NEW ISSUE – BOOK-ENTRY ONLY

$500,000,000
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
Taxable Bonds, Series E

3.885% Bonds, due July 1, 2116 Issue Price: 100% CUSIP No. 575718 AF8[+]

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

The Massachusetts Institute of Technology Taxable Bonds, Series E (the "Bonds"), will be issued pursuant to the terms of an Indenture of Trust, dated as of August 1, 2016 (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 to pay costs of issuance.

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

Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing on January 1, 2017. 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 AND GLOBAL CLEARANCE PROCEDURES" 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, 2015" 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 August 2, 2016.

J.P. Morgan **Barclays**

July 26, 2016

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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 J.P. Morgan Securities LLC and Barclays Capital Inc. (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, 2015." 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 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 ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE “FIEA”). 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 (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE G OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), 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 FIEA 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 FIEA. 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 CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”). A QII 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 UNDER THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SECURITIES AND FUTURES ACT"). ACCORDINGLY, MONETARY AUTHORITY OF SINGAPORE ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS AS DEFINED IN THE SECURITIES AND FUTURES ACT AND STATUTORY LIABILITY UNDER THE SECURITIES AND FUTURES ACT 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 HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE, AND THE BONDS WILL BE OFFERED PURSUANT TO EXEMPTIONS UNDER THE SECURITIES AND FUTURES ACT. ACCORDINGLY, THIS OFFERING MEMORANDUM OR ANY DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF ANY BONDS, MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO ANY PERSON IN SINGAPORE OTHER THAN (A) TO AN INSTITUTIONAL INVESTOR PURSUANT TO SECTION 274 OF THE SECURITIES AND FUTURES ACT, (B) TO A RELEVANT PERSON UNDER SECTION 275(1) OF THE SECURITIES AND FUTURES ACT, OR TO ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SECURITIES AND FUTURES ACT AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SECURITIES AND FUTURES ACT, OR (C) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SECURITIES AND FUTURES ACT.

EACH OF THE FOLLOWING PERSONS SPECIFIED IN SECTION 275 OF THE SECURITIES AND FUTURES ACT WHICH HAS SUBSCRIBED OR PURCHASED BONDS, NAMELY A PERSON WHO IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SECURITIES AND FUTURES ACT)) 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;

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SHOULD NOTE THAT SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST IN THAT TRUST SHALL NOT BE TRANSFERABLE FOR 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS UNDER SECTION 275 OF THE SECURITIES AND FUTURES ACT EXCEPT:

(I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT OR TO A RELEVANT PERSON OR TO ANY PERSON PURSUANT TO SECTION 275(2) OF THE

SECURITIES AND FUTURES ACT, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SECURITIES AND FUTURES ACT;

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

(III) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(IV) PURSUANT TO SECTION 276(7) OF THE SECURITIES AND FUTURES ACT; OR

(V) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATION 2005 OF SINGAPORE.

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 INSTITUTION. 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	$500,000,000 3.885% Taxable Bonds, Series E due July 1, 2116; price 100%
Interest Accrual Dates	Interest will accrue from the Date of Issuance
Interest Payment Dates	January 1 and July 1 of each year, commencing January 1, 2017
Redemption	The Bonds are subject to optional redemption at the Redemption Price as discussed more fully herein. See “THE BONDS – Redemption.”
Date of Issuance	August 2, 2016
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 to pay costs of issuance. See “PLAN OF FINANCE” herein.
Ratings	Moody’s: Aaa S&P: AAA

OFFERING MEMORANDUM

Relating to

$500,000,000

MASSACHUSETTS INSTITUTE OF TECHNOLOGY TAXABLE BONDS, SERIES E

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 $500,000,000 aggregate principal amount of its Massachusetts Institute of Technology Taxable Bonds, Series E (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

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 to pay costs of issuance. See "PLAN OF FINANCE" herein for further detail.

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, 2015" 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 August 1, 2016 (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, 2015, the outstanding indebtedness of the Institution totaled approximately $2.92 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX B – "REPORT OF THE TREASURER FOR THE YEAR ENDED JUNE 30, 2015" 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.

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 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.

Interest on the Bonds will be payable on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing on January 1, 2017, 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 (whether or not a Business Day) immediately preceding each Interest Payment Date. Notwithstanding the foregoing, as long as the Securities Depository 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 the Securities Depository by wire transfer in immediately available funds.

Book-Entry Only System and Global Clearance Procedures

The Bonds will be issued in fully registered form and, when issued, will be held by DTC through Cede & Co., as its nominee, as securities depository with respect to the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in the principal amount of $1,000 or any integral multiple thereof for sales made within the United States. For sales made outside the United States, the minimum purchase and trading amount for the Bonds is 150 units (i.e., 150 Bonds in an aggregate principal amount of $150,000) as described herein. Individual purchasers will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream Banking") or Euroclear Bank S.A./N.V. ("Euroclear") as operator of the Euroclear

System, directly as a participant or indirectly through organizations that are participants in such system. See APPENDIX E - "DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same-day funds on each Interest Payment Date. If the book-entry only system is discontinued, bond certificates will be delivered as described in the Indenture, and Beneficial Owners (as defined herein) will become registered owners of the Bonds (the "Bondholders"). If the book-entry only system is discontinued, interest on the Bonds will be payable on each Interest Payment Date by check or draft mailed to the registered owner at the address appears on the Bond Register as of the Record Date.

None of the Institution, the Trustee or the Underwriters will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any beneficial owner to receive payment in the event of a partial redemption of the Bonds or the manner in which DTC will administer a partial redemption of the Bonds or (iv) any other action taken by DTC or its nominee as owner of the Bonds. For more information on DTC, the book-entry only system, Clearstream Banking and Euroclear see APPENDIX E - "DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Neither the Institution nor the Underwriters have provided information in this Offering Memorandum with respect to DTC, Clearstream Banking and Euroclear and neither the Institution nor the Underwriters certify as to the accuracy or sufficiency of the disclosure policies of or content provided by DTC, Clearstream Banking and Euroclear and are not responsible for the information provided by DTC, Clearstream Banking and Euroclear.

Optional Redemption

The Bonds are subject to optional redemption prior to maturity from any source, in whole or in part on any Business Day (a "Redemption Date"), at the Redemption Price plus interest accrued to, but not including, the Redemption Date, on the Bonds, or portions thereof, being redeemed.

An independent accounting firm, investment banking firm or financial advisor is required to be retained by the Institution to calculate the Redemption Price.

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

(1) 100% of the principal amount of any Bonds, or portion thereof, being redeemed; and

(2) the sum of the present values of the remaining scheduled payments of principal of and interest on the Bonds, or portion thereof, being redeemed (exclusive of interest accrued and unpaid as of the Redemption Date), 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 25 basis points.

“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.

“Comparable Treasury Issue” means the United States Treasury security selected by a Designated Investment Banker as having an actual maturity comparable to the remaining term to maturity of the Bond to be optionally 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 comparable maturity to the remaining term of such Bond.

