NEW ISSUE – BOOK-ENTRY ONLY

$550,000,000
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
Taxable Bonds, Series C

4.678% Bonds due July 1, 2114 **Issue price: 100%** **CUSIP: 575718AB7***

Interest payable: January 1 and July 1 **Dated: Date of Delivery**

The Massachusetts Institute of Technology Taxable Bonds, Series C (the "Bonds") will be issued pursuant to the terms of an Indenture of Trust, dated as of April 1, 2014 (the "Indenture"), by and between the Massachusetts Institute of Technology (the "Institution") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used by the Institution to support current or future capital projects consistent with the Institution's capital plan and/or to refinance existing indebtedness and to pay costs of issuance.

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

Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing on July 1, 2014. So long as the Bonds are held by DTC, the principal or Redemption Price (as defined herein) of and interest on the Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal or Redemption Price and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in "BOOK-ENTRY ONLY SYSTEM" herein.

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

Interest, Redemption Price and profit, if any, on the sale of the Bonds, are not excludable from gross income for federal or state income tax purposes. See "TAX MATTERS" herein.

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013" attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See "SECURITY FOR THE BONDS" herein.

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

The Bonds are offered by the Underwriters, when, as and if issued by the Institution and accepted by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Boston, Massachusetts, counsel to the Institution. In addition, certain other legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about April 8, 2014.

Barclays **J.P. Morgan** **Morgan Stanley**

April 1, 2014

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GENERAL INFORMATION

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

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

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

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

Certain statements included or incorporated by reference in this Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION" and APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013." A number of important factors, including factors affecting the Institution's financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE INSTITUTION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

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

MINIMUM UNIT SALES

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

NOTICE TO PROSPECTIVE INVESTORS IN THE CANADIAN PROVINCES OF BRITISH COLUMBIA, ONTARIO AND QUÉBEC

THE OFFERING OF THE BONDS IN CANADA IS BEING MADE IN THE PROVINCES OF BRITISH COLUMBIA, ONTARIO AND QUÉBEC (EACH, A "CANADIAN JURISDICTION" AND COLLECTIVELY, THE "CANADIAN JURISDICTIONS") PURSUANT TO EXEMPTIONS FROM THE PROSPECTUS AND REGISTRATION REQUIREMENTS OF APPLICABLE SECURITIES LAWS. THE BONDS WILL BE OFFERED TO "ACCREDITED INVESTORS" IN THE CANADIAN JURISDICTIONS PURSUANT TO SECTION 2.3 (THE "ACCREDITED INVESTOR EXEMPTION") OF NATIONAL INSTRUMENT 45-106 — *PROSPECTUS AND REGISTRATION EXEMPTIONS* ("NI 45-106") WHO ARE ALSO "PERMITTED CLIENTS" AS DEFINED IN NATIONAL INSTRUMENT 33-103 — REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS ("NI 33-103"). ALL CANADIAN PURCHASERS OF THE BONDS (EACH, A "CANADIAN PURCHASER") WILL BE REQUIRED TO EXECUTE A SUBSCRIPTION AGREEMENT WHICH WILL CONTAIN REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGMENTS OF THE CANADIAN PURCHASER TO ESTABLISH THE AVAILABILITY OF SUCH EXEMPTIONS AND TO ENSURE COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

BARCLAYS CAPITAL INC. ("BCI") IS NOT REGISTERED IN THE CANADIAN JURISDICTIONS TO TRADE THE BONDS AND IS RELYING UPON SECTION 8.18 OF NI 33-103 (THE "INTERNATIONAL DEALER EXEMPTION") TO DISTRIBUTE THE BONDS IN THE CANADIAN JURISDICTIONS TO ACCREDITED INVESTORS WHO ARE ALSO PERMITTED CLIENTS. THE PRINCIPAL PLACE OF BUSINESS OF BCI IS LOCATED IN NEW YORK, NEW YORK. ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF BCI MAY BE SITUATED OUTSIDE OF CANADA, AND A CANADIAN PURCHASER MAY HAVE DIFFICULTY ENFORCING LEGAL RIGHTS AGAINST BCI AS A RESULT. THE NAMES AND ADDRESSES FOR THE AGENTS FOR SERVICE OF PROCESS OF BCI IN THE CANADIAN JURISDICTIONS ARE: (I) IN BRITISH COLUMBIA: BLAKES VANCOUVER SERVICES INC., 595 BURRARD STREET, P.O. BOX 49314, SUITE 2600, THREE BENTALL CENTRE, VANCOUVER, B.C. V7X 1L3; (II) IN ONTARIO: BARCLAYS CAPITAL CANADA INC., BAY ADELAIDE CENTRE, 333 BAY STREET, SUITE 4910, TORONTO, ONTARIO M5H 2R2, ATTENTION: DIRECTOR, COMPLIANCE; AND (III) IN QUÉBEC: SERVICES BLAKES QUEBEC INC., 600 DE MAISONNEUVE BOULEVARD WEST, SUITE 2200, TOUR KPMG, MONTREAL, QC H3A 3J2.

THIS OFFERING MEMORANDUM CONSTITUTES AN OFFERING OF THE BONDS ONLY IN THOSE JURISDICTIONS AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL THE BONDS. THIS OFFERING MEMORANDUM IS NOT, AND SHOULD NOT UNDER ANY CIRCUMSTANCES BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING OF THE BONDS IN CANADA. NO SECURITIES COMMISSION OR SIMILAR SECURITIES REGULATORY AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THIS OFFERING MEMORANDUM OR THE MERITS OF THE BONDS AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE UNDER APPLICABLE CANADIAN SECURITIES LAWS.

THE OFFERING IS BEING MADE EXCLUSIVELY THROUGH THIS OFFERING MEMORANDUM AND NOT THROUGH ANY ADVERTISEMENT OF THE BONDS IN ANY PRINTED MEDIA OF GENERAL AND REGULAR PAID CIRCULATION, RADIO OR TELEVISION, ELECTRONIC MEDIA OR ANY OTHER FORM OF ADVERTISING. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFERING MEMORANDUM AND ANY DECISION TO PURCHASE THE BONDS SHOULD BE MADE SOLELY BASED ON THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM.

AN INVESTMENT IN THE BONDS BEING OFFERED FOR SALE IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. AN INVESTMENT IN THE BONDS SHOULD ONLY BE MADE BY PERSONS WHO CAN AFFORD THE TOTAL LOSS OF THEIR INVESTMENT. THE RISK FACTORS IDENTIFIED UNDER THE HEADINGS "RISK FACTORS" IN THE OFFERING MEMORANDUM SHOULD BE CAREFULLY REVIEWED AND EVALUATED BY PROSPECTIVE SUBSCRIBERS BEFORE PURCHASING ANY SECURITIES BEING OFFERED UNDER THE OFFERING MEMORANDUM.

RESALE RESTRICTIONS

THE BONDS ACQUIRED BY CANADIAN PURCHASERS HEREUNDER MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN ANY MANNER UNLESS SUCH SALE, TRANSFER OR DISPOSITION COMPLIES WITH, OR IS IN ACCORDANCE WITH AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE RESALE RESTRICTIONS OF THE APPLICABLE SECURITIES LAWS OF THE CANADIAN JURISDICTIONS. PURSUANT TO APPLICABLE CANADIAN PROVINCIAL AND TERRITORIAL SECURITIES LAWS, THE BONDS ACQUIRED BY A CANADIAN PURCHASER HEREUNDER WILL BE SUBJECT TO RESTRICTIONS ON RESALE UNTIL SUCH TIME AS:

(A) THE APPROPRIATE “HOLD PERIODS” HAVE BEEN SATISFIED AND SUCH CANADIAN PURCHASER HAS COMPLIED WITH OTHER APPLICABLE REQUIREMENTS, INCLUDING THE FILING OF APPROPRIATE REPORTS PURSUANT TO APPLICABLE SECURITIES LEGISLATION;

(B) A FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON BY SUCH CANADIAN PURCHASER; OR

(C) AN APPROPRIATE DISCRETIONARY ORDER IS OBTAINED PURSUANT TO APPLICABLE SECURITIES LAWS.

AS THE ISSUER IS NOT A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA, THE APPLICABLE HOLD PERIOD FOR THE BONDS MAY NEVER EXPIRE, AND IF NO FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON AND IF NO DISCRETIONARY ORDER IS OBTAINED, THIS COULD RESULT IN A CANADIAN PURCHASER HAVING TO HOLD THE BONDS FOR AN INDEFINITE PERIOD OF TIME. EACH CERTIFICATE REPRESENTING THE BONDS ISSUED TO CANADIAN PURCHASERS WILL BEAR A LEGEND INDICATING THAT THE RESALE OF THE BONDS IS RESTRICTED.

IN ADDITION, IN ORDER TO COMPLY WITH THE DEALER REGISTRATION REQUIREMENTS OF CANADIAN SECURITIES LAWS, ANY RESALE OF THE BONDS MUST BE MADE EITHER BY A PERSON NOT REQUIRED TO REGISTER AS A DEALER UNDER APPLICABLE CANADIAN SECURITIES LAWS, OR THROUGH AN APPROPRIATELY REGISTERED DEALER OR IN ACCORDANCE WITH AN EXEMPTION FROM THE DEALER REGISTRATION REQUIREMENTS. THESE CANADIAN RESALE RESTRICTIONS MAY IN SOME CIRCUMSTANCES APPLY TO RESALES MADE OUTSIDE OF CANADA.

THE FOREGOING IS A SUMMARY ONLY OF APPLICABLE CANADIAN RESALE RESTRICTIONS AND IS SUBJECT TO THE EXPRESS PROVISIONS OF APPLICABLE CANADIAN SECURITIES LEGISLATION. ALL CANADIAN PURCHASERS SHOULD CONSULT WITH THEIR OWN CANADIAN LEGAL ADVISORS TO DETERMINE THE EXTENT OF THE APPLICABLE HOLD PERIOD AND THE POSSIBILITIES OF UTILIZING ANY FURTHER STATUTORY EXEMPTIONS OR THE OBTAINING OF A DISCRETIONARY ORDER.

INDIRECT COLLECTION OF PERSONAL INFORMATION

BY PURCHASING THE BONDS, A CANADIAN PURCHASER ACKNOWLEDGES THAT ITS NAME, RESIDENTIAL ADDRESS, TELEPHONE NUMBER, THE AMOUNT OF BONDS IT HAS PURCHASED AND OTHER SPECIFIED INFORMATION MAY BE DISCLOSED TO CANADIAN SECURITIES REGULATORY AUTHORITIES AND BECOME AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH THE REQUIREMENTS OF APPLICABLE CANADIAN LAWS. A CANADIAN PURCHASER CONSENTS TO THE DISCLOSURE OF SUCH INFORMATION.

BY PURCHASING THE BONDS, A CANADIAN PURCHASER THAT IS RESIDENT IN THE PROVINCE OF ONTARIO ACKNOWLEDGES THAT IT HAS BEEN NOTIFIED BY THE ISSUER: (A) OF THE REQUIREMENT TO DELIVER TO THE ONTARIO SECURITIES COMMISSION (THE "OSC") THE FULL NAME, RESIDENTIAL ADDRESS AND TELEPHONE NUMBER OF SUCH PURCHASER, THE NUMBER AND TYPE OF SECURITIES PURCHASED, THE TOTAL PURCHASE PRICE, THE EXEMPTION RELIED UPON AND THE DATE OF DISTRIBUTION; (B) THAT THIS INFORMATION IS BEING COLLECTED INDIRECTLY BY THE OSC UNDER THE AUTHORITY GRANTED TO IT IN APPLICABLE SECURITIES LEGISLATION; (C) THAT THIS INFORMATION IS BEING COLLECTED FOR THE PURPOSES OF THE ADMINISTRATION AND ENFORCEMENT OF THE SECURITIES LEGISLATION OF ONTARIO; AND (D) THAT THE ADMINISTRATIVE SUPPORT CLERK CAN BE CONTACTED AT THE ONTARIO SECURITIES COMMISSION, SUITE 1903, BOX 55, 20 QUEEN STREET WEST, TORONTO, ONTARIO M5H 3S8, OR AT (416) 593-3684, AND CAN ANSWER ANY QUESTIONS ABOUT THE OSC'S INDIRECT COLLECTION OF THIS INFORMATION.

RIGHTS OF ACTIONS FOR DAMAGES OR RESCISSION

SECURITIES LEGISLATION IN CERTAIN OF THE PROVINCES OF CANADA PROVIDES CERTAIN PURCHASERS WITH, OR REQUIRES CERTAIN PURCHASERS TO BE PROVIDED WITH, IN ADDITION TO ANY OTHER RIGHTS THEY MAY HAVE AT LAW, A RIGHT OF ACTION FOR RESCISSION OR DAMAGES OR BOTH, AGAINST THE ISSUER, AND IN CERTAIN CASES, OTHER PERSONS, WHERE THIS OFFERING MEMORANDUM AND ANY AMENDMENT TO IT AND, IN CERTAIN CASES, ADVERTISING AND SALES LITERATURE USED IN CONNECTION THEREWITH, CONTAINS A MISREPRESENTATION. WHERE USED HEREIN, THE TERM "MISREPRESENTATION" MEANS AN UNTRUE STATEMENT OF A MATERIAL FACT OR AN OMISSION TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR THAT IS NECESSARY TO MAKE ANY STATEMENT NOT MISLEADING OR FALSE IN LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE, AND THE EXPRESSION "MATERIAL FACT" MEANS A FACT THAT SIGNIFICANTLY AFFECTS OR WOULD REASONABLY BE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE MARKET PRICE OR VALUE OF THE BONDS. THESE REMEDIES OR NOTICE WITH RESPECT THERETO MUST BE EXERCISED OR DELIVERED, AS THE CASE MAY BE, BY THE PURCHASER WITHIN THE TIME LIMITS PRESCRIBED BY APPLICABLE SECURITIES LEGISLATION. THE FOLLOWING IS A SUMMARY OF THE RIGHTS OF RESCISSION OR DAMAGES, OR BOTH, AVAILABLE TO PURCHASERS UNDER THE SECURITIES LEGISLATION OF CERTAIN OF THE PROVINCES OF CANADA. EACH PURCHASER SHOULD REFER TO THE PROVISIONS OF APPLICABLE SECURITIES LEGISLATION FOR THE PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

RIGHTS OF ACTIONS FOR DAMAGES OR RESCISSION—ONTARIO PURCHASERS

THE *SECURITIES ACT* (ONTARIO) (THE "ONTARIO ACT") PROVIDES CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO WITH, IN ADDITION TO ANY OTHER RIGHT THEY MAY HAVE AT LAW, RIGHTS OF RESCISSION OR DAMAGES, OR BOTH, WHERE THIS PRELIMINARY OFFERING MEMORANDUM AND ANY AMENDMENT TO IT CONTAINS A MISREPRESENTATION (AS DEFINED BELOW). HOWEVER, SUCH RIGHTS MUST BE EXERCISED BY THE PURCHASERS WITHIN THE TIME LIMITS PRESCRIBED BY THE ONTARIO ACT. CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO SHOULD CONSULT WITH A LEGAL ADVISOR OR REFER TO THE APPLICABLE PROVISIONS OF THE ONTARIO ACT, FOUND IN SECTION 130.1, FOR THE COMPLETE TEXT OF THESE RIGHTS, THE DEFENSES AVAILABLE TO THE ISSUER AND OTHERS AND THE TIME LIMITS DURING WHICH THESE RIGHTS MUST BE EXERCISED.

THE RIGHTS OF ACTION SUMMARIZED BELOW SHALL BE AVAILABLE TO EACH CANADIAN PURCHASER OF THE BONDS RESIDENT IN ONTARIO AND ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHT OR REMEDY AVAILABLE AT LAW TO SUCH PURCHASER AND ARE INTENDED TO CORRESPOND TO THE RIGHTS AGAINST AN ISSUER OF SECURITIES PROVIDED IN THE ONTARIO ACT AND ARE SUBJECT TO THE DEFENSES CONTAINED THEREIN. WHERE USED IN THIS SECTION, "*MISREPRESENTATION*" MEANS AN UNTRUE STATEMENT OF MATERIAL FACT OR AN OMISSION TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR THAT IS NECESSARY TO MAKE A STATEMENT NOT MISLEADING IN THE LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE.

IN THE EVENT THAT THIS OFFERING MEMORANDUM, TOGETHER WITH ANY AMENDMENTS HERETO, IS DELIVERED TO A PROSPECTIVE CANADIAN PURCHASER RESIDENT IN ONTARIO AND CONTAINS A MISREPRESENTATION WHICH WAS A MISREPRESENTATION AT THE TIME OF PURCHASE OF THE BONDS, SUCH CANADIAN PURCHASER WILL HAVE A STATUTORY RIGHT OF ACTION AGAINST THE ISSUER EITHER FOR DAMAGES OR ALTERNATIVELY, WHILE STILL THE OWNER OF ANY OF THE BONDS, RESCISSION, IN WHICH CASE THE CANADIAN PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES, PROVIDED THAT:

(A) AN ACTION IS COMMENCED TO ENFORCE SUCH RIGHT (I) IN THE CASE OF AN ACTION FOR RESCISSION, WITHIN 180 DAYS AFTER THE DATE OF PURCHASE, OR (II) IN THE CASE OF AN ACTION FOR DAMAGES, WITHIN THE EARLIER OF 180 DAYS FOLLOWING THE DATE SUCH PURCHASER FIRST HAD KNOWLEDGE OF THE MISREPRESENTATION AND THREE YEARS AFTER THE DATE OF THE PURCHASE;

(B) A PERSON OR COMPANY WILL NOT BE LIABLE IF IT PROVES THAT SUCH PURCHASER PURCHASED THE BONDS WITH KNOWLEDGE OF THE MISREPRESENTATION;

(C) IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE BONDS AS A RESULT OF THE MISREPRESENTATION RELIED UPON;

(D) IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE BONDS WERE SOLD TO SUCH PURCHASER; AND

(E) IF SUCH PURCHASER ELECTS TO EXERCISE THE RIGHT OF RESCISSION, IT WILL HAVE NO RIGHT OF ACTION FOR DAMAGES.

NOTWITHSTANDING THE FOREGOING, A CANADIAN PURCHASER RESIDENT IN THE PROVINCE OF ONTARIO WILL NOT HAVE THE RIGHTS REFERRED TO ABOVE IF SUCH PURCHASER IS:

(A) A CANADIAN FINANCIAL INSTITUTION, MEANING EITHER:

(I) AN ASSOCIATION GOVERNED BY THE *COOPERATIVE CREDIT ASSOCIATIONS ACT* (CANADA) OR A CENTRAL COOPERATIVE CREDIT SOCIETY FOR WHICH AN ORDER HAS BEEN MADE UNDER SECTION 473(1) OF THAT ACT; OR

(II) A BANK, LOAN CORPORATION, TRUST COMPANY, TRUST CORPORATION, INSURANCE COMPANY, TREASURY BRANCH, CREDIT UNION, CAISSE POPULAIRE, FINANCIAL SERVICES CORPORATION, OR LEAGUE THAT, IN EACH CASE, IS AUTHORIZED BY AN ENACTMENT OF CANADA OR A JURISDICTION OF CANADA TO CARRY ON BUSINESS IN CANADA OR A JURISDICTION IN CANADA;

(B) A SCHEDULE III BANK, MEANING AN AUTHORIZED FOREIGN BANK NAMED IN SCHEDULE III OF THE *BANK ACT* (CANADA);

(C) THE BUSINESS DEVELOPMENT BANK OF CANADA INCORPORATED UNDER THE *BUSINESS DEVELOPMENT BANK OF CANADA ACT* (CANADA); OR

(D) A SUBSIDIARY OF ANY PERSON REFERRED TO IN PARAGRAPHS (A), (B) OR (C), IF THE PERSON OWNS ALL OF THE VOTING SECURITIES OF THE SUBSIDIARY, EXCEPT THE VOTING SECURITIES REQUIRED BY LAW TO BE OWNED BY THE DIRECTORS OF THE SUBSIDIARY.

THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS OF THE ONTARIO ACT AND THE RESPECTIVE REGULATIONS AND RULES THEREUNDER. EACH CANADIAN PURCHASER RESIDENT IN ONTARIO SHOULD REFER TO THE COMPLETE TEXT OF SUCH PROVISIONS OR CONSULT WITH A LEGAL ADVISOR.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION – QUÉBEC PURCHASERS

NOTWITHSTANDING THAT THE SECURITIES LEGISLATION OF THE PROVINCES OF QUEBEC DO NOT PROVIDE OR REQUIRE THE ISSUER TO PROVIDE TO PURCHASERS RESIDENT IN THOSE PROVINCES ANY RIGHTS OF ACTION IN CIRCUMSTANCES WHERE THIS OFFERING MEMORANDUM OR AN AMENDMENT HERETO CONTAINS A MISREPRESENTATION, THE ISSUER HEREBY GRANTS TO SUCH PURCHASERS, IN CONSIDERATION FOR THEIR PURCHASE OF THE BONDS AND UPON ACCEPTING A CONFIRMATION IN RESPECT THEREOF, CONTRACTUAL RIGHTS OF ACTION EQUIVALENT TO THOSE SET FORTH ABOVE WITH RESPECT TO PURCHASERS RESIDENT IN ONTARIO.

