NEW ISSUE – BOOK ENTRY ONLY

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

$131,110,000
MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES M

Dated: March 15, 2004 **Due: July 1, as shown below**

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

Principal of and interest on the Bonds will be paid by The Bank of New York, New York, New York, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein. Interest on the Bonds will be payable on July 1, 2004, and semiannually thereafter on January 1 and July 1 of each year to the Bondowners of record as of the close of business on the fifteenth day of the month preceding such interest payment date.

The Bonds are not subject to redemption prior to maturity.

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

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

$131,110,000 Serial Bonds

Due July 1	Amount	Interest Rate	Yield	Due July 1	Amount	Interest Rate	Yield
2014	$ 9,110,000	5.25%	3.29%	2024	$12,385,000	5.25%	4.22%
2015	9,585,000	5.25	3.42	2025	13,030,000	5.25	4.26
2016	10,090,000	5.25	3.54	2028	13,715,000	5.25	4.32
2019	10,620,000	5.25	3.84	2029	14,435,000	5.25	4.33
2020	11,180,000	5.25	3.93	2030	15,195,000	5.25	4.34
2021	11,765,000	5.25	4.01				

(accrued interest from March 15, 2004 to be added)

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Institute by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about April 2, 2004.

LEHMAN BROTHERS *Morgan Stanley & Co. Incorporated*

Dated: February 25, 2004

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

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

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

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OFFICIAL STATEMENT

Relating to

$131,110,000 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY REVENUE BONDS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY ISSUE, SERIES M

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 $131,110,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series M (the "Bonds"), authorized by the Loan and Trust Agreement dated as of February 10, 2004 (the "Agreement"), among the Authority, the Institute and The Bank of New York, as trustee (the "Trustee"). The Bank of New York will also serve as paying agent (the "Paying Agent"). The Bonds will be issued in accordance with the provisions of the Agreement and Chapter 614 of the Massachusetts Acts of 1968, as amended (the "Act"). The information contained in this Official Statement is provided for use in connection with the initial sale of the Bonds.

Use of Proceeds

The net proceeds from the sale of the Bonds (net of accrued interest) will be used to (i) finance a portion of the Project (as defined below); (ii) pay capitalized interest; and (iii) 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) construction of a new center for computer, information and intelligence sciences consisting of two approximately eight story towers totaling 430,000 square feet, located at 10-40 Vassar Street, Cambridge; (ii) construction of new facilities that will bring together in close proximity the McGovern Institute for Brain Research, the Picower Center for Learning and Memory, and the Brain and Cognitive Sciences Department, consisting of three interconnected 10 story buildings grouped around a large central atrium totaling approximately 410,000 square feet, located at 43 Vassar Street, Cambridge; (iii) construction of a two story facility totaling approximately 20,000 square feet, adjacent to the current Lincoln Laboratory facility located at 244 Wood Street, Lexington; (iv) various utility upgrades and improvements on the Institute's campus; and (v) construction and enhancement to the Vassar Street streetscape contiguous to the Institute's campus. Vassar Street is a public road in the City of Cambridge and is maintained by the City of Cambridge. The scope of the Project may be increased or decreased, as provided in the Agreement.

See "APPLICATION OF BOND PROCEEDS" herein.

SECURITY FOR THE BONDS

The Authority, the Institute, and the Trustee shall execute the Agreement, which provides that to the extent permitted by law, it is a general obligation of the Institute and that the full faith and credit of the Institute are pledged to its performance. With respect to the Bonds, the Agreement also provides, among other things, that the Institute shall make payments to the Trustee equal to principal 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 Health & Educational Corporation of South Weymouth, Massachusetts, a not-for-profit, tax-exempt organization and the parent of South Shore Hospital. He is a member of the American College of Healthcare Executives, and the American Hospital Association.

JOSEPH G. SNEIDER, Vice Chairman; 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 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.

MARVIN A. GORDON, Secretary; term as member expires July 1, 2010.

Mr. Gordon, a resident of Milton, is Chairman of the Board, Chief Executive Officer of Gordon Logistics, L.L.C. 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 F. FISH; term as member expires July 1, 2010.

Mr. Fish, a resident of Milton, is President and Chief Executive Officer of Suffolk Construction Company, Inc., one of the country's leading, privately held construction firms. During his 20 years as President, the Company has expanded geographically to encompass Florida, California and New England and is engaged nationally in commercial, residential, education, retail and healthcare projects. His honors and board memberships include: member of the Massachusetts Business Round Table, Board of Trustees of the Beth Israel Deaconess Medical Center, the Wang Center for the Performing Arts, Tabor Academy, The Catholic School Foundation and the Boys and Girls Club of Boston, Board of Visitors of the Dimmock Community Health Center, and 2002 Recipient of the Peter and Carolyn Lynch Award. Mr. Fish holds a B.A. from Bowdoin College.

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

Dr. Flynn, a resident of Dedham, is the former Chair of the Board of Caritas Christi, a current member of the Board of Governors of Caritas Christi, the former Secretary of Health Care Services for the Archdiocese of Boston, the Past Chairperson of the Massachusetts Hospital Association, and former Chairman of the Department of Medicine at St. Elizabeth's Medical Center of Boston. 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.

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 19 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 a Trustee and the former Chairman of the Board of the North Shore Music Theater, Corporator of Brigham and Women's Hospital and Partners Healthcare, Trustee and member of Board of Directors of Massachusetts Eye and Ear Infirmary, Corporator of Danvers Savings Bank and a former member of Tufts University Board of Overseers.

ALLEN R. LARSON; term as member expires July 1, 2007.

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

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

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

There are nine Board Members of the Authority. Currently, there is one vacancy and a successor has not been appointed.

Staff and Advisers

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

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

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

Powers of the Authority

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

Indebtedness of the Authority

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

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

THE BONDS

Pledge of Revenues Under the Agreement

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

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

Description of the Bonds

The Bonds will be issued in the aggregate principal amount set forth on the cover hereof and will be dated and bear interest from March 15, 2004. Interest on the Bonds is payable on July 1, 2004, and semiannually thereafter on January 1 and July 1 of each year. The Bonds will bear interest at the rates and will mature on the dates and in the principal amounts set forth on the cover page.

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

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

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

Redemption Provisions of the Bonds

The Bonds are not subject to redemption prior to maturity.

Acceleration of Bonds

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

Book-Entry Only System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as 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 both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

Responsibility of Authority, 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.

Certificated Bonds. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. If for either reason the Book-Entry-Only system is discontinued, Bond certificates will be delivered as described in the Agreement and the Beneficial Owners, upon registration of certificates held in the Beneficial Owners' name, will become the Bondowners. Thereafter, Bonds may be exchanged for an equal aggregate principal amount of the same series of Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the 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.

APPLICATION OF BOND PROCEEDS

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

SOURCE OF FUNDS:

Principal Amount of Bonds	$131,110,000.00
Original Issue Premium	19,744,242.80
TOTAL SOURCES OF FUNDS	$150,854,242.80

USES OF FUNDS:

Deposit to Construction Fund for Project Costs (including Capitalized Interest)	$150,000,000.00
Costs of Issuance (including Underwriters' Discount)	854,242.80
TOTAL USES OF FUNDS	$150,854,242.80

TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

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

Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Institute have covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Certain requirements and procedures contained or referred to in the Agreements and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondowners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

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

CONTINUING DISCLOSURE

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

The Institute has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Institute (the "Annual Report") by not later than 180 days after the end of each fiscal year, commencing with the report for the 2004 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Institute or a dissemination agent with each Nationally Recognized Municipal Securities Information Repository and with the State Repository, if any. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

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

COMMONWEALTH NOT LIABLE ON THE BONDS

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

RATINGS

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

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

UNDERWRITING

The Bonds are being purchased for reoffering by Lehman Brothers Inc., as representative of the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate discount of $512,640.00 from the public offering prices set forth on the cover page hereof and will be reimbursed for certain expenses. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at a price lower than the public offering price stated on the cover page hereof. The purchase contract provides that the Underwriters will purchase all the Bonds if any are purchased, and requires the Institute to deliver to the Underwriters and the Authority on the date the Bonds are sold its letter of representation constituting the agreement of the Institute, in accordance with its terms, to indemnify the Underwriters and the Authority and certain other parties against losses, claims, damages, and liabilities arising out of any incorrect statements or information, including the omission of material facts, contained in this Official Statement pertaining to the Institute and other specified matters. The public offering price set forth on the cover page of this Official Statement may be changed after the initial offering by the Underwriters.

LEGAL MATTERS

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

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

MISCELLANEOUS

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

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

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

Appendix B to the Official Statement sets forth the report of the Treasurer of the Institute for the fiscal year ended June 30, 2003, which includes the Financial Statements of the Institute and related notes as of and for the fiscal years ended June 30, 2003 and 2002. This information was prepared by and is the responsibility of the Institute's management. The Authority and the Underwriters have relied on the information contained in Appendix A and Appendix B.

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

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

INDEPENDENT ACCOUNTANTS

The financial statements of the Institute as of June 30, 2003 and 2002 and for the years then ended included in Appendix B to the Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

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

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Benson T. Caswell
Executive Director

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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

February 25, 2004

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 M (the "Bonds").

The Institute

The Massachusetts Institute of Technology is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of the Commonwealth of Massachusetts. Enrollment for the 2003-2004 academic year is 10,340 students of which 5,928 are full-time graduate students. The Institute has 971 faculty members and other academic staff totaling 2,918. 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 160 buildings, with a total building area of approximately 11.3 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 in Tyngsboro, and the Bates Linear Accelerator Center in Middleton. Lincoln Laboratory is operated by MIT as a Federally Funded Research and Development Center for performing research and development in advanced electronics. Haystack Observatory is a research center engaged in radio astronomy, geodesy, atmospheric science, and radar applications. The Bates Linear Accelerator, operated under the joint auspices of the Laboratory for Nuclear Science and the Department of Energy, supports a broad program of research in nuclear physics with electromagnetic probes.

Accreditations and Memberships

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

Governance

The governing body of the Institute is a board of trustees known as the Corporation. It is comprised of 73 active members and 34 Emeriti members including leaders of science, engineering, industry, education, public service and as members ex-officio, the Chairman, the President, the Treasurer, the Secretary of the Corporation of MIT, and the President of the Alumni Association. Also included are the following representatives of the Commonwealth of Massachusetts: the Governor, the Chief Justice of the Supreme Judicial Court, and the Commissioner of Education. The Corporation meets four times a year with additional meetings called by the Chairman as necessary.

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

APPENDIX A

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 Massachusetts Institute of Technology Cambridge, Massachusetts
Dana G. Mead, ex-officio	Chairman of the Corporation Massachusetts Institute of Technology Cambridge, Massachusetts
Allan S. Bufferd, ex-officio	Treasurer Massachusetts Institute of Technology Cambridge, Massachusetts
Denis A. Bovin	Vice Chairman-Investment Banking Bear, Stearns & Co. Inc. New York, New York
James A. Champy	Chairman of Consulting Perot Systems Corporation Boston, Massachusetts
Professor Edie N. Goldenberg	Professor of Political Science and Public Policy University of Michigan Ann Arbor, Michigan
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
Barrie R. Zesiger	Founding Partner and Managing Director Zesiger Capital Group LLC New York, New York

Administration

The principal administrative officers of the Institute are:

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

Dr. Charles M. Vest, President*

Dr. Allan S. Bufferd, Treasurer

Dr. Robert A. Brown, Provost

Mr. Phillip L. Clay, Chancellor

Mr. John R. Curry, Executive Vice President

Ms. Laura Avakian, Vice President for Human Resources

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

Dr. Jerrold Grochow, Vice President for Information Systems

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

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

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* President Vest has indicated his intention to step down from the presidency during the 2004-05 academic year. A search for his successor is underway.