“Comparable Treasury Price” means, with respect to any such Redemption Date, (A) the average of Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

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

“Reference Treasury Dealer” means J.P. Morgan Securities LLC, Barclays Capital Inc., and three additional firms, as designated by the Institution, and the respective affiliates of each that are primary U.S. Government securities dealers (each a “Primary Treasury Dealer”), together with the respective successors of each of the foregoing; provided that, if any of them ceases to be a Primary Treasury Dealer, the Institution shall substitute therefore another Primary Treasury Dealer.

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

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

Partial Redemption of Bonds

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

Notice of Redemption

Notice of redemption will be mailed by the Trustee by first class mail, not less than thirty (30) days, nor more than sixty (60) days prior to the Redemption Date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. If the Bonds are no longer held by the Securities Depository or its successor or substitute, the Trustee shall also give notice of redemption by overnight mail to such securities depositories and/or securities information services as shall be designated in a certificate of the Institution. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Redemption Date, the 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.

With respect to the optional redemption of some or all of the Bonds, 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 optional redemption notice may be rescinded by written notice given to the Trustee by the Institution no later than five (5) Business Days prior to the Redemption Date. 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 Form and so long as the Securities Depository 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 the Securities Depository 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 the Securities Depository then in effect.

It is the Institution's intent that redemption allocations made by the Securities Depository 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 the Securities Depository, the Security Depository's direct and indirect participants or any other intermediary will allocate the redemption of Bonds on such basis. If the Securities Depository 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 the Securities Depository procedures, by lot.

If the Securities Depository 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.

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, 2015" 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 to pay costs of issuance. The Institution may invest the Project Fund in whatever investments it so elects, including in units of the endowment. 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

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 that acquire Bonds at their initial issue price 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.

Taxation of Interest 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 adjusted tax basis in the Bonds and capital gain to the extent of any excess received over such basis.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Bonds issued with original issue discount ("Discount Bonds"). A Bond will be treated as having been issued at an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Bond's "stated redemption price at maturity" is the total of all payments provided by the Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Bond for each day during the taxable year in which such holder held such Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount

Any owner who purchases a Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount 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 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

A tax of 3.8% generally is imposed on the “net investment income” of certain individuals, trusts and estates. 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 adjusted 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 Bondholder’s tax 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. The defeasance of the Bonds may also result in a deemed sale or exchange of such Bonds under certain circumstances.

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 federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal 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, its agents or paying agents or a broker 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 federal 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. Non-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 newly issued or reissued obligations, such as the Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018 (see IRS Notice 2015-66), gross proceeds of the sale of the Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, Bondholders or beneficial owners of the Bonds shall have no recourse against the Institution, nor will the Institution be obligated to pay any additional amounts to "gross up" payments to such persons, 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 federal 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, its agents or paying agents or a broker 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, its agents (in their capacity as such) or paying agents or a broker 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; however, such plans may be subject to similar provisions under applicable federal and state law. Furthermore, non-United States plans may be subject to requirements under non-U.S. law that are similar to such provisions of ERISA and the Code.

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 direct and indirect 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 Plan Investors") and persons who have certain specified relationships to the Benefit Plan Investors ("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. Compliance with the prohibited transaction rules of ERISA and the Code may also require a Benefit Plan Investor to undo or rescind the transaction, in the absence of an exemption. In addition, a prohibited transaction involving an IRA may cause the IRA to lose its tax-exempt status.

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 an ERISA Plan or Tax-Favored 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 an ERISA Plan or Tax-Favored Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan Investor 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 (including an ERISA Plan or Tax-Favored Plan) is prohibited.

However without regard to whether the Bonds are treated as an equity interest for such purposes, the acquisition or holding of Bonds by or on behalf of a Benefit Plan Investor 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 Investor.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between a Benefit Plan Investor and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan Investor would involve the lending of money or extension of credit by the Benefit Plan Investor. 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 certain 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 Investor involved and none of whom is a fiduciary with respect to the Benefit Plan Investor 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 Benefit Plan Investor, 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, church plan or plan subject to the requirements of non-U.S. law; 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 or similar law. 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, governmental plan, church plan or plan subject to the requirements of non-U.S. law represents that such purchaser or transferee has considered the fiduciary responsibility and prohibited transaction requirements of ERISA and the Code or other similar laws and has consulted with counsel with regard to the purchase or transfer.

Any fiduciary of a Benefit Plan Investor considering whether to purchase the Bonds on behalf of a Benefit Plan Investor 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 a benefit plan that is not a Benefit Plan Investor (including a governmental plan, a non-electing church plan or a plan that is a foreign plan under ERISA) should seek similar counsel with respect to the fiduciary responsibility and prohibited transaction provisions of laws applicable to such benefit plan that are similar to the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code.

UNDERWRITING

The Institution has entered into a purchase contract with the Underwriters listed on the cover hereof for whom J.P. Morgan Securities LLC is acting as representative, and the Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of $4,375,000 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.

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, 2015." Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Institution under those Continuing Disclosure Undertakings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Each Continuing Disclosure Undertaking terminates when the related Tax-Exempt 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 statements 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, 2015, with summarized comparative financial information as of and for the year ended June 30, 2014. These financial statements should be read in their entirety.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of June 30, 2015 and June 30, 2014 and for each of the two years in the period ended June 30, 2015, 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

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APPENDIX A

CERTAIN INFORMATION REGARDING THE INSTITUTION

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THE INSTITUTE

General

The Massachusetts Institute of Technology ("MIT" or the "Institute") is a private, nonprofit, coeducational, nonsectarian institution of higher education chartered under the laws of the Commonwealth of Massachusetts. Enrollment for the 2015-2016 academic year was 11,331 students of which 6,804 were full-time graduate students. The Institute has 1,036 faculty members and other academic staff totaling 4,406. 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 - Architecture and Planning; Engineering; Humanities, Arts and Social Sciences; Management; and Science - which contain 32 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 | Extending MIT's Culture of Creative Problem Solving

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." Since the final report was published in August 2014, MIT has taken up the challenge to enact a comprehensive vision, ranging from creating an Institute-wide learning initiative to enhancing MIT residential education to expanding efforts to use online learning to reach learners around the world. Between its founding in May 2012 and December 2015, edX (a non-profit online educational initiative founded by MIT and Harvard University) had served 6 million students from around the world, offered 800+ courses, and had 20 million course enrollments.

MIT continues to lead the charge in learning science and its application to fully realize the power of digital learning on campus and to use online technologies to further open MIT education to the world. In February 2016, MIT created the position of Vice President for Open Learning to foster and facilitate the growth of the science of learning, and work to disseminate and apply its lessons to serve learners around the world; use those lessons to enrich education at MIT and support the faculty in advancing digitally enabled educational innovation on campus; and extend the MIT educational experience to the world.

In the fall of 2013, MIT embarked on the creation of an "Innovation Initiative" to enhance and extend its culture of creative problem solving. President Reif charged MIT "to be faster and better than ever at identifying important problems around the world; at devising solutions that are ingenious and sustainable; at delivering them to the world swiftly, efficiently and at scale; and at conveying these same skills to our students." Today, the MIT Innovation Initiative (MITii) works with all five MIT schools to strengthen the educational pathways and networks for students, alumni, and partners to move ideas from conception to impact in MIT's tradition of mens et manus by combining hands-on, global opportunities for building expertise in the innovation process with insights developed from the evidence-based science of innovation.

