of The Commonwealth of Massachusetts. Enrollment for academic year 2001 is approximately 10,090 students of which approximately 5,700 are full-time graduate students. The Institutes faculty number approximately 947 members with other academic staff of approximately 2,700. The Institute is located on a 154-acre residential campus fronting the Charles River in Cambridge, Massachusetts, opposite Boston. In addition, MIT owns property in several suburban communities.

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

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

Institute Facilities for Teaching and Research

MIT's campus includes 156 buildings, with a total building area of approximately 9.8 million gross square feet. In addition to academic departments, these buildings include more than 40 major laboratories and centers which provide a focus for interdisciplinary research that crosses classical departmental disciplines. The Institute's major interdisciplinary organizations include the Laboratory for Computer Science, the Artificial Intelligence Laboratory, The Center for Cancer Research, the Center for Space Research, the Laboratory for Nuclear Science, the Media Laboratory, the Research Laboratory of Electronics, the Plasma Science and Fusion Center, and the Francis Bitter Magnet Laboratory.

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

Accreditations and Memberships

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

Governance

The governing body of the Institute is a board of trustees known as the Corporation. Its members number approximately 75 active members and approximately 25 Emeriti members and include leaders of science, engineering, industry, education, and public service including as members, ex-officio, the Chairman, the President, the Treasurer, the Secretary of the Corporation of MIT, and the President of the Alumni Association. Also included are the following representatives of The Commonwealth of Massachusetts: the Governor, the Chief Justice of the Supreme Judicial Court, and the Commissioner of Education. The Corporation meets four times a year with additional meetings called by the Chairman as necessary.

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

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

Executive Committee Members	**Principal Affiliation**
Charles M. Vest, ex-officio *(Chairman)*	President of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Alexander V. d'Arbeloff, ex-officio	Chairman of the Corporation of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Allan S. Bufferd, ex-officio	Treasurer of the Massachusetts Institute of Technology, Cambridge, Massachusetts
Denis Bovin	Vice Chairman-Investment Banking, Bear Stearns & Co., Inc., New York, New York
James A. Champy	Chairman of Consulting, Perot Systems Corporation, Cambridge, Massachusetts
Judy C. Lewent	Executive Vice President and Chief Financial Officer, Merck and Co., Inc. Whitehouse Station, New Jersey
A. Neil Pappalardo	Chairman and CEO, Medical Information Technology, Westwood, Massachusetts
Raymond S. Stata	Chairman and Co-Founder, Analog Devices, Inc., Norwood, Massachusetts
Elisabeth A. Stock	Executive Director, Computers for Youth, New York, New York
Morris Tanenbaum	Retired Vice Chairman of the Board, AT&T, Short Hills, New Jersey

Administration

The principal administrative officers of the Institute are:

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

Dr. Charles M. Vest, President

Dr. Allan S. Bufferd, Treasurer

Dr. Robert A. Brown, Provost

*Dr. Lawrence S. Bacow, Chancellor

Mr. John R. Curry, Executive Vice President

Ms. Laura Avakian, Vice President for Human Resources

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

Dr. J. David Litster, Vice President and Dean for Research

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

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

*Dr. Bacow has announced his intentions to resign to become President of Tufts University

Faculty and Staff

In October 2000, the Institute had approximately 933 full-time and 14 part-time faculty as well as approximately 2,700 other academic staff, which include instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 72% of the faculty are tenured. In addition to the Institute's 947 faculty and 2,700 other academic staff, there were approximately 4,300 research, medical, administrative and support staff employees and 800 service staff employees for a total of about 8,700 employees on campus including Haystack Observatory and Bates Linear Accelerator. Approximately 2,100 research, support and service staff employees work at MIT's Lincoln Laboratory in Lexington, Massachusetts which is a Federally Funded Research and Development Center.

Student Enrollments

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

Academic Year	Undergraduate Full-Time Students	Undergraduate Part-Time Students	Graduate Full-Time Students	Graduate Part-Time Students	Total
1996-97	4,376	53	5,389	129	9,947
1997-98	4,326	55	5,331	168	9,880
1998-99	4,303	69	5,338	175	9,885
1999-00	4,240	60	5,469	203	9,972
2000-01	4,199	59	5,687	145	10,090

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

Undergraduate Applications

MIT attracts students worldwide with representation in the 2000-2001 freshman class from 47 states and 55 foreign countries. The following tables show information concerning undergraduate applications and admissions over the last five academic years:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
1996-97	8,022	1,947	24%	1,071	55%
1997-98	7,836	1,938	25%	1,067	55%
1998-99	8,676	1,890	22%	1,043	55%
1999-00	9,136	1,742	19%	1,048	60%
2000-01	10,671	1,726	16%	1,012	59%

Academic Year	Freshmen Ranking in the top 10% of their High School Class	Average SAT Scores
1996-97	94%	1448
1997-98	93%	1447
1998-99	94%	1459
1999-00	94%	1454
2000-01	97%	1466

Graduate Applications

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

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
1996-97	12,148	2,445	20%	1,353	55%
1997-98	12,785	2,548	20%	1,304	51%
1998-99	12,098	2,651	22%	1,392	53%
1999-00	12,941	3,380	26%	1,895	56%
2000-01	13,492	3,435	25%	1,899	55%

Sponsored Research

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

Direct Cost of Sponsored Research

Fiscal Year Ended June 30,	Current Dollars	Constant Dollars*
1996	600,605,000	600,605,000
1997	620,871,000	603,647,000
1998	624,439,000	596,481,000
1999	621,080,000	583,177,000
2000	612,147,000	558,854,000

*CPIU deflator 1996 = 100

Research revenues received from sponsors pay for both the direct costs of research mentioned above, as well as that portion of Institute expenses jointly applicable to instruction and research which are attributable to research activities, also known as facility and administrative (F&A) costs, (formerly referred to as indirect costs). The following table presents the level of total sponsored research revenues at MIT, covering both direct and F&A costs, for fiscal years 1996 through 2000:

	Fiscal Year Ended June 30,				
	1996	1997	1998	1999	2000
	(in thousands)				
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	$58,211	$57,215	$58,938	$58,246	$65,905
Department of Energy	69,588	70,753	70,281	63,138	57,000
Department of Defense	59,997	67,858	64,776	65,718	65,686
National Science Foundation	35,837	36,347	36,264	35,352	35,669
National Aeronautics and Space Administration	39,190	36,947	30,227	27,301	22,734
Other Federal	8,721	7,232	9,115	7,409	6,753
Total Federal	271,544	276,352	269,601	257,164	253,747
Non-Federal Sponsored:					
State/Local Foreign	1,652	2,855	1,624	2,344	5,662
Non-profits	25,926	28,952	36,197	35,137	41,274
Internal	3,997	4,527	4,871	6,997	9,696
Industry	67,164	75,194	74,062	74,405	73,609
Total Non-Federal	98,739	111,528	116,754	118,883	130,241
F&A Adjustment	7,419	0	(2,209)	14,254	(4,076)
CAMPUS TOTAL	377,702	387,880	384,146	390,301	379,912
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	334,458	342,596	355,375	345,511	341,822
Non-Federal Sponsored	8,785	9,996	9,408	7,810	6,517
TOTAL	343,243	352,592	364,783	353,321	348,339
TOTAL RESEARCH	$720,945	$740,472	$748,929	$743,622	$728,251

Budget Process

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

Administration Discussion of Operations:

The following table summarizes the Statement of Operations and Other Changes in Unrestricted Net Assets for fiscal years 1999 and 2000, as presented in the Report of the Treasurer, Appendix B to the Official Statement:

	Fiscal Year Ended June 30,	
	1999	2000
	(in thousands)	
Total Operating Revenues	$1,305,667	$1,328,284
Operating Expenses	(1,282,134)	(1,289,988)
Results of Operations	$23,533	$38,296
Non-Operating Activities	243,356	863,089
Net Change in Unrestricted Net Assets	$ 266,889	$ 901,385

Unrestricted net assets increased $901.4 million in fiscal year 2000. This increase included gains on investments of $935.9 million which are made up of $411.6 million of realized gain and $524.3 million of unrealized gain. At June 30, 2000 the market value of unrestricted net assets approached $3.2 billion, an increase from the June 30, 1999 balance of approximately $2.3 billion. As of April 30, 2001, total net assets decreased less than 2% as compared with amounts shown on the June 30, 2000, audited financial statements.

The Institute's operating revenues exceeded operating expenses by $38.3 million for fiscal year 2000, up from the previous year's difference of $23.5 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests, fees and services, other programs, auxiliary revenues, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy and operating and auxiliary expenditures. Non-operating activities include net investment gains not distributed to funds and reclassification of net assets from temporarily restricted to unrestricted.

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

Fiscal Year Ended June 30,	Investments at Market (in thousands)
1996	$2,917,103
1997	$3,636,782
1998	$4,370,325
1999	$5,088,242
2000	$7,612,251

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

Tuition and Fees

Tuition for full-time undergraduate and graduate students for the 2000-2001 academic year is $26,050, except for students in the Sloan School of Management Master's Program for whom the tuition is $29,860. For the 2000 summer session, the tuition for all full-time graduate students was $8,685. This amount was subsidized for all graduate research assistants.

Residence fees for on-campus housing vary according to accommodations. For the 2000-2001 academic year, room charges for the various undergraduate residences range from $1,660 to $2,002 for each of the two terms. For the past five years the housing facilities, both undergraduate and graduate, have operated at full occupancy. Room rates are set so that the housing system operates on a break-even basis.

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

Academic Year	Average Tuition and Fees	Undergraduate Room & Board	Total
1996-1997	$ 22,000	$ 6,300	$ 28,300
1997-1998	$ 23,100	$ 6,495	$ 29,595
1998-1999	$ 24,050	$ 6,750	$ 30,800
1999-2000	$ 25,000	$ 6,950	$ 31,950
2000-2001	$ 26,050	$ 7,175	$ 33,225

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, 2000, 2,383 MIT undergraduate students (56% of the enrollment) received some form of Institute-administered student aid. The average award for the 1999-2000 academic year was $23,526.