Faculty and Staff

In October 2003, the Institute had 9,503 employees on campus, including Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 971 faculty and 2,918 other academic staff, which include instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 72% of the faculty is tenured. There were also 4,749 research, medical, administrative and support staff employees, and 865 service staff employees. There were an additional 2,559 research, support and service staff employees working at MIT's Lincoln Laboratory in Lexington, Massachusetts, a Federally Funded Research and Development Center.

Student Enrollments

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

	Undergraduate		Graduate		
Academic Year	Full-Time Students	Part-Time Students	Full-Time Students	Part-Time Students	Total Students
1999-00	4,240	60	5,469	203	9,972
2000-01	4,199	59	5,575	257	10,090
2001-02	4,154	66	5,632	352	10,204
2002-03	4,115	63	5,789	350	10,317
2003-04	4,070	42	5,928	300	10,340

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 2003-2004 freshman class from 49 states, one territory and 46 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
1999-00	9,136	1,742	19%	1,048	60%
2000-01	10,671	1,726	16%	1,012	59%
2001-02	10,490	1,787	17%	1,030	58%
2002-03	10,664	1,724	16%	980	57%
2003-04	10,549	1,735	16%	1,019	59%

Academic Year	Freshmen Ranking in the Top Ten Percent of their High School Class	Average SAT Scores
1999-00	94%	1,454
2000-01	97%	1,466
2001-02	98%	1,467
2002-03	99%	1,469
2003-04	97%	1,466

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
1999-00	12,941	3,380	26%	1,895	56%
2000-01	13,492	3,435	25%	1,899	55%
2001-02	14,415	3,362	23%	1,828	54%
2002-03	16,133	3,416	21%	2,071	61%
2003-04	16,292	3,251	20%	1,858	57%

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*
1999	621,080,000	621,080,000
2000	612,181,000	594,824,000
2001	629,981,000	591,824,000
2002	691,319,000	638,620,000
2003	754,519,000	681,985,000

*CPIU deflator 1999 = 100

Research revenues received from sponsors pay for both the direct costs of research mentioned above, as well as that portion of Institute expenses jointly applicable to instruction and research which are attributable to research activities, also known as facility and administrative (F&A) costs. The following table presents the level of total sponsored research revenues at MIT, covering both direct and F&A costs, for fiscal years 1999 through 2003:

Massachusetts Institute of Technology
Sponsored Research Revenues
(in thousands)

	Fiscal Year Ended June 30,				
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:	1999	2000	2001	2002	2003
Health and Human Services	$58,246	$65,905	$69,539	$74,806	$81,837
Department of Energy	63,138	57,000	57,780	59,659	59,210
Department of Defense	65,718	65,686	60,971	60,117	62,904
National Science Foundation	35,352	35,669	37,520	44,878	48,804
National Aeronautics and Space Administration	27,301	22,734	18,592	25,118	26,251
Other Federal	7,409	6,753	6,777	11,562	12,453
Total Federal	257,164	253,747	251,179	276,140	291,459
Non-Federal Sponsored:					
State/Local/Foreign Governments	2,344	5,662	8,620	8,145	9,738
Non-profits	35,137	41,274	45,105	51,679	64,178
Industry	74,405	73,609	92,037	91,261	89,105
Total Non-Federal	111,886	120,545	145,762	151,085	163,021
F&A Adjustment	21,251	3,764	4,209	(8,166)	(4,375)
CAMPUS TOTAL	390,301	378,056	401,150	419,059	450,105
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	345,511	343,678	345,592	383,222	434,666
Non-Federal Sponsored	7,810	6,517	9,600	8,831	7,634
LINCOLN LABORATORY TOTAL	353,321	350,195	355,192	392,053	442,300
TOTAL RESEARCH	$743,622	$728,251	$756,342	$811,112	$892,405

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 provided which show both budgeted and actual charges. These accounts are monitored not only by the supervisor but also by a department head who has overall responsibility for the accounts within the department. Certain expenses are controlled centrally to assure conformance with the Institute's fiscal policy, contractual obligations to program sponsors, or donor restrictions. The Budget and Finance Steering Group meets regularly to review the status of the operating budget and other fiscal matters. This group is composed of the Provost, the Executive Vice President, the Treasurer, the Director of Finance, the Controller, the Director of the Office of Sponsored Programs, the Institute Auditor and the Assistant Provost for Administration. In addition, the Executive Committee reviews the annual financial plan regularly throughout the year.

Administration Discussion of Operations

The following table summarizes the Results of Operations and Other Changes in Unrestricted Net Assets for fiscal years 2003 and 2002, as presented in the Statement of Activities within the Report of the Treasurer (Appendix B to the Official Statement):

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

	Fiscal Year Ended June 30,	
	2002	2003
Total Operating Revenues	$1,586,402	$1,658,043
Total Operating Expenses	(1,529,637)	(1,686,573)
Results of Operations	56,765	(28,530)
Total Unrestricted Non-Operating Activities	(312,099)	(101,208)
Net Change in Unrestricted Net Assets	$(255,334)	$(129,738)

Unrestricted net assets decreased $129.7 million in fiscal year 2003. This decrease included losses on investments of $6.7 million, which is made up of $24.0 million of net realized loss and $17.3 million of net unrealized gain. At June 30, 2003 the market value of unrestricted net assets approached $2.7 billion, a decrease from the June 30, 2002 balance of approximately $2.8 billion.

The Institute's operating expenses exceeded operating revenues by $28.5 million for fiscal year 2003, down from the previous year's positive operating results of $56.8 million. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, auxiliary revenues, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts and operating expenditures. Non-operating activities include pledges, restricted gifts and investment income, net investment gains (losses) not distributed to funds, changes in life income funds, and net asset reclassifications.

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

Fiscal Year Ended June 30,	Investments at Market (in thousands)
1999	$5,088,242
2000	$7,612,251
2001	$7,334,376
2002	$6,476,513
2003	$6,174,059

The year to year change in Investments at Market reflects the sum of investment return and gifts less amounts distributed for expenses. The investment return was negative in fiscal years 2001 and 2002, and it was positive in the other three years: 1999, 2000 and 2003. The decrease from 2002 to 2003 resulted from amounts distributed for expenses exceeding the amounts gained from investment return and gifts.

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

Tuition and Fees

Tuition for full-time undergraduate and graduate students for the 2003-2004 academic year is $29,600, except for students in the Sloan School of Management Master's Program for whom the tuition is $34,780. For the 2003 summer session, the tuition for full-time graduate students was $9,800. Tuition is subsidized for all graduate research assistants.

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

Academic Year	Average Tuition and Fees	Undergraduate Room & Board	Total
1999 – 2000	$25,000	$6,950	$31,950
2000 – 2001	$26,050	$7,175	$33,225
2001 – 2002	$26,960	$7,500	$34,460
2002 – 2003	$28,230	$7,830	$36,060
2003 – 2004	$29,600	$8,710	$38,310

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, 2003, 2,968 MIT undergraduate students (72% of the enrollment) received some form of Institute-administered student aid. The average award for the 2002-2003 academic year was $22,000.

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

	1999	2000	2001	2002	2003
Institute Sources					
Tuition Support	$77,584	$111,711	$129,804	$144,085	$154,692
Stipends	5,605	7,504	9,568	12,129	13,472
Student Salaries	23,563	17,458	17,261	20,066	22,916
Total	106,752	136,673	156,633	176,280	191,080
External Sponsors					
Tuition Support	52,538	35,708	36,186	38,392	40,405
Stipends	14,067	13,523	14,533	15,030	15,288
Student Salaries	26,779	35,161	40,642	46,205	50,730
Total	93,384	84,392	91,361	99,627	106,423
Total	$200,136	$221,065	$247,994	$275,907	$297,503

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

Labor Relations

MIT has collectively bargained with service staff employees for over 50 years. Approximately 1,250 service staff employees belong to unions. These unions include one international and three independent unions representing employees through five separate collective bargaining agreements. The occupational groups covered include trade and maintenance personnel, 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. All five bargaining units currently have contracts in place. The faculty, research, administrative and support staffs of the Institute are not represented by any union.

Land, Buildings and Equipment

Fixed assets of land, buildings and equipment are shown in the financial statements at cost or fair value as of the date of a gift, acquisition or construction, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment and 4 years for software. Fully depreciated buildings and equipment are removed from the financial statements.

Fixed assets had a book value of $1,365.5 million at June 30, 2003, up 16.4 percent from $1,172.7 million at June 30, 2002. As in the previous two years, the largest share of the increase was in construction in progress. Major projects completed during fiscal 2003 included three campus life projects: Simmons Hall, a new 350-bed undergraduate student dormitory named in honor of Richard P. Simmons, his late wife Dorothy, and their family; a new graduate residence for approximately 650 students at 70 Pacific Street; and the new 125,000-square foot sports and fitness center named for Albert and Barrie Zesiger. Others were the renovation of space to house the Institute for Soldier Nanotechnologies and other research initiatives in Technology Square and the parking garage located below the Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences.

Other Current and Future Building Plans

The Institute annually spends between $40.0 and $50.0 million dollars to upgrade its research, instructional and support facilities, including improvements to ensure reasonable access as stipulated in the Americans with Disabilities Act (ADA). About 50% is budgeted from general funds and 50% comes from departmental contributions. These expenditures are in addition to normal maintenance expenses and are expected to be supported by internal funding sources.

The Institute continues a major construction program, which is changing dramatically the look of the Cambridge campus. This program includes the addition of new buildings, expansion of the utility infrastructure and the renovation of existing buildings. The Institute is funding this program through a combination of gifts, internal funding sources, and external borrowings.

The first phase of the program is estimated to cost approximately $750.0 million. Completed projects of the first phase include two graduate residences (2003), an undergraduate residence (2002), a sport and fitness center (2002), the renovation of the Dreyfus Chemistry Building (2003), Vassar Street Streetscape- East (2003), an underground garage (2003), and most of the utility infrastructure projects. Initiated during the first phase of the program and nearing completion is the new Ray and Maria Stata Center for Computer Information and Intelligence Sciences and related site work. Completion of the Ray and Maria Stata Center along with some utility projects will be financed through this offering.

The second phase of the program is estimated to cost approximately $270 million. Completed projects include a tenant fit-out of four floors of 500 Technology Square for the Institute for Soldier Nanotechnologies and the Department of Biological Engineering, renovation of a portion of 400 Main Street (the Ford Building) for laboratory space for the McGovern Institute for Brain Research and the Picower Center for Learning and Memory, new utility conduits to the brain and cognitive sciences project site and Technology Square, and additional utility infrastructure upgrades. New facilities include the Brain and Cognitive Sciences Project, which is currently under construction, and the Katahdin Hill Project Building, a building which will be adjacent to the Lincoln Laboratory in Lexington and will house programs to support the Laboratory's sponsored research ("Lincoln Laboratory Project"). A portion of these projects will be financed through this offering.

Other projects not included in the current program and for which the timing and scope have not been determined are: new buildings for the Sloan School, and the School of Humanities, Arts and Social Sciences; a new addition for the Media Laboratory, the Physics/Department of Material Sciences and Engineering renovation project, a new parking facility, the Music and Theatre Teaching Lab, and leasehold improvements associated with The Broad Institute. The Institute anticipates that any such future projects would be funded through a combination of gifts, internal funding resources, and future borrowings.