Institute Facilities for Teaching and Research

MIT's Cambridge academic and research building portfolio includes 156 buildings, with a total building area of approximately 13 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 78 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 25 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 no fewer than 7 or more than ten members elected by the Corporation. Currently, there are 9 members of the Executive Committee in addition to the ex-officio members. 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**
Robert B. Millard, 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
Denis A. Bovin, Ex-Officio	Chair, MIT Investment Management Company Senior Advisor Evercore New York, NY
Israel Ruiz, Ex-Officio	Executive Vice President and Treasurer Massachusetts Institute of Technology Cambridge, MA
James A. Champy	Business Consultant and Author Boston, MA
Lawrence K. Fish	Former Chairman Citizens Financial Group Boston, MA
A. Neil Pappalardo	Chairman and CEO Medical Information Technology (Meditech) Westwood, MA
Allen G. Spoon	Partner Emeritus Polaris Partners Boston, MA
Henri A. Termeer	Former Chairman, President and CEO Genzyme Corporation Cambridge, MA
John A. Thain	Former Chairman and 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
R. Gregory Morgan, Regular Guest	Vice President and Secretary of the Corporation Massachusetts Institute of Technology Cambridge, MA
Mark C. DiVincenzo, 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:

Robert B. Millard, 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

R. Gregory Morgan, Senior Vice President and Secretary of the Corporation

Mark DiVincenzo, Vice President and General Counsel

Maria T. Zuber, Vice President for Research

Kirk D. Kolenbrander, Vice President

Julie Lucas, Vice President for Resource Development

Lorraine Goffe-Rush, Vice President for Human Resources

Nathaniel W. Nickerson, Vice President for Communications

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

Budget Process

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

The Budget and Finance Steering Group meets regularly to review the status of the operating budget and other fiscal matters. This group is composed of the Provost, the Executive Vice President and Treasurer, the Director of Budget and Financial Analysis, the Director of Treasury and Financial Planning, 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 Institute's financial performance regularly throughout the year.

Faculty and Staff

In October 2015, the Institute had 12,109 employees on campus and at Haystack Laboratory and the Bates Linear Accelerator. Of these employees, there were 1,036 faculty and 4,406 other academic staff, which included instructors, technical instructors, lecturers, postdoctoral associates and fellows, and senior research scientists and associates. Approximately 75% of the faculty were tenured. There were also 5,838 research, medical, administrative and support staff employees, and 829 service staff employees. There were an additional 3,325 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 70 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, two of which expire on June 30, 2019 and three of which expire on June 30, 2017. 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 2014-2015 student body from 50 states, the District of Columbia, three territories and 120 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
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
2014-15	4,476	36	6,630	177	11,319

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 for the indicated academic years:

Academic Year	Applicants	Accepted	Acceptance Rate	Enrolled	Yield
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%
2014-15	18,356	1,447	8%	1,043	72%
2015-16	18,306	1,519	8%	1,106	73%

Academic Year	Freshmen Ranking in the Top Ten Percent of their High School Class	Average SAT Scores*
2010-11	98%	1,473
2011-12	97%	1,472
2012-13	98%	1,481
2013-14	99%	1,492
2014-15	97%	1,500

* Total of critical reasoning and math

Graduate Applications

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

Academic Year	Applicants	Accepted	Acceptance Rate	Enrolled	Yield
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%
2014-15	24,468	3,718	15%	2,441	66%
2015-16	23,750	3,307	14%	2,165	65%

Tuition and Fees

Tuition and fees for full-time undergraduate and graduate students for the 2015-2016 academic year were $46,400, except for students in the Sloan School of Management Master's of Business Administration Program for whom the tuition and fees are $65,750. For the 2016 summer session, the tuition for full-time graduate students was $16,030. 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
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
2014-15	$45,016	$13,224	$58,240
2015-16	$46,704	$13,500	$60,204

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 need of those admitted. In 2014–2015, 91 percent of undergraduates received $129.7 million in financial aid from all sources, with MIT being the largest source. For students with a family income under $75,000, the Institute ensures that scholarship funding from all sources will allow them to attend MIT tuition-free (33% of undergraduate students in 2014-2105). The average MIT scholarship grew roughly $2,015 per recipient, from $34,551 in the 2013-14 academic year to $36,566 in the 2014-15 academic year.

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 audited fiscal years is shown in the table below.

Student Financial Aid
by Source
(in thousands)

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Institute Sources					
Tuition Support	$240,299	$251,709	$258,726	$271,299	$280,282
Stipends	17,680	18,203	19,772	20,934	21,469
Student Salaries	26,051	26,723	29,721	31,935	35,417
Total	284,030	296,635	308,219	324,168	337,168
External Sponsors					
Tuition Support	53,756	66,074	69,263	71,799	74,227
Stipends	12,755	15,060	16,401	17,858	17,290
Student Salaries	59,284	63,412	66,725	67,955	69,844
Total	125,795	144,546	152,389	157,612	161,361
Total	$409,825	$441,181	$460,608	$481,780	$498,529

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

Sponsored Research

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

Direct Cost of Sponsored Research
(in thousands)

Fiscal Year Ended June 30,	Campus & SMART*	Lincoln Laboratory	Current Dollars	Constant Dollars**
2011	$495,104	$770,672	$1,265,776	$1,265,776
2012	$515,993	$819,645	$1,335,638	$1,297,619
2013	$537,666	$860,191	$1,397,857	$1,335,834
2014	$491,897	$791,292	$1,283,189	$1,207,395
2015	$541,746	$844,588	$1,386,334	$1,295,019

* Singapore-MIT Alliance for Research and Technology (“SMART”)
** CPIU deflator 2011 = 100

Total research awards and other funding received via the American Recovery and Reinvestment Act of 2009 (“ARRA”) between 2009 and 2015 totaled $151.7 million. Of that total, $128.8 million was to fund research with the remainder funding infrastructure investments and student support.