GENERAL

THE RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO CANADIAN PURCHASERS AND ARE INTENDED TO CORRESPOND TO THE PROVISIONS OF THE RELEVANT CANADIAN SECURITIES LEGISLATION AND ARE SUBJECT TO THE DEFENSES CONTAINED THEREIN. THE FOREGOING SUMMARIES ARE SUBJECT TO THE EXPRESS PROVISIONS OF THE APPLICABLE SECURITIES LEGISLATION IN EACH OF THE FOREGOING PROVINCES AND THE REGULATIONS, RULES AND POLICY STATEMENTS THEREUNDER AND REFERENCE IS MADE THERETO FOR THE COMPLETE TEXT OF SUCH PROVISIONS. CANADIAN PURCHASERS SHOULD REFER TO THE APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THEIR PROVINCE OF RESIDENCE FOR THE PARTICULARS OF THESE RIGHTS AND CONSULT WITH THEIR OWN CANADIAN LEGAL ADVISERS PRIOR TO INVESTING IN THE BONDS.

LANGUAGE OF DOCUMENTS

UPON RECEIPT OF THIS OFFERING MEMORANDUM, THE PURCHASER HEREBY CONFIRMS THAT HE, SHE OR IT HAS EXPRESSLY REQUESTED THAT ALL DOCUMENTS EVIDENCING OR RELATING IN ANY WAY TO THE OFFER AND/OR SALE OF THE BONDS BE DRAWN UP IN THE ENGLISH LANGUAGE ONLY. *PAR LA RÉCEPTION DE CE DOCUMENT, L'ACHETEUR CONFIRME PAR LES PRÉSENTES QU'IL A EXPRESSÉMENT EXIGÉ QUE TOUS LES DOCUMENTS FAISANT FOI OU SE RAPPORTANT DE QUELQUE MANIÈRE QUE CE SOIT À L'OFFRE OU À LA VENTE DES VALEURS MOBILIÈRES DÉCRITES AUX PRÉSENTES (INCLUANT, POUR PLUS DE CERTITUDE, TOUTE CONFIRMATION D'ACHAT OU TOUT AVIS) SOIENT RÉDIGÉS EN ANGLAIS SEULEMENT.*

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF EUROPEAN COMMISSION REGULATION 809/2004 OR EUROPEAN COMMISSION DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING BY EUROPEAN COMMISSION DIRECTIVE 2010/73/EU, AS APPLICABLE) (THE "PROSPECTUS DIRECTIVE"). IT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR SUCH OFFERS. THIS OFFERING MEMORANDUM IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("QUALIFIED INVESTORS"). THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN ANY SUCH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA AND WILL NOT BE ENGAGED IN WITH ANY OTHER PERSONS.

NOTICE TO RESIDENTS OF JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE *FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN* (LAW NO. 25 OF 1948, AS AMENDED, THE "FIEL"). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEL. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF A QUALIFIED INSTITUTIONAL INVESTOR ("QII") DEFINED IN ARTICLE 10 OF THE CABINET ORDINANCE CONCERNING DEFINITIONS UNDER ARTICLE 2 OF THE FIEL (ORDINANCE NO. 14 OF 1993, AS AMENDED). A PERSON WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

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

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

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

UNLESS ANY OFFER OF SUCH BONDS WAS PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER BONDS OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX"), ANY SUBSEQUENT OFFERS IN SINGAPORE OF BONDS ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS OR TO ACCREDITED INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) (***ACCREDITED INVESTOR***) OR RELEVANT PERSONS OR TO SUCH PERSONS PURSUANT TO AN OFFER REFERRED TO UNDER SECTION 275(1A) OF THE SFA. ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA (OTHER THAN SECTION 280 OF THE SFA).

IN ADDITION TO THE ABOVE, WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(1) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR), THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR
(2) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(A) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(i)(B) OF THE SFA;

(B) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(C) WHERE THE TRANSFER IS BY OPERATION OF LAW; OR

(D) WHERE SUCH ANY OFFER OF SUCH BONDS WERE PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON SGX.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. IT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE CORPORATION. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

SUMMARY OF THE OFFERING

Issuer	Massachusetts Institute of Technology
Securities Offered	$550,000,000 4.678% Taxable Bonds, Series C Bonds due July 1, 2114
Interest Accrual Dates	Interest will accrue from the Date of Issuance
Interest Payment Dates	January 1 and July 1 of each year, commencing July 1, 2014
Redemption	The Bonds are subject to optional redemption at the Redemption Price as discussed more fully herein. See "THE BONDS – Redemption."
Date of Issuance	April 8, 2014
Authorized Denominations	$1,000 and any integral multiple thereof
Form and Depository	The Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC.
Use of Proceeds	The Institution will use the net proceeds of the Bonds to support current or future capital projects consistent with the Institution's capital plan and/or to refinance existing indebtedness and to pay costs of issuance. See "PLAN OF FINANCE" herein.
Ratings	Moody's: Aaa S&P: AAA

OFFERING MEMORANDUM

Relating to

$550,000,000

MASSACHUSETTS INSTITUTE OF TECHNOLOGY TAXABLE BONDS, SERIES C

INTRODUCTION

The purpose of this Offering Memorandum, which includes the cover page, the table of contents and appendices, is to provide certain information concerning the sale and delivery by the Massachusetts Institute of Technology (the "Institution") of $550,000,000 aggregate principal amount of its Massachusetts Institute of Technology Taxable Bonds, Series C (the "Bonds"). This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Offering Memorandum. All statements contained in this Introduction are qualified in their entirety by reference to the entire Offering Memorandum.

Purpose of the Bonds and the Plan of Finance

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

The Institution

The Institution is an educational corporation existing under the laws of The Commonwealth of Massachusetts. Important information on the financial condition of the Institution is set forth in APPENDIX A – "CERTAIN INFORMATION REGARDING THE INSTITUTION" and APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013" attached hereto, both of which should be read in their entirety.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2014 (the "Indenture"), by and between the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Indenture, on each Payment Date, until the principal of and interest on the Bonds shall have been paid or provision for such payment shall have been made as provided in the Indenture, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of or interest on the Bonds. See "THE BONDS" herein.

Security for the Bonds

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

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

Additional Bonds

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

Outstanding Indebtedness

As of June 30, 2013, the outstanding indebtedness of the Institution totaled approximately $2.4 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013" attached hereto.

Redemption

The Bonds are subject to optional redemption by the Institution prior to maturity at the Redemption Price as described herein. See "THE BONDS – Redemption" herein.

Book-Entry Only System

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

Certain Information Related to this Offering Memorandum

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

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

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

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

PLAN OF FINANCE

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

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of their original issuance and will bear interest and mature (subject to prior redemption) as shown on the front cover page hereof. The Bonds will be delivered in the form of fully registered Bonds in denominations of $1,000 and any integral multiple thereof. The Bonds will be registered under a global book-entry system initially in the name of "Cede & Co.," as nominee of the Securities Depository and will be evidenced by two bond certificates in the total aggregate principal amount of the Bonds. Registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except as set forth in the Indenture. Euroclear and Clearstream may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective United States depository, which, in turn, holds such positions in customers' securities accounts in its United States depository's name on the books of DTC. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

Interest on the Bonds will be payable on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing on July 1, 2014, and will be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

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

Interest on the Bonds will be payable from the later of (i) the date of issuance and (ii) the most recent Interest Payment Date to which interest has been paid or duly provided for. Payment of the interest on each Interest Payment Date will be made to the Person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, submitted to the Trustee at least one (1) Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Holder. The Record Date is the fifteenth day of the month immediately preceding each Interest Payment Date. Notwithstanding the foregoing, as long as Cede & Co. is the Holder of all or part of the Bonds in Book-Entry Form, said principal, Redemption Price and interest payments will be made to Cede & Co. by wire transfer in immediately available funds.

Redemption

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

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

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

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

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

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such

Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

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

"Redemption Price" means the Make-Whole Redemption Price.

Partial Redemption of Bonds

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

Notice of Redemption

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

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

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

Effect of Redemption

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

Selection of Bonds for Redemption

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

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

If DTC or its nominee or a successor securities depository is no longer the sole registered owner of the Bonds, if less than all of the Bonds are called for redemption, the Trustee will select the Bonds to be redeemed on a pro rata basis.

BOOK-ENTRY ONLY SYSTEM

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

NEITHER THE INSTITUTION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

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

General

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, totaling in the aggregate the principal amount of the Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of the maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity. Purchasers may own beneficial ownership interests in the Bonds in the United States through DTC and in Europe through Clearstream or Euroclear.

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

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

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

Subject to the provisions described above in "THE BONDS—Selection of Bonds for Redemption," redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

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

Payments of principal, Redemption Price and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Institution or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or the Institution, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Redemption Price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Institution or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such Bond certificates are required to be printed and delivered. The Institution may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC. See "Certificated Bonds" below.

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

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

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

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

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

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. In addition, the Institution may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry-Only system is discontinued, Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, and the Trustee may also require the Bondowners requesting such exchange to pay a reasonable sum to cover any expenses incurred by the Institution in connection with such exchange. The Trustee will not be required to exchange (i) any Bond during the fifteen (15) days next preceding the selection of Bonds for redemption or (ii) any Bond called for redemption.

Global Clearance Procedures

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

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations, known as Clearstream participants, and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thus eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (Commission de Surveillance du Secteur Financier). Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. In the United States, Clearstream participants are limited to securities brokers and dealers and banks. Clearstream participants may include the underwriters in this offering. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Payments with respect to the Bonds held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Euroclear

Euroclear was created in 1968 to hold securities for its participating organizations, known as Euroclear participants, and to clear and settle transactions between Euroclear participants and participants of certain other securities intermediaries through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and the risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below.

Euroclear is a Belgian bank that is regulated by the Belgian Banking Commission. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters in this offering. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear and applicable Belgian law (collectively, the "Euroclear Terms and Conditions") govern securities clearance accounts and cash accounts with Euroclear. Specifically, these terms and conditions govern:

- transfers of securities and cash within Euroclear;
- withdrawal of securities and cash from Euroclear; and
- receipts of payments with respect to securities in Euroclear.

All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Payments with respect to Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by Euroclear.

The foregoing information about DTC, Clearstream and Euroclear has been provided by each of them for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Global Clearance and Settlement Procedures

Initial settlement for the Bonds will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way, in accordance with DTC's rules, and will be settled in immediately available funds using DTC's same-day funds settlement system. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way, in accordance with the applicable rules and operating procedures of Clearstream and Euroclear, and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other, will be effected through DTC, in accordance with DTC's rules, on behalf of the relevant European international clearing system by the U.S. depositaries. However, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in this system in accordance with its rules and procedures and within its established deadlines, European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Bonds in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to DTC.

Because of time-zone differences, credits of Bonds received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and will be credited the business day following the DTC settlement date. These credits or any transactions in such Bonds settled during such processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Clearstream or Euroclear as a result of sales of Bonds by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Bonds among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and these procedures may be revised or discontinued at any time.

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

THE INSTITUTION, THE UNDERWRITERS AND TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH

RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE CERTIFICATE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

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

SECURITY FOR THE BONDS

General

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

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

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

The Institution has other unsecured general obligations outstanding. See APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013" attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds.

Certain Funds and Accounts Established by the Indenture

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

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

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

TAX MATTERS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, BONDHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PRELIMINARY OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY BONDHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON BONDHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCLOSURE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) BONDHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers except where otherwise specifically noted. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Bonds.

The Institution has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term ''U.S. Holder'' means a beneficial owner of Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Bonds.

Generally

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Code section 103 and so will be fully subject to federal income taxation. Purchasers (other than those who purchase Bonds in the initial offering at their principal amounts) will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Bonds. In general, interest paid on the Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a Bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's basis in the Bonds and capital gain to the extent of any excess received over such basis.

Market Discount

Any owner who purchases a Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the Bondholder elects to include such market discount in income currently as described above.

Bond Premium

A purchaser of a Bond who purchases such Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies and to all Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Bonds who acquire such Bonds at a premium should consult with their own tax advisors with respect to state and local tax consequences of owning such Bonds.

Surtax on Unearned Income

Recently enacted legislation generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Sale or Redemption of Bonds

A Bondholder's tax basis for a Bond is the price such owner pays for the Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the Bond basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except in the case of Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of the Bonds are materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral.

EACH POTENTIAL HOLDER OF BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE OR REDEMPTION OF THE BONDS, AND (2) THE CIRCUMSTANCES IN WHICH BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the Institution or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to U.S. withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, U.S. withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Institution, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Institution (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS FormW-8 (series) (or successor form) to the Institution or its agent under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Bonds must certify to the Institution or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from U.S. withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Institution or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For obligations issued after June 30, 2014, FATCA imposes U.S. withholding tax on interest payments made after June 30, 2014 and proceeds of the sale of interest-bearing obligations for amounts paid after December 31, 2016 to certain foreign financial institutions and non-financial foreign entities if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. As noted above, the Institution will not be obligated to pay any additional amounts to "gross up" payments to the Bondholders or beneficial owners of the Bonds as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Bonds.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Bonds are outstanding, the Institution is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Institution, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Institution or any of its agents (in their capacity as such) to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "—Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Institution nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

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

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Institution were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Institution would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the Institution and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of Bonds that the Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Bonds for ERISA purposes could change subsequent to issuance of the Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Bonds or a characterization of the Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Bonds or any interest therein by a Benefit Plan Investor is prohibited.

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

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of when is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan Investor, governmental plan or church plan; or (ii) the acquisition and holding of the Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Benefit Plan Investors may not purchase the Bonds at any time that the ratings on the Bonds are below investment grade or the Bonds have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan Investor represents that such purchaser or transferee has considered the fiduciary requirements of ERISA or other similar laws and has consulted with counsel with regard to the purchase or transfer.

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

UNDERWRITING

The Institution has entered into a purchase contract with the Underwriters listed on the cover hereof for whom Barclays Capital Inc. is acting as representative, and the Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of $4,812,500.00 from the public offering price set forth on the cover page hereof.

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

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

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

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

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

CONTINUING DISCLOSURE

The Institution has entered into continuing disclosure undertakings (the "Continuing Disclosure Undertakings") in connection with tax-exempt revenue bonds issued for the benefit of the Institution (the "Tax-Exempt Bonds"). See APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013." Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Institution under those Continuing Disclosure Undertakings on Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Each Continuing Disclosure Undertaking terminates when the related tax-exempt revenue bonds are paid or deemed paid in full.

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

APPROVAL OF LEGALITY

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

FINANCIAL STATEMENTS

The financial statements of the Institution presented in Appendix B present the financial position, changes in net assets and cash flows for the year ended June 30, 2013, with summarized comparative financial information as of and for the year ended June 30, 2012. These financial statements should be read in their entirety.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of June 30, 2013 and June 30, 2012 and for each of the two years in the period ended June 30, 2013, included in Appendix B to this Offering Memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in Appendix B hereto.

RATINGS

Moody's assigned a rating of "Aaa" and Standard & Poor's assigned a rating of "AAA" on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody's and Standard & Poor's. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

MISCELLANEOUS

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

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

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

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By: /s/ Israel Ruiz
Executive Vice President and Treasurer

APPENDIX A

CERTAIN INFORMATION REGARDING THE INSTITUTION

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THE INSTITUTE

General

The Massachusetts Institute of Technology ("MIT" or the "Institute") is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of the Commonwealth of Massachusetts. Enrollment for the 2013-2014 academic year was 11,301 students of which 6,639 were full-time graduate students. The Institute has 1,030 faculty members and other academic staff totaling 4,119. The Institute is located on a 168-acre residential campus fronting the Charles River in Cambridge, Massachusetts, opposite Boston. In addition, MIT owns property in several suburban communities.

The Institute is organized into five schools and one college - Architecture and Planning; Engineering; Humanities, Arts and Social Sciences; Management; Science; and the Whitaker College of Health Sciences and Technology - which contain 33 academic departments, programs and divisions. The academic programs are organized primarily along the lines of traditional disciplines, and each department offers one or more degree programs. Increasing numbers of students choose fields of concentration that cross regular departmental lines. Among these are programs in fields such as planetary and space science, comparative media studies, health sciences and technology, visual arts, transportation, engineering systems, and media arts and sciences.

Teaching and research both fulfill MIT's purpose of advancing knowledge. Research makes special contributions to the Institute's educational program by providing both theoretical and laboratory experience for students and faculty and by enriching classroom teaching as faculty bring their latest research findings to their students.

Shaping the Future of Education and Digital Learning

In February of 2013, President L. Rafael Reif announced the creation of an "Institute-wide Task Force on the Future of MIT Education," stating that the rise of online learning may "offer us the historic opportunity to reinvent the residential campus model and perhaps redefine education altogether." The Institute-wide Task Force on the Future of MIT Education has since released its preliminary report, outlining evolving themes and describing opportunities to strengthen the Institute's global leadership in education. The report reflects the efforts of the three Task Force Working Groups: on MIT education and facilities, on global opportunities for both higher education institutions and learners provided by edX (described below) and on new financial models for higher education. Since beginning work in April of 2013, the Task Force Working Groups supplemented their discussions with outreach to faculty, students, alumni, members of the Institute's governing board and staff. MIT expects a final report at the end of academic year 2014.

edX is a non-profit online initiative launched in May of 2012 by founding partners Harvard University and MIT. edX offers or will soon offer interactive online classes and Massive Open Online Courses (MOOCs) from several of the world's leading universities, including MIT (MITx), Harvard University (HarvardX), University of California at Berkeley (BerkeleyX), University of Texas (UTx), McGill, The University of Queensland, Ecole Polytechnique Federale de Lausanne, and The Hong Kong University of Science and Technology, among others. edX offers over 157 courses covering the sciences (biology, chemistry, physics, computer science, electronics, engineering), social sciences (economics, finance, business), the arts and humanities (literature, music, philosophy), medicine, law and more. Over 2 million learners from 196 countries have participated in edX.

Institute Facilities for Teaching and Research

MIT's campus includes 163 buildings, with a total building area of approximately 13.0 million gross square feet. In addition to academic departments, these buildings include more than 40 major laboratories and centers, which provide a focus for interdisciplinary research that crosses classical departmental disciplines. The Institute's major interdisciplinary organizations include the MIT Energy Initiative, the Koch Institute for Integrative Cancer Research, the Computer Science and Artificial Intelligence Laboratory, the Kavli Institute for Astrophysics and Space Research, the Laboratory for Nuclear Science, the Media Laboratory, the Research Laboratory of Electronics, the Plasma Science and Fusion Center, the Francis Bitter Magnet Laboratory, the Institute for Soldier Nanotechnologies, the McGovern Institute, and the Picower Center for Learning and Memory.

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

Accreditations and Memberships

MIT is accredited by the New England Association of Schools and Colleges, Inc., through its Commission on Institutions of Higher Education, which is the regional accreditation agency for colleges and universities in the six New England states. The Institute is a member of the American Council on Education, the Association of American Universities, the National Association of Independent Colleges and Universities, the Association of Independent Colleges and Universities in Massachusetts, the Consortium on Financing Higher Education, the New England Association of Schools and Colleges, and the Association of Public and Land-Grant Universities.

Governance

The governing body of the Institute is a board of trustees known as the Corporation. It is comprised of 75 active members who are leaders of science, engineering, industry, education, and public service and includes as Officers the Chairman, the President, the Executive Vice President and Treasurer, and the Vice President and Secretary of the Corporation of MIT. Also serving as ex-officio members are the President of the Association of Alumni and Alumnae of MIT and the following representatives of the Commonwealth of Massachusetts: the Governor, the Chief Justice of the Supreme Judicial Court, and the Secretary of Education. An additional 35 life members emeriti participate in Corporation activities, but without a vote. The Corporation meets four times a year with additional meetings called by the Chairman as necessary.

The Executive Committee consists of four ex-officio members (President, Chairman, Executive Vice President and Treasurer, and Chair of the MIT Investment Management Company Board) and ten members elected by the Corporation. The Executive Committee has responsibility for the general administration and superintendence of all matters relating to the Institute. The Executive Committee authorizes officers to borrow money on behalf of the Institute in such amounts as the Committee may determine.

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

Executive Committee Members	**Principal Affiliation**
John S. Reed, Ex-Officio *(Chair)*	Chairman of the Corporation Massachusetts Institute of Technology Cambridge, MA
L. Rafael Reif, Ex-Officio	President Massachusetts Institute of Technology Cambridge, MA
Robert B. Millard, Ex-Officio	Chair, MIT Investment Management Company Managing Partner Realm Partners, LLC New York, NY
Israel Ruiz, Ex-Officio	Executive Vice President and Treasurer Massachusetts Institute of Technology Cambridge, MA
Denis A. Bovin	Co-Chairman & Co-CEO Stone Key Partners LLC New York, NY
James A. Champy	Business Consultant and Author Boston, MA
Lawrence K. Fish	Former Chairman & CEO Citizens Financial Group Boston, MA
A. Neil Pappalardo	Chairman and Chief Executive Officer Medical Information Technology (Meditech) Boston, MA
Arthur J. Samberg	Owner Hawkes Financial LLC Katonah, New York
Henri A. Termeer	Former Chairman, President, and CEO Genzyme Corporation Cambridge, MA

John A. Thain	Chairman & CEO CIT Group, Inc. New York, NY
Diana C. Walsh	President Emerita Wellesley College Wellesley, MA
Susan E. Whitehead	Vice Chairman Whitehead Institute for Biomedical Research Cambridge, MA
Barrie R. Zesiger	Founding Partner and Managing Director Zesiger Capital Group LLC New York, NY
Kirk D. Kolenbrander, Regular Guest	Vice President and Secretary of the Corporation Massachusetts Institute of Technology Cambridge, MA
R. Gregory Morgan, Regular Guest	Vice President and General Counsel Massachusetts Institute of Technology Cambridge, MA
Martin A. Schmidt, Regular Guest	Provost Massachusetts Institute of Technology Cambridge, MA

Administration

The principal administrative officers of the Institute are:

John S. Reed, Chairman of the MIT Corporation

L. Rafael Reif, President

Israel Ruiz, Executive Vice President and Treasurer

Martin A. Schmidt, Provost

Cynthia Barnhart, Chancellor

W. Eric Grimson, Chancellor for Academic Advancement

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

R. Gregory Morgan, Vice President and General Counsel

Michael W. Howard, Vice President for Finance

Anthony P. Sharon, Interim Vice President for Human Resources and Deputy Executive Vice President

The MIT bylaws provide for the election and succession of the Institute's Chairman of the Corporation, President, Executive Vice President and Treasurer, and Secretary, who are elected by the MIT Corporation upon the nomination of the Executive Committee, and MIT's other senior administrative officers, who are elected by the Executive Committee. Per the Institute's by-laws, Mr. Reed must step down as Chairman of the MIT Corporation at age 75, and the Corporation has initiated a search to identify his successor.