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

	1996	1997	1998	1999	2000
Institute Sources					
Tuition Support	$65,745	$67,557	$75,169	$77,584	$111,711
Stipends	6,344	6,103	5,393	5,605	7,504
Student Salaries	10,296	12,835	14,265	23,563	16,617
Total	82,385	86,495	94,827	106,752	135,832
External Sponsors					
Tuition Support	55,591	59,795	61,630	52,538	35,708
Stipends	12,429	13,206	12,708	14,067	13,523
Student Salaries	34,322	33,340	34,550	26,779	35,161
Total	102,342	106,341	108,888	93,384	84,392
Total	$184,727	$192,836	$203,715	$200,136	$220,224

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

Labor Relations

Collective bargaining for service staff employees has been established at MIT since the first collective bargaining unit was organized in 1936. Approximately 1,300 service staff employees belong to unions. These unions include one international and three independent unions representing employees through five separate collective bargaining agreements. The occupational groups covered include trade and maintenance personnel, guards, campus police, and research technicians. More than 80% of these employees have had union agreements since 1946, during which period there have been three work stoppages; one in 1955, one in 1962, and one in 1974, each of relatively short duration. At present all five bargaining units have contracts in place, four of which expire June 30, 2001.

The faculty, research, administrative and support staffs of the Institute are not represented by any union.

Land, Buildings and Equipment

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

The book value of Institute fixed assets was $687.0 million as of June 30, 2000, up 13.2 percent from $607.0 million as of June 30, 1999. This change includes fixed asset additions of $137.1 million, up from the previous year by 52.7 percent. The largest share of the increase was in construction in progress. Major projects completed during fiscal year 2000 included the Restoration of Baker House Dormitory for $24.0 million and the renovations of Kresge Auditorium for $10.0 million.

Other Current and Future Building Plans

The Institute annually budgets approximately $25.0 million dollars to upgrade its research, instructional and support facilities, including improvements to ensure reasonable access as stipulated in the Americans with Disabilities Act (ADA). These expenditures are in addition to normal maintenance expenses and are expected to be supported by internal funding sources.

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

The Institute has started a major construction program which will dramatically change the look and feel of the Cambridge campus. New buildings will be added, utility infrastructure will be expanded, and existing buildings will be renovated. The Institute anticipates funding these projects through a combination of gifts, internal funding sources, and external borrowings. The first phase of the construction program, currently estimated to cost $635 million and finance in part with a portion of the proceeds of the bond, includes a new undergraduate residence, two new graduate student residences, a sports and fitness center, an underground garage, the renovation of the Dreyfus Chemistry Building, the new Ray and Maria Stata Center for Computer Information and Intelligence Sciences, and utility expansion projects.

The Institute has several other construction and renovation projects planned for the next phase of the construction program. They include a new addition for the Media Laboratory, a new building for the Sloan School, a new building for Neurosciences, and various related utility upgrades. The timing and scope of these projects have not been determined. The Institute anticipates funding these projects through a combination of gifts, internal funding sources, and future borrowings.

Litigation

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

Contingencies

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

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

For further information on these issues, please refer to Note F of the Report of the Treasurer, Notes to Financial Statements in Appendix B to the Official Statement.

This letter and the information contained herein are submitted to the Authority for inclusion in its Official Statement relating to its Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-1.

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

Report of the Treasurer

For the year ended
June 30, 2000

MIT Massachusetts
Institute
of Technology

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THE CORPORATION
1999-2000

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

Life Members

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

Members

John M. Hennessy, Michael M. Koerner, Claudine B. Malone, Ronald A. Kurtz, Edie N. Goldenberg, Judy C. Lewent, A. Neil Pappalardo, John K. Castle, Arthur Gelb, Barbara A. Gilchrest, Mark E. Lundstrom, Antonia D. Schuman, R. Gary Schweikhardt, George N. Butzow, Josephine S. Jiménez, L. Robert Johnson, Dana G. Mead, Paul Rudovsky, Theresa M. Stone, R. Robert Wickham, Elliot K. Wolk, Gregory K. Arenson, Osie V. Combs, Jr., Norman E. Gaut, Lissa A. Martinez, DuWayne J. Peterson, Jr., Gerhard H. Schulmeyer, Elisabeth A. Stock, Susan E. Whitehead, Robert E. Wilhelm, Norman R. Augustine, Gerald J. Burnett, Glen V. Dorflinger, John W. Jarve, Robert M. Metcalfe, Leslie Tang Schilling, Anthony Sun, Matthew J. Turner, Morris Chang, Kenneth F. Gordon, Harbo P. Jensen, John A. Morefield, Pardis C. Sabeti, Kenan E. Sahin, Barrie R. Zesiger

President of the Association of Alumni and Alumnae

Brian G.R. Hughes

Representatives of the Commonwealth

Governor: Argeo Paul Cellucci
Chief Justice of the Supreme Judicial Court: Margaret H. Marshall
Commissioner of Education: David P. Driscoll

Life Members Emeriti

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

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Report of the Treasurer

To Members of the Corporation

Summary

The Institute's financial position improved significantly during 2000. Total net assets increased $2,703.4 million from $5,452.5 million to $8,155.9 million, a 50.0 percent increase. The increase in net assets was primarily due to investment gains of $2,477.8 million. Gifts and pledges increased in 2000 to $357.0 million from $224.0 million in 1999.

Unrestricted net assets increased $901.4 million, compared to the previous year's increase of $266.9 million. The Institute's operating revenues exceeded operating expenses by $38.3 million, up from the previous year's difference of $23.5 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests, fees and services, other programs, auxiliary revenues, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy and operating and auxiliary expenditures. During 2000 all unrestricted gifts and bequests, investment income and the portion of net investment gains distributed to funds have been classified as operating revenues. The 1999 balances previously reported have been reclassified to conform to this presentation. This was done to provide a more accurate picture of the Institute's financial operations.

Improvements in Reporting

The Institute has made a number of reclassifications in its financial reporting for 2000 to provide a clearer picture of Institute operations to users of the financial statements. Several operations had been shown on a net basis in previous years, including the Alumni Association with the Technology Review publication, and the Technology Licensing Office's royalty activities. These operations are now shown on a gross basis. These changes resulted in increases to revenues and expenses for 2000 of $7.9 million for Technology Review and $16.8 million for the Technology Licensing Office.

In 2000, changes also were made in reporting for tuition and student financial aid. Tuition for executive and continuing education previously had been shown as "other receipts," and now is included as part of the Institute's tuition. Student financial aid provided by Institute sources (including its general operating budget and its discretionary and other fund sources) is now shown in full as tuition discount. In 2000, real growth in financial aid to graduate students, and changes in the Institute's policies and practices on support of research assistants resulted in an overall reduction in the net amount of tuition and related revenues. A portion of the increase in tuition discount provided to research assistants in 2000 was offset by a decrease in funding of research assistant salaries from Institute sources. Additional details on tuition and student financial aid can be found in Note A.

Financial Position

Net assets are shown in three different categories, recognizing the significant way in which universities are different from profit-making concerns. The three net assets categories reflect the nature of the restrictions placed on gifts by donors. Note I provides more information about the sources and designations of net assets.

Permanently restricted net assets represent those gifts for which the original principal can never be spent. They comprise gifts and pledges to true endowment together with assets held in trust, such as life income plans, which, when received or matured, will go to the endowment. The increase of $196.1 million to a total of $1,149.9 million primarily reflects new gifts and pledges made to restricted endowment funds, and gains on investments when the donor required investment gains to be retained permanently.

Temporarily restricted net assets represent those gifts that ultimately can become available to meet the expenses of operations or capital expenditures. They require an event or lapse of time to take place before they are available for spending. Over 90 percent of the assets in this category result from the accumulated market gain on invested permanently restricted endowment funds. This category also includes pledges not permanently restricted, gifts for construction projects that have not been completed, and life income funds, which, upon maturity, will be available for spending. The increase of $1,605.9 million to a total of $3,833.2 million results primarily from the increase in the market value of securities held in permanently restricted funds. The Commonwealth of Massachusetts requires that all universities located within the Commonwealth include accumulated market gains on both permanently and temporarily restricted net assets with temporarily restricted net assets. Most other states allow inclusion of these gains with unrestricted net assets. If the Institute were allowed to follow the prevalent rule, unrestricted net assets would increase by $3,537.1 million to $6,709.9 million and temporarily restricted net assets would decrease by a like amount.

Unrestricted net assets comprise all the remaining economic resources available to the Institute. This category includes the Institute's working capital, necessary to support its operations from year to year, and those assets designated by the Corporation as "funds functioning as endowment," to be invested over the long term, to generate investment income in support of Institute operations and capital projects. Also included are current funds received from donors for restricted purposes, which, under the accounting rules, are categorized as unrestricted if the Institute spends equivalent unrestricted funds for the same purpose. Total unrestricted net assets are $3,172.8 million at June 30, 2000, up from $2,271.4 million at June 30, 1999.

Pledges receivable increased to $278.6 million at June 30, 2000, a 98.0 percent increase from the previous year's balance. The increase in advance payments of $25.5 million was due to an increase in sponsored activity with pre-payment of funds. The decrease in withholdings, deposits and other credits of $6.5 million, or 25.8 percent, is attributable mainly to the change in the subsidy for summer tuition for summer 2000.

Net asset reclassification of $35.2 million, up 1.2 percent from the previous year, reflects the collection of pledges and the increased use of building funds for construction and other projects.

Aggregate borrowings decreased $20.7 million during 2000, due primarily to the repurchase of debt. Cash flow from operations continues to be strong with $101.7 million in 2000 compared to $21.5 million in 1999. The Institute's publicly held debt continues to be rated triple A by both Moody's and Standard & Poor's.

Operations

Net tuition and other income decreased $23.7 million or 13.0 percent during 2000. This decrease resulted from increases in tuition support to research assistants and graduate school fellowships.

The research revenues of departmental and interdepartmental laboratories were $379.9 million in 2000 as compared to $390.3 million in the prior year, a decrease of 2.7 percent. The decrease was due primarily to subcontracting activity, which decreased by $7.2 million, or 25.1 percent, during 2000. The direct research expenditures "base" of the Institute on campus, used as the basis for recovery of facilities and administration costs from sponsors, increased $16.9 million, or 9.9 percent. Industrial support of campus research showed a slight decrease of $0.8 million to $73.6 million. Industrial sponsors as a group remained the largest source of sponsored funds at MIT, followed by the Department of Defense and the National Institute of Health. Research revenues at the Lincoln Laboratory decreased from $353.3 million in 1999 to $348.3 million in 2000, a decrease of 1.4 percent, a consequence of decreases in funding from the National Aeronautic and Space Agency (NASA) and the Federal Aviation Association (FAA). As on campus, decreases at Lincoln Laboratory were largely in subcontracts, which dropped $4.1 million or 37.9 percent. The direct research expenditure base at Lincoln Laboratory increased by $1.4 million, or 0.6 percent.

Research revenues support the direct costs of sponsored research and the indirect facilities and administration costs allocated to research and instruction. Normally, as research revenues grow more slowly than other sources of revenues, a greater proportion of the facilities and administration costs must be funded from unrestricted resources such as tuition and general funds. This was not the case in 2000 because the decrease was due to subcontracting activity.