Research revenues received from sponsors pay for both the direct costs of research described 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 2011 through 2015:

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

	2011	2012	2013	2014	2015
RESEARCH AT THE MIT CAMBRIDGE CAMPUS					
Federal Government Sponsored:					
Health and Human Services	$152,664	$133,687	$119,908	$115,075	$116,469
Department of Energy	89,562	90,940	88,988	88,451	81,528
Department of Defense	107,753	117,458	127,967	122,761	125,854
National Science Foundation	74,859	81,487	79,255	78,979	78,953
National Aeronautics & Space	28,080	30,204	29,835	32,062	41,740
Other Federal	16,602	18,807	19,994	17,610	15,435
Total Federal	469,520	472,583	465,947	454,938	459,979
Non-Federally Sponsored:					
State/Local/Foreign Governments	32,969	38,273	33,429	28,967	27,951
Non-profits	44,436	48,373	58,227	72,118	78,667
Industry	100,763	109,745	106,447	112,379	119,238
Total Non-Federal	178,168	196,391	198,103	213,464	225,856
F&A Adjustment	(28,775)	(14,619)	(2,088)	(4,884)	(20,252)
CAMPUS TOTAL	618,913	654,355	661,962	663,518	665,583
RESEARCH AT THE MIT LINCOLN LABORATORY					
Federal Government Sponsored	803,599	844,202	882,462	809,011	886,637
Non-Federally Sponsored	2,511	2,023	1,622	2,333	3,609
F&A and other adjustments	(1,327)	(1,317)	6,889	17,315	(10,919)
LINCOLN LABORATORY TOTAL	804,783	844,908	890,973	828,659	879,327
RESEARCH AT SMART**					
Non-Federally Sponsored	23,510	28,587	47,525	31,617	31,737
SMART TOTAL	23,510	28,587	47,525	31,617	31,737
TOTAL RESEARCH	$1,447,206	$1,527,850	$1,600,460	$1,523,794	$1,576,647

* The differences between direct costs and research revenues are indirect revenue and internally funded research
** The amounts represent research that has taken place in Singapore.

Administration Discussion of Operations and Unrestricted Net Assets

In fiscal 2015, MIT continued to grow research activity and maintain excellence in education. The Institute invested in education and research activities, as well as in its capital renewal and maintenance program. MIT ended the year with a surplus from operations of $179.7 million. This is $26.2 million, or 12.7 percent, lower than the fiscal 2014 result, reflective of the planned increase in research, education, and capital renewal spending.

The Institute's operating activities include tuition, research revenues, unrestricted gifts and bequests for current use, fees and services, other programs, auxiliary revenues, support from investments, payments on pledges for unrestricted gifts, and operating expenditures. Non-operating activities include pledges, restricted gifts and investment income, net investment gains (losses) not distributed to funds, changes in life income funds, and net asset reclassifications.

The following table summarizes the Results of Operations and Other Changes in Unrestricted Net Assets for fiscal years 2011 through 2015, 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				
	2011	2012	2013	2014	2015
Total Operating Revenues	$2,750,647	$2,990,296	$3,186,595	$3,124,323	$3,290,769
Total Operating Expenses	2,571,147	2,744,586	2,908,577	2,918,517	3,111,119
Results of Operations	179,500	245,710	278,018	205,806	179,650
Postretirement Plan Changes	105,408	(394,469)	311,442	54,398	13,314
Other Unrestricted Non- Operating Activities	559,071	152,390	297,206	719,134	411,163
Net Change in Unrestricted Net Assets	$843,979	$3,631	$886,666	$979,338	$604,127

Unrestricted net assets increased $604.1 million in fiscal year 2015. At June 30, 2015 the value of MIT's total net assets was $17.7 billion, of which $7.3 billion were unrestricted net assets.

For further information on the financial operations and financial condition of the Institute through June 30, 2015, please refer to the Report of the Treasurer, attached as Appendix B.

There has been no material adverse change in the financial condition of the Institute since June 30, 2015.

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)
2011	$12,236,531
2012	$12,847,866
2013	$13,830,100
2014	$16,228,756
2015	$17,533,764

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

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.

MIT's primary long-term investment pool (Pool A) represented approximately 85% of total investments as of fiscal year end 2015 and produced a return of 13.2 percent in fiscal year 2015. 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 and other funds invested in Pool A receive distributions based on relative ownership, which is valued monthly.

Fundraising

For the fiscal years 2011 through 2015, the Institute has received an annual average of approximately $445 million in gifts, bequest, and pledges from alumni and other supporters.

In May 2016 MIT announced the official launch of the MIT Campaign for a Better World, a $5 billion fundraising initiative that will amplify the Institute's distinctive strength in education, research, and innovation, and will advance MIT's work on some of the world's biggest challenges.

The Campaign is guided by six priority areas that span the full breadth of MIT:

- **Discovery Science**: Transforming our world through fundamental scientific research
- **Health of the Planet**: Addressing critical environmental and sustainability challenges facing humankind through science, technology, design, management, and policy
- **Human Health**: Defining the future of health through advances in basic science and engineering—informed by expertise in disciplines such as management, economics, and political science

- **Innovation and Entrepreneurship**: Accelerating the path from idea to impact
- **Teaching, Learning, and Living**: Reimagining education for the 21st-century learner
- **The MIT Core**: Attracting extraordinary students and faculty and providing them with the resources they need to thrive

As of the end of the first quarter of 2016, MIT had raised over $2.6 billion toward the Campaign goal, with gifts coming from more than 77,000 alumni and friends.

Liquidity

The Institute has various sources of internal liquidity at its disposal, and the extent of MIT's liquidity constantly changes. As of June 30, 2015 MIT had approximately $2.5 billion of assets that could have been liquidated or accessed within one week. Of that total, approximately $800 million would have been available on the 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 $2.82 billion at June 30, 2015, up 7.5 percent from $2.62 billion at June 30, 2014.

Current and Future Building Plans

Prior to 2010, the Institute 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 have been funds from the Institute's 2011 and 2014 taxable bonds and support from MIT's generous donors. This renewal 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 $2.6 billion, which the Institute plans to fund through a combination of gifts, internal funding sources, and external borrowings. 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, 2015

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Report of the Treasurer

for the year ended
June 30, 2015

Massachusetts
Institute of
Technology

Report of the Treasurer

for the year ended June 30, 2015

Massachusetts
Institute of
Technology

The Corporation
2014–2015

as of June 30, 2015

Chairman: John S. Reed – completed service as ex officio member effective October 10, 2014
Chairman: Robert B. Millard* – effective October 11, 2014
President: L. Rafael Reif*
Executive Vice President and Treasurer: Israel Ruiz*
Vice President and Secretary: Kirk D. Kolenbrander – completed service as ex officio member effective March 6, 2015
Senior Vice President and Secretary of the Corporation: R. Gregory Morgan effective March 6, 2015

Life Members

Shirley A. Jackson; James A. Champy*; Denis A. Bovin*; A. Neil Pappalardo*; Judy C. Lewent; Kenan E. Sahin; Edie N. Goldenberg; John K. Castle; Susan E. Whitehead*; Brian G.R. Hughes; L. Robert Johnson; Arthur J. Samberg*; Gururaj Deshpande; Barrie R. Zesiger*; John A. Thain*; Susan Hockfield; Lawrence K. Fish*; Diane B. Greene; Charlene C. Kabcenell; Henri A. Termeer*; Barry Lam; Mohammed Jameel.