Budget Process

The Executive Committee of the Corporation approves and monitors the current year budget in the context of a multi-year strategic financial plan. The current-year portion of the plan is based on detailed budgets submitted by each of the Institute's departments. The responsibility for controlling expenditures within an account rests with the supervisor of the account, usually a faculty member or department head. Monthly account statements are provided to the department heads which show both budgeted and actual charges. These accounts are monitored not only by the supervisor but also by a department head that has overall responsibility for the accounts within the department. Certain expenses are controlled centrally to assure conformance with the Institute's fiscal policy, contractual obligations to program sponsors, or donor restrictions.

The Budget and Finance Steering Group meets regularly to review the status of the operating budget and other fiscal matters. This group is composed of the Provost, the Executive Vice President and Treasurer, the Vice President for Finance, the Director of Budget, Financial Planning & Analysis, the Director of Treasury, the Controller, the Director of the Office of Sponsored Programs, the Institute Auditor and the Assistant Provost for Administration. In addition, the Risk and Audit Committee reviews the annual financial plan regularly throughout the year.

Faculty and Staff

In October 2013, the Institute had 11,380 employees on campus, including Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 1,030 faculty and 4,119 other academic staff, which included instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 76% of the faculty were tenured. There were also 5,416 research, medical, administrative and support staff employees, and 815 service staff employees. There were an additional 3,437 research, support and service staff employees working at MIT's Lincoln Laboratory in Lexington, Massachusetts.

Labor Relations

MIT has collectively bargained with service staff employees for over 65 years. Approximately 1,200 service staff and technical employees belong to unions. These unions include one international and three independent unions representing employees through five separate collective bargaining agreements. The occupational groups covered include trade and maintenance personnel, security guards, campus police, and research technicians. Since the first of these contracts was agreed to in 1946, there have been three work stoppages -- one in 1955, one in 1962, and one in 1974, each of relatively short duration. All five bargaining units currently have contracts in place, of which three contracts expire on June 30, 2014, and two expire on June 30, 2015. Negotiations for the contracts that are set to expire on June 30, 2014 have started or will begin shortly. The faculty, research, administrative and support staffs of the Institute are not represented by any union.

Student Enrollments

MIT attracts students from around the world, with representation in the 2013-2014 student body from 50 states, the District of Columbia, three territories and 114 foreign countries. The following table shows actual enrollments for the last five academic years based on fall term registrations:

	Undergraduate		Graduate		Total
Academic Year	Full-Time Students	Part-Time Students	Full-Time Students	Part-Time Students	All Students
2009-10	4,201	31	6,022	130	10,384
2010-11	4,252	47	6,108	159	10,566
2011-12	4,354	30	6,342	168	10,894
2012-13	4,480	23	6,537	149	11,189
2013-14	4,499	29	6,639	134	11,301

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

Undergraduate Applications

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

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
2009-10	15,663	1,676	11%	1,072	64%
2010-11	16,632	1,676	10%	1,067	64%
2011-12	17,909	1,742	10%	1,126	65%
2012-13	18,109	1,620	9%	1,135	70%
2013-14	18,989	1,548	8%	1,115	72%

Academic Year	Freshmen Ranking in the Top Ten Percent of their High School Class	Average SAT Scores*
2009-10	95%	1,455
2010-11	98%	1,473
2011-12	97%	1,472
2012-13	98%	1,481
2013-14	99%	1,492

* Total of critical reasoning and math

Graduate Applications

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

Academic Year	Applicants	Accepted	Acceptance Rate	Enrollment	Yield
2009-10	19,336	2,994	15%	1,939	65%
2010-11	22,139	3,431	15%	2,141	62%
2011-12	22,219	3,306	15%	2,118	64%
2012-13	22,588	3,504	16%	2,229	64%
2013-14	24,029	3,320	14%	2,163	65%

Tuition and Fees

Tuition and fees for full-time undergraduate and graduate students for the 2013-2014 academic year are $43,498, except for students in the Sloan School of Management Master's Program for whom the tuition and fees are $61,440. For the 2013 summer session, the tuition for full-time graduate students was $14,395. Tuition is subsidized for all graduate research assistants.

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

Academic Year	Tuition and Fees	Average Undergraduate Room & Board	Total
2009-10	$37,782	$11,360	$49,142
2010-11	$39,212	$11,234	$50,446
2011-12	$40,732	$11,775	$52,507
2012-13	$42,050	$12,188	$54,238
2013-14	$43,498	$12,744	$56,242

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 2012-2013, 72% of full-time undergraduates (3,203 students) received scholarships. MIT awarded $87.1 million in need-based scholarships to 58% of full-time undergraduates (2,584 students). The average MIT scholarship grew roughly $800 per recipient, from $32,917 to $33,697.

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

Student Financial Aid
by Source
(in thousands)

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Institute Sources					
Tuition Support	$214,383	$230,269	$240,299	$251,709	$258,726
Stipends	15,566	15,850	17,680	18,203	19,772
Student Salaries	27,374	25,820	26,051	26,723	29,721
Total	257,323	271,939	284,030	296,635	308,219
External Sponsors					
Tuition Support	51,883	54,722	53,756	66,074	69,263
Stipends	11,943	12,254	12,755	15,060	16,401
Student Salaries	54,913	58,484	59,284	63,412	66,725
Total	118,739	125,460	125,795	144,546	152,389
Total	$376,062	$397,399	$409,825	$441,181	$460,608

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

Sponsored Research

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

Direct Cost of Sponsored Research
(in thousands)

Fiscal Year Ended June 30,	Campus & SMART*	Lincoln Laboratory	Current Dollars	Constant Dollars♦
2009	$524,935	$642,101	$1,167,036	$1,167,036
2010	$472,158	$719,883	$1,192,041	$1,180,616
2011	$495,104	$770,672	$1,265,776	$1,228,966
2012	$515,993	$819,645	$1,335,638	$1,259,884
2013	$537,667	$860,190	$1,397,857	$1,296,986

♦ CPIU deflator 2009 = 100
* Singapore-MIT Alliance for Research and Technology ("SMART")

Total research awards and other funding received via the American Recovery and Reinvestment Act ("ARRA") since 2009 totaled $152.1 million. Of the $152.1 million figure, $129.2 million was to fund research with the remainder funding infrastructure investments and student support. ARRA funding supported $17.3 million of research in fiscal 2013, included in the research figures above. Total ARRA research through fiscal year end 2013 has been $119.9 million, leaving $9.3 million of the $129.2 million in committed ARRA research funding to support research in fiscal 2014 and beyond.

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 2009 through 2013:

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

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	$255,896	$144,561	$152,664	$133,687	$119,908
Department of Energy	65,773	73,274	89,562	90,940	88,988
Department of Defense	97,528	106,890	107,753	117,458	127,967
National Science Foundation	61,386	69,801	74,859	81,487	79,255
National Aeronautics & Space Administration	27,358	30,629	28,080	30,204	29,835
Other Federal	14,559	12,717	16,602	18,807	19,994
Total Federal	522,500	437,872	469,520	472,583	465,947
Non-Federal Sponsored:					
State/Local/Foreign Governments	27,145	33,339	32,969	38,273	33,429
Non-profits	60,538	50,639	44,436	48,373	58,227
Industry	99,219	93,330	100,763	109,745	106,447
Total Non-Federal	186,902	177,308	178,168	196,391	198,103
F&A Adjustment	(18,620)	(11,044)	(28,775)	(14,619)	(2,088)
CAMPUS TOTAL	690,782	604,136	618,913	654,355	661,962
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	675,329	749,974	803,599	844,202	890,973
Non-Federal Sponsored	2,989	3,068	2,511	2,023	1,622
F&A and other adjustments	(8,550)	(8,710)	(1,327)	(1,317)	(1,622)
LINCOLN LABORATORY TOTAL	669,768	744,332	804,783	844,908	890,973
RESEARCH AT SMART†					
Non-Federal Sponsored	14,522	21,135	23,510	28,587	47,525
SMART TOTAL	14,522	21,135	23,510	28,587	47,525
TOTAL RESEARCH	$1,375,072	$1,369,603	$1,447,206	$1,527,850	$1,600,460

Note: The differences between direct costs and research revenues are indirect revenue and internally funded research

* The amounts in this table include $166 million of revenues received on account of The Broad Institute through June 30, 2009. The Broad Institute separated from MIT as of June 30, 2009.

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

Administration Discussion of Operations and Unrestricted Net Assets

In fiscal year 2013, MIT continued to grow research activity and maintain excellence in education while also exercising expense control in core administrative areas. MIT ended the year with an operating surplus of $278.0 million, which is $32.3 million, or 13.1 percent, higher than the fiscal year 2012 result.

Operating revenues exceeded $3 billion for the first time in MIT's history. Operating revenues increased $196.3 million, or 6.6 percent, to $3,186.6 million in fiscal year 2013, while operating expenses increased $164.0 million, or 6.0 percent, to a total of $2,908.6 million.

The Institute's operating revenues 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 and payments on pledges for unrestricted gifts. Non-operating activities include pledges, restricted gifts and investment income, net investment gains (losses) not distributed to funds, changes in life income funds, and net asset reclassifications.

The following table summarizes the Results of Operations and Other Changes in Unrestricted Net Assets for fiscal years 2009 through 2013, 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				
	2009	2010	2011	2012	2013
Total Operating Revenues	$2,643,958	$2,663,103	$2,750,647	$2,990,296	$3,186,595
Total Operating Expenses	2,461,286	2,382,566	2,571,147	2,744,586	2,908,577
Results of Operations	182,672	280,537	179,500	245,710	278,018
Postretirement Plan changes	(825,440)	(238,137)	105,408	(394,469)	311,442
Other Unrestricted Non-Operating Activities	(883,577)	156,976	559,071	152,390	297,206
Net Change in Unrestricted Net Assets	($1,526,345)	$199,376	$843,979	$3,631	$886,666

Unrestricted net assets increased $886.7 million in fiscal year 2013. At June 30, 2013 the value of MIT's total net assets was $14.1 billion, of which $5.8 billion were unrestricted net assets.

For further information on the financial operations and financial condition of the Institute through June 30, 2013, please refer to the Report of the Treasurer. See APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013."

Investments

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

Fiscal Year Ended June 30,	Investments at Market (in thousands)	Endowment Assets at Market (in thousands)
2009	$9,558,331	$7,880,321
2010	$9,950,239	$8,317,321
2011	$12,236,531	$9,712,628
2012	$12,847,866	$10,149,564
2013	$13,830,100	$10,857,976

The year to year change in investments at market reflects the sum of investment return and gifts less amounts distributed for expenses. At February 28, 2014, investments and endowment assets at market were approximately $15.0 and $11.7 billion, respectively (unaudited).

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

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

Endowment assets are managed to maximize total investment return relative to appropriate risk. MIT's endowment investment policy is based on the primary goal of generating high real rates of return without exceptional volatility. To reduce volatility, the portfolio is broadly diversified. To generate high real rates of return, MIT's endowment investment policy favors equity investments over fixed income instruments and is heavily weighted toward less efficient markets such as private equity, real estate and real assets.

Fundraising

For the fiscal years 2009 through 2013, the Institute has received an annual average of approximately $405 million in gifts and pledges from alumni and others supporters.

MIT is currently in the quiet phase of a multi-billion dollar comprehensive fundraising campaign with priorities to increase support for financial aid, endowed professorships, facilities, and research. The major fundraising themes for research include:

1. Water, Food and Energy;
2. Health and Healthcare;
3. Innovation and Entrepreneurship; and
4. The Future of Education

The Institute believes that focusing on these themes will enable MIT to continue its position as the leading force for research, innovation, and technology, and other areas of scholarship that will best serve the nation and the world in the 21st century.

Liquidity

The Institute has various sources of internal liquidity at its disposal, and the extent of MIT's liquidity constantly changes. As of December 31, 2013 MIT had approximately $3 billion (unaudited) of assets or available line of credit that could have been liquidated or accessed within one week. Of that total, approximately $1 billion (unaudited) would have been available same day.

Land, Buildings and Equipment

Fixed assets of land, buildings and equipment are shown in the financial statements at cost or fair value as of the date of a gift, acquisition or construction, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment and 4 to 6 years for software. Fully depreciated buildings and equipment are removed from the financial statements.

Fixed assets had a book value of $2.52 billion at June 30, 2013, up 0.7 percent from $2.50 billion at June 30, 2012.

Current and Future Building Plans

Historically the Institute has spent approximately $60 million dollars annually to renovate and renew its research, instructional and support facilities. About 50% was budgeted from general funds and 50% came from departmental contributions. In recent years MIT has significantly increased these investments to address deferred maintenance and renew the campus, many major portions of which are approaching 100 years old. The primary funding sources for this increase had been funds from the Institute's 2011 taxable bonds and support from MIT's generous donors. This program will continue for the long term at a level of approximately $150 million annually, along with the funding of enhanced maintenance for new and renewed facilities to maintain them in appropriate condition, which will be funded from ongoing operating funds and other internal funds.

The Institute's ongoing capital program will also add a state-of-the-art research facility and increase educational infrastructure that supports residential and community life. The program includes the addition of a new nanoscale research facility (MIT.nano), expansion of utility infrastructure and the renovation of existing buildings to be completed through 2020. The estimated total cost of these planned projects is approximately $2.4 billion, which the Institute plans to fund through a combination of gifts, internal funding sources, and external borrowings including proceeds of the Series C Bonds. The Institute retains the flexibility to modify its capital plans in both scope and schedule to respond to changing economic conditions.

Litigation

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

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APPENDIX B

REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2013

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Report of the Treasurer

for the year ended

June 30, 2013

Massachusetts
Institute of
Technology

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Report of the Treasurer

for the year ended June 30, 2013

Massachusetts
Institute of
Technology

The Corporation

2012–2013

as of June 30, 2013

Chairman: John S. Reed*
President: L. Rafael Reif*
Executive Vice President and Treasurer: Israel Ruiz*
Vice President and Secretary: Kirk D. Kolenbrander

Life Members

Shirley A. Jackson; David H. Koch; Denis A. Bovin*; James A. Champy*; Judy C. Lewent; A. Neil Pappalardo*; Edie N. Goldenberg; Robert M. Metcalfe; Kenan E. Sahin; John K. Castle; Charles M. Vest; Susan E. Whitehead*; Brian G. R. Hughes; L. Robert Johnson; Arthur J. Samberg*; Gururaj Deshpande; Barrie R. Zesiger*; John A. Thain*; Susan Hockfield; Samuel W. Bodman, III.

Members

Theresa M. Stone; Mark P. Gorenberg; Marjorie M.T. Yang; Lawrence K. Fish*; David D. Ho; Robert B. Millard*; Anita K. Jones; Martin Y. Tang; Kenneth Wang; Megan J. Smith; Henri A. Termeer*; Harbo P. Jensen; Abigail P. Johnson; Diana C. Walsh; Ursula M. Burns; Diane B. Greene*; Helen Greiner; Marta M. Luczynska; Victor J. Menezes; Antonia D. Schuman; Peter L. Slavin; Laura D. Tyson; Raja H.R. Bobbili; Rafael del Pino; Mohammed A. L. Jameel; Cleve L. Killingsworth; Alejandro Padilla; Sarah Stewart Johnson; Reginald Van Lee; Eve J. Higginbotham; Charlene C. Kabcenell; Barry Lam; Leonard H. Schrank; K. Anne Street; Alia Whitney-Johnson; Arunas A. Chesonis; Tanguy Chau; Paul R. Marcus; Fariborz Maseeh; Philip C.T. Ng; Phillip T. Ragon; R. Gregory Turner.

President of the Association of Alumni and Alumnae

Chiquita V. White

Representatives of the Commonwealth

Governor: Deval L. Patrick
Chief Justice of the Supreme Judicial Court: Roderick L. Ireland
Secretary of Education: S. Paul Reville - completed service as ex officio member effective January 14, 2013.
Secretary of Education: Matthew H. Malone – ex officio member effective January 15, 2013.

Life Members Emeritus

Irénée duPont, Jr.; Norman B. Leventhal; Mitchell W. Spellman; D. Reid Weedon, Jr.; Colby H. Chandler; Carl M. Mueller; Louis W. Cabot; Christian J. Matthew; Paul M. Cook; William S. Edgerly; Frank Press; Edward E. David, Jr.; Emily V. Wade; George N. Hatsopoulos; Mary Frances Wagley; Michael M. Koerner; Morris Tanenbaum; Breene M. Kerr; W. Gerald Austen; Richard P. Simmons; Morris Chang; Alexander W. Dreyfoos, Jr.; Paul E. Gray; Ronald A. Kurtz; DuWayne J. Peterson, Jr.; Raymond S. Stata; Gordon M. Binder; Brit J. d'Arbeloff; Dana G. Mead; Patrick J. McGovern; Norman E. Gaut; Arthur Gelb; Robert A. Muh; James H. Simons.

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

**member of the Executive Committee*

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Report of the Treasurer

To Members of the Corporation

In fiscal 2013, MIT continued to advance its mission and positive impact while further strengthening its overall financial position. The Institute's net assets increased by 10.4 percent to $14,132.9 million. Key components of this increase included robust investment performance, a decrease in accrued benefit liabilities, and positive operating results. The value of MIT's investments surpassed $13 billion primarily due to the Institute's endowment return of 11.1 percent for the fiscal year. Total operating revenues grew by 6.6 percent to $3,186.6 million, and operating results were $278.0 million.

Despite a year of strong financial performance demonstrated by increased revenues, managed expense growth, and improved operating results, we are reminded of the critical need to renew and modernize MIT's campus and infrastructure amidst a still uncertain economy. We also confront the continuing need to provide financial support for our students. Proactive steps taken to mitigate the effects of reduced federal funding have had a positive impact on financing the Institute's research enterprise. While MIT faculty will undoubtedly compete exceedingly well for available federal funds, continued diversification of research sponsorship will be paramount as the overall pool of federal resources diminishes over the near term.

This was also a year of coming together as a stronger community, as we were overwhelmed by the tremendous outpouring of care from law enforcement, the nation, and the world in the aftermath of the Boston Marathon bombings and death of MIT Police Officer Sean Collier. But even in this time of grief, the Institute continued to advance knowledge, pursue solutions to societal challenges, innovate, and expand collaborations throughout the world. At the same time, we remained dedicated to enhancing the residential campus and positively impacting the surrounding Cambridge community.

In February 2013, President Reif announced the formation of the Institute-wide Task Force on the Future of MIT Education. Composed of more than 50 faculty, students and staff, the Task Force was charged to explore how MIT can adapt to and lead the evolving educational and research ecosystem enabled by online education. It was also charged to evaluate the impact of online education on MIT's operating and financial model. This effort followed the establishment of the Office of Digital Learning (ODL), which was created to work collaboratively to assess how new models of online instruction might transform on-campus educational experiences. ODL works closely with faculty, students and the joint partnership with Harvard University - edX - to enhance residential education, to build a global community of learners, and to provide insights into how students learn in the online environment.

This year, the City of Cambridge approved MIT's plan to revitalize Kendall Square, capping a three-year effort to bring greater vibrancy to the area through new housing, retail, academic, laboratory, commercial, and open space. The petition granted 1.1 million square feet of additional development capacity while preserving the 800,000 square feet of academic capacity.

The Institute remains committed to renewing and enlivening its campus in Cambridge and to sustaining its buildings to maximize their life and value. During fiscal 2013, MIT launched the Accelerated Capital Renewal (ACR) Program within the MIT 2030 framework, which focuses on modernizing spaces directly impacting the Institute's faculty and students. The ACR Program is complemented by the Comprehensive Stewardship Program, which concentrates on maintaining newly constructed or renovated buildings to preserve them to a higher functional standard. More details and updates on these programs can be found on the MIT 2030 website.

Summary of Key Financial Highlights (10-year trend)

(in millions of Dollars)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues	1,832	2,031	2,141	2,180	2,408	2,644	2,663	2,751	2,990	3,187
Operating Expenses	1,840	2,037	2,182	2,208	2,294	2,461	2,383	2,571	2,744	2,909
Operating Results	(8)	(6)	(41)	(28)	114	183	280	180	246	278
Net Assets	7,741	8,626	10,060	12,695	12,770	9,946	10,324	12,388	12,799	14,133
Endowment	5,870	6,712	8,368	9,943	9,948	7,880	8,317	9,713	10,150	10,858
Borrowings	1,286	1,250	1,278	1,078	1,335	1,736	1,729	2,468	2,460	2,428

While investing in these initiatives, the Institute continued to demonstrate strong operating performance, as illustrated in the Summary of Key Financial Highlights.

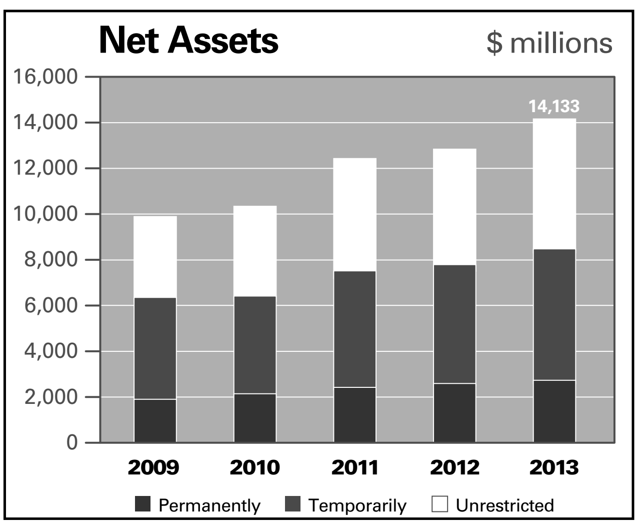
The following are additional details regarding MIT's fiscal 2013 financial statements: Statements of Financial Position, Statement of Activities, and Statements of Cash Flows.