The modest increase of $7.9 million in operating expense to $1,290.0 million resulted from increased salaries less decreased employee benefit costs and one time costs for reengineering that were not incurred in 2000. The Alumni Association cost increase was due to increased spending on the Technology Review.

Investment income defined as dividends, interest and rents, increased 19.4 percent to $110.0 million during 2000. This increase was due to the increase in the market value of the portfolio and a significant increase in rental income resulting from rental rollovers and new investments in real estate.

These financial statements include both realized and unrealized gains on investments. Table 1 displays the changes in the Institute's net assets excluding the net investment gains.

Table 1
Increase in Net Assets Excluding Investment Gains
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase in net assets	$901,385	$1,605,933	$196,124	$2,703,442
Deduct: net investment gains	935,899	1,544,925	(3,049)	2,477,775
Increase (decrease) in net assets excluding net investment gains	**$(34,514)**	**$ 61,008**	**$199,173**	**$ 225,667**

Gifts

Gifts to the Institute in 2000 totaled $357.0 million, and exceeded gifts made in fiscal 1999, itself a record year, by 59.4 percent. Gifts are reported as either "gifts and bequests" or "pledges." Gifts and bequests by this measure exclude payments on pledges made in earlier years and record life income gifts for Institute purposes only at their actuarial present value. Gifts are divided into the three categories of net assets. All pledges to unrestricted net assets are shown as temporarily restricted, since the funds are not yet available for the Institute's use.

The amounts collected in 2000 and 1999 were $226.5 million and $201.7 million, respectively. In addition, pledges outstanding totaled $278.6 million, net of a present value discount of $50.0 million, at June 30, 2000. At June 30, 1999, discounted pledges totaled $140.7 million.

Endowment and Similar Funds

The market value of investments in the endowment and similar funds totaled $6,475.5 million at June 30, 2000 as compared to $4,287.7 million in the prior year, an increase of $2,187.8 million or 51.0 percent. The market value at June 30, 2000 includes $6,331.2 million in Pool A, the Institute's primary investment pool, and $144.3 million held in separately invested funds. This measure of endowment is identical to that in Note I except that the present value of pledges to endowment funds is excluded, as the payments have not yet been received.

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

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

Investments

Total investments at market value were $7,612.3 million, an increase of $2,524.1 million, or 49.6 percent, from the previous year. This increase compares with an increase of $717.9 million in the previous year and represents the tenth consecutive year in which the market value of total investments has increased. Total invested assets at market value have now increased approximately $5.1 billion over the last five years, a result of gifts and market appreciation.

The general investments at market value were $6,992.5 million, an increase of $2,296.1 million, or 48.9 percent, from last year. This increase compares with an increase of $672.4 million in the previous year. The general investments include the investments held in Pool A and the current invested funds held in Pool C.

The balance between fixed income and equity investments changed modestly during the year. Equity investments, at market value, were 80.0 percent of the general investments at year-end, an increase from 76.7 percent at the prior year-end. Realized gains in the general investments during the year included $1,422.7 million from equities offset by net realized losses of $11.5 million from fixed income securities. The $1,993.1 million increase in market value of equities in the general investments resulted primarily from market action. The $254.9 million increase in market value of fixed income securities and cash equivalents resulted primarily from the reallocation of assets in accordance with investment guidelines.

Three major items contributed to the increase of $19.8 million in the book value of real estate held for present or future academic use to $90.4 million. These included the purchase of 600 Main Street, Cambridge, from Polaroid for $11.5 million; an ongoing property exchange with California Products for $5.7 million; and the preliminary development of 28 Osborn Street for $2.6 million. The increase in book value of $6.0 million in real estate held for investment or other purposes was due primarily to capital improvements at One Broadway. The balance is attributed to returns of capital from an investment in University Park and other minor capital expenditures. The market value of real estate held for investment or other purposes increased $28.3 million, or 12.4 percent, to $257.0 million, and resulted from the increases in the appraised value of these properties, reflecting full occupancy and lease turnover at higher market rents. Income from real estate held for investment or other purposes increased $1.6 million to $17.1 million, or 10.3 percent, from the previous year, due primarily to lease turnovers at higher market rents.

The Investment and Executive Committees of the Corporation have continued the practice whereby spending by funds in the general investments may come from both investment income and realized market gains, and in the separately invested funds only from investment income. This distribution for spending is consistent with the investment policy for the general investments, which focuses on total investment return, a combination of both capital appreciation and investment income from interest, dividends, and rents. In 2000 the amount distributed for spending from the general investment endowment funds totaled $144.1 million, an increase of 19.3 percent from the $120.8 million distributed in 1999. The 2000 amount distributed for spending from the general investment endowment funds included $62.8 million from investment gains, or 43.6 percent of the total distributed to those funds. In 1999, the comparable amount distributed to general investment endowment funds included $51.1 million from investment gains, or 42.3 percent of the total distributed to those funds. In 2000 there was also a special distribution of $15.0 million from the current invested funds, which equaled the special distribution in 1999.

Separately invested funds increased by $127.8 million to a market value of $304.9 million. This increase resulted from additions to perpetual trusts held outside the Institute, net additions to other funds, and market appreciation.

The investments held by the life income funds increased $14.6 million to a market value of $181.7 million. The increase resulted from current year gifts and market appreciation less transfers to endowment.

Investment income in the form of dividends, interest and rents (after administrative expenses) was $114.2 million. This compares to $95.1 million of investment income in the previous year and represented an increase of 20.0 percent. This measure of investment income does not include any investment gains. The amount distributed for spending to endowment funds included investment gains. The investment income earned by the current invested funds was fully distributed.

The Investment Committee held three regularly scheduled meetings during the fiscal year, under the chairmanship of Samuel W. Bodman. The Wellington Management Company continued as the primary investment manager and advisor for publicly traded securities. The Investment Committee continued the investment programs of domestic public-equity investments in smaller capitalization companies through four other investment management firms and the program to diversify international equities management with three other investment management firms. The investment program in non-marketable and marketable alternative investments in both the domestic and international markets was significantly expanded. Non-marketable alternatives include investments such as venture capital. Marketable alternatives include investments in event arbitrage and hedge funds. The alternative investments are managed by independent organizations through pooled investment funds.

Land, Buildings and Equipment

Fixed assets had a book value of $687.0 million at June 30, 2000, up 13.1 percent from $607.3 million at June 30, 1999. Fixed asset additions included $137.0 million of net additions, up from the previous year by 52.7 percent. The largest share of the increase was in construction in progress. Major projects completed during fiscal year 2000 included the Baker House Dormitory, and the renovations of Kresge Auditorium and the Chapel.

Over the next several years, MIT will construct and renew facilities that will enhance campus life in areas such as the communication and information sciences, chemistry, aeronautics and astronautics, neurosciences, the arts, media, management, student residences, and sports and fitness.

Construction cost estimates for imminent capital projects total $464.1 million, including $164.4 million for campus life facilities, $284.8 million for instruction and research facilities, and $14.9 million for related utility relocations and landscape projects. Campus life projects include Simmons House, a new undergraduate residence named in honor of Richard P. and Dorothy P. Simmons, two new graduate student residences, and a sports and fitness center. Instruction and research projects include renovation of the Dreyfus Chemistry Building, expansion of the Media Laboratory and the new Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences.

General

This past year has seen continued growth in the financial strength of the Institute. The return on the investments was driven by outstanding returns on our private equity investments. In addition the "Campaign for MIT" has increased giving to the Institute to an all time high. The combination of these two factors has resulted in an unprecedented growth of net assets.

The Institute continued development of strategic initiatives during 2000. Two of the most notable are the Cambridge University/MIT Institute and the Media Lab Europe. These enterprises demonstrate MIT's worldwide reach and the demand for the qualities MIT provides. We will continue to see more cutting edge arrangements as we reach out to meet our objectives of the advancement of knowledge and service to the nation and the world.

We cannot and will not interrupt our commitment to prudent financial strategies to manage the Institute's resources. This is even more important as we enter a period of a substantial construction program while facing the changing nature of education and the work place. The Cambridge and Boston areas continue to have a low unemployment rate, resulting in a high demand for qualified personnel and high costs of operation. These economic forces require that MIT continue to take actions that build on the solid base that was established by our predecessors and that we must sustain and enhance for our successors.

The progress made in 2000 is the result of the efforts of many individuals, working alone and in groups. It is these individuals, staff and faculty, who are the heart of MIT. They have provided the important building blocks for the MIT we are today. We acknowledge their efforts with appreciation.

Respectfully submitted,

Allan S. Bufferd
Treasurer

John R. Curry
Executive Vice President

September 15, 2000

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF FINANCIAL POSITION
at June 30, 2000 and 1999
(in thousands of dollars)

	2000	1999
ASSETS		
Cash	$ 62,935	$ 54,934
Accounts receivable, net	95,612	107,607
Pledges receivable, net	278,579	140,714
Contracts in progress, principally U.S. Government	18,155	35,986
Deferred charges, inventories and other assets	40,094	35,696
Students' notes receivable, net	77,323	73,700
Investments, at fair value	7,612,251	5,088,242
Land, buildings and equipment, at cost ($1,056,776 for 2000 and $993,797 for 1999), net of accumulated depreciation	687,002	607,345
Total assets	$ 8,871,951	$ 6,144,224
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accruals and other liabilities	$ 257,212	$ 231,766
Withholdings, deposits and other credits	18,658	25,239
Advance payments, primarily U.S. Government, industrials and foundations	111,067	85,520
Borrowings - bonds and notes payable	299,169	319,874
Government advances for student loans	29,920	29,342
Total liabilities	716,026	691,741
Net Assets (Note I):		
Unrestricted	3,172,788	2,271,403
Temporarily restricted	3,833,231	2,227,298
Permanently restricted	1,149,906	953,782
Total net assets	8,155,925	5,452,483
Total liabilities and net assets	$ 8,871,951	$ 6,144,224

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF ACTIVITIES
for the years ended June 30, 2000 and 1999
(in thousands of dollars)