Members

Theresa M. Stone; John W. Jarve; Mark P. Gorenberg; Marjorie M.T. Yang; Mark R. Epstein; Alan G. Spoon; David D. Ho; Martin Y. Tang; Anita K. Jones; Kenneth Wang; R. Erich Caulfield; Chiquita V. White; Megan J. Smith; Abigail P. Johnson; Diana C. Walsh*; Victor J. Menezes; Ursula M. Burns; Rafael del Pino; K. Anne Street; Reginald Van Lee; Sarah Stewart Johnson; Leonard H. Schrank; R. Gregory Turner; Eve J. Higginbotham; Alia Whitney-Johnson; Phillip T. Ragon; Paul R. Marcus; Philip C.T. Ng; Arunas A. Chesonis; Fariborz Maseeh; Tanguy Chau; Bruce N. Anderson; Patricia R. Callahan; Neil E. Rasmussen; Carmen M. Thain; David L. desJardins; Vanu G. Bose; Paul M. Kominers; Alan M. Leventhal; Viktor F. Vekselberg; Ilene S. Gordon; Eran Broshy; Ronald A. Williams; Alan M. Dachs; Samantha O'Keefe.

President of the Association of Alumni and Alumnae

Donald E. Shobrys

Representatives of the Commonwealth

Governor: Deval L. Patrick – completed service as ex officio member effective January 8, 2015
Governor: Charles D. Baker, Jr. – ex officio member effective January 8, 2015
Chief Justice of the Supreme Judicial Court: Roderick L. Ireland – completed service as ex officio member effective July 25, 2014
Chief Justice of the Supreme Judicial Court: Ralph D. Gants – ex officio member effective July 26, 2014
Secretary of Education: Matthew H. Malone – completed service as ex officio member effective January 8, 2015
Secretary of Education: James A. Peyser – ex officio member effective January 8, 2015

Life Members Emeriti and Emeritae

Irénée duPont, Jr.; 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; Paul E. Gray; Alexander W. Dreyfoos, Jr.; Ronald A. Kurtz; DuWayne J. Peterson, Jr.; Raymond S. Stata; Brit J. d'Arbeloff; Gordon M. Binder; Dana G. Mead; Arthur Gelb; Norman E. Gaut; Robert A. Muh; James H. Simons; Samuel W. Bodman III; David H. Koch; Robert M. Metcalfe.

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

**Member of the Executive Committee.*

Table of Contents

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Report of the Treasurer

To Members of the Corporation

During fiscal 2015, strong investment and operating performance enabled MIT to continue to advance discovery and innovation to address some of the world's great challenges, and to extend its educational impact beyond the boundaries of our campus. MIT's pooled investment return of 13.2 percent and net operating results of $179.7 million contributed to an increase of 8.7 percent in net assets totaling $17,739.0 million. The financial position achieved over the last few years provides MIT with options in responding to continued economic pressures and volatility in global financial markets while continuing to invest in the Institute's priorities to enable the work of MIT's faculty, students, and staff.

The Institute has continued to advance plans to revitalize Kendall Square and the east campus, with planning for the initial buildings now in the design phase. In July 2015, MIT filed project review and planned unit development special permit applications with the Cambridge Planning Board, which is a key step forward in realizing an exciting future for Kendall Square. Plans for initial development incorporate housing and childcare, connected open spaces, innovation space, retail and commercial space, and a new location for the MIT Museum. In addition, the Institute remains very interested in exploring future opportunities that will allow MIT to further shape the innovation ecosystem around Kendall Square.

MIT has also initiated a formal planning process for the west and northwest areas of campus. The intent of the current study is to create a long-range development framework to accommodate future academic and residential uses of the MIT campus west of Massachusetts Avenue to complement east campus design efforts and the ongoing renewal of the main campus. Provision of additional graduate student housing and renewal of undergraduate housing are critical elements of the campus plan.

Fiscal 2015 was the first year in recent decades during which we prevented the growth of the deferred maintenance backlog. While recognizing this important milestone, we are cognizant that addressing deferred maintenance remains an integral part of overall campus renewal. Recent strong financial results, as depicted in the Summary of Key Financial Highlights table below, have enabled us to make significant progress in our renewal plans. The proceeds from bonds, together with our fundraising efforts, will enable us to further advance MIT's multiyear campus renewal program and prepare for MIT's future of continued innovation, discovery, and knowledge.

This year, MIT released a number of key reports and announced important initiatives in research and education. The MIT Innovation Initiative, led by Associate Deans for Innovation Vladimir Bulović and Fiona Murray, released its preliminary report in December 2014. Entitled "The MIT Innovation Initiative: Sustaining and Extending a Legacy of Innovation," the report detailed a series of steps for accelerating innovation at MIT. Then in April 2015, the MIT Committee to Evaluate the Innovation Deficit, chaired by Professor Marc Kastner, released a report titled "The Future Postponed" detailing the impact of declining federal investment in basic research.

In June 2015, the MIT Climate Change Conversation Committee, chaired by Professor Roman Stocker, issued recommendations on how MIT can contribute to solving the climate challenge through education, research, and campus engagement, and to moving forward national and global agendas. The report includes a number of possibilities for transforming the campus into a living laboratory for studying climate change, and forming new partnerships to accelerate solutions to the climate challenge. This triggered substantial commentary from the MIT community. In addition, the MIT Online Policy Initiative, led by Professor Karen Willcox and Dean of Digital Learning Sanjay Sarma, was created in August 2014 to build on the work of the Institute-wide Task Force on the Future of MIT Education, and to catalyze a national conversation about the future of education and online learning.

The following are additional details regarding MIT's fiscal 2015 financial statements: Statements of Financial Position, Statement of Activities, and Statements of Cash Flows.

Summary of Key Financial Highlights (10-year trend)

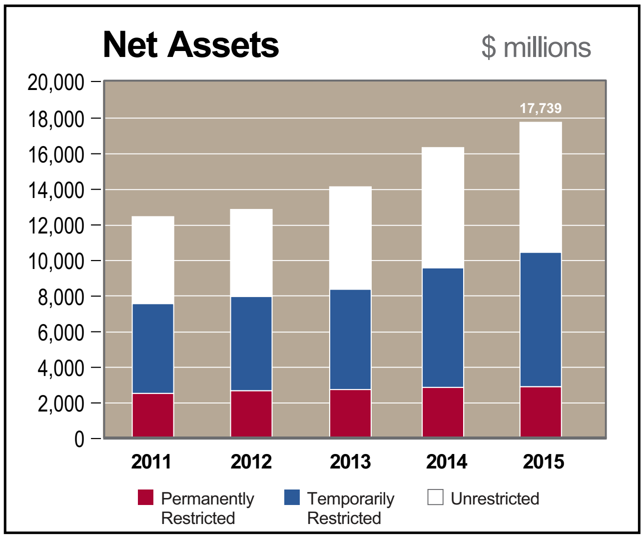
(in millions of dollars)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenues	2,141	2,180	2,408	2,644	2,663	2,751	2,990	3,187	3,124	3,291
Operating Expenses	2,182	2,208	2,294	2,461	2,383	2,571	2,744	2,909	2,919	3,111
Operating Results	(41)	(28)	114	183	280	180	246	278	206	180
Net Assets	10,060	12,695	12,770	9,946	10,324	12,388	12,799	14,133	16,315	17,739
Endowment	8,368	9,943	9,948	7,880	8,317	9,713	10,150	10,858	12,425	13,475
Borrowings	1,278	1,078	1,335	1,736	1,729	2,468	2,460	2,428	2,919	2,922

Statements of Financial Position

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

Net Assets

Total net assets increased to $17,739.0 million, an increase of 8.7 percent from fiscal 2014, establishing the Institute's highest-ever level of net worth. Net assets are presented in three distinct 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 2015, permanently restricted net assets increased $39.6 million, or 1.4 percent, to $2,881.9 million, primarily due to new gifts and pledges made and income reinvested to permanently restricted endowment funds. Temporarily restricted net assets increased $835.2 million, or 12.4 percent, to $7,553.4 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 $548.7 million, or 8.1 percent, to $7,303.7 million, primarily due to unrestricted investment gains.