Statements of Financial Position

The discussion in this section highlights key elements of MIT's financial position – net assets; investments; endowment and similar funds; land, buildings, and equipment; postretirement benefit assets and liabilities; and borrowings.

Net Assets

Total net assets increased to $14,132.9 million, an increase of 10.4 percent from fiscal 2012, marking a new historic peak. Net assets are presented in three categories to recognize the significant ways in which universities are different from profit-making organizations. These categories reflect the nature of the restrictions placed on gifts by donors.



In fiscal 2013, permanently restricted net assets increased $100.1 million, or 3.8 percent, to $2,713.0 million, primarily due to new gifts and pledges made to permanently restricted endowment funds. Temporarily restricted net assets increased $346.7 million, or 6.5 percent, to $5,644.3 million, primarily due to an increase in the market value of assets held in permanently restricted funds. The Commonwealth of Massachusetts requires that all universities located within the Commonwealth report accumulated market gains on both permanently and temporarily restricted net assets as temporarily restricted net assets until appropriated for use. Unrestricted net assets increased $886.7 million, or 18.1 percent, to $5,775.6 million, primarily due to unrestricted investment gains and changes in retirement plans' obligations.

Investments

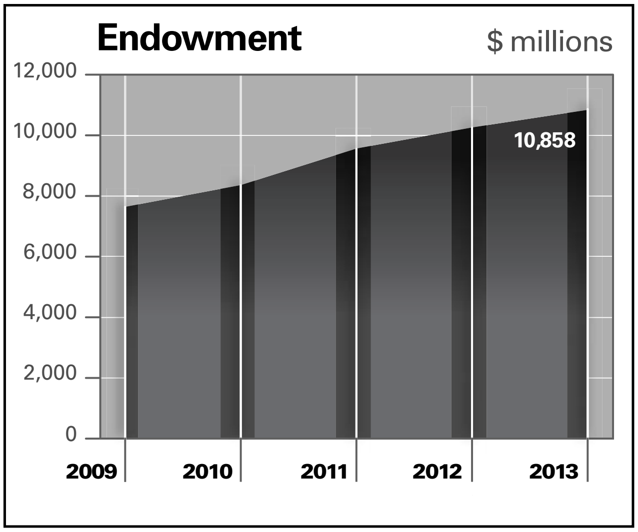
Investments at fair value were $13,830.1 million at fiscal year end 2013, an increase of $982.2 million, or 7.6 percent, from $12,847.9 million at the previous year end. In fiscal 2013, MIT began a program to finance certain real estate investments to optimize use of invested capital in support of the Institute's mission. For fiscal 2013, the Institute incurred $82.0 million of investment liabilities related to this real estate investment program. Since the end of fiscal 2008, total invested assets have increased by $2,470.2 million. During that five-year period, support from investments totaled $2,817.6 million.

The financial statements include both realized and unrealized gains and losses on investments and other assets. These amounts totaled a net gain of $1,164.2 million in fiscal 2013, and $738.3 million in fiscal 2012.

MIT's investment policy is based on the primary goal of generating high real rates of return without exceptional volatility. To reduce volatility, the portfolio is broadly diversified. To generate high real rates of return, MIT's investment policy favors equity investments over fixed income instruments and is heavily weighted toward less efficient markets such as private equity, real estate, and real assets. MIT primarily invests through external fund managers, thereby allowing MIT to access the best investment talent globally. By identifying a wide variety of top-tier investment managers with specific competencies, MIT is able to construct a broadly diversified portfolio while accessing deep sector expertise. Decision authority for the selection of managers, direct investments, and asset allocation resides with MIT's Investment Management Company (MITIMCo). The Board of Directors of MITIMCo reviews investment policy, performance, and asset allocation in four regularly scheduled meetings during the fiscal year.

Endowment and Similar Funds

Endowment assets are managed to maximize total investment return relative to appropriate risk. The market value of investments in the endowment and similar funds, excluding pledges for endowed purposes, totaled $10,858.0 million as of fiscal year end 2013, an increase of 7.0 percent over the $10,149.6 million level of last year.



This year, MIT's endowment produced a return of 11.1 percent. Investment income and a portion of gains are distributed for spending in a manner that over the long term preserves for reinvestment an amount at least equal to annual inflation on the value of the investment pool at the beginning of that year. Endowment funds invested in Pool A, MIT's primary investment pool, receive distributions based on relative ownership, which is valued monthly.

Land, Buildings, and Equipment

Land, buildings, and equipment had a net book value of $2,516.3 million as of fiscal year end 2013, an increase of $18.6 million, or 0.7 percent, from the previous year's $2,497.7 million, driven mainly by expenditures for research and educational facilities.

Capital projects in development as part of the initial set of MIT 2030 priorities include renovation projects for Chemistry and Mathematics in Building 2 and for the original Sloan Building (E52), occupied by the Sloan School and the Department of Economics. The Institute is also planning a new facility for the Nano-Materials, Structures and Systems (nMaSS) program. As part of the ACR Program, the Institute is studying multiple sets of projects and interventions to maximize the impact of capital investments in renovating campus spaces that further enable the academic mission.

These projects, among others, are part of ongoing campus development that adds state-of-the-art facilities for emerging areas of research, increases educational infrastructure to support residential and community life, and renews and renovates our existing physical resources.

Postretirement Benefit Assets and Liabilities

The defined benefit pension plan had assets of $2,758.3 million at fiscal year end 2013, an increase of $180.5 million from $2,577.8 million at fiscal year end 2012. The plan's projected liabilities were $2,803.8 million at fiscal year end 2013, down $86.8 million from $2,890.6 million a year earlier, resulting in a net pension liability of $45.5 million and $312.8 million at June 30, 2013 and 2012, respectively. MIT also maintains a postretirement welfare benefit plan that covers retiree expenses associated with medical and life insurance benefits. This plan had assets of $415.0 million and liabilities of $479.1 million at fiscal year end 2013, resulting in a net benefits liability of $64.1 million, compared to $130.6 million at fiscal year end 2012. For both plans, the increase in assets was primarily due to investment performance, and the decrease in liabilities was primarily due to higher discount rates.

The combined plans' fiscal 2013 underfunded status was $109.6 million, down from $443.4 million at fiscal year end 2012. On an accounting basis in fiscal 2012, the defined benefit pension plan had a funding level of 89.2 percent, and the postretirement welfare benefit plan had a funding level of 73.3 percent. During fiscal 2013, the Institute revised its funding strategy to ensure that these funding levels were maintained in a manner that would ensure the long-term strength of these plans. This led to a $33.0 million contribution to the defined benefit pension plan during fiscal 2013. As a result of these actions and changes in the interest rate environment and actual investment performance, the funding status of these plans improved to 98.4 percent and 86.6 percent, respectively. The investments of both plans' assets are managed by MITIMCo.

MIT also offers a 401(k) plan to its employees, which is not reflected in the Statements of Financial Position. Assets in this plan are invested at the direction of participants in a broad array of investment funds. The plan's investments market value was $3,272.2 million at fiscal year end 2013.

Borrowings

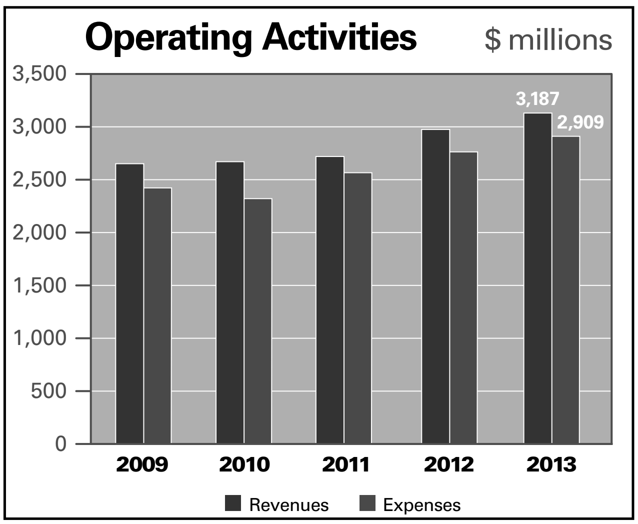
In fiscal year 2013, borrowings decreased by $31.8 million, or 1.3 percent. This decrease is primarily due to a repayment of debt principal of $26.5 million early in the fiscal year. No new operating debt was issued in fiscal 2013.

MIT's financial strength is reviewed periodically by both Moody's Investors Service and Standard & Poor's Rating Services. In fiscal 2011, these agencies rated the century bond issuance as "Aaa" and "AAA," their highest rating levels. Their ongoing reviews of MIT's finances during and subsequent to fiscal 2013 have continued to affirm these ratings.

Statement of Activities

Operating Activities

In fiscal 2013, MIT continued to grow research activity and maintain excellence in education while also exercising expense control in core administrative areas. MIT ended the year with operating results of $278.0 million, $32.3 million, or 13.1 percent, higher than the fiscal 2012 result.

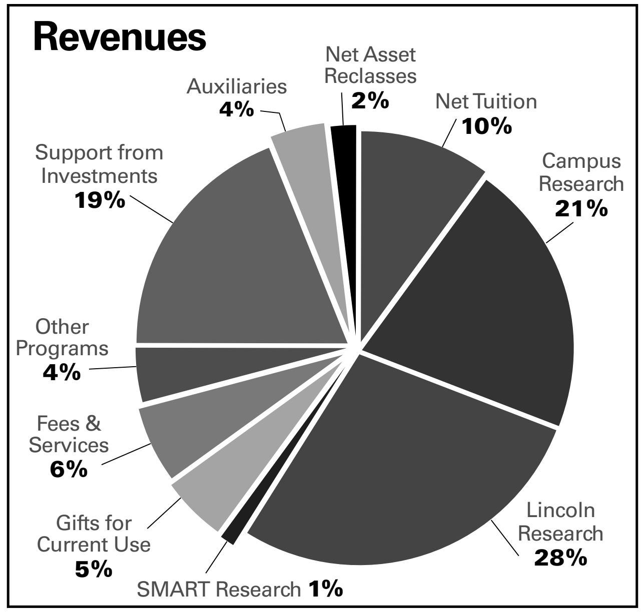


Operating revenues exceeded $3 billion for the first time in MIT's history. Operating revenues increased $196.3 million, or 6.6 percent, to $3,186.6 million in fiscal 2013, while operating expenses increased $164.0 million, or 6.0 percent, to a total of $2,908.6 million. Year-over-year comparisons of the components of operating results follow.

Operating Revenues

MIT's operating revenues include tuition, research, unrestricted gifts and bequests for current use, fees and services, other programs, endowment distribution and income from other investments, auxiliaries, and payments on pledges for unrestricted purposes (within net asset reclassifications and transfers).

Tuition revenue for graduate, undergraduate, and non-degree executive programs net of financial aid grew by $34.2 million, or 12.4 percent, to $310.2 million. The growth in tuition revenue was driven by a 4.4 percent increase in student population and a 3.2 percent increase in tuition rates. Financial aid for undergraduate students decreased slightly, by 0.4 percent, to $87.7 million. Financial aid for graduate students grew by 4.5 percent, to $171.0 million.



Research revenues for on-campus departments, labs, and centers at MIT increased $7.6 million, or 1.2 percent, to $662.0 million. Research revenues at Lincoln Laboratory increased $46.1 million, or 5.5 percent, to $891.0 million. Research revenues for the Singapore-MIT Alliance for Research and Technology (SMART) increased $18.9 million, or 66.2 percent, to $47.5 million.

Total research awards and other funding received via the American Recovery and Reinvestment Act of 2009 (ARRA) totaled $152.1 million. Of the $152.1 million figure, $129.2 million was to fund research, with the remainder funding infrastructure investments and student support. ARRA funding supported $17.3 million of research in fiscal 2013, included in the research figures above. Total ARRA research volume through fiscal year end 2013 has been $119.9 million, leaving $9.3 million of the $129.2 million in committed ARRA research funding to support research in fiscal 2014 and beyond.

The growth rate in MIT's campus research is being driven primarily by non-federal sponsors. Federally sponsored research revenue remained relatively flat, with the largest decrease, related to the Department of Health and Human Services, offset by a similar increase related to the Department of Defense.

In anticipation of reductions in federal funding, the Institute, led by Provost Chris Kaiser and Vice President for Research Maria Zuber, is developing support mechanisms to manage the impacts of these reductions on the Institute. This effort encourages the diversification of research funding from non-federal sources—foundations, industry, and other nonprofit organizations—to minimize the impact on our faculty and the research community and to preserve the Institute's research vitality. Despite this funding uncertainty, and wind-down of the ARRA research funding, the Institute generated $1.6 billion in research revenues for fiscal 2013, which is a 4.8 percent increase from the previous year.

MIT's modified total direct research expenditures, which form the basis for recovery of indirect costs, increased by $30.0 million, or 3.4 percent, in fiscal year 2013.

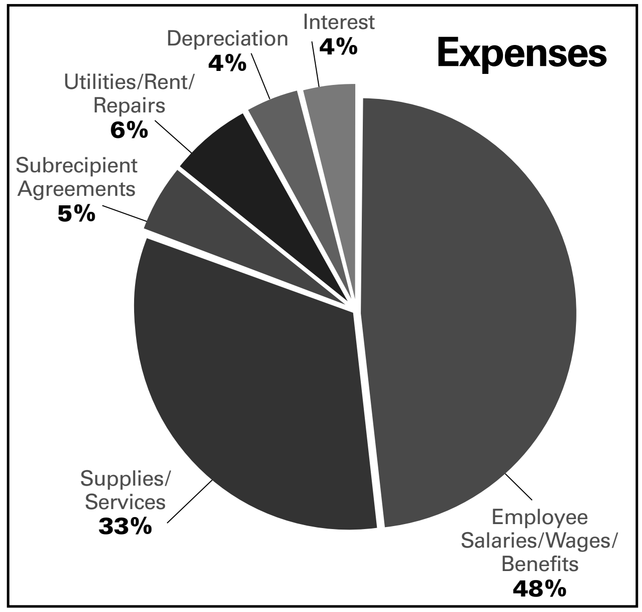
While research and net tuition support more than half of MIT's revenue, the Institute experienced significant growth in other revenue categories as well, including increases in support from investments, gifts and bequests, and payments on unrestricted pledges. Support from investments increased $50.2 million, or 9.2 percent, primarily due to an increase in the endowment distribution rate and additions to the endowment and other invested assets. In fiscal 2013, the distribution rate on endowed funds was 5.0 percent, or 5.4 percent on a three-year average basis. Support from donors, in the form of gifts and bequests, as well as payments on pledges for current use grew by $50.4 million, or 24.4 percent.

Operating Expenses

Operating expenses grew to $2,908.6 million, an increase of $164.0 million, or 6.0 percent. This consolidated result combines differing underlying trends in units funded by the general Institute unrestricted budget, the research enterprise, and expenditures from accumulated unit fund balances.

A significant portion of this growth was related to subrecipient agreements. These grew by 27.5 percent to $155.4 million, with $88.1 million related to activities at Lincoln Lab.

Overall Institute salary expenses rose 5.5 percent, while employee benefits expenses rose 15.2 percent, driven primarily by the increase in defined benefit expense. Campus average salary increases were 2.4 percent, while headcount grew by 3.1 percent.



Non-Operating Revenues, Gains and Losses Summary

Non-operating activities contributed $1,085.3 million to MIT's fiscal 2013 total net asset balance of $14,132.9 million. Growth in invested assets net of distributions, gifts and bequests, pledges, and changes in retirement plans' obligations and assets were the principal contributors to positive non-operating performance. Growth in invested assets net of distribution totaled $678.1 million, and changes in retirement plans' obligations and assets totaled $311.4 million.

Gift and Pledges

Gifts to MIT support scholarships, fellowships, professorships, research, educational programming, student life activities, as well as construction and renovation of buildings. Gift and pledges for fiscal 2013 totaled $325.0 million, a decrease of 25.0 percent from the fiscal 2012 total of $433.4 million. Although gifts and pledges are down from the previous year primarily caused by a decrease in contributions received from foundations, overall giving is up 31.8 percent since fiscal 2010. Gifts from individuals represented 39.6 percent of new gifts and pledges in fiscal 2013, up from 31.8 percent in fiscal 2012. Gifts from foundations represented 37.5 percent of new gifts and pledges in fiscal 2013, down from 53.3 percent in fiscal 2012. Gifts from corporations and other sources represented 22.9 percent of new gifts and pledges in fiscal 2013, up from 14.9 percent in fiscal 2012. New gifts and pledges for research and education were the largest categories of gifts for fiscal 2013.

Statements of Cash Flows

The overall cash position of MIT reflects positive operating results and an active cash management strategy that takes into account liquidity management, economic conditions, and future needs.

Net operating cash flow consumed $11.6 million in fiscal 2013. Net operating cash flow resulted from the total change in net assets, adjusted for non-cash items (depreciation, net gain on investments and other assets, and actuarial benefits liability changes) offset by changes in working capital, excluding cash and debt. The net of pledges and accounts receivables, accounts payable, and other operating assets and liabilities provided $64.1 million of operating cash flow in fiscal 2013, mainly due to payments on outstanding pledges. In fiscal 2013, net investing activities provided $47.4 million in cash due to proceeds from investments to cover the Institute's endowment spending policy offset by spending on capital projects. Cash provided by financing activities was $24.8 million in fiscal 2013, $75.0 million lower than 2012.

MIT's full financial statements and footnotes, further describing our financial position, activities, and cash flows through June 30, 2013, are included on the following pages.

Closing Remarks

This past year has been promising, rewarding, and inspiring for MIT in its ongoing commitment to excellence in education, research, and administration. As a community, we demonstrated strength and resilience in the face of adversity, and held true to the values and principles that have always exemplified MIT.

The Institute enters fiscal 2014 with great optimism, and with the financial strength and momentum to support emerging opportunities. The further maturation of the online learning initiative and the efforts of the Institute-wide Task Force on the Future of MIT Education are positioning MIT for global and societal impact, as well as enhancing the residential campus learning experience. We remain vigilant in managing the financial uncertainties we continue to face, while also renewing our commitment to stewarding the Institute's resources and enabling the MIT mission.

I am grateful for the consistent support of our students, faculty, staff, alumni, friends, and members of the MIT Corporation, and I look forward to the future we will shape together.