	2000	1999
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and other additions:		
Tuition and other income, net of discount of $111,711 in 2000 and $77,584 in 1999	$ 159,269	$ 183,012
Research revenues	728,251	743,622
Gifts and bequests	83,435	80,521
Investment income	109,960	92,131
Net gains on investments	935,899	289,881
Fees and services	45,151	29,953
Other programs	56,983	52,388
Auxiliary activities	42,860	42,004
Net change in life income funds	(5,617)	693
Net asset reclassifications	35,182	34,818
Total revenues and other additions	2,191,373	1,549,023
Expenses and other deductions:		
Operating expenses	1,289,988	1,282,134
Increase in unrestricted net assets	901,385	266,889
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Gifts and bequests	28,996	23,599
Pledges	60,404	25,624
Investment income	3,784	2,701
Net gains on investments	1,544,925	363,541
Fees and services	706	4,719
Net change in life income funds	6,263	13,539
Net asset reclassifications	(39,145)	(38,266)
Increase in temporarily restricted net assets	1,605,933	395,457
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Gifts and bequests	69,162	58,042
Pledges	114,960	36,229
Investment income	1,337	930
Net gains on investments	(3,049)	13,446
Fees and services	298	1,628
Net change in life income funds	9,453	381
Net asset reclassifications	3,963	3,448
Increase in permanently restricted net assets	196,124	114,104
Increase in net assets	2,703,442	776,450
Net assets at the beginning of the year	5,452,483	4,676,033
Net assets at the end of the year	$ 8,155,925	$ 5,452,483

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF OPERATIONS AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
for the years ended June 30, 2000 and 1999

(in thousands of dollars)

	2000	1999
RESULTS OF OPERATIONS:		
OPERATING REVENUES:		
Tuition and other income, net of discount of $111,711 in 2000 and $77,584 in 1999	$ 159,269	$ 183,012
Research revenues:		
Campus	379,912	390,301
Lincoln Laboratory	348,339	353,321
Gifts and bequests available for operations	83,435	80,521
Fees and services	45,151	29,953
Other programs	56,983	52,388
Investment income	109,960	92,131
Net gains on investments, distributed	77,786	66,110
Auxiliary enterprises	42,860	42,004
Net asset reclassification	24,589	15,926
Total	1,328,284	1,305,667
OPERATING EXPENSES:		
Instruction and unsponsored research	314,625	303,378
Sponsored research	612,147	621,080
General and administrative	306,045	304,046
Auxiliary enterprises	39,126	38,558
Operation of alumni association	18,045	15,072
Total	1,289,988	1,282,134
Results of operations	38,296	23,533
NON-OPERATING ACTIVITIES:		
Net gains on investments	858,113	223,771
Net change in life income funds	(5,617)	693
Net asset reclassifications	10,593	18,892
Total non-operating activities	863,089	243,356
Net change in unrestricted net assets	$ 901,385	$ 266,889

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2000 and 1999
(in thousands of dollars)

	2000	1999
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 2,703,443	$ 776,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gains	(2,477,775)	(666,868)
Depreciation	57,388	54,712
Student loan cancellations	927	166
Gifts of equipment and securities	(11,529)	(6,027)
Net gains on life income funds	(3,268)	(5,937)
Change in operating assets and liabilities:		
Pledges receivable	(137,865)	(27,873)
Accounts receivable	11,995	3,819
Contracts in progress	17,831	(1,991)
Deferred charges, inventories, and other assets	(4,398)	388
Accounts payable, accruals, and other liablilites	25,446	(4,402)
Withholdings, deposits, and other credits	(6,581)	(12,065)
Advances and unexpended grants	25,547	(4,830)
Reclassify investment income	(1,337)	(930)
Reclassify contributions restricted for long-term investment	(98,157)	(83,147)
Net cash received from operating activities	101,667	21,465
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of land, buildings, and equipment	(125,517)	(83,740)
Purchase of investments	(4,832,721)	(3,404,673)
Proceeds from sale of investments	4,789,755	3,359,561
Student notes issued	(17,533)	(11,173)
Collections from student notes	12,983	8,550
Net cash used in investing activities	(173,033)	(131,475)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment	69,145	57,998
Investment in plant	28,995	25,105
Investment in other	17	44
Total proceeds from contributions	98,157	83,147
Increase in investment income for restricted purposes	1,337	930
Proceeds from borrowings, bonds, and notes payable	34,101	52,903
Repayment of borrowings, bonds, and notes payable	(54,806)	(30,199)
Increase in Government advance for student loans	578	765
Net cash received from financing activities	79,367	107,546
Net increase (decrease) in cash	8,001	(2,464)
Cash at the beginning of the year	54,934	57,398
Cash at the end of the year	$ 62,935	$ 54,934

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

NOTES TO FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

Donor-restricted gifts which are received and either spent or deemed spent within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

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

The Institute's operations include tuition, research revenues, unrestricted gifts and bequests, fees and services, other programs, auxiliary revenues, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy, and operating and auxiliary expenditures. During 2000 all unrestricted gifts and bequests and investment income have been classified as operating revenues. The 1999 balances previously reported have been reclassified to conform with this presentation. Results of operations are displayed in the Statement of Operations and Other Changes in Unrestricted Net Assets.

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

CASH

Current banking arrangements do not require outstanding checks to be funded until actually presented for payment. Outstanding checks in the amount of $44.7 million and $42.8 million in 2000 and 1999, respectively, are recorded in accounts payable until such time as the banks present them for payment. Certain cash balances, totaling $27.2 million and $28.3 million in 2000 and 1999, respectively, are restricted for use in connection with government research.

SPONSORED RESEARCH

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

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are shown at cost or fair value as of the date of a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment and 3 to 5 years for software. Fully depreciated buildings and equipment are removed from the financial statements. These amounts totaled $74.0 million and $33.3 million during 2000 and 1999, respectively. In addition, depreciation relating to various service facilities and equipment are charged directly to the appropriate operating unit expenses. Land, buildings and equipment are as follows at June 30:

	2000	**1999**
	(in thousands of dollars)	
Land	$ 35,800	$ 35,800
Educational buildings	529,875	482,731
Dormitories	80,381	80,381
Medical, athletic and recreational buildings	70,630	70,630
Other	27,969	27,141
Equipment	206,606	242,527
Software	752	-
Total	**952,013**	**939,210**
Less: accumulated depreciation	(369,774)	(386,452)
Construction in progress	102,101	54,587
Software projects in progress	2,662	-
Land, buildings and equipment	**$687,002**	**$607,345**

Depreciation expense was $57.4 million and $54.7 million during 2000 and 1999, respectively.

TUITION AND FINANCIAL AID

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

Tuition and Similar Revenue
(in thousands of dollars)

	2000	**1999**
Tuition revenue	$251,355	$239,188
Executive & continuing education revenues	19,625	21,408
Total	**270,980**	**260,596**
Less: tuition discount	(111,711)	(77,584)
Net tuition	**$159,269**	**$183,012**

Tuition support is awarded to undergraduate students by the Institute based on need. Graduate students are provided with tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by the Institute was $220.2 million and $200.1 million in 2000 and 1999, respectively. Of that amount, $84.4 million in 2000 and $93.4 million in 1999, was aid from sponsors. Tuition support from Institute sources is displayed as tuition discount.

Financial Aid
(in thousands of dollars)

	2000			**1999**		
	Institute Sources	**External Sponsors**	**Total Financial Aid**	**Institute Sources**	**External Sponsors**	**Total Financial Aid**
Tuition support	$111,711	$35,708	$147,419	$77,584	$52,538	$130,122
Stipends	7,504	13,523	21,027	5,605	14,067	19,672
Student salaries	16,617	35,161	51,778	23,563	26,779	50,342
Total	**$135,832**	**$84,392**	**$220,224**	**$106,752**	**$93,384**	**$200,136**

GIFTS AND PLEDGES

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair market value at the date of contribution. Gifts of equipment during 2000 and 1999 totaling $11.5 million and $6.0 million, respectively, from manufacturers and other donors were put into use and recorded by the Institute during the respective fiscal years. Pledges in the amount of $278.6 million and $140.7 million are recorded as receivables with the revenue assigned to the appropriate category of restriction for 2000 and 1999, respectively. Pledges consist of unconditional written or oral promises to contribute to the Institute in the future. Pledges are recorded after discounting the future cash flows to the present value.

Pledges receivable at June 30, 2000 are expected to be realized in the following time frame:

	(in thousands of dollars)
In one year or less	$ 58,093
Between one year and five years	180,160
More than five years	55,326
Less allowance for unfulfilled pledges	(15,000)
Pledges receivable, net of discount	**$278,579**

A review of pledges has been made with regard to individual collectibility. As a result, some pledges have either been canceled or are no longer recorded in the statements. In addition, the pledge receivable is discounted in the amount of $50.0 million which is determined using a discount rate based on the seasoned U.S. Treasury rate. The Institute had conditional pledges for the promotion of education and research in the amount of $26.1 million and $26.9 million in 2000 and 1999, respectively.

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

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, 1999 balances previously reported have been reclassified to conform with June 30, 2000 presentation.

B. INVESTMENTS

Total market value of investments approximated $7.6 billion and $5.1 billion at June 30, 2000 and 1999, respectively. The market values of publicly traded investments are generally determined based upon quoted market prices. The Institute's privately held equity investments are carried at estimated fair value provided by the management of the privately held equity funds with the majority being as of March 31, 2000, adjusted for cash receipts, cash disbursements and securities distributions through June 30, 2000. The Institute believes that the carrying value of its privately held equity investments is a reasonable estimate of the fair value as of June 30, 2000. Because investments in privately held equities are generally not marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed. Market values of certain real estate assets, were determined by professional appraisers. Cash equivalents include money market funds, commercial paper, banker acceptances and negotiable certificates of deposit, maturing within 30 days.

Investments
(in thousands of dollars)

	June 30, 2000		**June 30, 1999**	
	Book	**Market**	**Book**	**Market**
General investments				
Cash equivalents	$ 301,927	$ 301,927	$ 197,255	$ 197,255
Fixed income	770,713	749,360	604,155	599,152
Equities:				
Publicly traded	2,602,269	3,510,328	1,876,709	2,817,969
Privately held	698,299	2,083,414	407,363	782,634
Total equities	3,300,568	5,593,742	2,284,072	3,600,603
Real estate:				
Held for present or future academic use	90,436	90,429	70,601	70,601
Held for investment or other purposes	161,057	257,038	155,036	228,760
Total general investments	**4,624,701**	**6,992,496**	**3,311,119**	**4,696,371**
Separately invested	227,171	304,902	157,742	177,133
Life income funds	126,530	181,668	117,187	167,108
Receivables/payables arising from securities transactions	133,185	133,185	47,630	47,630
Total investments	**$5,111,587**	**$7,612,251**	**$3,633,678**	**$5,088,242**

The Institute deploys its investments into two major investment pools, Pool A, principally for endowment and funds functioning as endowment and Pool C, principally for investment of current funds of the schools and departments and Institute temporary funds. Shares in Pool A, like a mutual fund, are purchased and redeemed at the fair value of the share units as determined each month end. The total market value of Pool A was approximately $6.3 billion and $4.2 billion at June 30, 2000 and 1999, respectively. The unit market values at June 30, 2000 and 1999 were $996.3170 and $661.1542, respectively. On a unit basis, the ownership assigned to each net asset classification at June 30, 2000 and 1999 was as follows:

	2000	**1999**
Unrestricted	1,951,094	2,023,668
Permanently restricted	4,403,534	4,281,021
Total units	**6,354,628**	**6,304,689**

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

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

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
2000				
Realized Gains	$411,607	$1,016,593	$6,742	$1,434,942
Change in Net Unrealized Gains	524,292	528,332	(9,791)	1,042,833
Total	**$935,899**	**$1,544,925**	**($3,049)**	**$2,477,775**
1999				
Realized Gains	$255,163	$372,282	$5,964	$633,409
Change in Net Unrealized Gains	34,718	(8,741)	7,482	33,459
Total	**$289,881**	**$363,541**	**$13,446**	**$666,868**

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

	2000	**1999**
Pool A – Distribution per unit	$22.65	$19.35
Pool C – Declared rate before other distributions	4.0%	4.0%

The total distribution to funds was $192.0 million in 2000 and $161.2 million in 1999 and included accumulated investment gains of $62.8 million and $51.1 million, respectively. Investment income is reported net of related expenses of $12.4 million and $9.9 million in 2000 and 1999, respectively.