Investments

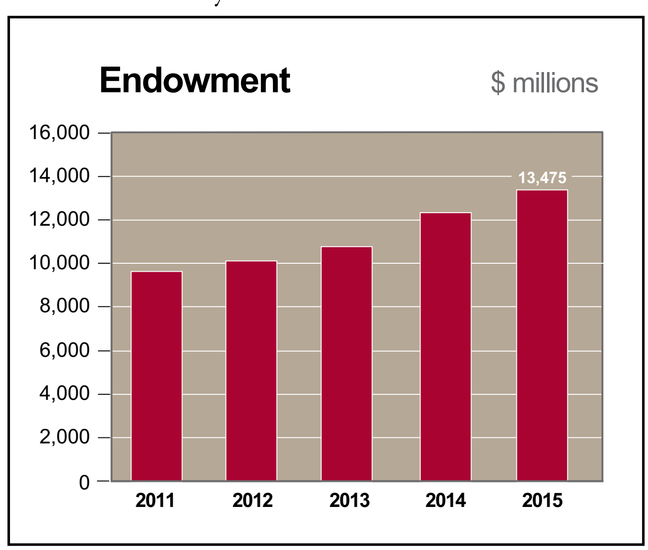
Investments at fair value were $17,533.8 million as of fiscal year end 2015, an increase of $1,305.0 million, or 8.0 percent, from $16,228.8 million as of the previous fiscal year end. In fiscal 2013, MIT began a program to finance certain real estate investments to optimize the use of invested capital in support of the Institute's mission. The outstanding liability balance associated with this program totaled $220.4 million in fiscal 2015 and $231.2 million in fiscal 2014.

The financial statements include both realized and unrealized gains and losses on investments and other assets. These amounts totaled a net gain of $1,651.6 million in fiscal 2015, and $2,152.9 million in fiscal 2014.

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 holds four regularly scheduled meetings during the fiscal year where investment policy, performance, and asset allocation are reviewed.

Endowment

Endowment assets, the largest component of total investments, are managed to maximize total investment return relative to appropriate risk. The market value of investments in endowment funds, excluding pledges for endowed purposes, totaled $13,474.7 million as of fiscal year end 2015, an increase of 8.4 percent over the $12,425.1 million level of last year.



This year, MIT's pooled investments (Pool A) produced a return of 13.2 percent. Investment income and a portion of gains are distributed for spending in a manner that preserves the long-term purchasing power of the endowment. 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 $2,822.3 million as of fiscal year end 2015, an increase of $198.0 million, or 7.5 percent, from $2,624.3 million the previous year, mainly driven by expenditures for research and educational facilities.

During fiscal 2015, new construction and major renovation projects placed into service totaled $104.9 million. The Department of Materials Science and Engineering (DMSE) celebrated the opening of the renovated W. David Kingery Ceramics and Glass Laboratory — formerly known as the MIT Glass Lab — and the Merton C. Flemings Materials Processing Laboratory, home to MIT's forge and foundry. The third level of Building E25 was renovated to provide expanded laboratory and office space for the Institute for Medical Engineering and Science (IMES), and the first phase of the Building 2 renovation was completed.

The Institute currently has a total of 169 capital projects under construction with a cumulative cost of $278.1 million. Building E52, home to the Department of Economics and administrative offices for the MIT Sloan School of Management, is undergoing a complete renovation that includes an expanded conference center, exterior wall restoration, and new windows. Building 2, home to the Department of Mathematics and portions of Chemistry, is being fully renovated, and programmatic space is being increased with the addition of a partial top floor. Building 66 is undergoing a multi-phased renovation for the Department of Chemical Engineering to improve nearly 50 percent of the space and provide upgrades to building infrastructure. Additionally, site preparation is ongoing for MIT.nano, a five-story 200,000 gross square foot facility that will combine the Institute's nanotechnology, materials, and engineering systems research with the most advanced fabrication tools and materials processing capabilities.

In accordance with MIT 2030, a flexible framework that guides and supports the Institute's ongoing physical and financial stewardship, MIT expects future pressure on operating results due to increasing depreciation costs associated with the above and anticipated capital projects that actively address current and future academic needs and opportunities.

Also, during fiscal 2015, two real estate properties, NW22 (land only) and NW23 (land and building) located on Albany Street, formerly included in the real estate investment portfolio, were transferred to educational plant for academic and administrative use. Building NW23 is currently undergoing major renovations and will be the new home to the Department of Facilities groups of Campus Services, Campus Construction, Maintenance and Utilities, and the Office of Campus Planning. This will include the installation of a new roof, new windows, and open office space with a few private offices and conference rooms.

Postretirement Benefit Assets and Liabilities

The defined benefit pension plan had assets of $3,378.5 million as of fiscal year end 2015, an increase of $242.7 million from $3,135.8 million as of fiscal year end 2014. The plan's projected liabilities were $3,431.7 million as of fiscal year end 2015, up $291.0 million from $3,140.7 million a year earlier, resulting in a net pension liability of $53.2 million and $4.9 million as of fiscal year end 2015 and 2014, 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 $548.9 million and liabilities of $549.0 million as of fiscal year end 2015, resulting in a net benefits liability of $0.1 million compared to $43.9 million as of fiscal year end 2014. For both plans, the increases in assets and liabilities were primarily due to investment performance and a change in mortality assumptions, respectively.

Effective as of fiscal year end 2015, MIT revised its mortality assumptions used to determine the projected benefit obligations of the defined benefit pension and postretirement welfare benefit plans. The revised assumptions were derived from the mortality tables published by the Society of Actuaries in October 2014. The change in mortality assumptions for both plans resulted in an increase of $267.9 million in the projected benefit obligations as of fiscal year end 2015. In addition to this change, MIT engaged its actuary to perform a comprehensive review and experience study of certain demographic assumptions for both plans that resulted in a decrease of $33.9 million in the projected benefit obligations as of fiscal year end 2015.