Respectfully submitted,

Israel Ruiz
Executive Vice President and Treasurer
September 13, 2013

Massachusetts Institute of Technology

Statements of Financial Position

at June 30, 2013 and 2012
(in thousands of dollars)

	2013	2012
Assets		
Cash	$ 299,913	$ 239,377
Accounts receivable, net	168,932	159,957
Pledges receivable, net, at fair value	404,594	479,659
Contracts in progress, principally U.S. Government	67,999	66,724
Deferred charges, inventories, and other assets	107,891	93,499
Student notes receivable, net	49,484	49,529
Investments, at fair value	13,830,100	12,847,866
Noncontrolling interests	274,663	304,436
Land, buildings, and equipment (at cost of $3,650,856 for June 2013; $3,546,351 for June 2012), net of accumulated depreciation	2,516,264	2,497,711
Total assets	$ 17,719,840	$ 16,738,758
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals, and other liabilities	$ 384,437	$ 378,369
Liabilities due under life income fund agreements, at fair value	95,259	87,899
Deferred revenue and other credits	138,017	155,476
Advance payments	396,831	380,167
Borrowings	2,428,215	2,460,002
Government advances for student loans	34,563	34,103
Accrued benefit liabilities	109,644	443,398
Total liabilities	3,586,966	3,939,414
Net Assets:		
Unrestricted net assets controlled by the Institute	5,500,955	4,584,516
Unrestricted net assets attributable to noncontrolling interests	274,663	304,436
Total unrestricted net assets	5,775,618	4,888,952
Temporarily restricted	5,644,291	5,297,554
Permanently restricted	2,712,965	2,612,838
Total net assets	14,132,874	12,799,344
Total liabilities and net assets	$ 17,719,840	$ 16,738,758

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

Massachusetts Institute of Technology

Statement of Activities

for the year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

(in thousands of dollars)	2013			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	2012
Operating Activities					
Operating Revenues:					
Tuition and similar revenues, net of discount of \$258,726 in 2013 and \$251,709 in 2012	\$ 310,231	\$ –	\$ –	\$ 310,231	\$ 275,993
Research revenues:					
Campus	661,962	–	–	661,962	654,355
Lincoln	890,973	–	–	890,973	844,908
SMART	47,525	–	–	47,525	28,587
Total research revenues	1,600,460	–	–	1,600,460	1,527,850
Gift and bequests for current use	177,257	–	–	177,257	156,172
Fees and services	182,019	–	–	182,019	219,391
Other programs	125,118	–	–	125,118	104,556
Support from investments:					
Endowment	499,299	–	–	499,299	468,604
Other investments	98,218	–	–	98,218	78,681
Total support from investments	597,517	–	–	597,517	547,285
Auxiliary enterprises	114,461	–	–	114,461	108,868
Net asset reclassifications and transfers	79,532	–	–	79,532	50,181
Total operating revenues	\$ 3,186,595	\$ –	\$ –	\$ 3,186,595	\$ 2,990,296
Operating Expenses:					
Salaries and wages	\$ 1,128,304	\$ –	\$ –	\$ 1,128,304	\$ 1,069,310
Employee benefits	268,831	–	–	268,831	233,343
Supplies and services	960,914	–	–	960,914	926,760
Subrecipient agreements	155,421	–	–	155,421	121,892
Utilities, rent, and repairs	159,098	–	–	159,098	160,492
Depreciation	129,138	–	–	129,138	125,100
Interest expense	106,871	–	–	106,871	107,689
Total operating expenses	2,908,577	–	–	2,908,577	2,744,586
Results of operations	\$ 278,018	\$ –	\$ –	\$ 278,018	\$ 245,710
Non-Operating Activities					
Pledge revenue	\$ –	\$ 80,172	\$ 24,035	\$ 104,207	\$182,748
Gifts and bequests	–	–	43,554	43,554	94,504
Investment income	–	489	6,747	7,236	7,342
Net gain on investments and other assets	478,955	669,225	15,984	1,164,164	738,308
Distribution of accumulated investment gains	(184,102)	(301,948)	–	(486,050)	(441,316)
Net change in life income funds	1,921	11,989	6,354	20,264	6,572
Postretirement plan changes other than net periodic benefit income (cost)	311,442	–	–	311,442	(394,469)
Net asset reclassifications and transfers	30,205	(113,190)	3,453	(79,532)	(50,181)
Total non-operating activities	638,421	346,737	100,127	1,085,285	143,508
Increase in net assets controlled by the Institute	916,439	346,737	100,127	1,363,303	389,218
Change in net assets attributable to noncontrolling interests	(29,773)	–	–	(29,773)	22,395
Net assets at the beginning of the year	4,888,952	5,297,554	2,612,838	12,799,344	12,387,731
Net assets at the end of the year	\$ 5,775,618	\$ 5,644,291	\$ 2,712,965	\$ 14,132,874	\$12,799,344

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, 2013 and 2012
(in thousands of dollars)

	2013	2012
Cash Flow from Operating Activities:		
Increase in net assets	$ 1,333,530	$ 411,613
Adjustments to reconcile change in net assets to net cash used in or provided by operating activities:		
Net gain on investments and other assets	(1,164,164)	(734,374)
Change in accrued benefits liability	(333,754)	358,904
Depreciation	129,138	125,100
Donated securities received	(129,915)	(49,295)
Proceeds from sale of donated securities	94,917	40,280
Net gain on life income funds	(12,621)	(2,442)
Change in noncontrolling interests	29,773	(22,395)
Amortization of bond premiums and discounts and other adjustments	(6,767)	(2,431)
Change in operating assets and liabilities:		
Pledges receivable	75,065	(93,774)
Accounts receivable	(8,975)	101,249
Contracts in progress	(1,275)	1,687
Deferred charges, inventories and other assets	(14,392)	(21,764)
Accounts payable, accruals and other liabilities, excluding building and equipment accruals	7,086	21,970
Liabilities due under life income fund agreements	7,360	3,674
Deferred revenue and other credits	(17,458)	30,628
Advance payments	16,664	(9,311)
Reclassify investment income	(7,236)	(7,342)
Reclassify contributions restricted for long-term investment	(8,557)	(85,489)
Net cash (used in) provided by operating activities	(11,581)	66,488
Cash Flow from Investing Activities:		
Purchases of land, buildings and equipment	(148,834)	(183,958)
Purchases of investments	(64,279,236)	(52,463,972)
Proceeds from sale of investments	64,475,286	52,589,461
Student notes issued	(28,105)	(20,013)
Collections from student notes	28,255	20,198
Net cash provided by (used in) investing activities	47,366	(58,284)
Cash Flow from Financing Activities:		
Investment in endowment	8,557	85,486
Proceeds from sale of donated securities restricted for endowment	34,998	9,015
Increase in investment income for restricted purposes	7,236	7,342
Repayment of borrowings	(26,500)	(2,490)
Increase in government advances for student loans	460	349
Net cash provided by financing activities	24,751	99,702
Net increase in cash	60,536	107,906
Cash at the beginning of the year	239,377	131,471
Cash at the end of the year	$ 299,913	$ 239,377

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

Notes to Financial Statements

A. Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. The financial statements include MIT and its wholly-owned subsidiaries.

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

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

Temporarily restricted net assets include gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds), or by interpretations of law (net gains on permanently restricted gifts that have not been appropriated for spending). Gifts specified for the acquisition or construction of long-lived assets are reported as temporarily restricted net assets until the monies are expended and the buildings are put into use, at which point they are reclassified to unrestricted net assets. Net unrealized losses on permanently restricted endowment funds for which the book value exceeds market value are recorded as a reduction to unrestricted net assets.

Unrestricted net assets are all the remaining net assets of MIT. Donor-restricted gifts and unexpended restricted endowment income that are received and either spent, or the restriction is otherwise met within the same year, are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue.

Net asset reclassifications and transfers consist primarily of payments on unrestricted pledges and use of building funds in accordance with donor restrictions for buildings put into use during the year. Expirations of temporary restrictions on net assets, release of permanent restrictions by a donor, and change of restrictions imposed by donors are also reported as reclassifications of net assets among unrestricted, temporarily and permanently restricted net assets.

MIT administers its various funds, including endowments, funds functioning as endowments, school or departmental funds, and related accumulated gains in accordance with the principles of "Fund Accounting." Gifts are recorded in fund accounts and investment income is distributed to funds annually. Income distributed to funds may be a combination of capital appreciation and yield pursuant to MIT's total return investment and spending policies. Each year, the Executive Committee of the Corporation approves the rates of distribution of investment return to the funds from MIT's investment pools. See Note K for further information on income distributed to funds.

MIT's operations include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, endowment distribution and income from other investments, auxiliary revenues, payments on pledges for unrestricted gifts, and operating expenditures. Results of operations are displayed in the Statement of Activities.

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

Restricted Cash

Certain cash balances, totaling $88.7 million and $60.3 million at June 30, 2013 and 2012, respectively, are restricted for use under certain sponsored research agreements or are held on behalf of a related party.

The Institute had approximately $298.5 million and $238.1 million at June 30, 2013 and 2012, respectively, of its cash and cash equivalents accounts with a single institution. The Institute has not experienced any losses associated with deposits at this institution.

Advance Payments

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

A. Accounting Policies (continued)

Land, Buildings, and Equipment

Land, buildings, and equipment are shown at cost when purchased or fair value as of the date of a gift when received as gifts, net of accumulated depreciation. When expended, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed and put into use. Depreciation is computed on a straight-line basis over the estimated useful lives of 25 to 50 years for buildings, 3 to 25 years for equipment, and 4 to 6 years for software.

Fully depreciated assets were removed from the financial statements in the amount of $42.1 million and $27.2 million during 2013 and 2012, respectively. Land, buildings, and equipment at June 30, 2013 and 2012 are shown in Table 1.

Table 1. Land, Buildings, and Equipment

(in thousands of dollars)	2013	2012
Land	$ 67,538	$ 65,198
Land improvements	65,541	64,299
Educational buildings	3,212,543	3,106,569
Equipment	172,073	175,046
Software	35,549	31,933
Total	**3,553,244**	**3,443,045**
Less: accumulated depreciation	(1,134,592)	(1,048,640)
Construction in progress	84,874	87,177
Software projects in progress	12,738	16,129
Land, buildings, and equipment	**$ 2,516,264**	**$ 2,497,711**

Depreciation expense was $129.1 million in 2013 and $125.1 million in 2012. Net interest expense of $3.3 million and $3.8 million was capitalized during 2013 and 2012, respectively, in connection with MIT's construction projects.

Tuition and Student Support

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

Table 2. Tuition and Similar Revenues

(in thousands of dollars)	2013	2012
Tuition revenue	$ 527,974	$ 491,046
Executive and continuing educational revenues	40,983	36,656
Total	**568,957**	**527,702**
Less: tuition discount	(258,726)	(251,709)
Net tuition & similar revenue	**$ 310,231**	**$ 275,993**

Tuition support is awarded to undergraduate students by MIT based on need. Graduate students are provided with tuition support in connection with research assistance, teaching assistance, and fellowship appointments. Tuition support from MIT sources is displayed as tuition discount. Total student support granted to students was $460.6 million and $441.2 million in 2013 and 2012, respectively. Of that amount, $152.4 million in 2013 and $144.5 million in 2012 was aid from sponsors. Components of student support are detailed in Table 3 below.

Table 3. Student Support

	2013			2012		
(in thousands of dollars)	Institute sources	External sponsors	Total student support	Institute sources	External sponsors	Total student support
Undergraduate tuition support	$ 87,680	$ 14,151	$ 101,831	$ 88,007	$ 14,074	$ 102,081
Graduate tuition support	171,046	55,112	226,158	163,702	52,000	215,702
Fellow stipends	19,772	16,401	36,173	18,203	15,060	33,263
Student employment	29,721	66,725	96,446	26,723	63,412	90,135
Total	**$ 308,219**	**$ 152,389**	**$ 460,608**	**$ 296,635**	**$ 144,546**	**$ 441,181**

A. Accounting Policies (continued)

Sponsored Research

Direct and indirect categories of research revenues are shown in the table below.

Table 4. Research Revenues

(in thousands of dollars)	2013	2012
Direct		
Campus	$ 473,220	$ 471,155
Lincoln	860,190	819,645
SMART	47,332	28,311
Total direct	**1,380,742**	**1,319,111**
Indirect		
Campus	$ 188,742	$ 183,200
Lincoln	30,783	25,263
SMART	193	276
Total indirect	**219,718**	**208,739**
Total research revenues	**$ 1,600,460**	**$ 1,527,850**

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

Gifts and Pledges

Gifts and pledges are recognized when received. Gifts of securities are recorded at their fair value at the date of contribution. Donated securities received totaled $129.9 million and $49.3 million in 2013 and 2012, respectively, and are shown separately in the Statements of Cash Flows. Gifts of equipment received from manufacturers and other donors are put into use and recorded by MIT at fair value. Gifts of equipment totaled $0.1 million in 2013 and $0.4 million in 2012. Pledges in the amount of $404.6 million and $479.7 million were recorded as receivables at June 30, 2013 and 2012, respectively, with the revenue assigned to the appropriate classification of restriction. Pledges consist of unconditional written promises to contribute to MIT in the future and are recorded after discounting the future cash flows to the present value.

MIT records items of collections as gifts at nominal value. They are received for educational purposes and most are displayed throughout MIT. In general, collections are not disposed of for financial gain or otherwise encumbered in any manner.

Life Income Funds

MIT's life income fund agreements with donors consist primarily of irrevocable charitable gift annuities, pooled income funds, and charitable remainder trusts for which MIT serves as trustee. Assets are invested and payments are made to donors and other beneficiaries in accordance with the respective agreements. MIT records the assets that are associated with each life income fund at fair value and records as liabilities the present value of the estimated future payments at current interest rates to be made to the donors and beneficiaries under these agreements. A rollforward of liabilities due under life income fund agreements is presented in Table 5.

Table 5. Liabilities Due Under Life Income Funds

(in thousands of dollars)	2013	2012
Balance at the beginning of the year	$ 87,899	$ 84,225
Addition for new gifts	12,073	7,389
Termination and payments to beneficiaries	(18,043)	(12,200)
Net investment and actuarial gain	13,330	8,485
Balance at end of year	**$ 95,259**	**$ 87,899**

Recently Adopted Accounting Standards

On July 1, 2012, MIT early adopted new guidance related to the *Statements of Cash Flows*. This guidance requires MIT to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the Statements of Cash Flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash.

On July 1, 2012, MIT adopted further new guidance enhancing the *Fair Value Measurement* standard, to ensure that the valuation techniques for investments that are categorized with Level 3 of the fair value hierarchy are fair, consistent, and verifiable. Refer to Note B for further details.

A. Accounting Policies (continued)

On July 1, 2011, MIT adopted new guidance enhancing the *Fair Value Measurement* standard. This standard requires further disclosure on the activity in the Level 3 rollforward to be reported on a gross, rather than net, basis.

On July 1, 2011, MIT adopted the accounting standard *Not-for-Profit Entities: Mergers and Acquisitions*. This standard specifies that noncontrolling interests (formerly known as minority interests, classified as a liability) be reported within unrestricted net assets on the Statements of Financial Position and the change in net assets attributable to noncontrolling interests be reported separately within the Statement of Activities.

Noncontrolling Interests

MIT is the general partner for several private equity funds and has displayed the noncontrolling interests on the Statements of Financial Position.

Non-Cash Items

Non-cash transactions excluded from the Statements of Cash Flows include $12.4 million and $12.9 million of accrued liabilities related to plant and equipment purchases for 2013 and 2012, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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, 2012 balances and amounts previously reported have been reclassified to conform to the June 30, 2013 presentation. The Institute revised the prior year presentation of its accounts receivable and advance payment balances for amounts not yet received. Management believes the impact on the prior year financial statements is not material.

Subsequent Events

MIT has evaluated subsequent events through September 13, 2013, the date the financial statements were issued. There were no subsequent events that occurred after the balance sheet date that have a material impact on MIT's financial statements.

Summarized Information

The Statement of Activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MIT's financial statements for the year ended June 30, 2012, from which summarized information was derived.

B. Investments

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Realized gains and losses are recorded by MIT using the average cost basis. For limited partnerships, the realized gain/loss is calculated once the entire cost basis is distributed back to MIT or using information provided by managers with respect to the character of a distribution as being a gain or return of capital.

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

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

• Level 1 – Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from relevant exchanges or dealer markets.

• Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

B. Investments (continued)

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

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

Fund investments that have observable market inputs (such as net asset values) and from which MIT has the ability to redeem within twelve months of June 30 are classified in the fair value hierarchy as Level 2.

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

Table 6 presents MIT's investments at fair value as of June 30, 2013 and 2012, grouped by the valuation hierarchy as defined earlier in this note

Transfers between levels are recognized at the beginning of the reporting period. There were no transfers in and out of Level 1 and Level 2 fair value measurements in 2013 and 2012. Transfers between Level 2 and Level 3 result from the expiration or commencement of lock-ups which impact MIT's ability to exit the fund within twelve months.

Cash and cash equivalents include cash, money market funds, repurchase agreements and negotiable certificates of deposit and are valued at cost, which approximates fair value. Instruments listed or traded on a securities exchange are valued at the last quoted price on the primary exchange where the security is traded.

Investments in non-exchange traded debt are primarily valued using independent pricing sources that use broker quotes or models using market observable inputs. Investments managed by external advisors include investments in absolute return, domestic, foreign and private equity, real estate and real asset commingled funds.

The majority of these commingled funds are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisors. The fair value of these securities held in external investment funds that do not have readily determinable fair values are determined by the external managers based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the external managers taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Using these valuations, most of these external managers calculate MIT's capital account or net asset value (NAV) in accordance with, or in a manner consistent with, GAAP. As a practical expedient, MIT is permitted under GAAP to estimate the fair value of its investments with external managers using the external managers' reported NAV without further adjustment unless MIT expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with GAAP. Direct real estate holdings are valued at fair market value based on external appraisals.

Other direct investments that are not readily marketable are valued by MIT based upon valuation information received from the entity which may include last trade information, third party appraisals of real estate, or valuations prepared in connection with the administration of an employee stock ownership plan. MIT may also utilize industry standard valuation techniques, including discounted cash flow models. The significant unobservable inputs used in the fair value measurements of MIT's direct investments may include their cost of capital, and equity and industry risk premiums. Significant increases or decreases in these inputs in isolation may result in a significantly lower or higher fair value measurement, respectively. Split-interest agreements are generally valued at the present value of the future distributions expected to be received over the term of the agreement. Over-the-counter positions such as interest rate and total return swaps, credit default swaps, options, exchange agreements, and interest rate cap and floor agreements are valued using broker quotes or models using market observable inputs. Because the swaps and other over-the-counter derivative instruments have inputs that can usually be corroborated by observable market data, they are generally classified within Level 2.

B. Investments (continued)

Table 6. Investments

(in thousands of dollars)	Quoted prices in active markets [Level 1]	Significant other observable inputs [Level 2]	Significant unobservable inputs [Level 3]	Total fair value
Fiscal Year 2013				
Cash and cash equivalents	$ 1,526,544	$ –	$ –	$ 1,526,544
US treasury	629,760	–	–	629,760
US government agency	18	93,502	–	93,520
Domestic bonds**	17,951	253,163	86,895	358,009
Foreign bonds**	–	19,381	–	19,381
Common equity				
Long domestic	147,168	–	241,382	388,550
Long foreign	135,099	–	–	135,099
Short domestic	–	–	(3)	(3)
Short foreign	(18)	–	–	(18)
Equity**				
Absolute return	51,218	351,022	1,222,830	1,625,070
Domestic	–	18,024	1,249,343	1,267,367
Foreign	–	610,855	1,661,841	2,272,696
Private	–	–	2,510,672	2,510,672
Real estate*	17	–	2,311,490	2,311,507
Real assets**	711	5,482	619,632	625,825
Split interest agreements	–	–	148,297	148,297
Other	–	–	2,444	2,444
Derivatives	385	(3,005)	–	(2,620)
Total investments, gross	$ 2,508,853	$ 1,348,424	$ 10,054,823	$ 13,912,100
Liabilities associated with investments:				
Real estate***	–	–	(82,000)	(82,000)
Total investments, net	$ 2,508,853	$ 1,348,424	$ 9,972,823	$ 13,830,100
Fiscal Year 2012				
Cash and cash equivalents	$ 1,599,874	$ –	$ –	$ 1,599,874
US treasury	462,111	–	–	462,111
US government agency	–	84,625	–	84,625
Domestic bonds**	23,243	229,872	78,961	332,076
Foreign bonds**	–	15,043	–	15,043
Common equity				
Long domestic	933,902	1,559	279,521	1,214,982
Long foreign	290,853	5,891	–	296,744
Short domestic	(570,076)	(609)	(3)	(570,688)
Short foreign	(76,711)	–	–	(76,711)
Equity**				
Absolute return	–	393,396	1,283,490	1,676,886
Domestic	69,625	27,701	1,038,537	1,135,863
Foreign	8,124	281,523	1,070,981	1,360,628
Private	–	–	2,610,024	2,610,024
Real estate*	–	–	1,964,901	1,964,901
Real assets**	1,648	75,377	536,266	613,291
Split interest agreements	–	–	121,816	121,816
Other	–	–	2,638	2,638
Derivatives	(1,239)	5,002	–	3,763
Total investments	$ 2,741,354	$ 1,119,380	$ 8,987,132	$ 12,847,866

**Real estate includes direct investments and investments held through commingled vehicles.*

***Real assets, equity, domestic bonds and foreign bonds categories include commingled vehicles that invest in these type of investments.*

****Principal payments begin in calendar year 2018, ranging from $400-$1,600. Interest rate is fixed at 3.93% with maturity in calendar year 2023.*

B. Investments (continued)

Table 7 is a rollforward of the investments classified by MIT within Level 3 of the fair value hierarchy defined earlier in this footnote at June 30, 2013 and 2012.

Table 7. Rollforward of Level 3 Investments

(in thousands of dollars)	Fair Value Beginning	Realized Gains [Losses]	Unrealized Gains [Losses]	Purchases	Sales	Transfer of Assets between Levels	Fair Value Ending
Fiscal Year 2013							
Domestic bonds	$ 78,961	$ –	$ (1)	$ 16,781	$ (8,846)	$ –	$ 86,895
Foreign bonds	–	–	–	–	–	–	–
Common equity							
Long domestic	279,521	1,190	(38,661)	7,258	(7,926)	–	241,382
Long foreign	–	15	–	–	(15)	–	–
Short domestic	(3)	–	–	–	–	–	(3)
Equity							
Absolute return	1,283,490	–	6,142	105,729	(210,814)	38,283	1,222,830
Domestic	1,038,537	–	164,804	167,990	(121,988)	–	1,249,343
Foreign	1,070,981	13,985	261,364	592,900	(198,279)	(79,110)	1,661,841
Private	2,610,024	11,817	(74,308)	361,721	(398,582)	–	2,510,672
Real estate	1,964,901	(1,957)	187,235	355,320	(194,009)	–	2,311,490
Real assets	536,266	(6,555)	18,455	126,888	(55,422)	–	619,632
Split interest agreements	121,816	160	27,287	16,444	(17,410)	–	148,297
Other	2,638	5	(193)	–	(6)	–	2,444
Total, gross	$ 8,987,132	$ 18,660	$ 552,124	$ 1,751,031	$ (1,213,297)	$ (40,827)	$ 10,054,823
Real estate liabilities	–	–	–	(82,000)	–	–	(82,000)
Total, net	$ 8,987,132	$ 18,660	$ 552,124	$ 1,669,031	$ (1,213,297)	$ (40,827)	$ 9,972,823
Fiscal Year 2012							
Domestic bonds	$ 75,644	$ –	$ 1	$ 11,550	$ (7,879)	$ (355)	$ 78,961
Foreign bonds	3	–	–	–	(2)	(1)	–
Common equity							
Long domestic	273,148	8	5,379	7,716	(6,730)	–	279,521
Short domestic	–	–	(3)	–	–	–	(3)
Equity							
Absolute return	1,408,152	(7,750)	13,925	39,161	(169,998)	–	1,283,490
Domestic	564,360	(10,918)	143,115	400,257	(58,277)	–	1,038,537
Foreign	1,112,986	(24,375)	(19,476)	181,410	(166,705)	(12,859)	1,070,981
Private	2,479,017	(6,185)	125,079	319,630	(307,517)	–	2,610,024
Real estate	1,691,704	5,149	142,723	441,466	(316,141)	–	1,964,901
Real assets	699,098	–	(6,189)	12,094	(78,326)	(90,411)	536,266
Split interest agreements	101,125	–	2,319	18,478	(106)	–	121,816
Other	2,592	167	124	30	(275)	–	2,638
Totals	$ 8,407,829	$ (43,904)	$ 406,997	$ 1,431,792	$ (1,111,956)	$ (103,626)	$ 8,987,132

All net realized and unrealized gains and losses relating to financial instruments held by MIT shown in Table 6 are reflected in the Statement of Activities. Cumulative unrealized gains related to Level 3 investments totaled $2,958.5 million and $2,476.9 million as of June 30, 2013 and 2012, respectively. The net change in unrealized gains (losses) related to these financial instruments held by MIT at June 30, 2013 and June 30, 2012 are disclosed in Table 7.