The Institute has recorded perpetual trusts held by outside trustees of $60.7 million for 2000 and $56.7 million for 1999. The perpetual trusts are included in investments reported above.

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

C. DERIVATIVE INSTRUMENTS

In June 1999, MIT received a gift of stock and an option position. The option position consists of a long put option and a short call option at strike prices that set a limit on potential movements in price to the holder of the underlying security. The option position, designed to protect the value of the gift from market fluctuations expires in November 2000 and had a market value of negative $7.4 million at June 30, 2000. The shares of the underlying security associated with the option position had a market value of $16.9 million at June 30, 2000.

From time to time the Institute will enter into various forward currency exchange contracts solely as partial offset of exchange note movements affecting the U.S. dollar value of portfolio holdings of bonds denominated in foreign currencies. These contracts obligate the Institute to deliver currencies at specified future dates in return for U.S. dollars at fixed exchange rates. The Institute had open contracts with a market value of $15.8 million at June 30, 2000.

D. STUDENT NOTES

Student notes consisted of the following at June 30, 2000 and 1999:

	2000	1999
	(in thousands of dollars)	
Institute-funded student notes receivable	$45,173	$42,186
Perkins student notes receivable	33,569	32,389
Total student notes receivable	78,742	74,575
Less: allowance for doubtful accounts	(1,419)	(875)
Student notes receivable, net	**$77,323**	**$73,700**

Perkins student notes receivable are funded by the United States Government and by the Institute to the extent required by the Perkins National Direct Student Loan Program. Funds advanced by the United States Government for this program, $29.9 million and $29.3 million at June 30, 2000 and 1999, respectively, are ultimately refundable to the United States Government and are classified as liabilities. Due to the nature and terms of the student loans, which are subject to significant restrictions, it is not practicable to determine the fair value of such loans.

E. BORROWINGS-BONDS AND NOTES PAYABLE

Bonds and Notes Payable consist of the following at June 30, 2000 and 1999:

	2000	1999
	(in thousands of dollars)	
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series A, lease purchase obligations (Note F)	$ 800	$ 1,200
Series B, 5%, due 2000-2003	1,980	2,570
Series C, 5-6.2%, due 2000-2006	2,260	2,560
Series E, 8%, due 2000-2000	-	378
Series H, 4.2 - 5%, due 2000-2023	67,599	71,077
Series I, 4.75 –5.20%, due 2028	59,900	59,949
Total MHEFA	**132,539**	**137,734**
Medium Term Notes Series A, 7.125% due 2026	17,312	39,173
Medium Term Notes Series A, 7.25% due 2096	72,012	72,009
Notes payable to bank, variable percent, due 2000	25,400	24,159
Notes payable Student Loan Marketing Association (SLMA), variable percent, due 2000	1,654	4,577
Total Educational Plant	**248,917**	**277,652**
STUDENT LOANS		
Notes payable to bank, variable percent, due 2000	25,000	25,000
Total Student Loans	**25,000**	**25,000**
OTHER		
Notes payable to bank, variable percent, due 2000	23,460	17,000
Massachusetts Health and Educational Facilities Authority Series E, 8%	-	222
Notes payable to bank, variable percent, due 2001	1,792	-
Total Bonds and Notes Payable	**$299,169**	**$319,874**

At June 30, 2000 the Institute had pledged securities with a market value of $54.7 million, annual unrestricted operating revenue of $8.1 million, and certain other project revenue to comply with the terms of the MHEFA bond indentures. In addition, certain land and buildings are pledged as collateral for MHEFA Series B and C bonds.

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

(in thousands of dollars)	
2001	$82,370
2002	5,285
2003	5,110
2004	4,635
2005	4,850

Cash paid for interest on long-term debt in 2000 and 1999 was $19.5 million and $19.4 million, respectively.

Variable interest rates were as follows at June 30, 2000:

Notes payable to bank (Educational Plant)	6.84%
Notes payable to SLMA	7.01%
Notes payable to bank (Student Loan)	6.83%
Note payable to bank (Other)	6.10%

MIT maintained an unused line of credit totaling $58.0 million at June 30, 1999. There was no unused line of credit at June 30, 2000. The carrying value of the outstanding debt approximates fair value based on estimates using current interest rates available for similarly rated debt of the same remaining maturities.

F. COMMITMENTS AND CONTINGENCIES

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

The DCAA is responsible for auditing both direct and indirect charges to grants and contracts in support of ONR's negotiating responsibility. The Institute has final audited rates through the 1998 fiscal year. The Institute's 2000 research revenues of $728.3 million include reimbursement of indirect costs of $123.0 million which includes the adjustment of the variance between the indirect cost income generated from the predetermined rates and rates based on actual 2000 costs.

Rentals
The Institute is committed under real estate leases. Rent expense was $23.7 million and $18.9 million in 2000 and 1999, respectively. Certain leases expiring in 2000 are subject to renewal. Future minimum payments under operating leases are as follows:

(in thousands of dollars)	
2001	$25,208
2002	25,586
2003	25,990
2004	25,934
2005	26,401

Investments
The Institute is committed to invest approximately $992.3 million in private equity and other alternative investments over the next five years.

Future Construction
The Institute has contracted for Educational Plant in the amount of $34.0 million at June 30, 2000. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, and unrestricted funds. Additionally, the Institute will be committing significant current and future resources to planned major construction projects over the next several years.

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

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

G. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

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

	2000	**1999**
	(in thousands of dollars)	
Accounts payable and accruals	$130,985	$119,951
Accrued vacations	34,844	31,355
Accounts payable U.S. Government	5,681	1,474
Life interest funds	85,702	78,986
Total	**$257,212**	**$231,766**

The Institute is currently self-insured for Long Term Disability and unemployment compensation and provides reserves to cover claims totaling $7.1 million and $7.7 million for 2000 and 1999, respectively

H. RETIREMENT BENEFITS

The Institute offers retirement and post retirement benefits to its employees. The Massachusetts Institute of Technology retirement benefit has two components: a defined benefit plan and a defined contribution plan. The retirement benefit covers substantially all employees of the Institute. The Institute contributes to the defined benefit plan amounts which are actuarially determined to provide the Retirement Plan with sufficient assets to meet future benefit requirements. There were no contributions to the defined benefit plan in 1999 or 2000.

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

The table on the following page provides detail changes in benefits obligations, component of benefit costs and weighted average assumptions *(figures are in thousands of dollars)*

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Change in Benefit Obligation				
Benefit obligation at beginning of year	$1,338,999	$1,259,392	$192,494	$169,434
Service cost	37,746	34,438	3,475	3,738
Interest cost	99,991	92,635	13,907	13,594
Retiree contributions	-	-	1,488	1,057
Net benefit payment and transfers	(79,277)	(55,095)	(14,736)	(13,960)
Plan amendments	-	16,215	-	5,217
Assumption changes and actuarial net gains/loss	(15,028)	(8,586)	11,862	13,414
Benefit obligation at end of year	**$1,382,431**	**$1,338,999**	**$208,490**	**$192,494**
Change in plan assets				
Fair value of plan assets at beginning of year	$1,763,206	$1,617,969	$138,729	$117,497
Actual return on plan assets	563,733	200,332	16,699	19,910
Employer contributions	-	-	13,066	14,225
Retiree contributions	-	-	1,488	1,057
Net benefit payments and transfers	(79,277)	(55,095)	(14,736)	(13,960)
Fair value of plan assets at end of year	**$2,247,662**	**$1,763,206**	**$155,246**	**$138,729**
Funded status	$865,231	$ 424,207	$ (53,244)	$ (53,765)
Unrecognized net transition liability/(asset)	(24,498)	(30,623)	62,083	66,858
Unrecognized prior service costs	17,436	19,031	5,459	8,483
Unrecognized net (gain) loss	(852,841)	(413,092)	(16,237)	21,549)
(Accrued)/prepaid benefit cost	**$ 5,328**	**$ (477)**	**$ (1,939)**	**$ 27**
Component of net periodic benefit cost				
Service cost	$ 37,746	$ 34,438	$ 3,475	$ 3,738
Interest cost	99,991	92,635	13,907	13,594
Expected return on plan assets	(137,832)	(120,529)	(11,115)	(10,907)
Amortization of transition amount	(6,124)	(6,125)	4,776	4,776
Amortization of unrecognized net (gain)	(2,367)	(2,253)	(1,000)	-
Amortization of prior service cost	2,781	777	4,989	3,023
Net benefit cost	**$ (5,805)**	**$ (1,057)**	**$15,032**	**$14,224**
Weighted-average assumptions as of June 30				
Discount rate	7.50%	7.50%	7.50%	7.50 %
Expected return on plan assets	9.25%	9.25%	9.25%	9.25%
Average compensation increase	6.00%	6.00%	-	-

For measurement purposes a 5.5 percent annual rate of increase in per capita cost of covered health care benefits was assumed for 2000 and beyond for prior to age 65. The annual rate of increase for age 65 and older was assumed at 5.5 percent for 2000 and beyond. Assumed health care cost trend rates have a significant effect on the amount reported for health care plans. A one-percentage point change in the assumed health care trend rate would have the following effect:

Effect of 1% change in assumed health care trend on:	**1% increase**	**1% decrease**
Service cost plus interest cost	$ 1,455	$ (1,257)
Accumulated postretirement benefit obligation	17,954	(15,522)

The costs recognized during 2000 and 1999 related to the defined contribution components of the Retirement Plan were $24.0 million and $22.8 million, respectively.