Other Financing Activities

The Institute routinely invests in commercial real estate as part of its on-going investment program. These investments involve various forms of ownership including joint ventures, limited partnership interests and wholly owned real estate. One such wholly owned investment involves a leasehold interest at Technology Square, which is a 1.1 million square foot laboratory and office complex located in Cambridge, Massachusetts.

This investment is currently nearing the completion of its development process and is now in the process of being financed with approximately $225 million of taxable debt. For this financing the Institute has created two wholly owned special purpose limited liability companies, one of which owns the land and one of which owns the building and has a ground lease on the land. The second company plans to borrow approximately $225 million in March or April 2004, which debt will be payable solely from and secured solely by the revenues received by such company from the lease of space at Technology Square and by a mortgage on the building and its leasehold interest in the land. The debt will not be a general obligation of the Institute.

Litigation

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

Federal Government Funding

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

The Defense Contract Audit Agency is responsible for auditing grants and contracts in support of ONR's negotiating responsibility. The Institute has final audited rates through the 2000 fiscal year. The audits for fiscal years 2001 and 2002 have been completed with no material audit issues. The Institute does not expect any material audit issues as a result of the fiscal year 2003 audit.

For further information regarding commitments and contingencies, please refer to Note G in the Report of the Treasurer (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 M.

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

APPENDIX B

Report of the Treasurer

For the year ended
June 30, 2003

Massachusetts
Institute of
Technology

THE CORPORATION
2002–2003

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

LIFE MEMBERS

Breene M. Kerr, W. Gerald Austen, John S. Reed, Shirley A. Jackson, Raymond S. Stata, Alexander W. Dreyfoos, Jr., Morris Tanenbaum, Paul E. Gray, David H. Koch, Patrick J. McGovern, Robert A. Muh, Richard P. Simmons, Denis A. Bovin, James A. Champy, Judy C. Lewent, A. Neil Pappalardo, Michael M. Koerner, DuWayne J. Peterson, Jr., Arthur Gelb, Ronald A. Kurtz

MEMBERS

Edie N. Goldenberg, John K. Castle, Barbara A. Gilchrest, Dana G. Mead, Norman E. Gaut, Susan E. Whitehead, Robert E. Wilhelm, Norman R. Augustine, Gerald J. Burnett, Glen V. Dorflinger, John W. Jarve, Robert M. Metcalfe, Leslie Tang Schilling, Anthony Sun, Matthew J. Turner, Morris Chang, Kenneth F. Gordon, Harbo P. Jensen, John A. Morefield, Pardis C. Sabeti, Kenan E. Sahin, Barrie R. Zesiger, Gordon M. Binder, Dedric A. Carter, Gururaj Deshpande, Brian G. R. Hughes, Linda C. Sharpe, John A. Thain, Philip M. Condit, Jennifer A. Frank, Thomas P. Gerrity, Mark P. Gorenberg, Homayoun Hatami, Scott P. Marks, Jr., Hyun-A C. Park, Paul Rudovsky, Marjorie M. T. Yang, Mark R. Epstein, Paul J. Ferri, L. Robert Johnson, Jorge E. Rodriguez, James H. Simons, Alan G. Spoon, Theresa M. Stone

PRESIDENT OF THE ASSOCIATION OF ALUMNI AND ALUMNAE

James A. Lash

REPRESENTATIVES OF THE COMMONWEALTH

Governor: Mitt Romney
Chief Justice of the Supreme Judicial Court: Margaret H. Marshall
Commissioner of Education: David P. Driscoll

LIFE MEMBERS EMERITI

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

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REPORT OF THE TREASURER

TO MEMBERS OF THE CORPORATION

SUMMARY

The Institute maintained a relatively strong financial position during 2003. Total net assets stood at $6,930.6 million, down $151.6 million, or 2.1 percent, from $7,082.2 million in 2002. This change was primarily due to a $302.5 million decrease in invested assets, a result of distributions for spending exceeding the sum of the investment return and retained gifts. While this represented the third consecutive year in which total invested assets decreased, total invested assets have increased $1.8 billion over the past five years, primarily as a result of the sum of investment return and gifts exceeding the distributions for spending during this period. Gifts and pledges received in 2003 were essentially unchanged from last year, $237.1 million and $236.6 million in 2003 and 2002, respectively. Land, buildings and equipment increased $192.7 million (net of depreciation), reflecting the continuation of the significant campus building program. Total borrowings increased from $772.0 million to a balance of $912.1 million at June 30, 2003, primarily the result of a new tax-exempt debt issue, Series L, of $204.6 million ($184.9 million par value and $19.7 million premium) to finance the ongoing campus building program.

Unrestricted net assets decreased $129.7 million in 2003, as compared to the decrease of $255.3 million in 2002. The Institute's operating expenses exceeded operating revenues by $28.5 million, down from the previous year's positive operating result of $56.8 million. This change is discussed later in the operations section. The Institute's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, investment income, the portion of net investment gains distributed to funds under the Institute's total return investment policy, auxiliary revenues, payments on pledges for unrestricted gifts and operating expenditures.

FINANCIAL POSITION

Net assets are shown in three categories to recognize the significant way in which universities are different from profit-making organizations. These categories reflect the nature of the restrictions placed on gifts by donors.

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 funds, which, when received or matured, will be added to the endowment. The $73.0 million increase in permanently restricted net assets, to a total of $1,352.0 million, primarily reflects new gifts and pledges made to restricted endowment funds, distributions of remainder interests from life income funds, and gains and losses on investments where the donor required investment gains to be retained permanently.

Temporarily restricted net assets represent those gifts that ultimately can become available to meet operating or capital expenditures. They require an event or lapse of time to occur before they are available for spending. Over 87 percent of the assets in this category result from accumulated market gains on permanently restricted endowment funds. This category also includes pledges not permanently restricted, gifts for construction projects that have not been expended, and life income funds, which, upon maturity, will be available for spending. The $94.8 million decrease in temporarily restricted net assets, to a total of $2,881.5 million results primarily from the decrease in the market value of securities held in permanently restricted funds. The Commonwealth of Massachusetts requires that all universities located within the Commonwealth include accumulated market gains on both permanently and temporarily restricted net assets with temporarily restricted net assets. Most other states allow inclusion of these gains with unrestricted net assets. If the Institute were allowed to follow the prevalent rule, unrestricted net assets would increase by $2,502.0 million to $5,199.1 million, and temporarily restricted net assets would decrease by a like amount.

Unrestricted net assets comprise all the remaining economic resources available to the Institute. This category includes the Institute's working capital, and those assets designated by the Corporation as "funds functioning as endowment," to be invested over the long term to generate support of Institute operations and capital projects. Also included are current funds received from donors for restricted purposes that, under the accounting rules, are categorized as unrestricted if the Institute spends an equivalent amount of unrestricted funds for the same purpose. During 2003, unrestricted net assets were reduced by $18.6 million to offset investment losses on permanently restricted net assets where market value dropped below the book value of the gift. This charge to unrestricted assets compares to the $20.4 million reduction in 2002.

Pledges receivable increased to $402.7 million at June 30, 2003, an 18.7 percent increase, or $63.4 million, over the previous year's balance of $339.3 million. This increase was due primarily to the receipt of one major pledge. Deferred charges increased $35.9 million, to a total of $146.3 million, as a consequence of additional assets (negative expense) related to the Institute's defined benefit retirement plan, currently in an over-funded position.

Aggregate borrowings were $912.1 million, an increase of $140.1 million or 18.1 percent from the prior year total borrowings of $772.0 million. The change is due primarily to a new $204.6 million ($184.9 million par value and a $19.7 million premium) tax-exempt debt issue (Series L), a portion of which was used to refinance $60.2 million of existing debt (Series H). The new tax-exempt debt will finance the major construction currently in process. The Institute's publicly held debt continues to be rated triple A by both Moody's and Standard & Poor's.

OPERATIONS

Net tuition and other income increased $14.0 million, or 9.1 percent, to $167.8 million in 2003, from $153.8 million in 2002. As disclosed in Note A, tuition and related revenues before tuition discount grew $24.6 million, or 8.3 percent, to a total of $322.5 million. While tuition from degree granting programs showed an increase of $24.9 million, or 8.7 percent, revenues for executive and continuing education programs declined $0.3 million, or 2.6 percent, from $11.2 million to $10.9 million. Tuition support provided to graduate and undergraduate students grew $10.6 million, or 7.4 percent, to $154.7 million, consistent with the Institute's continuing strategy to strengthen financial support for students.

Research revenues in departmental and interdepartmental laboratories were $450.1 million in 2003 compared to $419.1 million in the prior year, an increase of 7.4 percent. Industrial support of campus research decreased slightly from $91.3 million in fiscal 2002 to $89.1 million in fiscal 2003. Industrial sponsors as a group remained the largest source of sponsored funds on campus, followed by the Department of Health and Human Services and the Department of Defense. Research revenues at Lincoln Laboratory grew from $392.1 million in 2002 to $442.3 million in 2003, an increase of 12.8 percent. Research at the Lincoln Laboratory is primarily funded under a contract with the Department of Defense (Air Force). Research revenues include reimbursement from sponsors for both direct and indirect (facilities and administration) costs. The Institute's direct research expenditures "base", used as the basis for recovery of indirect costs, grew $41.8 million, or 8.9 percent. Much of this growth, $31.9 million, a 12.6 percent increase over last year, was at Lincoln Laboratory. The direct research expenditures base on campus grew $9.9 million, a 4.5 percent increase. Research financed by Institute unrestricted funds declined slightly from $21.7 million in fiscal 2002 to $20.4 million in fiscal 2003. The Institute's support for research, including cost sharing, grew $12.3 million from $6.3 million in 2002 to $18.6 million in 2003. This increase was offset by a decrease in the use of other unrestricted funds for research from $15.4 million in 2002 to $1.8 million in 2003. Of the 2002 total of $15.4 million, $13.7 million related to the Media Laboratory and was provided primarily by Media Laboratory funds received in previous years.

Revenue from fees and services decreased 26.5 percent, from $105.4 million in 2002 to $77.4 million in 2003. In 2002 fees and services revenue recorded a single large agreement with an estimated present value of $23.5 million with annual payments to be made to MIT for a ten-year period. Investment income, defined as dividends, interest and rents, increased $6.1 million from $133.6 million, in 2002, to $139.7 million in 2003, or 4.6 percent, due primarily to increased rental income at Technology Square.

These financial statements include both realized and unrealized gains on investments. The table at the bottom of the page displays the changes in the Institute's net assets excluding the net investment losses.

Net asset reclassifications of $25.1 million reflect payments on pledges for unrestricted gifts to the Institute.

Operating expenses increased $157.0 million, or 10.3 percent, to a total of $1,686.6 million in 2003, as compared to $1,529.6 million in 2002. As detailed in Note H, the largest component of the increase was in general and administrative expenses, up $76.7 million, or 19.6 percent, due primarily to increases in interest and depreciation as new buildings came on line. Sponsored research expenses increased $63.2 million, or 9.1 percent. About 75 percent of this increase, $47.5 million, was at Lincoln Laboratory. Research expenses on campus were up $15.7 million, or 4.8 percent. Expenses managed under the general budget of the Institute grew $63.1 million, or 9.1 percent. Discretionary spending in schools and departments and spending for non-sponsored research activity grew $35.6 million, or 28.0 percent. Expenditure growth was most significant in interest and depreciation as noted above, in subrecipient agreements, primarily in relation to research expense growth at Lincoln Laboratory, and in employee benefits. The costs of medical insurance for employees grew 13.0 percent, adding $4.8 million of expenses. The expense offset to employee benefits costs experienced in recent years as a result of the overfunded status of the Institute's defined benefit plan was reduced in 2003 primarily due to investment performance in the plan, to $33.1 million from $40.0 million in the previous year, a 17.2 percent change.