The combined plans' fiscal 2015 underfunded status was $53.2 million, up from $48.8 million as of fiscal year end 2014. On an accounting basis in fiscal 2014, the defined benefit pension plan had a funding level of 99.8 percent, and the postretirement welfare benefit plan had a funding level of 91.9 percent. In accordance with the Institute's funding strategy to ensure the long-term strength of these plans, the Institute contributed $7.5 million to the defined benefit pension plan and $28.7 million to the postretirement welfare benefit plan during fiscal 2015. As a result of these contributions, changes in the interest rate environment, actual investment performance, and changes in certain demographic assumptions, the funding status of the defined benefit pension plan slightly declined to 98.5 percent, and the postretirement welfare benefit plan improved to 99.9 percent. 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 investment market value was $3,893.5 million as of fiscal year end 2015. In July 2015, MIT transitioned to a new, streamlined 401(k) investment menu, which includes a core line-up of 37 funds plus the option to access more than 5,000 additional funds through Fidelity's retail brokerage window.

Borrowings

On September 29, 2014, MIT issued $522.4 million in taxable Series D bonds to advance refund and defease $453.7 million of Series N (2008) and Series O (2008) tax-exempt bonds. The $522.4 million Series D bond proceeds were used to purchase Treasury securities to fund escrow accounts that will cover both interest payments and principal repayments on the original bonds through their redemption dates (July 1, 2017 for Series N; July 1, 2018 for Series O) plus the costs of issuance. Low yields in the Treasury market relative to the interest rates paid by MIT on the Series N and O bonds necessitated the total Series D principal to exceed that of the defeased debt, with this transaction increasing the total principal of indebtedness by $68.7 million. However, the lower interest rates on the Series D bonds relative to those of the defeased debt will result in overall lower debt service payments to maturity.

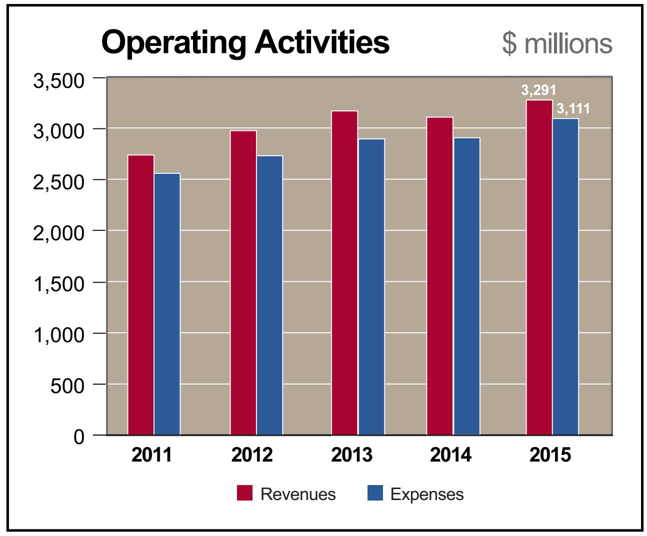
MIT's financial strength is reviewed periodically by both Moody's Investors Service and Standard & Poor's Rating Services. In fiscal 2015, these agencies rated the most recent bond issuance and reaffirmed MIT's credit as "Aaa" and "AAA," their highest rating levels.

Statement of Activities

Operating Activities

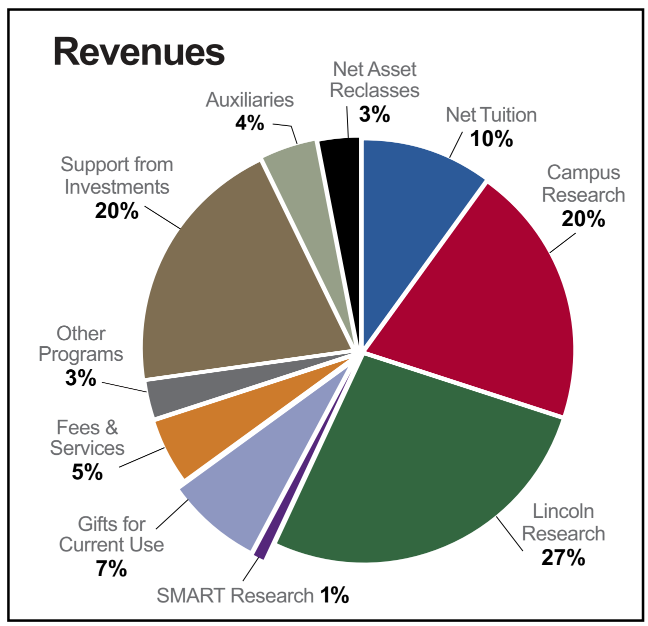
In fiscal 2015, MIT recovered from the prior year's reduction in research volume and continued to grow research activity and maintain excellence in education. The Institute invested in education and research activities, as well as in its capital renewal and maintenance program. MIT ended the year with a surplus from operations of $179.7 million. This is $26.2 million, or 12.7 percent, lower than the fiscal 2014 result.

Operating revenues increased $166.4 million, or 5.3 percent, to $3,290.8 million in fiscal 2015, while operating expenses increased $192.6 million, or 6.6 percent, to a total of $3,111.1 million. Year-over-year comparisons of the components of operating results are presented on the following graph.



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 (included within net asset reclassifications and transfers).



Tuition revenue for graduate, undergraduate, and non-degree executive programs net of financial aid grew by $7.3 million, or 2.3 percent, to $331.8 million. The growth in undergraduate tuition revenue was driven by a 3.5 percent increase in tuition rates and a 0.4 percent decrease in student population. Financial aid for undergraduate students increased by 4.4 percent to $92.5 million. Financial aid for graduate students grew by 2.8 percent to $187.8 million.

Research revenues for on-campus departments, labs, and centers at MIT increased $2.1 million, or 0.3 percent, to $665.6 million. Research revenues for Lincoln Laboratory increased $50.7 million, or 6.1 percent, to $879.3 million; and for the Singapore-MIT Alliance for Research and Technology (SMART), research revenues increased $0.1 million, or 0.4 percent, to $31.7 million.

The growth rate in MIT's campus research is being driven by both Federal and non-Federal sponsors. Federally sponsored research revenue slightly increased by 1.1 percent compared to the prior fiscal year, with the largest increase being related to the National Aeronautics and Space Administration. Non-Federally sponsored research increased by 5.8 percent, primarily driven by nonprofits and industrial sponsors. The increase in Lincoln Laboratory research is the result of increased Federal funding from the Department of Defense. During fiscal 2015, the Air Force renewed the contract for operation of Lincoln Laboratory for an initial term of five years with an option to extend for an additional five years, acknowledging the long-term value of the Laboratory in service to national security. The moderate increase in SMART research is the net result of certain interdisciplinary research groups winding down and renewing.