I. COMPONENTS OF NET ASSETS

The following table presents the three categories of net assets by purpose as of June 30, 2000 (in thousands of dollars). The amounts listed in the unrestricted column labeled Endowment Fund Principal are those gifts received over the years which the Institute designated as funds functioning as endowment and invested with the endowment funds. The larger components of temporarily restricted net assets are (1) pledges, which will be reclassified to unrestricted net assets when cash is received and (2) accumulated net gains on investments of gifts which the donor required to be permanently retained; such gains will be reclassified to unrestricted net assets when appropriated for spending in accordance with the Institute's spending policy and the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

Fund Category	2000				1999
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Fund	Total Fund
Endowment Fund Principal					
General Purpose	$ 637,584	$ 600,989	$ 93,318	$ 1,331,891	$ 896,588
Departments and Research	350,174	504,869	139,932	994,975	656,290
Library	7,402	11,543	1,891	20,836	13,745
Salaries and Wages	276,758	1,460,751	389,037	2,126,546	1,391,891
Graduate General	4,294	63,731	20,651	88,676	55,103
Graduate Departments	29,040	153,612	71,328	253,980	152,120
Undergraduate	132,738	593,890	175,792	902,420	584,774
Prizes	5,007	12,328	3,306	20,641	13,467
Pledges	-	-	150,611	150,611	62,110
Miscellaneous	343,132	135,377	19,872	498,381	366,345
Investment income held for distribution	237,160	-	-	237,160	157,379
Total Endowment Funds	**2,023,289**	**3,537,090**	**1,065,738**	**6,626,117**	**4,349,812**
Other Invested Funds					
Student Loan Funds	3,574	-	19,012	22,586	21,242
Building Funds	60,207	79,530	-	139,737	123,653
Designated Purposes:					
Departments and Research	230,972	-	-	230,972	188,963
Other Purposes	104,399	-	-	104,399	45,488
Reserve Funds	58,177	-	-	58,177	32,061
Life Income Funds	4,167	45,368	46,431	95,966	88,122
Pledges	-	109,243	18,725	127,968	78,604
Accumulated net gains	297,579	62,000	-	359,579	162,292
Total Other Invested	**759,075**	**296,141**	**84,168**	**1,139,384**	**740,425**
Funds available for current expenses	126,717	-	-	126,717	132,262
Total Funds	**2,909,081**	**3,833,231**	**1,149,906**	**7,895,218**	**5,222,499**
Funds expended for Educational Plant	263,707	-	-	263,707	229,984
Total Net Assets at Market	**$3,172,788**	**$3,833,231**	**$1,149,906**	**$8,155,925**	**$5,452,483**

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

To the Auditing Committee of the
Massachusetts Institute of Technology:

In our opinion, the accompanying statements of financial position and the related statements of activities, operations and other changes in unrestricted net assets, and cash flows present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology at June 30, 2000 and 1999, 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 1, 2000

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
FIVE YEAR TREND ANALYSIS

FINANCIAL HIGHLIGHTS (dollars in thousands)

	2000	1999	1998	1997	1996
Financial Position:					
Investments, at Market	$7,612,251	$5,088,242	$4,370,325	$3,636,782	$2,917,103
Land, Building, and Equipment:					
at cost less accumulated depreciation	687,002	607,345	572,290	535,980	491,443
Borrowings	299,169	319,874	297,170	314,027	202,610
Student Notes	77,323	73,700	66,247	63,644	59,371
Total Assets	8,871,951	6,144,224	5,361,290	4,557,408	3,742,168
Total Liabilities	716,026	691,741	685,257	663,172	474,065
Unrestricted Net Assets, at market	3,172,788	2,271,403	2,004,514	1,748,142	1,487,816
Market Value of Endowment Funds	6,626,117	4,349,812	3,713,766	3,064,437	2,530,344
Principal Sources of Revenue:					
Tuition and Other Income	270,980	260,596	248,493	241,106	228,653
Research Revenue:					
Campus	379,912	390,301	384,146	387,880	377,702
Lincoln Laboratory	348,339	353,321	364,783	352,592	343,243
Gifts and Bequests	356,957	224,015	158,538	128,831	115,112
Net realized gains on Investments	2,477,775	666,868	301,027	280,146	276,464
Investment Income Distributed	191,711	161,193	146,654	144,783	118,390
Principal Purposes of Expenditures:					
Total Operating Expenditures	1,289,988	1,282,134	1,223,500	1,179,848	1,182,801
Instruction and Unsponsored Research	314,625	303,378	269,945	250,108	237,405
Direct Cost of Sponsored Research -Current Dollars	612,147	621,080	624,439	620,871	600,605
Direct Cost of Sponsored Research -Constant Dollars (1996=100)	558,854	583,177	596,481	603,647	600,605
General and Administrative	306,045	304,046	261,712	253,715	291,388
Scholarships and Fellowships	111,711	77,584	75,169	67,557	65,745
Students:					
Undergraduate					
Full Time	4,240	4,303	4,326	4,376	4,443
Part Time	60	69	55	53	52

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
FIVE YEAR TREND ANALYSIS

FINANCIAL HIGHLIGHTS (dollars in thousands)

	2000	1999	1998	1997	1996
Undergraduate Applications					
Applicants	9,136	8,688	7,836	8,022	7,958
Accepted	1,742	1,890	1,938	1,947	2,113
Acceptance Rate	19%	22%	25%	24%	27%
Enrolled	1,048	1,043	1,067	1,071	1,122
Yield	55%	55%	55%	55%	53%
Freshmen Ranking in the top 10% of their Class	94%	94%	93%	94%	97%
Average SAT Scores	1,459	1,459	1,447	1,448	1,380
Graduate					
Full Time	5,469	5,338	5,331	5,389	5,323
Part Time	203	175	168	129	142
Graduate Applications					
Applicants	12,800	12,098	12,785	12,148	11,207
Accepted	3,366	2,651	2,548	2,445	2,490
Acceptance Rate	26%	22%	20%	20%	22%
Enrolled	1,915	1,392	1,304	1,353	1,251
Yield	57%	53%	51%	55%	50%
Student Financial Aid:					
Undergraduate Tuition Support	$34,496	$33,389	$31,641	$32,082	$31,189
Graduate Tuition Support	112,924	96,733	105,158	95,271	90,148
Fellowship Stipends	21,027	19,672	18,101	19,309	18,773
Student Loans	17,533	11,173	12,055	12,073	11,671
Student Employment	51,778	50,343	48,815	46,175	44,618
Total Financial Assistance	$237,758	$211,310	$215,770	$204,910	$196,399
Tuition: (in dollars)					
Tuition and Fees	$25,000	$24,050	$23,100	$22,000	$21,000
Average Room and Board	6,950	6,750	6,495	6,300	6,150
Faculty and Staff:					
Faculty	923	923	896	960	954
Employees	8,400	10,477	10,105	10,247	10,504

GLOSSARY FOR FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Permanent Funds—funds designated by the donor as unexpendable.

Plant Funds—see Educational Plant Funds.

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

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

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

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

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

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

Statements of Operation - These statements provide additional details on the Institute's unrestricted operating revenues by source and operating expenses by major functional classification.

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

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

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DEFINITIONS OF CERTAIN TERMS

In addition to terms defined elsewhere in this Official Statement, the following terms have the following meanings in this Official Statement, unless the context otherwise requires.

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

"Agreement" means the Loan and Trust Agreement executed by and among the Authority, the Institution and the Trustee, dated as of May 8, 2001, as may be further amended or supplemented as provided therein.

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

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

"BMA Index" means the BMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor; or, if at the time a Flexible Rate is to be determined, Municipal Market Data has not provided the relevant information on the BMA Municipal Index, then the rate determined by Municipal Market Data on the day next preceding the beginning of the Rate Period for which such Flexible Rate is to be determined. If the BMA Index ceases to be published, the Remarketing Agent in its reasonable judgment, in consultation with the Institution, will select or construct an alternative index which it reasonably believes will produce the rate that would have been produced by Municipal Market Data as in effect prior to such cessation.

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

"Bonds" means the $125,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology, Series J-1, dated the date of original delivery thereof, and any Bond or Bonds duly issued in exchange or replacement therefor.

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

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

"Conversion Date" means the date on which a new Mode becomes effective.

"Daily Mode" means the Mode in which the interest rate on the Bonds is fixed for periods of one day.

"Delivery Date" means, with respect to a Bond tendered for purchase at the election of the Bondowner, the Purchase Date or any subsequent Business Day on which such Bond is delivered to the Paying Agent as provided in the Agreement.

"Effective Date" means, while the Bonds are in a Variable Rate Mode or the Flexible Mode, the date on which a new interest rate takes effect.

"Fixed Rate" means a rate or rates of interest on the Bonds that is fixed for the remaining term or terms of the Bonds.

"Fixed Rate Conversion Date" means with respect to the Bonds, the date upon which the Fixed Rate first becomes effective for the Bonds.

"Fixed Rate Mode" means the Mode in which the interest rate on the Bonds is the Fixed Rate.

"Flexible Mode" means the Mode in which the interest rate on the Bonds is set by the Remarketing Agent at the Flexible Rate.

"Flexible Rate" means a rate of interest set by the Remarketing Agent for periods of from one to 270 days.

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

"Interest Payment Date" means with respect to the Bonds (i) July 2, 2001; (ii) when the Bonds are in the Daily or Weekly Mode, the first Business Day of each calendar month; (iii) when the Bonds are in the Multiannual Mode, the first day of any January or July of each year commencing with a January 1 or July 1 which is at least two but less than ten months after the Bonds have been converted to the Multiannual Mode; (iv) when the Bonds are in the Flexible Mode, the first Business Day following the period during which a Flexible Rate is in effect as to the Bonds; and (v) with respect to each such Mode, the Maturity Date.

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

"IRC" means the Internal Revenue Code of 1986, as it may be amended and applied to the Bonds from time to time.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Variable Rate Mode and the Fixed Rate Mode. The Variable Rate Mode includes the Daily Mode, the Weekly Mode and the Multiannual Mode.

"Moody's" means Moody's Investors Service, Inc. or any successor rating agency.

"Multiannual Mode" means the Mode in which the interest rate on the Bonds is fixed for periods of six months or multiples thereof designated by the Institution.

"Outstanding," when used to modify Bonds, refers to Bonds issued under the Agreement, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iii) thereof, bearing interest at such rates, and with such maturities as will provide sufficient funds, to pay or redeem them, provided, however, that if any such Bonds are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee.

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

"Period" or "Rate Period" means, when used with respect to any particular rate of interest on a Bond in any Variable Rate Mode or in the Flexible Mode, the period during which such rate of interest determined for such Bond will remain in effect as provided in the Agreement.