During 2003, the Plan providing coverage for retiree health benefits was amended to change the cost sharing formula from a fixed to a variable rate based on length of service, effective January 1, 2004. The financial impact of this plan amendment is estimated to be $28.5 million, as noted in Table 5 of Note I. The Result of Operations decreased $85.3 million from a positive $56.8 million in 2002 to a negative $28.5 million in 2003. The Statement of Cash Flows shows that the net cash received from operating activities decreased from the $28.6 million in 2002, to a negative $94.1 million in 2003.

■ INCREASE (DECREASE) IN NET ASSETS EXCLUDING INVESTMENT GAINS OR LOSSES

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Increase (decrease) in net assets	$ (129,738)	$ (94,841)	$ 73,022	$ (151,557)
Deduct: net investment losses	(6,635)	(102,064)	(5,576)	(114,275)
Increase (decrease) in net assets excluding net investment losses	**$ (123,103)**	**$ 7,223**	**$ 78,598**	**$ (37,282)**

GIFTS

Fiscal year 2003 marks the sixth year of the Institute's Campaign for MIT. In the fall of fiscal 2003 the original campaign goal of $1.5 billion was surpassed and the Corporation voted to increase the goal to $2.0 billion. With the close of 2003, a total of $1.7 billion had been raised, 23.5 percent from members of the Corporation. The Campaign for MIT has had an impact across the Institute, providing needed support for programs, staff and facilities in every department, laboratory and center. The Campaign has resulted in the creation of 74 endowed faculty chairs, 231 endowed and expendable scholarship funds, and 267 endowed and expendable graduate fellowship funds. Fifty percent of the alumni have participated, contributing slightly more than half of the Campaign total.

Gifts and pledges for 2003 totaled $237.1 million, including gifts-in-kind (primarily gifts of equipment) valued at $2.6 million. This was comparable to the $236.6 million recorded in 2002. Gifts from individuals represented 62.0 percent of the total, up from 40.3 percent in the previous year. Gifts from foundations represented 19.0 percent of the total, down from 38.2 percent in 2002. Gifts from corporations and other sources represented 19.0 percent of the total, down slightly from 21.5 percent in 2002. New gifts and payments on pledges for unrestricted purposes were 9.0 percent of the total in 2003, compared with 14.0 percent in 2002. Support for research and education was the largest component of new gifts and payments on pledges at 55.0 percent in 2003 and 48.7 percent in 2002.

ENDOWMENT AND SIMILAR FUNDS

The market value of investments in the endowment and similar funds totaled $5,133.6 million at June 30, 2003, compared to $5,359.4 million at June 30, 2002, a decrease of $225.8 million, or 4.2 percent. The market value at June 30, 2003 includes $5,016.5 million invested in Pool A, the Institute's primary investment pool, and $117.1 million held in separately invested funds.

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

Endowment funds invested in Pool A receive distributions based on the number of units held. Units are valued monthly and new gifts or other funds transferred to Pool A are credited with Pool A units based on the current month's market value of the units in Pool A.

INVESTMENTS

Investments at market value were $6,174.1 million, a decrease of $302.5 million, or 4.7 percent, from the $6,476.5 million of the previous year. This decrease compares with a decrease of $857.9 million in the previous year. Over the period 1998 – 2003, total invested assets have increased from $4,370.3 million to $6,174.1 million while distributions for expenditure have totaled $1,419.9 million. The level of invested assets net of the distribution for spending is the result of market appreciation and gifts received over this five year period.

General Investments

General investments at market value were $5,937.7 million, a decrease of $162.1 million, or 2.7 percent from the $6,099.8 million of the previous year. This decrease compares with a decrease of $823.3 million in 2002. Pool A is the Institute's long-term investment pool and holds primarily endowment funds and funds functioning as endowment. Pool C holds funds invested with a shorter time horizon and is used primarily for currently expendable funds.

The balance among fixed income, equity and real estate investments changed modestly during the year. Equity and real estate at market value were 82.2 percent of the investments at year-end, an increase from the 80.6 percent at the prior year-end. Net realized losses during the year included $72.2 million of realized losses from equities and $10.5 million of realized gains from fixed income securities. The $85.3 million decrease in the market value of equities resulted primarily from gains distributed for budget support according to the Institute distribution policy. The $124.8 million decrease in the market value of fixed income securities and cash equivalents resulted from a rebalancing of portfolio assets and market action.

Real estate investments held in Pool A and Pool C increased by $48.0 million to $843.3 million. This increase was primarily due to the purchase of 750 Main Street, Cambridge, capital improvements to existing properties and an increase in appraised market values. Income from real estate, including internal rents eliminated for financial statement purposes, increased $17.1 million to $61.1 million, or 38.9 percent, from the previous year. This increase primarily resulted from new leases at Technology Square.

The Investment and Executive Committees of the Corporation provide for distributions for spending from the general investments from both investment income and market appreciation, and in the separately invested funds only of investment income. This policy is consistent with the investment policy which focuses on total investment return, a combination of both capital appreciation and income from interest, dividends, and rents. In fiscal year 2003 the distribution rate was $42.00 per Pool A unit, a 5.0 percent increase over the $40.00 per Pool A unit distribution rate in fiscal year 2002. In 2003 the amount distributed for spending from the general investments totaled $327.4 million, an increase of 6.4 percent from the $307.8 million distributed in 2002. The 2003 amount distributed for spending from the general investments included $177.3 million from investment gains, or 54.2 percent of the total distributed to funds. In 2002, the comparable amount distributed from the general investments included $156.7 million, or 50.9 percent, from gains. During 2003 there was a distribution from separately invested funds of $3.4 million, compared to $5.5 million in 2002. In addition, in 2003 and 2002, there was also a special distribution of $5.0 million from gains in Pool C. The income earned by currently invested funds was fully distributed. Over the period 1998-2003, the distribution from Pool A increased from $17.55 to $42.00 per unit, an average annual growth rate of 19.1 percent.

Investment income in the form of dividends, interest and rents was $139.7 million. This compares to $133.6 million in the previous year, an increase of 4.6 percent. This measure of investment income does not include any investment gains.

Other Investments

Separately invested assets decreased by $36.5 million to a market value of $160.8 million. This decrease resulted primarily from transfers to the general investments and market action. The investments held by the life income funds decreased $1.8 million to a market value of $155.5 million. The decrease was the result of market action and transfers to endowment and current funds in excess of new gifts. Life income funds are invested primarily in two partnerships organized and managed by the Institute, one for equity assets and the other for fixed income assets. The partnership pools simplify and bring greater uniformity to the investment process for the Institute's life income funds.

The Investment Committee held three regularly scheduled meetings during the fiscal year, under the chairmanship of Michael M. Koerner. The Wellington Management Company continued as the primary investment manager and advisor for publicly traded equity and fixed income securities. During 2003 the Investment Committee continued both 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 the domestic and international markets continued to expand to meet the asset allocation policy established by the Investment Committee. Non-marketable alternatives include investments such as venture capital and private equity. Marketable alternatives include investments in event arbitrage, distressed debt and hedge funds. The alternative investments are managed by more than one hundred and ten independent organizations primarily through pooled investment funds. At June 30, 2003, alternative investment, marketable and non-marketable, plus real estate assets, represented slightly more than 53 percent of the assets in Pool A.

LAND, BUILDINGS AND EQUIPMENT

Fixed assets had a book value of $1,365.5 million at June 30, 2003, up 16.4 percent from $1,172.7 million at June 30, 2002. The largest share of the increase in book value was in completed buildings. Major projects completed during fiscal 2003 included three campus life projects — Simmons Hall, a new 350-bed undergraduate student dormitory named in honor of Richard P. Simmons, his late wife Dorothy, and their family; a new graduate residence for approximately 650 students at 70 Pacific Street; and the new 125,000-square foot sports and fitness center named for Albert and Barrie Zesiger — the renovation of space to house the Institute for Soldier Nanotechnologies and other research initiatives in Technology Square; and the parking garage located below the Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences.

Full project costs include construction costs as well as the planning, design and ancillary costs that are associated with a project. Full project cost estimates for buildings and renovations now under construction, ready for construction, or in the design development stage approach $1,018.1 million, including $604.7 million for teaching and research facilities and $121.9 million for infrastructure expansion. Instruction and research projects include the renovation of the Dreyfus Chemistry Building, completed this summer, the new Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences, scheduled to open in the second half of fiscal 2004; and the Brain and Cognitive Sciences project, which broke ground in May 2003 and which includes the McGovern Institute for Brain Research and the Picower Center for Learning and Memory. Projects currently in the design development stage include the Media Laboratory expansion, an expansion of buildings housing the Sloan School and the School of Humanities, Arts, and Social Sciences, the Music and Theatre teaching laboratory, and the renovation of space in the main group for the Departments of Physics and Materials Science and Engineering.

After years of planning, much of the major construction program is now completed or underway. The Institute's new facilities will support emerging research demands and initiatives, enable new approaches to teaching, provide innovative housing for students, and enhance campus and community life.

GENERAL

The extraordinary physical changes in the campus are also reflective of the success of the Campaign for MIT. The goal of $1.5 billion was achieved almost one year ahead of schedule and we have challenged ourselves, in difficult times, with a revised goal of $2.0 billion. More than 70 percent of the dollars pledged have already been received.

In recent years, MIT has become increasingly dependent on distributions from the endowment and gifts to support operations. But just as we took full advantage of the markets of the nineties to strengthen the Institute and launch new initiatives, we must recognize and respond to the current realities. We have experienced the third consecutive year in which invested assets decreased in total value. The implication is that endowment distributions to support operations will decrease. Therefore related expenditures must decrease in like amounts. The challenge is evident and will be met. With the fiscal year 2004 budget we took the first step in reducing expenditures and with the 2005 budget, we will fully reprioritize and rebalance our operations to reflect reduced distributions from the endowment. We will consolidate our recent advances as we achieve new budget equilibrium.

Notwithstanding these financial realities we must emphasize the increased overall financial strength of the Institute, the continued and robust growth in sponsored research, and the growing demand for an MIT education. MIT continues to define new paths to the future, from discoveries in the laboratories to innovations in teaching and course delivery.

The Institute has a distinguished history of meeting great challenges and opening new frontiers. Given our tradition, the dedication of faculty, students and staff, and the generous support from alumni/ae and friends – and especially members of the MIT Corporation – we face the challenges and opportunities ahead with confidence.