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

B. Investments (continued)

Table 8 below sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of MIT's Level 3 investments as of June 30, 2013, where no practical expedient using external managers' reported NAVs exists.

Table 8. Level 3 Valuation Techniques

Asset Type *(in thousands of dollars)*	Fair Value at June 30, 2013	Valuation Technique	Unobservable Input	Rates
Real estate	$ 1,425,621	Discounted cash flow	Discount Rate	5.5-9.0%
Equity securities	224,375	Discounted cash flow	Discount Rate	11.0%
Split interest agreements	88,674	Net present value	Discount Rate	1.0-8.0%
Real assets	9,629	Discount to public price	Discount	20.0%
Other illiquid assets	360	Varies	Varies	Varies
	$ 1,748,659			

Certain investments in real estate, equities, and private investments may be subject to restrictions that (i) limit MIT's ability to withdraw capital after such investment and (ii) may be subject to limitations that limit the amount that may be withdrawn as of a given redemption date. Most absolute return, domestic equity and foreign equity commingled funds limit withdrawal to monthly, quarterly, or other periods, and may require notice periods. In addition, certain of these funds are able to designate a portion of the investments as illiquid in "side-pockets," and these funds may not be available for withdrawal until liquidated by the investing fund. Generally, MIT has no discretion as to withdrawal with respect to its investment in private equity and real estate funds. Distributions are made when sales of assets are made within these funds and the investment cycle for these funds can be as long as fifteen to twenty years. These restrictions may limit MIT's ability to respond quickly to changes in market conditions. MIT does have various sources of liquidity at its disposal, including cash, cash equivalents, marketable debt and equity securities, and lines of credit.

Details on the estimated remaining life, current redemption terms and restrictions by asset class and type of investment are provided in Table 9.

Table 9. Unfunded Commitments

Asset Class *(in thousands of dollars)*	2013 Unfunded Commitments	2013 Fair Value	2012 Unfunded Commitments	2012 Fair Value	Redemption Terms	Redemption Restrictions
Equity						
Domestic	$ 21,958	$ 1,267,367	$ 26,941	$ 1,135,863	Redemption terms range from daily to annually with 90 days notice	Lock-up provision range from none to 4 years
Foreign	80,245	2,272,696	209,245	1,360,628	Redemption terms range from daily to annually with 90 days notice	Lock-up provision range from none to 8 years
Absolute return	30,635	1,625,070	37,762	1,676,886	Redemption terms range from monthly with 3 business days notice to closed end structures not available for redemption	Lock-up provision range from none to not redeemable
Private	997,663	2,510,672	1,261,309	2,610,024	Closed end funds not eligible for redemption	Not redeemable
Real estate	447,147	829,926	531,904	757,715	Closed end funds not eligible for redemption	Not redeemable
Real assets	72,133	615,512	135,516	613,083	Redemption terms range from 1 fund annually with 90 days notice to all other funds being closed end funds not eligible for redemption	Not redeemable except for 1 fund with a lock-up provision of 4 years
Totals	**$ 1,649,781**	**$ 9,121,243**	**$ 2,202,677**	**$ 8,154,199**		

B. Investments (continued)

MIT performs ongoing due diligence to determine that investment fair value is reasonable as of June 30, 2013 and 2012. In particular, to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable, MIT has established a Valuation Committee (the "Committee") that oversees the valuation processes and procedures and ensures that the policies are fair and consistently applied. The Committee is responsible for conducting annual reviews of the valuation policies, evaluating the overall fairness and consistent application of the valuation policies and performing specific reviews of certain valuations reported. The Committee performs due diligence over the external managers and based on this review, substantiates NAV as a practical expedient for estimates of fair value of its investments in external managers. The Committee is comprised of senior personnel and contains members who are independent of investment functions. The Committee meets annually, or more frequently, as needed. Members of the Valuation Committee report annually to MIT's Risk and Audit Committee.The methods described previously in this footnote may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. While MIT believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

C. Derivative Financial Instruments

MIT maintains an interest rate swap agreement to manage the interest cost and risk associated with a portion of its variable rate debt, described in Note G. Under the agreement, MIT pays a fixed rate of 4.91% and receives a payment indexed to the Securities Industry and Financial Market Association (SIFMA) on a notional amount of $125.0 million. At June 30, 2013, the swap agreement had a total fair value of ($40.7) million and at June 30, 2012 had a fair value of ($58.6) million. This swap had a total net gain for 2013 of $17.9 million and a total net loss of $25.8 million for 2012. The notional amount of this derivative is not recorded on MIT's Statements of Financial Position.

For its investment management, MIT uses a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement. MIT uses these instruments primarily to manage its exposure to extreme market events and fluctuations in asset classes or currencies. Instruments utilized include futures, total return and credit default swaps, and interest rate cap and swaption agreements. The futures are exchange-traded and the swap, swaptions, and cap agreements are executed over the counter.

Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, MIT will receive a payment from or make a payment to the counterparty.

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

Table 10 summarizes the notional exposure and net ending fair value relative to the financial instruments with off-balance sheet risk as of June 30, 2013 and 2012, related to MIT's investment management. Derivatives held by limited partnerships and commingled investment vehicles pose no off-balance sheet risk to MIT due to the limited liability structure of these investments. To manage the counterparty credit exposure of MIT's direct off-balance sheet financial instruments, MIT requires collateral to the maximum extent possible under normal trading practices. Collateral is moved on a daily basis as required by fluctuations in the market. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. In the event of counterparty default, MIT has the right to use the collateral to offset the loss associated with the replacement of the agreements. MIT enters into arrangements only with counterparties believed to be creditworthy. On June 30, 2013, cash collateral and certain securities owned by MIT were held at counterparty brokers to collateralize these positions and are included in investments on the Statements of Financial Position.

C. Derivative Financial Instruments (continued)

Table 10. Derivative Financial Instruments

(in thousands of dollars)	Notional Exposure Long	Notional Exposure Short	Net ending fair value*	Net gain (loss)**
Fiscal Year 2013				
Fixed income instruments				
Fixed income futures	$ 3,200	$ (17,900)	$ 385	$ 415
Options on interest rate exchange agreements	2,577,777	(55,000)	36,901	4,609
Interest rate caps and floors	2,250,000	–	2,509	(955)
Interest rate swaps	–	–	–	(274)
Total fixed income instruments	4,830,977	(72,900)	39,795	3,795
Currency instruments				
Currency forwards	–	–	–	347
Total currency instruments	–	–	–	347
Commodity instruments				
Commodity futures	–	–	–	1,062
Equity index swaps	–	–	–	(6,181)
IOS index swaps	–	–	–	406
Total commodity and index futures	–	–	–	(4,713)
Credit instruments	19,498	(153,995)	(1,692)	(25,196)
2013 Total	**$ 4,850,475**	**$ (226,895)**	**$ 38,103**	**$ (25,767)**
Fiscal Year 2012				
Fixed income instruments				
Fixed income futures	$ 8,900	$ (14,400)	$ (29)	$ 38
Options on interest rate exchange agreements	2,577,777	(55,000)	32,292	(37,142)
Interest rate caps and floors	2,250,000	–	3,592	(6,361)
Interest rate swaps	–	(11,900)	(270)	(321)
Total fixed income instruments	4,836,677	(81,300)	35,585	(43,786)
Currency instruments				
Currency forwards	–	–	(148)	1,306
Total currency instruments	–	–	(148)	1,306
Commodity instruments				
Commodity futures	2,072	–	(1,062)	(952)
Equity index futures	–	–	–	1,449
Equity index swaps	–	(60,036)	–	–
IOS index swaps	–	(18,889)	12	603
Total commodity and index futures	2,072	(78,925)	(1,050)	1,100
Credit instruments	410,358	(1,629,309)	28,024	20,975
2012 Total	**$ 5,249,107**	**$ (1,789,534)**	**$ 62,411**	**$ (20,405)**

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

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

C. Derivative Financial Instruments (continued)

Table 11 provides further details related to MIT's credit instruments. The act of entering into a credit default swap contract is often referred to as "buying protection" or "selling protection" on an underlying reference obligation. The buyer is obligated to make premium payments to the seller over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to the underlying obligation. The seller bears the obligation to "protect" the buyer in the event of default of the underlying issuer. Upon this event, the cash payment which the buyer receives is equal to the clearing price established by an auction of credit default swap claims, which is designed to approximate the recovery value of an unsecured claim on the issuer in default. The swap will last for a predetermined amount of time, typically five years. Upon termination of the swap, the buyer is no longer obligated to make any premium payments and there is no other exchange of capital.

The following table summarizes the notional amounts and fair value of the purchased and written credit derivatives, classified by the expiration terms and the external credit ratings of the reference obligations at June 30, 2013 and 2012.

Table 11. Credit Derivative Instruments

	Purchased Protection				Written protection notional amount			
(in thousands of dollars)	Purchased notional amounts	Purchased fair value*	Years to maturity <5 years	Years to maturity 5-10 years	Written notional amounts***	Offsetting purchased credit protection**	Net written credit protection	Net written credit protection fair value
Fiscal Year 2013								
Credit rating on underlying or index								
A- to AAA	$ 66,499	$ (1,168)	$ 20,000	$ 46,499	$ 19,498	$ –	$ –	$ 488
BBB- to BBB+	67,998	(1,012)	5,000	62,998	–	(19,498)	–	–
2013 Total	**$ 134,497**	**$ (2,180)**	**$ 25,000**	**$ 109,497**	**$ 19,498**	**$ (19,498)**	**$ -**	**$ 488**
Fiscal Year 2012								
Credit rating on underlying or index								
A- to AAA	$ 605,184	$ (1,652)	$ 61,150	$ 544,034	$ 410,358	$ (410,358)	$ –	$ 17,783
BBB- to BBB+	541,181	(5,703)	45,000	496,181	–	–	–	–
Non-investment grade	5,000	(576)	–	5,000	–	–	–	–
Non-rated	35,381	728	5,000	30,381	–	–	–	–
ABX-AA index	32,205	17,444	–	32,205	–	–	–	–
2012 Total	**$ 1,218,951**	**$ 10,241**	**$ 111,150**	**$ 1,107,801**	**$ 410,358**	**$ (410,358)**	**$ –**	**$ 17,783**

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

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

**** The written and offsetting purchased credit protection held as of June 30, 2013 has a maturity of less than five years. Of the amount held as of June 30, 2012, $285,358 had a maturity of less than five years and $125,000 had a maturity of five to ten years.*

D. Pledges Receivable

Table 12 below shows the time periods in which pledges receivable at June 30, 2013 and 2012 are expected to be realized.

Table 12. Pledges Receivable

(in thousands of dollars)	2013	2012
In one year or less	$ 131,174	$ 158,236
Between one year and five years	187,708	232,983
More than five years	130,662	141,780
Less: allowance for unfulfilled pledges	(44,950)	(53,340)
Pledges receivable, net	**$ 404,594**	**$ 479,659**

A review of pledges is periodically made with regard to collectability. As a result, the allowance for pledges that may not be fulfilled is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. Pledges are discounted in the amount of $34.2 million and $30.9 million in 2013 and 2012, respectively. MIT has gross conditional pledges, not recorded, for the promotion of education and research of $85.3 million and $118.2 million in 2013 and 2012, respectively. MIT has pledges receivable relating to research in the amount of $21.8 million and $25.4 million in 2013 and 2012, respectively.

Pledges receivable are classified as Level 3 under the valuation hierarchy described in Note B.

Table 13 below is a rollforward of the pledges receivable at June 30, 2013 and 2012.

Table 13. Rollforward of Pledges Receivable

(in thousands of dollars)	2013	2012
Balance at beginning of year	$ 479,659	$ 385,885
New pledges	99,062	164,333
Pledge payments received	(179,272)	(88,975)
Decrease (increase) in pledge discount	(3,245)	24,156
Decrease (increase) in reserve for unfulfilled pledges	8,390	(5,740)
Balance at the end of year	**$ 404,594**	**$ 479,659**

E. Student Notes Receivable

Table 14 below details the components of student notes receivable at June 30, 2013 and 2012.

Table 14. Student Notes Receivable

(in thousands of dollars)	2013	2012
Institute-funded student notes receivable	$ 14,004	$ 14,112
Perkins student notes receivable	38,480	38,417
Total student notes receivable	**52,484**	**52,529**
Less: allowance for doubtful accounts	(3,000)	(3,000)
Student notes receivable, net	**$ 49,484**	**$ 49,529**

E. Student Notes Receivable (continued)

Perkins student notes receivable are funded by the U.S. Government and by MIT. Funds advanced by the U.S. Government for this program are ultimately refundable to the U.S. Government and are classified as liabilities in Government advances for student loans in the Statements of Financial Position. Due to the nature and terms of the student loans, which are subject to significant restrictions, it is not feasible to determine the fair value of such loans.

Allowance for Credit Losses

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. MIT's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the U.S. Government in certain non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Loans less than 120 days delinquent are deemed to have a minimal delay in payment and are generally not written off but are reserved in accordance with the terms discussed above. Loans more than 120 days delinquent are subject to standard collection practices including litigation. Only loans that are deemed uncollectible are written off and this only occurs after several years of unsuccessful collection, including placement at more than one external collection agency.

Considering the other factors already discussed herein, management considers the allowance for credit losses at June 30, 2013 and 2012 to be prudent and reasonable. Furthermore, MIT's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for credit losses at June 30, 2013 and 2012 is adequate to absorb credit losses inherent in the portfolio as of that date.

Changes in the allowance for credit losses for the years ended June 30, 2013 and 2012 were as shown in the following table.

Table 15. Rollforward of Allowance for Credit Losses

(in thousands of dollars)	2013	2012
Balance at beginning of year	$ 3,000	$ 3,000
Provision for credit losses	–	41
Net charge-offs	–	(41)
Balance at end of year	**$ 3,000**	**$ 3,000**

F. Accounts Payable, Accruals and Other Liabilities

MIT's account payable, accruals, and other liabilities at June 30, 2013 and 2012 are shown in Table 16 below.

Table 16. Accounts Payable, Accruals, and Other Liabilities

(in thousands of dollars)	2013	2012
Accounts payable and accruals	$ 325,472	$ 320,902
Accrued vacation	58,965	57,467
Total	**$ 384,437**	**$ 378,369**

G. Borrowings

MIT's outstanding borrowings at June 30, 2013 and 2012 are shown in Table 17 below.

Table 17. Borrowings

(in thousands of dollars / due dates are calendar based)	2013	2012
EDUCATIONAL PLANT		
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Series I, 4.75%-5.20%, due 2028, par value $59,200	$ 59,563	$ 59,588
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 $203,500	214,304	241,405
Series L, 3.0%-5.25%, due 2004-2033, par value $167,670	177,651	178,635
Series M, 5.25%, due 2014-2030, par value $131,110	141,634	142,787
Series N, 3.5%-5.0%, due 2014-2038, par value $325,195	329,010	330,327
Series O, 4.0%-6.0%, due 2016-2036, par value $266,460	269,778	271,022
Total MHEFA	**1,441,940**	**1,473,764**
Medium Term Notes Series A, 7.125%, due 2026	17,363	17,359
Medium Term Notes Series A, 7.25%, due 2096	45,447	45,445
Taxable Bonds, Series B, 5.60%, due 2111, par value $750,000[1]	746,956	746,924
Notes payable to bank, variable rate, due 2014	83,033	83,033
Total Educational Plant	**892,799**	**892,761**
OTHER		
Notes payable to bank, variable rate, due 2014	93,476	93,477
Total Borrowings	**$ 2,428,215**	**$ 2,460,002**

[1] *The proceeds of Taxable Bonds, Series B were held as investments as of June 30, 2013 and 2012 and have not yet been invested in physical assets.*

Fair value of the outstanding debt is approximately 11.0% and 22.0% greater than the carrying value in 2013 and 2012, respectively. It is classified as Level 3 under the valuation hierarchy described in Note B. Carrying value is based on estimates using current interest rates available for similarly rated debt of the same remaining maturities.

G. Borrowings (continued)

The aggregate amounts of debt payments and sinking fund requirements for each of the next five fiscal years are shown in Table 18 below.

Table 18. Debt Obligations

(in thousands of dollars)

2014	$	202,509
2015		59,110
2016		9,585
2017		98,090
2018		26,500

MIT maintains a line of credit with a major financial institution for an aggregate commitment of $500.0 million. As of June 30, 2013, $323.5 million was available under this line of credit. The line of credit expires on March 28, 2014.

Cash paid for interest on long-term debt in 2013 and 2012 was $116.3 million and $101.0 million, respectively.

Variable interest rates at June 30, 2013 are shown in Table 19 below.

Table 19. Variable Interest Rates

(in thousands of dollars)		Amount	Rate
MHEFA Series J-1	$	125,000	0.04%
MHEFA Series J-2		125,000	0.06%
Notes payable to bank		176,509	0.79%

In the event that MIT receives notice of any optional tender on its Series J-1 and Series J-2 variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, MIT will be obligated to purchase the bonds tendered at 100 percent of par on the tender date.

H. Commitments and Contingencies

Federal Government Funding

MIT receives funding or reimbursement from Federal agencies for sponsored research under Government grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Office of Naval Research (ONR), MIT's cognizant Federal agency. MIT's indirect cost reimbursements have been based on fixed rates with carry forward of under or over-recoveries. At June 30, 2013 and 2012, MIT recorded a net over-recovery of $26.9 million and $56.7 million, respectively.

The DCAA is responsible for auditing indirect charges to grants and contracts in support of ONR's negotiating responsibility. MIT has final audited rates through 2009. MIT's 2013 research revenues of $1,600.5 million include reimbursement of indirect costs of $219.7 million, which includes the adjustment for the variance between the indirect cost income determined by the fixed rates and actual costs for 2013. In 2012, research revenues were $1,527.9 million, which included reimbursement of indirect costs of $208.7 million.

Leases

At June 30, 2013, there were no capital lease obligations. MIT is committed under certain operating (rental) leases. Rent expense incurred under operating lease obligations was $40.5 million and $37.1 million in 2013 and 2012, respectively. Future minimum payments under operating leases are shown in Table 20 below.

Table 20. Lease Obligations

(in thousands of dollars)

2014	$	40,156
2015		29,580
2016		21,866
2017		17,387
2018		16,151

Investments

As of June 30, 2013, $10.3 million of investments were pledged as collateral to various supplier and government agencies.

H. Commitments and Contingencies (continued)

Future Construction

MIT has contracted for educational plant in the amount of $67.8 million at June 30, 2013. It is expected that the resources to satisfy these commitments will be provided from unexpended plant funds, anticipated gifts, and unrestricted funds. MIT will be committing additional resources to planned major construction projects and improvements to the current infrastructure over the next several years.

Related Entities

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

General

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

I. Functional Expense Classification

MIT's expenditures on a functional basis are shown in Table 21 below.

Table 21. Expenditures by Functional Classification

(in thousands of dollars)	2013	2012
General and administrative	$ 681,505	$ 604,320
Instruction and unsponsored research	692,032	673,851
Sponsored research	1,397,857	1,335,638
Auxiliary enterprises	124,358	120,137
Operation of Alumni Association	12,825	10,640
Total operating expense	$ 2,908,577	$ 2,744,586

J. Retirement Benefits

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

MIT also offers a postretirement welfare benefit plan (certain health care and life insurance benefits) for retired employees. Substantially all MIT employees may become eligible for those benefits if they reach a qualifying retirement age while working for MIT. The health care component of the welfare plan is paid for in part by retirees, their covered dependents, and beneficiaries. Benefits are provided through various insurance companies whose charges are based either on the claims and administrative expenses paid during the year or annual insured premiums. The life insurance component of the welfare plan includes basic life insurance and supplemental life insurance. The basic life insurance plan is non-contributory and covers the retiree only. The supplemental life insurance plan is paid for by the retiree. MIT maintains a trust to pay for postretirement welfare benefits.

MIT contributes to the defined benefit plan amounts that are actuarially determined to provide the retirement plan with sufficient assets to meet future benefit requirements. There was a $33.0 million contribution to the defined benefit plan in 2013. There were no contributions to the defined benefit plan in 2012.

For purposes of calculating net periodic cost for the defined benefit plan, plan amendments are amortized on a straight-line basis over the average future service to expected retirement of active participants at the date of the amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1.0 million.

J. Retirement Benefits (continued)

The amount contributed and expenses recognized during 2013 and 2012 related to the defined contribution plan were $46.2 million and $43.5 million, respectively.

For purposes of calculating net periodic cost for the postretirement welfare benefit plan, a portion of the current obligation related to the transition to the accounting standard *Employers' Accounting for Postretirement Benefits Other than Pensions*, was amortized on a straight-line basis over 20 years from the date of adoption of that statement in 1994. Plan changes resulted in a reduction of the remaining transition obligation in fiscal year 2012 which made 2012 the final year of amortization. Plan amendments are amortized on a straight-line basis over the average future service to full eligibility of active participants at the date of amendment. Cumulative gains and losses (including changes in assumptions) in excess of 10 percent of the greater of the plan's obligation or the market-related value of assets are amortized over the average future service of active participants. The annual amortization shall not be less than the total amount of unrecognized gains and losses up to $1.0 million.

Components of Net Periodic Benefit (Income) Cost

Table 22 summarizes the components of net periodic benefit (income) cost recognized in operating activity and other amounts recognized in non-operating activity in unrestricted net assets for the years ended June 30, 2013 and 2012.