"Project" means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the following: (i) the acquisition and installation of a telephone switch and decommissioning of the old telephone switch located on the Institution's campus; (ii) construction of a new undergraduate dormitory at 229-243 Vassar Street, Cambridge, consisting of an approximately 10 story, 190,000 square foot facility to house approximately 350 students, apartments for faculty residents, and common spaces to support social, educational, recreational, and dining activities; (iii) conversion of an existing mill building into efficiency apartment-style housing for approximately 120 graduate students, located at 224 Albany Street, Cambridge; (iv) construction of a new graduate dormitory at 70 Pacific Street, Cambridge, consisting of an approximately nine story, 346,000 square foot structure designed to house approximately 680 graduate students, together with 208 parking spaces and retail space; (v) construction of a new approximately 162,000 square foot fitness center at 120 Vassar Street, Cambridge, consisting of renovations to adjacent buildings, a 50-meter olympic pool with seating for approximately 500 spectators, instructional pools, a health & fitness area, squash courts, a multi-activity court, administrative offices and locker rooms; (vi) construction of a new center for computer, information and intelligence sciences at 10-40 Vassar Street, Cambridge, a 447,000 square foot building with two 120 foot high, 8 story towers; (vii) construction of a 3-story, 675 car underground garage at 10-40 Vassar Street on the site of the future center for computer, information and intelligence sciences; (viii) renovations to the existing Dreyfus Building, which houses the Department of Chemistry, consisting of efficiency, safety, and code-compliance renovations and repairs and upgrades to the building's exposed concrete skin, located in the center of the Institution's campus; and (ix) acquisition and construction of a new 5000-ton steam-driven chiller to be added to the Institution's central utility plant located at 57 Vassar Street, Cambridge, and extension of the chilled water, steam, condensate, electric power, and telecommunication ducts from the central utility plant along Vassar Street to meet the utility needs of new and existing buildings of the Institution, located on the Institution's campus.

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

"Purchase Date" means, while the Bonds are in a Flexible Mode or Variable Rate Mode, the date on which Bonds shall be required to be purchased following a mandatory or optional tender in accordance with the provisions in the Agreement.

"Purchase Price" means, with respect to any Bond on any Purchase Date, a price equal to the principal amount of such Bond plus accrued interest thereon, if any, to the Purchase Date.

"Record Date" means (i) when the Bonds are in the Daily Mode, the Weekly Mode or the Flexible Mode, the Business Day immediately preceding each Interest Payment Date; and (ii) when the Bonds are in the Multiannual Mode or the Fixed Rate Mode, the 15th day of the month preceding each Interest Payment Date whether or not a Business Day.

"Remarketing Agent" means the corporation, association, partnership or firm acting as Remarketing Agent as provided in the Agreement, which may be the Institution, and any successor Remarketing Agent appointed from time to time. The initial Remarketing Agent will be Lehman Brothers Inc.

"Remarketing Agreement" means the Remarketing Agreement dated June 5, 2001 between the Institution and the Remarketing Agent.

"Revenues" means all rates, payments, rents, fees, charges, and other income and receipts, including proceeds of insurance, eminent domain and sale, and including proceeds derived from any security provided under the Agreement, payable to the Authority or the Trustee under each respective Agreement, excluding administrative fees of the Authority, fees of the Trustee, reimbursements to the Authority or the Trustee for expenses incurred by the Authority or the Trustee, and indemnification of the Authority and the Trustee.

"Tender Agent" means the Trustee or other Tender Agent as designated by the Institution.

"Tendered Bond" means any Bond with respect to which the Bondowner has elected to require purchase pursuant to Section 311.

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

"UCC" means the Massachusetts Uniform Commercial Code.

"Variable Rate" means the rate of interest on the Bonds that is set daily, weekly, or for multiples of six months or one year.

"Variable Rate Mode" means the Mode in which the interest rate on the Bonds is the Variable Rate, and includes the Daily Mode, the Muiltiannual Mode and the Weekly Mode.

"Weekly Mode" means the Mode in which the interest on the Bonds is fixed for periods of one week.

Words importing persons include firms, associations and corporations, and the singular and plural form of words shall be deemed interchangeable wherever appropriate.

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SUMMARY OF THE LOAN AND TRUST AGREEMENT

The following is a brief summary, prepared by Palmer & Dodge LLP, Bond Counsel to the Authority, of certain provisions of the Loan and Trust Agreement dated as of May 8, 2001, pertaining to the Bonds. The summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

Optional Tender

While the Bonds are in the Daily Mode, Weekly Mode or Multiannual Mode, the Bondowners have the right to tender Bonds for purchase in multiples of $5,000, at a price equal to 100% of the principal amount thereof, plus accrued interest, if any, upon compliance with the conditions described below. In order to exercise the right to tender, the Bondowners must give telephone notice by 11:00 a.m. (in the Daily Mode) or (in other Modes) deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondowner's Election Notice set forth in the Agreement and satisfactory to the Paying Agent at the times provided in the Agreement. Bonds in the Daily Mode will be purchased by 5:00 p.m. on the date of such notice. Bonds in the Weekly Mode will be purchased on the Business Day specified in such Bondowner's Election Notice, provided such date is a Business Day which is at least seven calendar days after receipt by the Paying Agent of such notice. If the Bonds are in the Multiannual Mode, the Bondowner's Election Notice must be delivered to the Paying Agent not later than seven days prior to any Effective Date for purchase on such Effective Date. If a Bondowner elects to require purchase as provided above, the Bondowner shall be deemed, by such election, to have agreed irrevocably to sell its Bonds to any purchaser determined in accordance with the provisions of the Agreement on the date fixed for purchase at a price equal to the principal amount of, plus accrued interest thereon, if any, to the Purchase Date. The Purchase Price of the Bonds shall be paid to the Bondowner by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which the Bonds are delivered to the Paying Agent. The Purchase Price of Bonds shall be paid only upon surrender of the Bonds to the Tender Agent. From and after the Purchase Date, no further interest on the Bonds shall accrue to the Bondowner who tendered the Bonds for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. Tender of the Bonds will not be effective and the Bonds will not be purchased if at the time fixed for purchase an acceleration of the maturity of the Bonds shall have occurred and not have been annulled in accordance with the Agreement. Notice of tender of the Bonds is irrevocable.

While the Bonds are in the Flexible Mode or after conversion to the Fixed Rate Mode, the Bondowners shall have no right of optional tender of the Bonds for purchase. (Sections 301 and 311)

Conversion to a Fixed Rate

The interest rate on the Bonds may be converted to a Fixed Rate at the sole option of the Institution provided that no default exists under the Agreement, as certified to the Trustee by an Authorized Officer of the Institution. The Fixed Rate shall be determined by the Remarketing Agent at least seven days prior to the Fixed Rate Conversion Date. The Fixed Rate shall be the lowest rate which in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds on the date of such determination at par on the basis of their terms as converted. In the event of conversion to the Fixed Rate Mode, the Bonds will be subject to mandatory tender. The determination of the Fixed Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Institution and the Bondowners. (Section 301)

Partial Conversions

The Bonds may be converted in whole or in part to or from the Flexible Mode, any of the Variable Rate Modes or to the Fixed Rate Mode upon compliance with the conditions set forth in the Agreement. In the event the Bonds are in (or are to be converted to) more than one Mode the provisions of the Agreement relating to Bonds in a particular Mode (or to be converted to a particular Mode) shall apply only to the Bonds in (or to be converted to) such Mode and, where necessary or appropriate, any reference in the Agreement to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Mode.

In the event of any partial conversion of the Bonds to a new Mode, the Bonds to be converted shall be selected by the Trustee from Bonds in the Mode selected by the Institution. The particular Bonds to be converted shall be selected by the Trustee from all the Bonds in the Mode from which Bonds are to be converted and, except in the Flexible Mode, by lot from numbers assigned to each $5,000 of principal amount of the Bonds. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in the denominations specified in the Agreement for the particular Modes. (Section 301)

Establishment of Funds

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

Debt Service Fund; and
Redemption Fund.

The Expense Fund and the Construction Fund shall be established with the Authority to be held by the Authority in trust for the account of the Institution and applied subject to the provisions of the Agreement.

Debt Service Fund

The moneys in the Debt Service Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of the principal, redemption premium, if any, and interest on the Bonds. The Trustee shall transfer moneys from the Debt Service Fund to the Paying Agent for the payment of the Bonds. (Section 303)

Redemption Fund

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

If on any date the amount in the Debt Service Fund is less than the amount then required to be transferred to the Paying Agent to pay the principal and interest then due on the Bonds the Trustee shall apply the amount in the Redemption Fund (other than any sum irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) to the Debt Service Fund to the extent necessary to meet the deficiency. The Institution shall remain liable for any sums which it has not paid into the Debt Service Fund and any subsequent payment thereof shall be used to restore the funds so applied. (Section 304)

Expense Fund

The moneys in the Expense Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Authority solely to the payment or reimbursement of the costs of issuing the Bonds. The Authority shall pay from the Expense Fund the costs of issuing the Bonds, including the Authority's initial administrative fee, the reasonable fees and expenses of financial consultants and bond counsel, any recording or similar fees and any expenses of the Institution in connection with the issuance of the Bonds which are approved by the Authority. Earnings on the Expense Fund shall not be applied to pay costs of issuance of the Bonds, but shall be transferred to the Construction Fund as provided in the Agreement. After all costs of issuing the Bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Construction Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the Institution shall be liable for the deficiency and shall pay such deficiency as directed by the Authority. (Section 306)

Construction Fund

Moneys in the Construction Fund shall be applied by the Authority to the payment or reimbursement of Project Costs (excluding the costs of issuing the Bonds). Moneys may be disbursed from the Construction Fund upon receipt by the Authority of a written requisition therefor, certified by a Project Officer and upon satisfaction of other requirements set forth in the Agreement.

After the completion of the Project any moneys remaining in the Construction Fund will be transferred to the Redemption Fund and used to pay debt service or redeem Bonds. (Section 401)

Rebate

Under the Agreement, the Institution covenants to pay when due any rebate due to the United States under IRC Section 148(f) and the regulations thereunder.

Application of Moneys

If available moneys in the Debt Service Fund after any required transfers from the Redemption Fund are not sufficient on any day to pay all principal, redemption price and interest on the Outstanding Bonds then due or overdue, such moneys (other than any sum in the Redemption Fund irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) shall, after payment of all charges and disbursements of the Trustee in accordance with the Agreement, be applied (in the order such Funds are named in this section) first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due). For this purpose interest on overdue principal shall be treated as coming due on the first day of each month. Whenever moneys are to be applied pursuant to this section, such moneys shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment. (Section 307)

Payments by the Institution

Not later than 10:00 A.M. on the date on which a payment of principal or interest on the Bonds is due, the Institution shall pay or cause to be paid to the Trustee for deposit in the Debt Service Fund an amount equal to such payment less the amount, if any, in the Debt Service Fund and available therefor; provided, however, that with respect to Bonds in the Flexible Mode, interest payments thereon may be paid directly to the Paying Agent with notice to the Trustee.