Respectfully submitted,

Allan S. Bufferd	John R. Curry
Treasurer	Executive Vice President

September 17, 2003

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

STATEMENTS OF FINANCIAL POSITION

at June 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
ASSETS		
Cash	$ 23,618	$ 38,839
Accounts receivable, net	131,886	140,374
Pledges receivable, net	402,740	339,345
Contracts in progress, principally U.S. Government	30,516	29,176
Deferred charges, inventories and other assets	146,339	110,398
Student notes receivable, net	76,778	80,048
Investments, at market value	6,174,059	6,476,513
Land, buildings and equipment, at cost ($1,811,811 for 2003 and $1,575,399 for 2002), net of accumulated depreciation	1,365,470	1,172,731
Total assets	$ 8,351,406	$ 8,387,424
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accruals and other liabilities	$ 226,686	$ 231,920
Liabilities due under life income fund agreements	83,868	79,975
Withholdings, deposits and other credits	26,450	30,402
Advance payments	139,891	159,467
Borrowings – bonds and notes payable	912,135	772,034
Government advances for student loans	31,751	31,444
Total liabilities	1,420,781	1,305,242
Net Assets:		
Unrestricted	2,697,089	2,826,827
Temporarily restricted	2,881,496	2,976,337
Permanently restricted	1,352,040	1,279,018
Total net assets	6,930,625	7,082,182
Total liabilities and net assets	$ 8,351,406	$ 8,387,424

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

STATEMENTS OF ACTIVITIES

for the years ended June 30, 2003 and 2002
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2003	2002
OPERATING ACTIVITIES					
Operating Revenues:					
Tuition and other income, net of discount of $154,692 in 2003 and $144,085 in 2002	$ 167,833			$ 167,833	$ 153,839
Research revenues:					
Campus direct	319,689			319,689	302,693
Campus indirect	130,416			130,416	116,366
Lincoln Laboratory direct	414,383			414,383	366,908
Lincoln Laboratory indirect	27,917			27,917	25,145
Gifts and bequests for current use	76,380			76,380	78,676
Fees and services	77,404			77,404	105,367
Other programs	57,319			57,319	55,288
Investment income	139,713			139,713	133,579
Net gains on investments, distributed	150,109			150,109	161,652
Auxiliary enterprises	71,797			71,797	63,303
Net asset reclassification	25,083			25,083	23,586
Total operating revenues	1,658,043	—	—	1,658,043	1,586,402
Operating Expenses:					
Salaries and wages	733,448			733,448	681,855
Employee benefits	135,498			135,498	111,561
Supplies and services	563,528			563,528	524,555
Subrecipient agreements	51,910			51,910	38,750
Utilities, rent and repairs	93,861			93,861	93,376
Depreciation	82,176			82,176	65,142
Interest expense	26,152			26,152	14,398
Total operating expenses	1,686,573	—	—	1,686,573	1,529,637
Results of operations	(28,530)	—	—	(28,530)	56,765
NON-OPERATING REVENUES, GAINS AND LOSSES					
Pledges	—	$ 98,032	$ 40,806	138,838	118,986
Gifts and bequests	—	5,148	16,697	21,845	38,918
Investment income	—	3,653	2,070	5,723	6,446
Net loss on investments	(6,635)	(102,064)	(5,576)	(114,275)	(810,323)
Distribution of accumulated investment gains	(51,432)	(98,677)	—	(150,109)	(161,652)
Net change in life income funds	(1,433)	(4,664)	394	(5,703)	(9,715)
Life income funds converted	1,633	2,800	1,304	5,737	10,454
Net asset reclassifications	(43,341)	931	17,327	(25,083)	(23,586)
Total non-operating activities	(101,208)	(94,841)	73,022	(123,027)	(830,472)
Net change during the year	(129,738)	(94,841)	73,022	(151,557)	(773,707)
Net assets at the beginning of the year	2,826,827	2,976,337	1,279,018	7,082,182	7,855,889
Net assets at the end of the year	$ 2,697,089	$ 2,881,496	$ 1,352,040	$ 6,930,625	$ 7,082,182

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

STATEMENT OF ACTIVITIES
for the year ended June 30, 2002
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2002
OPERATING ACTIVITIES				
Operating Revenues:				
Tuition and other income, net of discount of $144,085	$ 153,839			$ 153,839
Research revenues:				
Campus direct	302,693			302,693
Campus indirect	116,366			116,366
Lincoln Laboratory direct	366,908			366,908
Lincoln Laboratory indirect	25,145			25,145
Gifts and bequests for current use	78,676			78,676
Fees and services	105,367			105,367
Other programs	55,288			55,288
Investment income	133,579			133,579
Net gains on investments, distributed	161,652			161,652
Auxiliary enterprises	63,303			63,303
Net asset reclassification	23,586			23,586
Total operating revenues	1,586,402	—	—	1,586,402
Operating Expenses:				
Salaries and wages	681,855			681,855
Employee benefits	111,561			111,561
Supplies and services	524,555			524,555
Subrecipient agreements	38,750			38,750
Utilities, rent and repairs	93,376			93,376
Depreciation	65,142			65,142
Interest expense	14,398			14,398
Total operating expenses	1,529,637	—	—	1,529,637
Results of operations	56,765	—	—	56,765
NON-OPERATING REVENUES, GAINS AND LOSSES				
Pledges	—	$ 80,331	$ 38,655	118,986
Gifts and bequests	—	5,469	33,449	38,918
Investment income	—	3,980	2,466	6,446
Net loss on investments	(293,099)	(499,900)	(17,324)	(810,323)
Distribution of accumulated investment gains	(57,954)	(103,698)	—	(161,652)
Net change in life income funds	2,223	(13,161)	1,223	(9,715)
Life income funds converted	2,791	1,014	6,649	10,454
Net asset reclassifications	33,940	(52,884)	(4,642)	(23,586)
Total non-operating activities	(312,099)	(578,849)	60,476	(830,472)
Net change during the year	(255,334)	(578,849)	60,476	(773,707)
Net assets at the beginning of the year	3,082,161	3,555,186	1,218,542	7,855,889
Net assets at the end of the year	$ 2,826,827	$ 2,976,337	$ 1,279,018	$ 7,082,182

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, 2003 and 2002
(in thousands of dollars)

	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (151,557)	$ (773,707)
Adjustments to reconcile change in net assets to net cash (used in) received from operating activities:		
Net loss on investments	114,275	810,323
Depreciation	82,176	65,142
Student loan cancellations and increase in reserve	589	2,340
Gifts of equipment	(2,590)	(4,847)
Net loss on life income funds	2,637	24,249
Change in operating assets and liabilities:		
Pledges receivable	(63,395)	(36,298)
Accounts receivable	8,488	(32,525)
Contracts in progress	(1,340)	15,636
Deferred charges, inventories and other assets	(35,941)	(35,286)
Accounts payable, accruals and other liabilities	(5,234)	23,609
Liabilities due under life income fund agreements	3,893	(1,619)
Withholdings, deposits and other credits	(3,952)	6,862
Advances payments	(19,576)	6,127
Reclassify investment income	(2,070)	(2,466)
Reclassify contributions restricted for long-term investment	(20,481)	(38,918)
Net cash (used in) received from operating activities	(94,078)	28,622
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of land, buildings and equipment	(272,325)	(350,375)
Purchases of investments	(4,295,298)	(4,568,411)
Proceeds from sale of investments	4,480,840	4,591,702
Student notes issued	(25,928)	(17,799)
Collections from student notes	28,609	16,628
Net cash used in investing activities	(84,102)	(328,255)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment	16,697	33,441
Investment in plant and other	3,784	5,477
Total proceeds from contributions	20,481	38,918
Increase in investment income for restricted purposes	2,070	2,466
Proceeds from borrowings, bonds and notes payable	268,088	313,504
Repayment of borrowings, bonds and notes payable	(127,987)	(63,926)
Increase in Government advance for student loans	307	557
Net cash received from financing activities	162,959	291,519
Net decrease in cash	(15,221)	(8,114)
Cash at the beginning of the year	38,839	46,953
Cash at the end of the year	$ 23,618	$ 38,839

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.

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

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

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

The financial statements include the Institute and its wholly owned subsidiaries including Technology Review, Inc., MIT Real Estate Foundation, Inc., Barton Insurance Company, and Technology Broadcasting Corporation.

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 $33.8 million and $28.9 million in 2003 and 2002, respectively, are recorded in accounts payable until they are presented to our banks for payment. Certain cash balances, totaling $14.2 million and $28.7 million in 2003 and 2002, 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 negotiated fixed billing rates. The income generated by the negotiated rates is adjusted at the close of each fiscal year to reflect any variance between the negotiated fixed rates and rates based on actual cost. The actual cost rate is audited by the Defense Contract Audit Agency (DCAA) and a final fixed-rate agreement is signed by the Government and the Institute. The variance between the negotiated fixed rate and the final audited rate results in a carryforward (over or under recovery). The carryforward will be included in the calculation of negotiated fixed billing rates in future years. Any adjustment in the rate is charged/(credited) to unrestricted net assets.

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are shown at cost or fair value as of the date of a gift, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment, and 4 years for software. Fully depreciated buildings and equipment are removed from the financial statements. These amounts totaled $38.5 million and $51.4 million during 2003 and 2002, respectively. Land, buildings and equipment are as follows at June 30:

Land, Buildings and Equipment
(in thousands of dollars)

	2003	2002
Land	$ 38,325	$ 38,325
Educational buildings	1,263,022	888,511
Equipment	191,570	194,486
Software	10,149	9,060
Total	**1,503,066**	**1,130,382**
Less: accumulated depreciation	(446,341)	(402,668)
Construction in progress	294,540	438,849
Software projects in progress	14,205	6,168
Land, buildings and equipment	**$ 1,365,470**	**$ 1,172,731**

Depreciation expense was $82.2 million and $65.1 million during 2003 and 2002, respectively. Net interest expense of $10.6 million and $12.4 million was capitalized during fiscal 2003 and 2002, respectively, in relation to the Institute's construction.

TUITION AND FINANCIAL AID

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

Tuition and Similar Revenue
(in thousands of dollars)

	2003	2003
Tuition revenue	$ 311,614	$ 286,720
Executive & continuing education revenues	10,911	11,204
Total	**322,525**	**297,924**
Less: tuition discount	(154,692)	(144,085)
Net tuition	**$ 167,833**	**$ 153,839**

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 $297.5 million and $275.9 million in 2003 and 2002, respectively. Of that amount, $106.4 million in 2003 and $99.6 million in 2002, was aid from sponsors. Tuition support from Institute sources is displayed as tuition discount. Components of financial aid are detailed in Table 1.

GIFTS AND PLEDGES

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair market value at the date of contribution. Gifts of equipment during 2003 and 2002 totaling $2.6 million and $4.8 million, respectively, from manufacturers and other donors were put into use and recorded by the Institute at fair market value during the respective fiscal years. Pledges in the amount of $402.7 million and $339.3 million are recorded as receivables with the revenue assigned to the appropriate classification of restriction for 2003 and 2002, respectively. Pledges consist of unconditional written promises to contribute to the Institute in the future. Pledges are recorded after discounting the future cash flows to the present value.

Table 1. Financial Aid
(in thousands of dollars)

	2003			2002		
	Institute Sources	External Sponsors	Total Financial Aid	Institute Sources	External Sponsors	Total Financial Aid
Tuition support	$ 154,692	$ 40,405	$ 195,097	$ 144,085	$ 38,392	$ 182,477
Stipends	13,472	15,288	28,760	12,129	15,030	27,159
Student salaries	22,916	50,730	73,646	20,066	46,205	66,271
Total	**$ 191,080**	**$ 106,423**	**$ 297,503**	**$ 176,280**	**$ 99,627**	**$ 275,907**

A. ACCOUNTING POLICIES continued

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

Pledges Receivable

(in thousands of dollars)	2003	2002
In one year or less	$ 105,647	$ 127,544
Between one year and five years	183,286	192,511
More than five years	158,807	39,790
Less allowance for unfulfilled pledges	(45,000)	(20,500)
Pledges receivable, net of discount	**$ 402,740**	**$ 339,345**

A review of pledges has been made with regard to collectibility. As a result, the allowance for pledges that may not be fulfilled was adjusted, and some pledges have been canceled and are no longer recorded in these statements. In addition, pledges are discounted in the amount of $112.7 million and $24.9 million in 2003 and 2002, respectively, which is determined using discount rates based on the U.S. Treasury rate at June 30, 2003, and 2002. The Institute has gross conditional pledges, not recorded, for the promotion of education and research in the amount of $123.9 million and $33.4 million in 2003 and 2002, respectively.