Table 22. Components of Net Periodic Benefit (Income) Cost

	Defined benefit plan		Postretirement welfare benefit plan	
(in thousands of dollars)	2013	2012	2013	2012
Components of net periodic benefit (income) cost recognized in operating activity				
Service cost	$ 77,093	$ 61,431	$ 23,004	$ 20,599
Interest cost	130,187	138,858	22,087	26,207
Expected return on plan assets	(211,063)	(217,979)	(24,786)	(23,399)
Amortization of transition amount	–	–	–	1,194
Amortization of net actuarial loss (gain)	17,542	(1,000)	10,642	9,314
Amortization of prior service cost	1,018	1,970	(2,801)	(2,100)
Net periodic benefit (income) cost recognized in operating activity	**$ 14,777**	**$ (16,720)**	**$ 28,146**	**$ 31,815**
Other amounts recognized in non-operating activity in unrestricted net assets				
Current year actuarial (gain) loss	$ (230,545)	$ 444,241	$ (54,496)	$ (8,118)
Amortization of actuarial (loss) gain	(17,542)	1,000	(10,642)	(9,314)
Current year prior service credit	–	–	–	(23,919)
Amortization of prior service cost	(1,018)	(1,970)	2,801	2,100
Reduction in transition obligation due to plan change	–	–	–	(8,357)
Amortization of transition obligation	–	–	–	(1,194)
Total other amounts recognized in non-operating activity	**(249,105)**	**443,271**	**(62,337)**	**(48,802)**
Total recognized	**$ (234,328)**	**$ 426,551**	**$ (34,191)**	**$ (16,987)**

The estimated net actuarial loss and prior service cost for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit cost during the next fiscal year are $14.1 million and $1.0 million, respectively. The estimated net actuarial loss and prior service credit for the postretirement welfare benefit plan that will be amortized from unrestricted net assets into net periodic benefit cost during the next fiscal year are $5.8 million and $2.8 million, respectively.

J. Retirement Benefits (continued)

Cumulative amounts recognized as non-operating changes in unrestricted net assets are summarized in Table 23 for the years ended June 30, 2013 and 2012.

Table 23. Cumulative Amounts Recognized in Unrestricted Net Assets

	Defined benefit plan		Postretirement welfare benefit plan	
(in thousands of dollars)	2013	2012	2013	2012
Amounts recognized in unrestricted net asset consist of:				
Net actuarial loss	$ 323,339	$ 571,425	$ 73,570	$ 138,708
Prior service cost/(credit)	3,833	4,851	(19,017)	(21,818)
Total cumulative amounts recognized in unrestricted net assets	**$ 327,172**	**$ 576,276**	**$ 54,553**	**$ 116,890**

Benefit Obligations and Fair Value of Assets

Table 24 summarizes the benefit obligations, plan assets, and amounts recognized in the Statements of Financial Position for MIT's retirement benefit plans. MIT uses a June 30 measurement date for its defined benefit and postretirement welfare benefit plans.

Table 24. Projected Benefit Obligations and Fair Value of Assets

	Defined benefit plan		Postretirement welfare benefit plan	
(in thousands of dollars)	2013	2012	2013	2012
Change in projected benefit obligations				
Projected benefit obligations at beginning of year	$ 2,890,587	$ 2,458,592	$ 489,475	$ 509,838
Service cost	77,093	61,432	23,004	20,599
Interest cost	130,187	138,858	22,086	26,207
Retiree contributions	–	–	4,066	3,834
Net benefit payments, transfers and other expenses	(144,222)	(116,351)	(22,913)	(22,109)
Plan amendment	–	–	–	(32,276)
Assumption changes and actuarial net loss (gain)	(149,861)	348,056	(36,601)	(16,618)
Projected benefit obligations at end of year	**2,803,784**	**2,890,587**	**479,117**	**489,475**
Change in plan assets				
Fair value of plan assets at beginning of year	2,577,752	2,572,307	358,912	311,629
Actual return on plan assets	291,747	121,795	42,681	14,899
Employer contributions	33,000	–	35,624	52,920
Retiree contributions	–	–	4,066	3,834
Net benefit payments, transfers and other expenses	(144,223)	(116,350)	(26,302)	(24,370)
Fair value of plan assets at end of year	**2,758,276**	**2,577,752**	**414,981**	**358,912**
Funded (unfunded) status at end of year	**$ (45,508)**	**$ (312,835)**	**$ (64,136)**	**$ (130,563)**
Amounts recognized in the Statements of Financial Position consist of:				
Total accrued benefit liabilities	**$ (45,508)**	**$ (312,835)**	**$ (64,136)**	**$ (130,563)**

J. Retirement Benefits (continued)

The accumulated benefit obligation for MIT's defined benefit plan was $ 2,620.4 million and $2,681.9 million at June 30, 2013 and 2012, respectively.

On January 1, 2012, MIT began providing retiree drug coverage through an Employer Group Waiver Plan (EGWP). Under EGWP, the cost of drug coverage is offset through direct federal subsidies, brand name drug discounts and reinsurance reimbursements. Prior to January 1, 2012, MIT received retiree drug subsidy payments directly from the federal government. The net effect of this change reduced the accumulated postretirement benefit obligation to $56.4 million at June 30, 2012. This was treated as an actuarial gain.

Assumptions and Health Care Trend Rates

Table 25 summarizes assumptions and health care trend rates. The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns.

Table 25. Assumptions

	Defined benefit plan		Postretirement welfare benefit plan	
	2013	2012	2013	2012
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	5.03%	4.49%	4.95%	4.41%
Rate of compensation increase*	4.00%	4.00%		
Assumptions used to determine net periodic benefit (income) cost for year ended June 30:				
Discount rate	4.49%	5.65%	4.41%	5.56%
Expected long-term return on plan assets	8.00%	8.00%	7.00%	7.00%
Rate of compensation increase *	4.00%	4.00%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year			7.00%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.75%	5.00%
Year the rate reaches the ultimate trend rate			2021	2018

* *The average rate of salary increase is assumed to be 4.00% for 2014, and thereafter.*

As an indicator of sensitivity, a one percentage point change in the assumed health care cost trend rate would affect 2013 as shown in Table 26 below.

Table 26. Health Care Cost Trend Rate Sensitivity

(in thousands of dollars)	1% point increase	1% point decrease
Effect on 2013 postretirement service and interest cost	$ 7,178	$ (5,864)
Effect on postretirement benefit obligation as of June 30, 2013	$ 59,617	$ (49,911)

Plan Investments

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

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers, the maintenance of a portfolio diversified by asset class, investment approach, security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

J. Retirement Benefits (continued)

Tables 27A and 27B present investments at fair value of MIT's defined benefit plan and postretirement welfare benefit plan, which are included in plan net assets as of June 30, 2013 and 2012, grouped by the valuation hierarchy detailed in Note B. There were no transfers in and out of Level 1 and Level 2 fair value measurements in 2013 or 2012. Transfers between Level 2 and Level 3 result from the expiration or commencements of lock-ups which impact MIT's ability to exit the fund within twelve months.

Table 27A. Defined Benefit Plan Investments

(in thousands of dollars)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total fair value
Fiscal Year 2013				
Cash and cash equivalents	$ 197,341	$ –	$ –	$ 197,341
US treasury	194,191	–	–	194,191
US government agency	–	19,667	–	19,667
Domestic bonds	–	65,178	–	65,178
Foreign bonds	–	–	–	–
Common equity				
Long domestic	43,518	–	2,100	45,618
Long foreign	1,740	–	–	1,740
Equity*				
Absolute return	–	94,411	266,407	360,818
Domestic	–	–	378,862	378,862
Foreign	–	220,858	344,298	565,156
Private	–	–	455,850	455,850
Real estate	–	–	316,977	316,977
Real assets*	205	1,119	166,597	167,921
Derivatives	82	–	–	82
Total plan investments	**$ 437,077**	**$ 401,233**	**$ 1,931,091**	**$ 2,769,401**
Fiscal Year 2012				
Cash and cash equivalents	$ 92,684	$ –	$ –	$ 92,684
US treasury	130,713	–	–	130,713
US government agency	–	18,253	–	18,253
Domestic bonds	–	53,331	–	53,331
Foreign bonds	–	265	–	265
Common equity				
Long domestic	63,258	996	2,100	66,354
Long foreign	14,669	3,721	–	18,390
Equity*				
Absolute return	–	334,067	289,429	623,496
Domestic	–	5,317	297,799	303,116
Foreign	2,874	190,879	158,171	351,924
Private	–	–	431,578	431,578
Real estate	–	–	294,379	294,379
Real assets*	–	18,935	157,611	176,546
Derivatives	(9)	6,976	–	6,967
Total plan investments	**$ 304,189**	**$ 632,740**	**$ 1,631,067**	**$ 2,567,996**

**Real assets and equity categories include commingled vehicles that invest in these types of investments.*

J. Retirement Benefits (continued)

Table 27B. Postretirement Welfare Benefit Plan Investments

(in thousands of dollars)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total fair value
Fiscal Year 2013				
Cash and cash equivalents	$ 23,812	$ –	$ –	$ 23,812
US government agency	–	–	–	–
Domestic bonds**	–	76,485	–	76,485
Common equity				
Long domestic	26,646	–	–	26,646
Long foreign	220	–	–	220
Equity*				
Absolute return	–	28,802	40,018	68,820
Domestic	–	–	62,147	62,147
Foreign	–	41,273	71,597	112,870
Private	–	–	20,826	20,826
Real estate	–	–	18,053	18,053
Real assets*	–	–	5,254	5,254
Derivatives	–	–	–	–
Total plan investments	**$ 50,678**	**$ 146,560**	**$ 217,895**	**$ 415,133**
Fiscal Year 2012				
Cash and cash equivalents	$ 26,512	$ –	$ –	$ 26,512
US government agency	–	2,147	–	2,147
Domestic bonds**	–	66,632	–	66,632
Common equity				
Long domestic	24,026	–	–	24,026
Long foreign	1,565	–	–	1,565
Equity*				
Absolute return	–	53,986	21,705	75,691
Domestic**	–	325	49,236	49,561
Foreign	6,146	64,168	5,906	76,220
Private	–	–	16,936	16,936
Real estate	–	–	14,627	14,627
Real assets*	–	–	3,502	3,502
Derivatives	–	1,596	–	1,596
Total plan investments	**$ 58,249**	**$ 188,854**	**$ 111,912**	**$ 359,015**

**Real assets and equity categories include commingled vehicles that invest in these types of investments.*

*** Includes one common collective trust (CCT) WTC CTF Core Bond fund.*

J. Retirement Benefits (continued)

Table 28 is a rollforward of the investments classified by MIT's defined benefit plan and postretirement welfare benefit plan within Level 3 of the fair value hierarchy defined in Note B as at June 30, 2013 and 2012.

Table 28. Rollforward of Level 3 Investments

(in thousands of dollars)	Fair Value Beginning	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfer of Assets between levels	Fair Value Ending
Defined Benefit Plan							
Fiscal Year 2013							
Common equity:							
Domestic	$ 2,100	$ –	$ –	$ 909	$ (909)	$ –	$ 2,100
Foreign	–	5	–	–	(5)	–	–
Equity:							
Absolute return	289,429	–	(1,018)	92,136	(124,527)	10,387	266,407
Domestic	297,799	–	65,532	80,463	(67,859)	2,927	378,862
Foreign	158,171	–	45,583	230,398	(32,620)	(57,234)	344,298
Private	431,578	(218)	14,517	81,197	(71,224)	–	455,850
Real estate	294,379	–	19,976	64,595	(61,973)	–	316,977
Real assets	157,611	(2,176)	998	21,554	(11,390)	–	166,597
Totals	**$ 1,631,067**	**$ (2,389)**	**$ 145,588**	**$ 571,252**	**$ (370,507)**	**$ (43,920)**	**$ 1,931,091**
Fiscal Year 2012							
Common equity:							
Domestic	$ 1,049	$ 544	$ –	$ 1,191	$ (684)	$ –	$ 2,100
Equity:							
Absolute return	444,384	(1,938)	(1,054)	41,047	(43,593)	(149,417)	289,429
Domestic	175,339	(3,639)	40,285	98,279	(12,465)	–	297,799
Foreign	137,014	(7,051)	10,225	40,908	(22,925)	–	158,171
Private	399,681	(11,085)	23,412	68,569	(48,999)	–	431,578
Real estate	282,404	–	9,552	52,080	(49,657)	–	294,379
Real assets	180,268	–	(12,828)	4,307	(14,136)	–	157,611
Totals	**$ 1,620,139**	**$ (23,169)**	**$ 69,592**	**$ 306,381**	**$ (192,459)**	**$ (149,417)**	**$ 1,631,067**
Postretirement Welfare Benefit Plan							
Fiscal Year 2013							
Equity:							
Absolute return	$ 21,705	$ –	$ 2,388	$ 9,436	$ (9,380)	$ 15,869	$ 40,018
Domestic	49,236	–	10,720	11,719	(9,853)	325	62,147
Foreign	5,906	–	9,728	54,518	(5,383)	6,828	71,597
Private	16,936	–	705	7,307	(4,122)	–	20,826
Real estate	14,627	–	1,695	6,694	(4,963)	–	18,053
Real assets	3,502	–	(2)	1,935	(181)	–	5,254
Totals	**$ 111,912**	**$ –**	**$ 25,234**	**$ 91,609**	**$ (33,882)**	**$** 23,022	**$ 217,895**
Fiscal Year 2012							
Equity:							
Absolute return	$ 22,134	$ –	$ 230	$ 3,827	$ (2,560)	$ (1,926)	$ 21,705
Domestic	19,876	–	5,292	24,068	-	–	49,236
Foreign	8,670	(730)	1,115	2,400	(2,424)	(3,125)	5,906
Private	11,786	–	969	5,508	(1,327)	–	16,936
Real estate	10,344	–	1,393	5,044	(2,154)	–	14,627
Real assets	3,059	–	121	371	(49)	–	3,502
Totals	**$ 75,869**	**$ (730)**	**$ 9,120**	**$ 41,218**	**$ (8,514)**	**$ (5,051)**	**$ 111,912**

J. Retirement Benefits (continued)

The plans have made investments in various long-lived partnerships, and in other cases, have entered into contractual arrangements that may limit their ability to initiate redemptions due to notice periods, lock-ups and gates. Details on estimated remaining life, current redemption terms and restrictions by asset class and type of investment for both the defined benefit plan and postretirement welfare benefit plan are provided below as of June 30, 2013 and 2012.

Table 29. Unfunded Commitments

Asset Class *(in thousands of dollars)*	2013 Unfunded Commitments	2013 Fair Value	2012 Unfunded Commitments	2012 Fair Value	Redemption Terms	Redemption Restrictions
Defined Benefit Plan						
Equity:						
Domestic	$ 2,126	$ 378,862	$ 2,382	$ 303,116	Redemption terms range from daily to annually with 90 days notice	Lock-up provision range from none to 4 years
Foreign	21,600	565,156	54,900	351,924	Redemption terms range from daily to quarterly with 90 days notice	Lock-up provision range from none to 8 years
Absolute return	25,251	360,818	25,724	623,496	Redemption terms range from monthly with 3 business days notice to closed end structure not available for redemption	Lock-up provision range from none to not redeemable
Private	191,245	455,850	232,418	431,578	Closed end funds not eligible for redemption	Not redeemable
Real estate	150,491	316,977	185,374	294,379	Redemption terms range from 1 fund quarterly with 45 days notice to all other funds are closed end funds not eligible for redemption	Not redeemable except holding with a lock-up provision of 5 years
Real assets	21,503	167,921	39,427	176,546	Redemption terms range from 1 fund annually with 90 days notice to all other funds are closed end funds not eligible for redemption	Not redeemable except for 1 fund with a lock-up provision of 4 years
Totals	**$ 412,216**	**$ 2,245,584**	**$ 540,225**	**$ 2,181,039**		
Postretirement Welfare Benefit Plan						
Equity:						
Domestic	$ 236	$ 62,147	$ 265	$ 49,561	Redemption terms range from quarterly with 60 days notice to annually with 90 day notice	Lock-up provision range from 30 months to 4 years
Foreign	2,400	112,870	6,100	76,220	Redemption terms range from daily with 28 days notice to annually with 60 day notice	Lock-up provision range from none to 5 years
Absolute return	1,266	68,820	1,577	75,691	Redemption terms range from monthly with 3 business days notice to quarterly with 90 days notice	Lock-up provision range from none to 5 years
Private	19,038	20,826	21,754	16,936	Closed end funds not eligible for redemption	Not redeemable
Real estate	13,342	18,053	16,780	14,627	Closed end funds not eligible for redemption	Not redeemable
Real assets	2,004	5,254	3,938	3,502	Closed end funds not eligible for redemption	Not redeemable
Totals	**$ 38,286**	**$ 287,970**	**$ 50,414**	**$ 236,537**		

J. Retirement Benefits (continued)

Target allocations and weighted-average asset allocations of the investment portfolio for the MIT defined benefit plan and postretirement welfare benefit plan at June 30, 2013 and 2012, are shown in Table 30.

Table 30. Plan Investment Allocation

	Defined benefit plan Plan assets as of June 30			Postretirement welfare benefit plan Plan assets as of June 30		
	Target Allocation	2013	2012	Target Allocation	2013	2012
Cash and cash equivalents	(5)-5%	7%	4%	(5)-5%	6%	8%
Fixed income	3-13%	10%	8%	10-20%	18%	19%
Equities	30.5-70.5%	52%	46%	35-75%	54%	47%
Marketable alternatives	16.5-26.5%	13%	24%	17.5-27.5%	17%	21%
Real assets	4-14%	6%	7%	0-7.5%	1%	1%
Real estate	6-16%	12%	11%	0-10%	4%	4%
Total		**100%**	**100%**		**100%**	**100%**

The following tables summarize the notional exposure and net ending fair value of derivative financial instruments held by the MIT defined benefit plan and postretirement welfare benefit plan at June 30, 2013 and 2012. Refer to Note C for detailed discussion regarding derivative financial instruments.

Table 31A. Derivative Financial Instruments for Defined Benefit Plan

	Notional exposure			
(in thousands of dollars)	Long	Short	Net ending fair value amount	Net gain (loss)
Fiscal Year 2013				
Fixed income instruments				
Fixed income futures	$ 3,600	$ (5,500)	$ 82	$ 91
Interest rate swaps	–	–	–	(43)
Total fixed income instruments	**3,600**	**(5,500)**	**82**	**48**
Currency forwards and other instruments				
Currency forwards and other instruments	–	–	–	6
Commodity and index instruments				
IOS index swaps	–	–	–	157
Credit instruments	–	–	–	(1,372)
2013 Total	**$ 3,600**	**$ (5,500)**	**$ 82**	**$ (1,161)**
Fiscal Year 2012				
Fixed income instruments				
Fixed income futures	$ –	$ (3,700)	$ (9)	$ 8
Interest rate swaps	–	(3,743)	(85)	(1,056)
Total fixed income instruments	**–**	**(7,443)**	**(94)**	**(1,048)**
Commodity and other instruments				
IOS index swaps	–	(7,322)	5	205
Credit instruments	–	(13,027)	7,056	(27)
2012 Total	**$ –**	**$ (27,792)**	**$ 6,967**	**$ (870)**

J. Retirement Benefits (continued)

In fiscal 2013, there were no derivatives held by the postretirement welfare benefit plan. The credit instruments generated $0.3 million loss for the year. Fiscal 2012 information is summarized below.

Table 31B. Derivative Financial Instruments for Postretirement Welfare Benefit Plan

(in thousands of dollars)	Notional exposure Long	Notional exposure Short	Net ending fair value amount	Net gain (loss)
Fiscal Year 2012				
Fixed income instruments				
Interest rate swaps	$ –	$ (857)	$ (19)	$ (242)
Total fixed income instruments	**–**	**(857)**	**(19)**	**(242)**
Commodity and other instruments				
IOS index swaps	$ –	$ (1,675)	$ 1	$ 47
Total index instruments	–	(1,675)	1	47
Credit instruments	–	(2,981)	1,614	(6)
2012 Total	**$ –**	**$ (5,513)**	**$ 1,596**	**$ (201)**

Table 32 summarizes the notional amounts and fair value of the purchased and written credit derivatives classified by the expiration terms and the external credit ratings of the reference obligations. These credit derivatives for both plans were liquidated during fiscal 2013 generating a loss of $1.4 million and $0.3 million for the ABX-AA indexes for the defined benefit plan and the postretirement welfare benefit plan, respectively. Fiscal 2012 information is summarized below.

Table 32. Credit Derivatives

	Purchased protection			
(in thousands of dollars)	Purchased notional amounts	Purchased fair value*	Years to maturity <5 years	Years to maturity 5-10 years
Defined Benefit Plan				
Fiscal Year 2012				
Credit rating on underlying or index				
ABX-AA index	$ 13,027	$ 7,056	$ –	$ 13,027
ABX--AAA index	–	–	–	–
2012 Total	**$ 13,027**	**$ 7,056**	**$ –**	**$ 13,027**
Postretirement Welfare Benefit Plan				
Fiscal Year 2012				
Credit rating on underlying or index				
ABX--AA index	$ 2,981	$ 1,614	$ –	$ 2,981
ABX--AAA index	–	–	–	–
2012 Total	**$ 2,981**	**$ 1,614**	**$ –**	**$ 2,981**

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

J. Retirement Benefits (continued)

Contributions

In 2014, MIT expects to make contributions of $20.4 million and $9.7 million to its defined benefit pension plan and postretirement welfare benefit plan, respectively. These contributions have been estimated based on the same assumptions used to measure MIT's benefit obligations at June 30, 2013. MIT contributed $35.6 million and $52.9 million to the postretirement welfare benefit plan in 2013 and 2012, respectively.