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

Payments by the Institution to the Trustee for deposit in the Debt Service Fund or to the Paying Agent, as appropriate, under the Agreement shall discharge the obligation of the Institution to the extent of such payments; provided, that if any moneys are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay principal of and redemption premium, if any, and interest on the Bonds when due, the Institution shall supply the deficiency. (Section 308)

Investments

Pending their use under the Agreement, moneys in the Debt Service Fund and Redemption Fund may be invested by the Trustee in Permitted Investments (described below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Institution if there is not then an Event of Default known to the Trustee. Moneys in the Expense Fund shall be invested in Permitted Investments maturing or redeemable at the option of the holder no later than when such moneys are expected to be needed. Any investments pursuant to this paragraph shall be held by the Trustee or the Authority, as the case may be, as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-504(3) of the Uniform Commercial Code to the extent applicable.

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

The term "Permitted Investments" means (A) Government or Equivalent Obligations; (B) "tax exempt bonds" as defined in IRC §150(a)(6), other than "specified private activity bonds" as defined in IRC §57(a)(5)(C), rated at least AA or Aa by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and Moody's Investors Service, Inc. ("Moody's"), respectively, or the equivalent by any other nationally recognized rating agency at the time of acquisition thereof or shares of a so-called money market or mutual fund that do not constitute "investment property" within the meaning of IRC §148(b)(2), provided either that the fund has all of its assets invested in obligations of such rating quality or, if such obligations are not so rated, that the fund has comparable creditworthiness through insurance or otherwise and which fund is rated AAm or AAm-G if rated by S&P; (C) shares of money market funds rated AAAm-G, AAAm or AAm by S&P; (D) certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company which has a capital and surplus of not less than $50,000,000; (E) bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States of America; (F) commercial paper rated in one of the two highest rating categories by Moody's and S&P; (G) long-term or medium-term (maturity date greater than one year from date of purchase) corporate debt issued or guaranteed by any corporation that is rated by Moody's and S&P in their two highest rating categories; (H) investment agreements or contracts representing the unconditional obligations of entities (1) the secured long-term debt obligations of which are rated in either of the two highest rating categories by Moody's or S&P or (2) the short-term debt obligations of which are rated in the highest category of either of such rating agencies; (I) investment agreements, including without limitation, forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clauses (A) (E) or (F) of this definition of Permitted Investments; (J) money market funds having a rating in the highest investment category granted thereby by Moody's or S&P at the time of acquisition, including any fund for which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder servicing agent, custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (provided, however, that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (ii) the Trustee charges and collects fees and expenses for services rendered, pursuant to this Agreement, provided that (1) such fund is formed and has its principal office outside the United States, (2) no income to be received from such fund or vehicle is or will subject to deduction or withholding for or on account of any withholding or similar tax and (3) the ownership of an interest of such fund or vehicle will not be subject the Authority or the Institution, as the case may be, to net income tax in any jurisdiction where it would not otherwise be subject to tax; and (K) Repurchase Agreements. The term "Repurchase Agreement" shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than $50,000,000 or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from the Authority or the Trustee obligations issued or guaranteed by the United States; provided that the market value of such obligations is at the time of entering into the agreement at least one hundred and three percent (103%) of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer; and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee or the Authority, as the case may be, to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee.

Default by the Institution

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

(i) Debt Service on Bonds; Required Purchase. Any principal of, premium, if any, or interest on any Bond shall not be paid when due, whether at maturity, by acceleration, upon redemption or otherwise or any Purchase Price for Bonds shall not be paid as provided in the Agreement.

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

(iii) Warranties. There shall be a material breach of warranty made in the Agreement by the Institution as of the date it was intended to be effective and the breach is not cured within sixty (60) days after written notice thereof is given by the Authority or the Trustee to the Institution.

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

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

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

(vii) Breach of Other Agreements. A breach shall occur (and continue beyond any applicable grace period) with respect to the payment of other indebtedness of the Institution for borrowed money with respect to loans exceeding $5,000,000, or with respect to the performance of any agreement securing such other indebtedness or pursuant to which the same was issued or incurred, or an event shall occur with respect to provisions of any such agreement relating to matters of the character referred to in this section, so that a holder or holders of such indebtedness or a trustee or trustees under any such agreement accelerates any such indebtedness; but an Event of Default shall not be deemed to be in existence or to be continuing under this clause (vii) if (A) the Institution is in good faith contesting the existence of such breach or event and if such acceleration is being stayed by judicial proceedings, or (B) such breach or event is remedied and the acceleration, if any, is wholly annulled. The Institution shall notify the Authority and the Trustee of any such breach or event immediately upon the Institution's becoming aware of its occurrence and shall from time to time furnish such information as the Authority or the Trustee may reasonably request for the purpose of determining whether a breach or event described in this clause (vii) has occurred and whether such acceleration continues to be in effect.

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

Remedies for Events of Default

If an Event of Default occurs and is continuing:

The Trustee may by written notice to the Institution and the Authority declare immediately due and payable the principal amount of the Outstanding Bonds and the payments to be made by the Institution therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

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

Action by Bondowners

Any request, authorization, direction, notice, consent, waiver or other action provided by the Agreement to be given or taken by Bondowners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Bondowners or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Agreement (except as otherwise expressly provided in the Agreement) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority or the Institution shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners. (Section 801)

Proceedings by Bondowners

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the Agreement or any applicable remedy under the Agreement, unless the Bondowners have directed the Authority to act and furnished the Authority indemnity as provided in the Agreement and have afforded the Authority reasonable opportunity to proceed, and the Authority shall thereafter fail or refuse to take such action.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the obligations of the Authority under the Agreement or any applicable remedy under the Agreement, unless the Bondowners have directed the Trustee to act and furnished the Trustee indemnity as provided in the Agreement and have afforded the Trustee reasonable opportunity to proceed, and the Trustee shall thereafter fail or refuse to take such action.

Subject to the foregoing, any Bondowner may by any available legal proceedings enforce and protect its rights under the Agreement and under the laws of The Commonwealth of Massachusetts. (Section 802)

Tax Status

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

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

Insurance

The Institution shall maintain insurance with insurance companies authorized to transact business in The Commonwealth of Massachusetts or otherwise satisfactory to the Authority on such of its properties, in such amounts and against such risks as is customarily maintained by similar institutions of higher education operating in the area and promptly file with the Authority upon request, from time to time, certificates of all such insurance. (Section 404)

Maintenance of Corporate Existence

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

Amendment

The Agreement may be amended by the parties without Bondowner consent for any of the following purposes: (a) to subject additional property to the lien of the Agreement, (b) to provide for the establishment or amendment of a book entry system of registration for the Bonds through a securities depository (which may or may not be DTC), (c) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, (d) to accommodate the requirements of Moody's or S&P to enable the Bonds to receive ratings acceptable to the Institution, (e) effective upon any Conversion Date to a new Mode, to make any amendment, (f) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Bonds or (g) to add provisions relating to the partial conversion of Bonds to a new Mode or providing for credit enhancement or liquidity support for the Bonds which do not impair the security for the Bonds. Any amendment permitted by clause (e) or (g) above shall be accompanied by an Opinion of Bond Counsel to the effect that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as provided in the foregoing paragraph, the Agreement may be amended only with the written consent of the owners of at least two-thirds (2/3) in principal amount of the Outstanding Bonds; provided, however, that no amendment of the Agreement may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (i) to extend the maturity of any Bond, (ii) to reduce the principal amount or interest rate of any Bond, (iii) to make any Bond redeemable other than in accordance with its terms, (iv) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) to reduce the percentage of the Bonds required to be represented by the Bondowners giving their consent to any amendment. (Section 1001)

Defeasance

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

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[Closing Date]

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

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

$125,000,000
Revenue Bonds, Massachusetts Institute of Technology Issue,
Series J-1, dated the Date of Original Delivery

We have examined the law and such certified proceedings and other papers as deemed necessary to render this opinion, including the Loan and Trust Agreement pursuant to which the Bonds are being issued (the "Agreement") dated as of May 8, 2001, among the Authority, Massachusetts Institute of Technology (the "Institution") and The Bank of New York (the "Trustee").

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

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

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

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

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

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

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

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

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

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

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

Yours faithfully,

[FORM OF CONTINUING DISCLOSURE AGREEMENT]

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Massachusetts Institute of Technology (the "Institution") and The Bank of New York (the "Trustee") in connection with the issuance of $125,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-1 (the "Bonds"). The Bonds are being issued pursuant to a Loan and Trust Agreement dated as of May 8, 2001 among the Authority, the Trustee and the Institution (the "Agreement"). The proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to the Agreement. The Institution and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Institution and the Trustee for the benefit of the Bondowners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Institution and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Trustee, except as provided in Section 3(c), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

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

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) Commencing in fiscal year 2001, the Dissemination Agent, not later than 180 days after the end of each fiscal year (the "Filing Deadline"), shall provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited financial statements of the Institution at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Institution shall submit the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to each Repository as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Authority and the Trustee.

(b) The Dissemination Agent shall:

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

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

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

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

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

The Institution's Report of the Treasurer.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

8. Bond calls.

9. Defeasance of the Bonds or any portion thereof.

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

11. Rating changes.

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

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

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

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

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

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

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

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

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

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

Date: June 5, 2001

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By ______________________________
Treasurer

THE BANK OF NEW YORK,
as Trustee

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Health and Educational Facilities Authority

Name of Bond Issue: Revenue Bonds, Massachusetts Institute of Technology Issue, Series J-1

Name of Obligated Person: Massachusetts Institute of Technology

Date of Issuance: June 5, 2001

NOTICE IS HEREBY GIVEN that the Massachusetts Institute of Technology (the "Institution") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated June 5, 2001 between the Institution and The Bank of New York.

Dated: ____________________

[TRUSTEE/DISSEMINATION AGENT on behalf of] INSTITUTION

[cc: Institution]

EXHIBIT B

NATIONAL REPOSITORIES

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

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

Interactive Data
Attn: Repository
100 Williams Street
New York, NY 10038
Phone: (212) 771-6899
Fax: (212) 771-7390
Email: NRMSIR@interactivedata.com

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

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MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SCIENCE AND ARTS

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