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

ADVANCES

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

LIFE INCOME FUNDS

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

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain June 30, 2002, balances previously reported have been reclassified to conform to June 30, 2003 presentation.

B. INVESTMENTS

Total market value of investments approximated $6.2 billion and $6.5 billion at June 30, 2003 and 2002, 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, 2003, adjusted for cash receipts, cash disbursements and securities distributions through June 30, 2003. 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, 2003. Because investments in privately held equities generally are 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.

B. INVESTMENTS continued

Table 2 provides a detailed breakdown of investments by type as of June 30, 2003 and 2002.

Table 2. Investments
(in thousands of dollars)

	June 30, 2003		June 30, 2002	
	Book	Market	Book	Market
General investments				
Cash equivalents	$ 393,534	$ 393,534	$ 450,936	$ 450,936
Fixed income	647,761	662,161	719,864	729,555
Equities:				
Publicly traded	1,674,522	1,842,448	2,081,235	2,191,334
Privately held	1,972,344	2,196,258	1,644,422	1,932,691
Total equities	3,646,866	4,038,706	3,725,657	4,124,025
Real estate:				
Held in Pool A	589,960	674,882	530,371	657,129
Held in Pool C	168,432	168,432	138,166	138,166
Total general investments	**5,446,553**	**5,937,715**	**5,564,994**	**6,099,811**
Separately invested	155,949	160,786	189,304	197,298
Life income funds	146,829	155,543	147,985	157,354
Receivables/payables arising from securities transactions	(79,985)	(79,985)	22,050	22,050
Total investments	**$ 5,669,346**	**$ 6,174,059**	**$ 5,924,333**	**$ 6,476,513**

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 $5.3 billion and $5.6 billion at June 30, 2003 and 2002, respectively. The total value of Pool A includes Pool C investment of $0.3 billion at June 30, 2003 and 2002. The unit market values at June 30, 2003 and 2002 were $759.2169 and $796.7441, respectively. Changes in unit values reflect investment results less distributions for spending. On a unit basis, the ownership assigned to each net asset classification at June 30, 2003 and 2002 was as follows:

Pool A Units

	2003	2002
Unrestricted	2,354,947	2,453,509
Permanently restricted	4,667,510	4,558,055
Total units	**7,022,457**	**7,011,564**

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.

Table 3 summarizes the total investment gains (losses) by classification of net assets for the year ended June 30.

Table 3. Investment Gains (Losses)

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2003				
Realized losses	$ (24,000)	$ (40,247)	$ (5,198)	$ (69,445)
Change in net unrealized gains (losses)	17,365	(61,817)	(378)	(44,830)
Total	**$ (6,635)**	**$ (102,064)**	**$ (5,576)**	**$ (114,275)**
2002				
Realized losses	$ (93,289)	$ (157,873)	$ (3,215)	$ (254,377)
Change in net unrealized losses	(199,810)	(342,027)	(14,109)	(555,946)
Total	**$ (293,099)**	**$ (499,900)**	**$ (17,324)**	**$ (810,323)**

B. INVESTMENTS continued

The Investment and Executive Committees of the Corporation have adopted a total return investment policy. The Institute endowment spending policy thus allows for consumption of both investment yield and gains to support academic programs. The spending rate is managed to preserve the purchasing power of the endowment. Although a portion of accumulated realized gains and losses are reported as part of the Institute's unrestricted resources, their use is availed of in a manner consistent with the Institute's spending policy and long-term goal of preservation of the endowment. The distribution rate on Pool A is declared by the Investment and Executive Committees each year for the upcoming new fiscal year. Pertinent information is shown below.

Pool A and Pool C Distributions

	2003	2002
Pool A – Distribution per unit	$42.00	$40.00
Pool C – Declared rate before other distributions	4.0%	4.0%

The total distribution to all funds was $319.7 million in 2003 and $318.3 million in 2002. The $319.7 million distributed in 2003 is net of adjustments of $11.7 million of investment earnings held in temporarily restricted net assets pending compliance with donor restrictions and $4.4 million returned to permanently restricted net assets for funds where market value was below book value and no investment gains were present to support the distribution. Without these adjustments, the 2003 distribution would have totaled $335.8 million. Total distributions include amounts distributed to non-operating activities, internal rents and internal interest eliminated for financial statement purposes, and other adjustments totaling $29.9 million in 2003 and $23.1 million in 2002. The Institute has recorded perpetual trusts held by outside trustees of $34.0 million for 2003 and $39.3 million for 2002, which are included in investments reported in Table 2. In 2003, net asset reclassifications include certain distributions made in previous years to unrestricted funds that have not yet been expended for the donor's restricted purpose, where the donor requires reinvestment, or where the donor has not yet stipulated the use of the funds. These amounts were reclassified from unrestricted net assets to temporarily or permanently restricted net assets.

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 unrealized losses of $14.2 million on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the market value exceeds book value. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the Institute in accordance with the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General.

C. DERIVATIVE INSTRUMENTS

From time to time, the Institute will enter into various forward currency exchange contracts solely as partial offset of exchange rate movements affecting the U.S. dollar values of portfolio holdings on bonds denominated in foreign currencies. These contracts obligate the Institute to deliver currencies at specific future dates in return for U.S. dollars at fixed exchange rates and are recorded at market value. The Institute had open contracts with a market value of $10.9 million at June 30, 2003, and no open contracts at June 30, 2002. The Institute accounts for such contracts based on SFAS No. 133 "Accounting for Derivative Instruments." Refer to Note F for additional details.

D. STUDENT NOTES

Student notes consisted of the following at June 30, 2003 and 2002:

Student Notes Receivable
(in thousands of dollars)

	2003	2002
Institute-funded student notes receivable	$ 44,302	$ 47,393
Perkins student notes receivable	35,154	35,542
Total student notes receivable	**79,456**	**82,935**
Less: allowance for doubtful accounts	(2,678)	(2,887)
Student notes receivable, net	**$ 76,778**	**$ 80,048**

Perkins student notes receivable are funded by the U.S. Government and by the Institute to the extent required by the Perkins National Direct Student Loan Program. Funds advanced by the U.S. Government for this program, $31.8 million and $31.4 million at June 30, 2003 and 2002, respectively, are ultimately refundable to the U.S. Government and are classified as liabilities. Due to the nature and terms of the student loans, which are subject to significant restrictions, it is not practicable to determine the fair value of such loans.

E. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

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

Accounts Payable, Accruals and Other Liabilities
(in thousands of dollars)

	2003	2002
Accounts payable and accruals	$ 159,119	$ 164,099
Accrued vacation	44,065	37,785
Accounts payable U.S. Government	23,502	30,036
Total	**$ 226,686**	**$ 231,920**

The Institute is currently self-insured for health insurance and long-term disability, workers' compensation and unemployment compensation. Reserves are provided for these coverages totaling $18.7 million and $14.8 million for 2003 and 2002, respectively.

F. BORROWINGS—BONDS AND NOTES PAYABLE

Table 4. Bonds and Notes Payable
(in thousands of dollars)

	2003	2002
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series B, 5%, due 2003	$ —	$ 695
Series C, 5%–6.2%, due 2003–2006	1,260	1,600
Series H, 4.2%–5.0%, due 2003–2023	—	60,191
Series I, 4.75%–5.20%, due 2028, par value $59,200	59,813	59,838
Series J-1, variable rate, due 2031	125,000	125,000
Series J-2, variable rate, due 2031	125,000	125,000
Series K, 5.25%–5.50%, due 2012–2032, par value $230,000	247,722	248,504
Series L, 3.0%–5.25%, due 2004–2033, par value $184,860	204,628	—
Total MHEFA	**763,423**	**620,828**
Medium Term Notes Series A, 7.125%, due 2026	17,324	17,320
Medium Term Notes Series A, 7.25%, due 2096	45,428	45,426
Notes payable to bank, variable rate, due 2004	40,000	40,000
Total Educational Plant	**866,175**	**723,574**
STUDENT LOANS		
Notes payable to bank, variable rate, due 2004	22,500	25,000
OTHER		
Notes payable to bank, variable rate, due 2004	23,460	23,460
Total Bonds and Notes Payable	**$ 912,135**	**$ 772,034**

At June 30, 2003, the Institute had pledged as collateral securities with a market value of $3.5 million to comply with the terms of the MHEFA bond indentures. In addition, certain land and buildings are pledged as collateral for MHEFA Series C bonds.

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

Long-term Debt Obligations
(in thousands of dollars)

2004	$ 88,215
2005	2,335
2006	2,445
2007	2,085
2008	2,190

■ F. BORROWINGS—BONDS AND NOTES PAYABLE continued

Cash paid for interest on long-term debt in 2003 and 2002 was $40.2 million and $26.5 million, respectively.

Variable interest rates were as follows at June 30, 2003:

Notes payable to bank (Educational Plant)	1.49%
Notes payable to bank (Student Loan)	1.48%
Note payable to bank (Other)	1.84%
MHEFA Series J-1	0.95%
MHEFA Series J-2	0.85%

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.

The Institute has two interest rate swap agreements, one expiring in 2011 and one expiring in 2031, to manage the interest cost and risk associated with its variable rate debt portfolios. Under the terms of these agreements, the Institute pays fixed rates, ranging from 4.46 percent to 4.91 percent, determined at inception, and receives the Bond Market Association Index (BMA) rate on the respective notional principal amounts. The Institute's interest rate swaps, at June 30, 2003, had a notional amount of $250.0 million. These agreements are recorded at market value of ($33.6) million and ($9.5) million at June 30, 2003 and 2002, respectively, and the change in market value of ($24.1) million and ($10.5) million in 2003 and 2002, respectively is included in non-operating net gain (loss) on investments. These financial instruments involve counter-party credit exposure. The counter parties for these swap transactions are major financial institutions that meet the Institute's criteria for financial stability and creditworthiness.

■ G. COMMITMENTS AND CONTINGENCIES

FEDERAL GOVERNMENT FUNDING

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

The DCAA is responsible for auditing both direct and indirect charges to grants and contracts in support of ONR's negotiating responsibility. The Institute has final audited rates through the 2000 fiscal year. The Institute's 2003 research revenues of $892.4 million include reimbursement of indirect costs of $158.3 million, which includes the adjustment of the variance between the indirect cost income generated from the fixed rates and rates based on actual 2003 costs.

RENTALS

The Institute is committed under real estate leases. Rent expense was $26.6 million and $27.8 million in 2003 and 2002, respectively. Certain leases expiring in fiscal year 2004 are subject to renewal. Future minimum payments under operating leases are as follows:

Operating Lease Obligations
(in thousands of dollars)

2004	$ 27,149
2005	27,391
2006	28,090
2007	28,849
2008	29,491

INVESTMENTS

The Institute is committed to invest approximately $1,331.8 million in equity, private equity and other alternative investments. In addition, the Institute is committed to invest $65.1 million in real estate investments. As of June 30, 2003, $43.6 million of securities were pledged as collateral to various supplier and government agencies, the largest being the Nuclear Regulatory Commission and self-insured workers' compensation insurance.