Expected Future Benefit Payments

Table 33 reflects total expected benefit payments for the defined benefit and postretirement welfare benefit plans. These payments have been estimated based on the same assumptions used to measure MIT's benefit obligations at June 30, 2013.

Table 33. Expected Future Benefit Payments

(in thousands of dollars)	Pension benefits	Other Benefits*
2014	$ 145,636	$ 23,681
2015	154,008	26,406
2016	159,000	28,933
2017	164,180	31,092
2018	170,020	32,891
2019-2023	917,584	187,090

** Other benefits reflect the total net benefits expected to be paid from the plans (i.e., gross benefit reimbursements offset by retiree contributions).*

K. Components of Net Assets and Endowment

Table 34 presents the total net assets composition as of June 30, 2013. The amounts listed in the unrestricted category under endowment funds are those gifts and other funds received over the years that MIT designated as funds functioning as endowment and invested with the endowment funds. A large component of temporarily restricted net assets in other invested funds is pledges, the majority of which will be reclassified to unrestricted net assets when cash is received.

Table 34. Total Net Asset Composition

(in thousands of dollars)	2013 Unrestricted	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total	2012 Total
Endowment funds					
General purpose	$ 739,162	$ 870,306	$ 213,760	$ 1,823,228	$ 1,970,777
Departments and research	492,137	792,875	524,831	1,809,843	1,627,569
Library	9,837	17,916	8,399	36,152	33,735
Salaries and wages	445,062	2,073,659	647,309	3,166,030	2,979,258
Graduate general	62,824	108,813	88,625	260,262	241,376
Graduate departments	90,778	260,981	204,768	556,527	508,759
Undergraduate	183,818	868,077	324,260	1,376,155	1,290,582
Prizes	7,028	22,824	19,342	49,194	45,275
Miscellaneous	891,085	156,003	426,326	1,473,414	1,161,177
Investment income held for distribution	307,171	–	–	307,171	291,056
Endowment funds before pledges	3,228,902	5,171,454	2,457,620	10,857,976	10,149,564
Pledges	–	–	147,956	147,956	158,710
Total endowment funds	**3,228,902**	**5,171,454**	**2,605,576**	**11,005,932**	**10,308,274**
Other invested funds					
Student loan funds	20,466	–	17,313	37,779	38,102
Building funds	57,525	77,818	–	135,343	78,786
Designated purposes:					
Departments and research	265,216	–	–	265,216	270,541
Other purposes	417,275	45,474	–	462,749	309,261
Real estate gift held for sale	7,237	–	–	7,237	1,592
Life income funds	4,430	40,879	90,076	135,385	133,219
Pledges	–	256,638	–	256,638	320,948
Other funds available for current expenses	919,860	52,028	–	971,888	453,036
Funds expended for educational plant	580,044	–	–	580,044	581,149
Total other invested funds	**2,272,053**	**472,837**	**107,389**	**2,852,279**	**2,186,634**
Noncontrolling interests	274,663	–	–	274,663	304,436
Total net assets at fair value	**$ 5,775,618**	**$ 5,644,291**	**$ 2,712,965**	**$ 14,132,874**	**$ 12,799,344**

K. Components of Net Assets and Endowment (continued)

MIT's endowment consists of approximately 3,500 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Executive Committee of the MIT Corporation (Executive Committee) to function as endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

Table 35. Endowment Net Asset Composition by Type of Fund

(in thousands of dollars)	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal Year 2013				
Donor-restricted endowment funds . .	$ (1,191)	$ 5,171,454	$ 2,605,576	$ 7,775,839
Board-designated endowment funds. .	3,230,093	–	–	3,230,093
Total endowment funds	**$ 3,228,902**	**$ 5,171,454**	**$ 2,605,576**	**$ 11,005,932**
Fiscal Year 2012				
Donor-restricted endowment funds . .	$ (3,444)	$ 4,786,012	$ 2,519,059	$ 7,301,627
Board-designated endowment funds. .	3,006,647	–	–	3,006,647
Total endowment funds	**$ 3,003,203**	**$ 4,786,012**	**$ 2,519,059**	**$ 10,308,274**

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets. Total underwater endowment funds reported in unrestricted net assets were $1.2 million and $3.4 million as of June 30, 2013 and 2012, respectively. The underwater status of these funds resulted from unfavorable market fluctuations.

K. Components of Net Assets and Endowment (continued)

Table 36. Changes in Endowment Net Assets

(in thousands of dollars)	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal Year 2013				
Endowment net assets, July 1, 2012	$ 3,003,203	$ 4,786,012	$ 2,519,059	$ 10,308,274
Investment return				
Investment income	19,388	48,080	13,054	80,522
Net appreciation (realized and unrealized)	294,247	669,225	15,983	979,455
Total investment return	313,635	717,305	29,037	1,059,977
Contributions	–	–	67,718	67,718
Appropriation of endowment assets for expenditure	(151,382)	(330,147)	(17,770)	(499,299)
Other charges				
Underwater gain adjustment	2,253	(2,253)	–	–
Net asset reclassifications and transfers to create board-designated endowment funds	61,193	537	7,532	69,262
Endowment net assets, June 30, 2013	**$ 3,228,902**	**$ 5,171,454**	**$ 2,605,576**	**$ 11,005,932**
Fiscal Year 2012				
Endowment net assets, July 1, 2011	$ 2,889,595	$ 4,598,751	$ 2,365,228	$ 9,853,574
Investment return				
Investment income	20,170	37,982	19,921	78,073
Net appreciation (realized and unrealized)	201,806	447,240	15,200	664,246
Total investment return	221,976	485,222	35,121	742,319
Contributions	–	–	115,592	115,592
Appropriation of endowment assets for expenditure	(142,780)	(312,757)	(13,067)	(468,604)
Other charges				
Underwater gain adjustment	3,627	(3,627)	–	–
Net asset reclassifications and transfers to create board-designated endowment funds	30,785	18,423	16,185	65,393
Endowment net assets, June 30, 2012	**$ 3,003,203**	**$ 4,786,012**	**$ 2,519,059**	**$ 10,308,274**

K. Components of Net Assets and Endowment (continued)

Investment and Spending Policies

MIT maintains its investments primarily in two investment pools: Pool A, principally for endowment and funds functioning as endowment, and Pool C, principally for investment of current funds of MIT's schools and departments and MIT's operating funds. Pool A operates as a mutual fund with units purchased and redeemed based on the previous month's unit market value of Pool A. The total market value of Pool A was $11,753.8 million at June 30, 2013 and $10,970.0 million at June 30, 2012. Pool A includes certain operating and life income funds totaling $1,331.3 million at June 30, 2013 and $1,246.5 million at June 30, 2012. Certain assets are also maintained in separately invested funds. Separately invested funds totaled $435.4 million at June 30, 2013 and $426.3 million at June 30, 2012.

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

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

The Executive Committee of the Corporation votes to distribute funds for operational support from general investments. In accordance with MIT's spending policy, these distributions are funded from both investment income and market appreciation. The distribution rates were $60.84 and $58.73 per Pool A unit as of June 30, 2013 and 2012, respectively. In 2013, the amount distributed for spending from Pool A and Pool C totaled $585.8 million, compared to $554.3 million distributed in 2012. Included in this amount was a special distribution of $24.0 million and $17.7 million from gains in Pool C in 2013 and 2012, respectively. During 2013, distributions from separately invested funds were $18.8 million, compared to $13.1 million in 2012. The income earned in Pool C, or currently invested funds, was fully distributed.

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Independent Auditor's Report

To the Risk and Audit Committee of the
Massachusetts Institute of Technology:

We have audited the accompanying consolidated financial statements of the Massachusetts Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Institute's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology at June 30, 2013, and the changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited the Massachusetts Institute of Technology's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30,2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

September 13, 2013

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www. pwc.com/us

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights

(in thousands of dollars)

	2013	2012	2011	2010	2009
Financial Position:					
Investments, at fair value	$ 13,830,100	$12,847,866	$12,236,531	$ 9,950,239	$ 9,558,331
Land, buildings, and equipment, at cost less accumulated depreciation	2,516,264	2,497,711	2,451,479	2,327,810	2,122,606
Borrowings	2,428,215	2,460,002	2,467,825	1,728,526	1,735,843
Total assets	17,719,840	16,738,758	16,052,231	13,415,618	12,950,103
Total liabilities	3,586,966	3,939,414	3,664,500	3,091,313	3,003,715
Unrestricted net assets	5,775,618	4,888,952	4,885,321	3,759,301	3,559,925
Temporarily restricted net assets	5,644,291	5,297,554	5,044,519	4,463,066	4,401,015
Permanently restricted net assets	2,712,965	2,612,838	2,457,891	2,101,938	1,985,448
Total net assets	14,132,874	12,799,344	12,387,731	10,324,305	9,946,388
Total endowment funds before pledges	10,857,976	10,149,564	9,712,628	8,317,321	7,880,321
Principal Sources of Revenue:					
Tuition and similar revenues	$ 568,957	$ 527,702	$ 493,777	$ 468,570	$ 431,772
Research revenues:					
Campus direct	473,220	471,155	456,416	431,611	497,493
Campus indirect	188,742	183,200	162,497	175,525	193,289
Lincoln Laboratory direct	860,190	819,645	770,672	719,883	642,101
Lincoln Laboratory indirect	30,783	25,263	34,111	24,449	27,667
SMART direct	47,332	28,311	23,300	20,912	14,026
SMART indirect	193	276	210	223	496
Gifts, bequests, and pledges	325,018	433,424	522,409	246,580	303,890
Net gain (loss) on investments and other assets	1,164,163	738,308	1,483,669	784,348	(1,854,380)
Investment income and distributions	604,753	554,627	505,503	566,110	586,576
Principal Purposes of Expenditures:					
Total operating expenditures	$ 2,908,577	$ 2,744,586	$ 2,571,147	$ 2,382,566	$ 2,461,286
General and administrative	681,505	604,320	523,676	461,186	497,043
Instruction and unsponsored research	692,032	673,851	659,839	613,345	680,848
Direct cost of sponsored research current dollars	1,397,857	1,335,638	1,265,776	1,192,041	1,167,036
Direct cost of sponsored research constant dollars (2009 = 100)	1,296,986	1,259,884	1,228,966	1,180,616	1,167,036

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

(in thousands of dollars)

	2013	2012	2011	2010	2009
Research Revenues: [A]					
Campus:					
Federal government sponsored:					
Health and Human Services	$ 119,908	$ 133,687	$ 152,664	$ 144,561	$ 255,896
Department of Defense	127,967	117,458	107,753	106,890	97,528
Department of Energy	88,988	90,940	89,562	73,274	65,773
National Science Foundation	79,255	81,487	74,859	69,801	61,386
National Aeronautics and Space Administration	29,835	30,204	28,080	30,629	27,358
Other Federal	19,994	18,807	16,602	12,717	14,559
Total Federal	465,947	472,583	469,520	437,872	522,500
Non-Federally sponsored:					
State/local/foreign governments	33,429	38,273	32,969	33,339	27,145
Non-profits	58,227	48,373	44,436	50,639	60,538
Industry	106,447	109,745	100,763	93,330	99,219
Total non-Federal	198,103	196,391	178,168	177,308	186,902
Total Federal and non-Federal	664,050	668,974	647,688	615,180	709,402
F&A and other adjustments	(2,088)	(14,619)	(28,775)	(11,044)	(18,620)
Total Campus	661,962	654,355	618,913	604,136	690,782
Lincoln Laboratory:					
Federal government sponsored	890,973	844,202	803,599	749,974	675,329
Non-Federally sponsored	1,622	2,023	2,511	3,068	2,989
F&A and other adjustments	(1,622)	(1,317)	(1,327)	(8,710)	(8,550)
Total Lincoln Laboratory	890,973	844,908	804,783	744,332	669,768
SMART: [B]					
Non-Federal sponsored	47,525	28,587	23,510	21,135	14,522
Total SMART	47,525	28,587	23,510	21,135	14,522
Total research revenues	**$ 1,600,460**	**$ 1,527,850**	**$ 1,447,206**	**$1,369,603**	**$1,375,072**

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

[B] *The amounts represents research that has taken place in Singapore*

Massachusetts Institute of Technology
Five-Year Trend Analysis – Financial Highlights (continued)

	2013	2012	2011	2010	2009
Students:					
Undergraduate					
Full-time	4,480	4,354	4,252	4,201	4,118
Part-time	23	30	47	31	35
Undergraduate applications					
Applicants	18,109	17,909	16,632	15,663	13,396
Accepted	1,620	1,742	1,676	1,676	1,589
Acceptance rate	9%	10%	10%	11%	12%
Enrolled	1,135	1,126	1,067	1,072	1,048
Yield	70%	65%	64%	64%	66%
Freshman ranking in the top 10% of their class	98%	97%	98%	95%	97%
Average SAT Scores (math and verbal)	1,481	1,472	1,473	1,455	1,453
Graduate					
Full-time	6,537	6,342	6,108	6,022	5,991
Part-time	149	168	159	130	155
Graduate applications					
Applicants	22,588	22,219	22,139	19,336	17,323
Accepted	3,504	3,306	3,431	2,994	3,215
Acceptance rate	16%	15%	15%	15%	19%
Enrolled	2,229	2,118	2,141	1,939	2,000
Yield	64%	64%	62%	65%	62%
Tuition *(in dollars)*:					
Tuition and fees	$ 42,050	$ 40,732	$ 39,212	$ 37,782	$ 36,390
Average room and board	12,188	11,775	11,234	11,360	10,860
Student Support *(in thousands of dollars)*:					
Undergraduate tuition support	$ 101,831	$ 102,081	$ 92,060	$ 89,813	$ 78,534
Graduate tuition support	226,158	215,702	201,995	195,178	187,732
Fellowship stipends	36,173	33,263	30,435	28,104	27,509
Student loans	9,669	9,556	9,968	9,641	9,641
Student employment	96,446	90,135	85,335	84,304	82,287
Total student support	**$ 470,277**	**$ 450,737**	**$ 419,793**	**$ 407,040**	**$ 385,703**
Faculty and Staff *(including unpaid appointments)*:					
Faculty	1,022	1,018	1,017	1,025	1,008
Staff and fellows	13,416	13,109	12,662	12,577	13,393

Report of the Treasurer

for the year ended
June 30, 2013

Massachusetts
Institute of
Technology

cover photo: Hoyin Au
CPS 13 08 0094

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Definitions

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

"Authorized Denomination" means $1,000 or any multiple integral thereof.

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

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

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

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

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

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

"Certificate," "Statement," "Request" and "Requisition" of the Institution mean, respectively, a written certificate, statement, request or requisition signed in the name of the

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

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

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

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

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

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

"Designated Office" means the Designated Office of the Trustee, which as of the date of the Indenture is located at 135 Santilli Highway, AIM 026-0018, Everett, Massachusetts 02149 Attention: Corporate Trust Department, and such other offices as the Trustee may designate from time to time by written notice to the Institution and the Holders.

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

"DTC Custodian" means the Trustee as a custodian for DTC.

"Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

"Event of Default" means any of the events specified in the Indenture.

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

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

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

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

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

"Interest Payment Date" means January 1 and July 1 of each year, commencing July 1, 2014.

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

"Make-Whole Redemption Price" means an amount equal to the greater of:

(1) 100% of the principal amount of any Bonds being redeemed; and

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

plus, in each case accrued and unpaid interest on such Bonds to be redeemed on the redemption date.

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

"Offering Memorandum" means the final offering memorandum dated April 1, 2014, relating to the Bonds.

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

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Institution shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) referred to in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Payment Date" means an Interest Payment Date or the Principal Payment Date.

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

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

"Principal Payment Date" means July 1, 2114, the date of final maturity of the Bonds.

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

"Rating Agency" means Moody's and S&P.

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

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

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

"Redemption Price" means the Make-Whole Redemption Price.

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

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

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

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution upon notice to the Trustee.

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

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

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

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

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

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

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

Establishment and Pledge of Indenture Fund

Subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture Fund and all amounts held therein are pledged, assigned and transferred by the Institution to the Trustee for the benefit of the Bondholders to secure the full payment of the principal or Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The Institution hereby grants to the Trustee a security interest in and acknowledges and agrees that the Indenture Fund and all amounts on deposit therein shall constitute collateral security to secure the full payment of the principal or Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. For purposes of creating, perfecting and maintaining the security interest of the Trustee on behalf of the Bondholders in and to the Indenture Fund and all amounts on deposit therein, the parties to the Indenture agree as follows: (1) the Indenture shall constitute a "security agreement" for purposes of the Uniform Commercial Code; (2) the Trustee shall maintain on its books records reflecting the interest, as set forth in the Indenture, of the Bondholders in the Indenture Fund and/or the amounts on deposit therein; and (3) the Indenture Fund and the amounts on deposit therein and any proceeds thereof shall be held by the Trustee acting in its capacity as an agent of the Bondholders, and the holding of such items by the Trustee (including the transfer of any items among the funds and accounts in the Indenture Fund) is deemed possession of such items on behalf of the Bondholders.

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

Funds and Accounts

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

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

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

Bond Fund. Upon the receipt thereof, the Trustee shall deposit all payments received from the Institution (other than proceeds from the sale of the Bonds which are to be deposited in the Project Fund, amounts which are to be deposited in the Redemption Fund or income or profit from investments which are to be applied pursuant to the Indenture) in a special fund designated the Massachusetts Institute of Technology Series C "Bond Fund" which the Trustee shall establish and maintain and hold in trust and which shall be disbursed and applied only as authorized in the Indenture.

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

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

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

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

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

(A) *Payments by the Institution; Allocation of Funds*. On or before 11:00 AM on each Payment Date, until the principal of and interest on the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Institution shall pay to the Trustee a sum equal to the amount payable on such Payment Date as principal of and interest on the Bonds. Each payment made pursuant to this paragraph shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon acceleration) becoming due and payable on the Bonds on such Payment Date. If on any Payment Date the amounts held by the Trustee in the accounts within the Bond Fund are insufficient to make any required payments of principal of (whether at maturity or upon acceleration) and interest on the Bonds as such payments become due, the Institution shall forthwith pay such deficiency to the Trustee.

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

Validity of Bonds

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

Additional Bonds

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

Use of Securities Depository

The Bonds will be issued as Global Bonds.

Notwithstanding any provision of the Indenture to the contrary:

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

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

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

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

Particular Covenants

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

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

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

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

Accounting Records and Financial Statements. With respect to each fund or account established and maintained by the Trustee pursuant to the Indenture, the Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with corporate trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of payments received from the Institution and the proceeds of the Bonds. Such books of record and account shall be available for inspection by the Institution and any Bondholder, or his or her agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

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

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

Events of Default and Remedies of Bondholders

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

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

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

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

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

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

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

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

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

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

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

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

Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an

Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, or in such Holders under the Bonds, the Indenture or any applicable law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the amounts pledged under the Indenture, pending such proceedings. If more than one such request is received by the Trustee from the Holders, the Trustee shall follow the written request executed by the Holders of the greatest percentage (which percentage shall be, in any case, not less than a majority in aggregate principal amount) of the Bonds then Outstanding. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

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

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

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

Absolute Obligation of Institution. Notwithstanding any other provision of the Indenture, or in the Bonds, nothing shall affect or impair the obligation of the Institution, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, or, subject to the provisions of the Indenture regarding limitation on Bondholders' right to sue, affect or impair the right of such Holders to enforce such payment by virtue of the contract embodied in the Bonds.

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

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

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

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

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

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

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

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

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

The Trustee

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

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

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

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of itself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Institution and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Institution shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Institution shall mail or cause to be mailed (at the expense of the Institution) a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the registration books maintained by the Trustee. If the Institution fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Institution.

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

Modification or Amendment of the Indenture

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

Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Institution and the Trustee of any Supplemental Indenture pursuant to this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

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

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

The Trustee shall not be obligated to enter into any such Supplemental Indenture without first receiving an Opinion of Counsel to the effect that such Supplemental Indenture is authorized and permitted by the terms of the Indenture and in compliance with all conditions precedent.

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

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

Defeasance

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

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

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

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

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for three years (or, if shorter, one day before such moneys would escheat to The Commonwealth of Massachusetts under then applicable Massachusetts law) after such principal, Redemption Price or interest, as the case may be, has become due and payable (whether at maturity or upon call for redemption), shall be repaid to the Institution free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Institution and the Trustee indemnifying the Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Trustee and the Institution with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Institution as aforesaid, the Trustee may (at the cost of the Institution) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Institution of the moneys held for the payment thereof.

Litigation of Rights to Parties and Bondholders

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

Evidence of Rights of Bondholders

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

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

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

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

Waiver of Personal Liability

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

Governing Law; Venue

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

CUSIP Numbers

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

APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

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April 8, 2014

Massachusetts Institute of Technology
77 Massachusetts Avenue
Cambridge, MA 02139

Ladies and Gentlemen:

As counsel for Massachusetts Institute of Technology (the "Institution"), we have been requested to furnish you with an opinion in connection with the proposed issue by the Institution of $550,000,000 principal amount of Taxable Bonds, Series C (the "Bonds").

We have examined executed copies of the Indenture of Trust dated as of April 1, 2014 (the "Indenture of Trust") between the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and a certified copy of proceedings of the Institution authorizing the execution of the Indenture of Trust and certain other documents.

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

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

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

1. The Indenture of Trust has been duly authorized, executed and delivered and constitutes a valid and legally binding obligation of the Institution and, subject to the qualifications stated in the unnumbered paragraphs at the end of this opinion, is enforceable against the Institution in accordance with its terms.

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

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

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

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

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

Very truly yours,

Nixon Peabody LLP

MASSACHUSETTS INSTITUTE OF TECHNOLOGY • Taxable Bonds, Series C

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