FUTURE CONSTRUCTION

The Institute has contracted for Educational Plant in the amount of $299.1 million at June 30, 2003. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, unrestricted funds and future borrowings. The Institute will be committing additional resources to planned major construction projects and improvements to the current infrastructure over the next several years.

G. COMMITMENTS AND CONTINGENCIES *continued*

RELATED ENTITIES

The Institute has entered into agreements, including collaborations with third-party not-for-profit and for-profit entities for education, research and technology transfers. Some of these agreements involve funding from foreign governments. These agreements subject the Institute to greater financial risk than do its normal operations. In the opinion of management, the realization of increased financial risks by the Institute under these agreements is remote. Revenue received from the related entities was $10.0 million and $5.8 million during 2003 and 2002, respectively.

On June 19, 2003, the Institute together with Harvard University and Whitehead Institute announced a plan to create The Broad Institute, a new type of biomedical research institute aimed at realizing the promise of the human genome to revolutionize clinical medicine and to make knowledge freely available to scientists around the world. The Institute and its partners are currently in the process of finalizing the detailed terms of an agreement addressing the creation, operations, funding and governance of The Broad Institute.

GENERAL

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

H. FUNCTIONAL EXPENSE CLASSIFICATION

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

Institute Expenditures by Functional Classification
(in thousands of dollars)

	2003	2002
General and administrative	$ 467,725	$ 390,978
Instruction and unsponsored research	366,177	355,141
Sponsored research	754,519	691,319
Auxiliary enterprises	88,087	81,858
Operation of alumni association	10,065	10,341
Total operating expenses	**$ 1,686,573**	**$ 1,529,637**

I. RETIREMENT BENEFITS

The Institute offers retirement and post-retirement benefits to its employees. The Massachusetts Institute of Technology retirement benefit has a defined benefit plan and a defined contribution plan. The retirement benefit covers substantially all employees of the Institute. The Institute contributes to the defined benefit plan amounts that are actuarially determined to provide the retirement plan with sufficient assets to meet future benefit requirements. There were no contributions to the defined benefit plan in 2003 or 2002. The costs recognized during 2003 and 2002 related to the defined contribution components of the Retirement Plan were $29.2 million and $26.0 million, respectively.

In addition to providing pension benefits, the Institute provides certain healthcare 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 post-retirement benefit obligation for retiree costs and transition over the allowable 20-year period. The Institute maintains a trust to which it has contributed the post-retirement healthcare and life insurance costs on the accrual basis. Table 5 provides details of the changes in benefits obligations, component of benefit costs and weighted average assumptions.

Table 5. Pension Cost
(in thousands of dollars)

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 1,517,981	$ 1,491,324	$ 266,489	$ 242,466
Service cost	47,378	46,404	5,566	4,981
Interest cost	106,241	104,547	18,482	16,801
Retiree contributions	—	—	1,862	1,680
Plan amendment	—	—	28,453	—
Net benefit payment and transfers	(93,206)	(83,109)	(20,568)	(17,326)
Assumption changes and actuarial net loss (gain)	119,264	(41,185)	47,689	17,887
Benefit obligation at end of year	**$ 1,697,658**	**$ 1,517,981**	**$ 347,973**	**$ 266,489**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 1,815,135	$ 2,061,524	$ 132,514	$ 149,879
Actual return on plan assets	50,375	(163,280)	8,153	(18,377)
Employer contributions	—	—	18,509	16,659
Retiree contributions	—	—	1,862	1,679
Net benefit payments and transfers	(93,206)	(83,109)	(20,568)	(17,326)
Fair value of plan assets at end of year	**$ 1,772,304**	**$ 1,815,135**	**$ 140,470**	**$ 132,514**
Prepaid benefit cost				
Funded (unfunded) status	$ 74,646	$ 297,154	$ (207,503)	$ (133,975)
Unrecognized net transition (asset) liability	(6,125)	(12,249)	47,756	52,531
Unrecognized prior service costs	13,625	15,302	29,234	1,668
Unrecognized net loss (gain)	34,612	(216,560)	130,539	79,802
Prepaid benefit cost	**$ 116,758**	**$ 83,647**	**$ 26**	**$ 26**
Component of net periodic benefit cost				
Service cost	$ 47,378	$ 46,404	$ 5,566	$ 4,981
Interest cost	106,241	104,547	18,482	16,801
Expected return on plan assets	(161,834)	(168,399)	(13,223)	(13,752)
Amortization of transition amount	(6,125)	(6,125)	4,776	4,776
Amortization of unrecognized net (gain) loss	(20,448)	(18,029)	2,021	1,000
Amortization of prior service cost	1,677	1,595	887	887
Net benefit (income) cost	**$ (33,111)**	**$ (40,007)**	**$ 18,509**	**$ 14,693**
Weighted-average assumptions as of June 30				
Discount rate	6.00%	7.00%	6.00%	7.00%
Expected return on plan assets	8.00%	8.75%	8.00%	8.75%
Average compensation increase	4.00%	5.00%	—	—

For measurement purposes an 8.5 percent annual rate of increase in per-capita cost of covered healthcare benefits was assumed for 2003, which declines over a four-year period to 5.0 percent in 2007 and thereafter. Assumed healthcare cost trend rates have a significant effect on the amount reported for healthcare plans. A one-percentage point change in the assumed healthcare trend rate would have the following effect:

Healthcare Trend

(in thousands of dollars)	**1% increase**	**1% decrease**
Service cost plus interest cost	$ 5,930	$ (4,768)
Accumulated post-retirement benefit obligation	45,636	(38,073)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
One International Place
Boston MA 02110
Telephone (617) 478 5000
Facsimile (617) 478 3900

Report of Independent Auditors

To the Auditing Committee of the
Massachusetts Institute of Technology

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology (the "Institute") at June 30, 2003 and 2002, 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 5, 2003

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MASSACHUSETTS INSTITUTE OF TECHNOLOGY

FIVE-YEAR TREND ANALYSIS — FINANCIAL HIGHLIGHTS
(dollars in thousands)

	2003	2002	2001	2000	1999
Financial Position:					
Investments, at Market	$ 6,174,059	$ 6,476,513	$ 7,334,376	$ 7,612,251	$ 5,088,242
Land, Building and Equipment: at cost less accumulated depreciation	1,365,470	1,172,731	882,651	687,002	607,345
Borrowings	912,135	772,034	522,456	299,169	319,874
Student Notes	76,778	80,048	81,217	77,323	73,700
Total Assets	8,351,406	8,387,424	8,876,017	8,884,732	6,144,224
Total Liabilities	1,420,781	1,305,242	1,020,128	728,807	691,741
Unrestricted Net Assets, at market	2,697,089	2,826,827	3,082,161	3,172,788	2,271,403
Market Value of Endowment Funds (including pledges)	5,305,440	5,528,978	6,297,711	6,626,117	4,349,812
Principal Sources of Revenue:					
Tuition and Other Income	322,525	297,924	290,835	272,401	260,596
Research Revenues:					
Campus	450,105	419,059	401,150	378,506	390,301
Lincoln Laboratory	442,300	392,053	355,192	350,195	353,321
Gifts, Bequests and Pledges	237,063	236,580	207,207	356,957	224,015
Net gains (losses) on Investments	(114,275)	(810,323)	(367,544)	2,477,775	666,868
Investment Distribution	335,772	318,256	266,338	191,711	161,193
Principal Purposes of Expenditures:					
Total Operating Expenditures	1,686,573	1,529,637	1,393,488	1,302,060	1,282,134
General and Administrative	467,725	390,978	343,022	300,551	304,046
Instruction and Unsponsored Research	366,177	355,141	334,018	315,445	303,378
Direct Cost of Sponsored Research – Current Dollars	754,519	691,319	629,981	612,181	621,080
Direct Cost of Sponsored Research – Constant Dollars (1999=100)	681,985	638,620	591,844	594,824	621,080
Scholarships and Fellowships	154,692	144,085	129,804	111,711	77,584

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

FIVE-YEAR TREND ANALYSIS — FINANCIAL HIGHLIGHTS continued
(dollars in thousands)

	2003	2002	2001	2000	1999
Research Revenues [A]:					
Campus:					
Federal Government Sponsored:					
Health and Human Services	$ 81,837	$ 74,806	$ 69,539	$ 65,905	$ 58,246
Department of Energy	59,210	59,659	57,780	57,000	63,138
Department of Defense	62,904	60,117	60,971	65,686	65,718
National Science Foundation	48,804	44,878	37,520	35,669	35,352
National Aeronautics and Space Administration	26,251	25,118	18,592	22,734	27,301
Other Federal	12,453	11,562	6,777	6,753	7,409
Total Federal	291,459	276,140	251,179	253,747	257,164
Non-Federal Sponsored:					
State/Local/Foreign Governments	9,738	8,145	8,620	5,662	2,344
Non-profits	64,178	51,679	45,105	41,274	35,137
Industry	89,105	91,261	92,037	73,609	74,405
Total Non-Federal	163,021	151,085	145,762	120,545	111,886
F&A Adjustment	(4,375)	(8,166)	4,209	3,764	21,251
Total Campus	450,105	419,059	401,150	378,056	390,301
Lincoln Laboratory:					
Federal Government Sponsored	434,666	383,222	345,592	343,678	345,511
Non-Federal Sponsored	7,634	8,831	9,600	6,517	7,810
Total Lincoln Laboratory	442,300	392,053	355,192	350,195	353,321
Total Research Revenues	**$ 892,405**	**$ 811,112**	**$ 756,342**	**$ 728,251**	**$ 743,622**

[A] *The amounts in this table reflect revenues from the direct sponsor to the Institute, not the original source of funds.*

FIVE-YEAR TREND ANALYSIS — FINANCIAL HIGHLIGHTS continued

(dollars in thousands)

	2003	2002	2001	2000	1999
Students:					
Undergraduate					
Full Time	4,115	4,154	4,199	4,240	4,303
Part Time	63	66	59	60	69
Undergraduate Applications					
Applicants	10,664	10,490	10,671	9,136	8,676
Accepted	1,724	1,787	1,726	1,742	1,890
Acceptance Rate	16%	17%	16%	19%	22%
Enrolled	980	1,030	1,012	1,048	1,043
Yield	57%	58%	59%	60%	55%
Freshmen Ranking in the top 10% of their Class	99%	98%	97%	94%	94%
Average SAT Scores	1,469	1,467	1,466	1,454	1,459
Graduate					
Full Time	5,789	5,632	5,575	5,469	5,338
Part Time	350	352	257	203	175
Graduate Applications					
Applicants	16,133	14,415	13,492	12,941	12,098
Accepted	3,416	3,362	3,435	3,380	2,651
Acceptance Rate	21%	23%	25%	26%	22%
Enrolled	2,071	1,828	1,899	1,895	1,392
Yield	61%	54%	55%	56%	53%
Student Financial Aid:					
Undergraduate Tuition Support	$ 47,857	$ 43,866	$ 37,793	$ 34,495	$ 33,389
Graduate Tuition Support	147,240	138,611	128,197	112,924	96,733
Fellowship Stipends	28,760	27,159	24,101	21,027	19,672
Student Loans	25,928	17,799	17,884	17,533	11,173
Student Employment	73,646	66,271	57,903	52,619	50,342
Total Financial Assistance	**$323,431**	**$293,706**	**$265,878**	**$238,598**	**$211,309**
Tuition: (in dollars)					
Tuition and Fees	$ 28,230	$ 26,960	$ 26,050	$ 25,000	$ 24,050
Average Room and Board	7,830	7,500	7,175	6,950	6,750
Faculty and Staff:					
Faculty	966	956	947	931	923
Employees	10,832	10,531	10,800	10,576	10,477

DEFINITIONS OF CERTAIN TERMS

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

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

"Agreement" means the Loan and Trust Agreement executed by and among the Authority, the Institute, and the Trustee, dated as of February 10, 2004 as it may be further amended or supplemented as provided therein;

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

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

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

"Bonds" means the $131,110,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series M, dated March 15, 2004 and any bond duly issued in exchange or replacement therefor;

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

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

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

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

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

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

"Outstanding" when used to modify Bonds, refers to Bonds issued under the Agreement, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iii) of the definition thereof bearing interest at such rates, and with such maturities as will provide sufficient funds, to pay them.

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

"Project" means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the following: (i) Ray and Maria Stata Center. Construction of a new center for computer, information and intelligence sciences consisting of 2 approximately 8 story towers totaling 430,000 square feet, located at 10-40 Vassar Street, Cambridge; (ii) Brain and cognitive sciences project. Construction of new facilities that will bring together in close proximity the McGovern Institute for Brain Research, the Picower Center for Learning and Memory, and the Brain and Cognitive Sciences Department, consisting of 3 interconnected 10 story buildings grouped around a large central atrium totaling approximately 410,000 square feet, located at 43 Vassar Street, Cambridge; (iii) Lincoln Laboratory Project. Construction of a 2 story facility totaling approximately 20,000 square feet, adjacent to the current facility located at 244 Wood Street, Lexington; (iv) Utility Upgrades. Various utility upgrades and improvements on the Institute's Campus; and (v) Vassar Street Streetscape. Construction and enhancement to the Vassar Street Streetscape contiguous to the Institute's Campus. Vassar Street is a public road in the City of Cambridge and is maintained by the City of Cambridge.

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

"Project Costs" means the costs of issuing the Bonds and carrying out the Project, including repayment of external loans and internal advances for the same, and interest prior to, during and for up to one year after construction is substantially complete, but excluding general administrative expenses and overhead of the Institute.

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

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

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

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

"UCC" means the Massachusetts Uniform Commercial Code.

APPENDIX C

SUMMARY OF THE LOAN AND TRUST AGREEMENT

The following is a brief summary, prepared by Palmer & Dodge LLP, Bond Counsel to the Authority, of certain provisions of the Loan and Trust Agreement dated as of February 10, 2004 (the "Agreement") pertaining to the Bonds. This summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

The Agreement is entered into pursuant to a resolution adopted by the Authority on February 10, 2004 which authorizes the issuance of the Bonds.

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

The Assignment and Pledge of Revenues

The Authority assigns and pledges to the Trustee in trust upon the terms hereof (a) all Revenues to be received from the Institute or derived from any security provided under the Agreement and (b) all rights to receive such Revenues and the proceeds of such rights. This assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent, concurrence, approval or other action by the Authority, notice to the Authority or the filing of reports, certificates or other documents with the Authority or (ii) the powers of the Authority as stated in the Agreement to enforce the provisions of the Agreement. As additional security for its obligations to make payments to the Debt Service Fund and the Construction Fund, and for its other payment obligations under the Agreement, the Institute grants to the Trustee a security interest in its interest in the moneys and other investments and any proceeds thereof held from time to time in such Funds and the Expense Fund established under the Agreement. (Section 201)

Establishment of Funds

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

Construction Fund

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

Expense Fund

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

Debt Service Fund

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

Rebate

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

Application of Moneys

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

Investment of Moneys

Pending their use under the Agreement, moneys in the Debt Service Fund may be invested by the Trustee in Permitted Investments (described below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Institute if there is not then an Event of Default known to the Trustee. Moneys in the Expense Fund and the Construction Fund shall be invested in Permitted Investments maturing or redeemable at the option of the holder no later than when such moneys are expected to be needed. Notwithstanding the foregoing, any amount of Bond proceeds deposited in the Construction Fund which has not been expended within three (3) years of the date of closing shall be invested only in Permitted Investments with a yield not more than 1/8% higher than the yield on the Bonds, or in Permitted Investments described in Clause (ii) below without regard to yield. Any investments pursuant to this paragraph shall be held by the Trustee or the Authority, as the case may be, as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-611 of the Uniform Commercial Code to the extent applicable.

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

The term "Permitted Investments" means (i) Government or Equivalent Obligations; (ii) tax-exempt bonds as defined in IRC §105(a)(6) (other than specified private activity bonds as defined in IRC §57(a)(5)(C), rated at least AA or Aa by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") or Moody's Investors Service, Inc. ("Moody's"), respectively, or the equivalent by any other nationally recognized rating agency at the time of acquisition thereof or shares of a so-called money market or mutual fund that do not constitute "investment property" within the meaning of IRC §148(b)(2) provided either that the fund has all of its assets invested in such obligations of such rating quality, or, if such obligations are not so rated, the fund has comparable credit worthiness through insurance or otherwise and which fund is rated Aam or Aam-G if rated by S&P; (iii) shares of money market funds rated AAAm-G, AAAm or AAm by S&P; (iv) certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company which has a capital and surplus of not less than $50,000,000; (v) bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States of America; (vi) commercial paper rated in one of the two highest rating categories by Moody's and S&P; (vii) long-term or medium-term (maturity date greater than one year from date of purchase) corporate debt issued or guaranteed by any corporation that is rated by Moody's and S&P in their two highest rating categories; (viii) asset-backed or mortgage-backed securities rated by Moody's and S&P in the two highest rating categories; (ix) investment agreements or contracts representing the unconditional obligations of entities (A) the secured long-term debt obligations of which are rated in either of the two highest rating categories by Moody's or S&P or (B) the short-term debt obligations of which are rated in the highest category of either of such rating agencies; (x) investment agreements, including without limitation, forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clauses (i), (v) or (vi) of this definition of Permitted Investments; (xi) money market funds having a rating in the highest investment category granted thereby by Moody's or S&P at the time of acquisition, including any fund for which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder servicing agent, custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (provided, however, that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) the Trustee charges and collects fees and expenses for services rendered, pursuant to the Agreement, provided that (1) such fund is formed and has its principal office outside the United States, (2) no income to be received from such fund or vehicle is or will subject to deduction or withholding for or on account of any withholding or similar tax and (3) the ownership of an interest of such fund or vehicle will not be subject the Authority or the Institute, as the case may be, to net income tax in any jurisdiction where it would not otherwise be subject to tax; and (xii) Repurchase Agreements. The term "Repurchase Agreement" shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than $50,000,000, or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from, the Authority or the Trustee obligations issued or guaranteed by the United States; provided that the market value of such obligations is, at the time of entering into the agreement, at least 103% of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer; and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee or the Authority, as the case may be, to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee. (Section 312)

Payments by the Institute

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

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

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

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

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

Default

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

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

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

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

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

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

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

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

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

Remedies for Events of Default

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

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

Remedies Cumulative

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

Limitations on Bondowners' Remedies

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

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the Agreement or any applicable remedy under the Agreement unless the Authority and the Trustee have failed or refused to take action as required by the Agreement. (Sections 602, 702 and 801)

Tax Status of the Bonds

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

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

Maintenance of Corporate Existence

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

Insurance

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

Amendments

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

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

Defeasance

When there are in the Debt Service Fund and the Redemption Fund sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iii) of the definition thereof in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay the Bonds in full, and when all the rights of the Authority and Trustee have been provided for, upon written notice from the Institute to the Authority and Trustee, the Bondowners shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien of the Agreement, the security interests created by the Agreement (except in such funds and investments) shall terminate, and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created under the Agreement. Upon defeasance of the Agreement, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose subject to the requirements of the

Agreement, and moneys held for defeasance shall be invested only as provided above in this paragraph. Any funds or property held by the Trustee and not required for payment of the Bonds in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Institute upon such indemnification, if any, as the Authority or the Trustee may reasonably require. (Section 203)

PALMER & DODGE LLP
111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

[Closing Date]

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

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

$131,110,000
Revenue Bonds,
Massachusetts Institute of Technology Issue, Series M

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 dated as of February 10, 2004 (the "Agreement") among the Authority, Massachusetts Institute of Technology (the "Institution") and The Bank of New York, as Trustee (the "Trustee").

As to questions of fact material to our opinion we have relied upon representations 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, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. The Bonds are payable solely from funds to be provided therefor by the Institution pursuant to the Agreement. Under the Agreement the Institution has agreed to make payments sufficient to pay when due the principal of and interest on the Bonds. Such payments and other moneys payable to the Authority or the Trustee under the Agreement, (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 to the Trustee 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., 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 with respect to the Agreement or in connection with the construction, equipping or operation of the Project.

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.

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

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 Institution or the Authority 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 includable 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 "Institute") and The Bank of New York (the "Trustee") in connection with the issuance of $131,110,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Massachusetts Institute of Technology Issue, Series M (the "Bonds"). The Bonds are being issued pursuant to a Loan and Trust Agreement dated as of February 10, 2004 among the Authority, the Trustee and the Institute (the "Agreement"). The proceeds of the Bonds are being loaned by the Authority to the Institute pursuant to the Agreement. The Institute 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 Institute 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 Institute 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 Institute 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 Institute.

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institute and which has filed with the Institute, 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 Institute. In the absence of a third-party Dissemination Agent, the Institute 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 2004, 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 Institute (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 Institute 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 Institute 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 Institute 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 Institute 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 Institute, 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 Institute, 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 Institute 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 Institute 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 Institute 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 Institute's Annual Report shall contain or incorporate by reference the following:

The Institute'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 Institute 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 Institute 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 Institute obtains knowledge of the occurrence of a Listed Event, if such Listed Event is material, the Institute shall, in a timely manner, direct the Dissemination Agent to file a notice of such occurrence with the Repositories. The Institute shall provide a copy of each such notice to the Authority and the Trustee. The Dissemination Agent, if other than the Institute, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institute, 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 Institute'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 Institute and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institute'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 Institute and the original Institute shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Institute 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 Institute) may resign upon 30 days' written notice to the Institute, the Trustee and the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institute and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Institute) 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 Institute 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 Institute 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 Institute or of the type of business conducted by the Institute, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Agreement pursuant to Section 1001 of the Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institute 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 Institute 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 Institute 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 Institute 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 Institute 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 Institute 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 Institute 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 Institute) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institute agrees to indemnify and save the Dissemination Agent (if other than the Institute), its officers, director, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Institute under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institute 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 in the corporate trust department 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 Institute of such occurrence, provided, however, that any failure by the Trustee to give such notice to the Institute shall not affect the Institute'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 Institute, 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 Institute under this Disclosure Agreement shall obligate the Institute 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 Institute or raise any inference that no other material events have occurred with respect to the Institute or the Bonds or that all material information regarding the Institute or the Bonds has been disclosed. The Institute shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Date: April __, 2004

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By ______________________________________
Treasurer

THE BANK OF NEW YORK,
as Trustee

By __________________________________
Authorized Officer

APPENDIX E

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Health and Educational Facilities Authority

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

Name of Obligated Person: Massachusetts Institute of Technology

Date of Issuance: April __, 2004

NOTICE IS HEREBY GIVEN that the Massachusetts Institute of Technology (the "Institute") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated April __, 2004 between the Institute and The Bank of New York.

Dated: ___________________

THE BANK OF NEW YORK on behalf of
MASSACHUSETTS INSTITUTE OF
TECHNOLOGY

[cc: Institute]

EXHIBIT B

NATIONAL REPOSITORIES

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

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

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

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

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