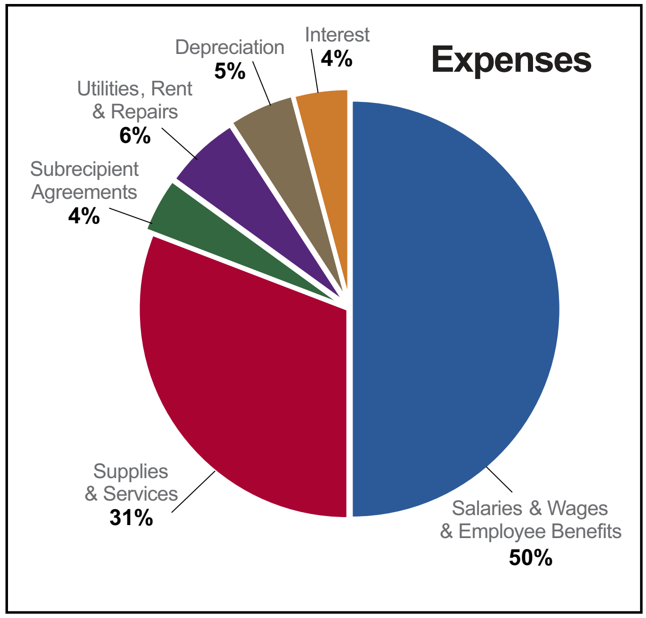
MIT's modified total direct research expenditures, which form the basis for recovery of indirect costs, increased by $57.5 million, or 6.1 percent, in fiscal 2015.

While research and net tuition support more than half of MIT's revenue, the Institute experienced significant growth in support from investments. Support from investments increased $46.0 million, or 7.4 percent, primarily due to an increase in the endowment distribution. The effective spending rate on endowed funds was 4.5 percent, or 5.1 percent on a three-year-average basis, in fiscal 2015.

Operating Expenses

Operating expenses grew to $3,111.1 million, an increase of $192.6 million, or 6.6 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.

Overall Institute salary expenses rose 5.9 percent while employee benefits expenses rose 7.4 percent, primarily driven by increases in costs associated with the actuarial adjustments made to the postretirement benefit plans and employment taxes related to Social Security (FICA and Medicare). One-time professional costs associated with streamlining the 401(k) plan investment menu also contributed to the increase. Medical and dental insurance costs remained stable on a per-member basis, but grew slightly to accommodate increased membership. Campus average salary increases were 4.5 percent while headcount grew by 1.8 percent.



Non-Operating Revenues, Gains and Losses Summary

Non-operating activities contributed $1,299.3 million to MIT's fiscal 2015 total net assets of $17,739.0 million. Net appreciation on investments and other assets (reduced by the endowment spending distribution), gifts and bequests, pledges, and changes in retirement plan obligations and assets were the principal contributors to the net positive non-operating performance. Net appreciation on investments and other assets, reduced by the endowment spending distribution, totaled $1,134.8 million.

Gifts and Pledges

Gifts to MIT support scholarships, fellowships, professorships, research, educational programming, and student life activities, as well as construction and renovation of buildings. Gifts and pledges for fiscal 2015 totaled $493.7 million, an increase of 9.1 percent from the fiscal 2014 total of $452.7 million. Gifts from individuals represented 35.3 percent of new gifts and pledges in fiscal 2015, down from 64.3 percent in fiscal 2014. Gifts from foundations represented 26.3 percent of new gifts and pledges in fiscal 2015, up from 23.4 percent in fiscal 2014. Gifts from corporations and other sources represented 38.4 percent of new gifts and pledges in fiscal 2015, up from 12.3 percent in fiscal 2014. New gifts and pledges for research and education were the largest categories of contributions for fiscal 2015.

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 $71.4 million in fiscal 2015. Net operating cash flow resulted from a total increase in net assets, adjusted for non-cash items (depreciation and net gain on investments and other assets, etc.), offset by changes in working capital, excluding cash and debt. The net of pledges receivable, accounts receivable, accounts payable, and other operating assets and liabilities provided $43.6 million of operating cash flow in fiscal 2015. Net investing activities provided $61.1 million in cash due to proceeds from sales of investments to cover the Institute's endowment spending policy, offset by spending on capital projects and purchases of investments, in fiscal 2015. Cash provided by financing activities was $30.3 million in fiscal 2015, $584.6 million lower than in fiscal 2014, as fiscal 2014 included a century bond issuance of $550.0 million.

MIT's full financial statements and footnotes, further describing our financial position, activities, and cash flows through June 30, 2015, are included on the following pages.

Closing Remarks

The Institute's strong financial performance in fiscal 2015 follows years of solid operating growth, and we begin fiscal 2016 on a sound financial foundation with the resources needed to enable MIT's future.

On April 29, 2015, MIT unveiled the memorial to MIT Police Officer Badge #179 Sean Collier. Intended to be a place of remembrance and reflection, Professor J. Meejin Yoon's design, made possible by Professor John Ochsendorf's engineering, in a shape akin to an open hand reflects the connectedness of our community, and epitomizes the highest expression of our MIT motto '*Mens et Manus*' — mind and hand. While we will always remember, we move forward as a stronger community, hopeful about our future.

I have the greatest enthusiasm about how the campus will be physically transformed in the coming decade, about the innovation and discoveries our faculty and students will achieve, and about the impact MIT will continue to have in addressing the world's great challenges. We approach the future with tremendous optimism about all we hope to accomplish together, but still mindful of the world's financial uncertainties. While our financial strength provides MIT with flexibility to pursue groundbreaking initiatives and build for the future, we remain vigilant to economic and financial forces beyond our direct control and will be responsive to global events to maintain our capability to support MIT's core mission.

In closing, I would like to express my deep appreciation to Dr. Kirk D. Kolenbrander, and acknowledge his many contributions as Secretary of the MIT Corporation since 2006. I am also grateful to Senior Vice President and Secretary of the Corporation R. Gregory Morgan for accepting these responsibilities in March 2015.

As always, I remain indebted to our students, faculty, staff, alumni, friends, and members of the MIT Corporation, for their dedication and enduring commitment to realizing the future we aspire to together.

Respectfully submitted,

Israel Ruiz
Executive Vice President and Treasurer
September 11, 2015

Massachusetts Institute of Technology

Statements of Financial Position

at June 30, 2015 and 2014

(in thousands of dollars)	2015	2014
Assets		
Cash	$ 317,682	$ 297,759
Accounts receivable, net	172,522	195,544
Pledges receivable, net, at fair value	558,095	490,336
Contracts in progress, principally US Government	66,440	65,326
Deferred charges, inventories, and other assets	153,947	120,811
Student notes receivable, net	45,678	48,169
Investments, at fair value	17,533,764	16,228,756
Noncontrolling interests	232,415	287,825
Land, buildings, and equipment (at cost of $4,186,490 for June 2015; $3,881,205 for June 2014), net of accumulated depreciation	2,822,312	2,624,271
Total assets	**$ 21,902,855**	**$ 20,358,797**
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accruals, and other liabilities	436,288	411,959
Liabilities due under life income fund agreements, at fair value	141,946	103,076
Deferred revenue and other credits	151,933	133,288
Advance payments	422,675	392,214
Borrowings	2,922,231	2,918,901
Government advances for student loans	35,561	35,037
Accrued benefit liabilities	53,233	48,830
Total liabilities	**4,163,867**	**4,043,305**
Net Assets:		
Unrestricted net assets controlled by the Institute	7,071,258	6,467,131
Unrestricted net assets attributable to noncontrolling interests	232,415	287,825
Total unrestricted net assets	7,303,673	6,754,956
Temporarily restricted	7,553,447	6,718,225
Permanently restricted	2,881,868	2,842,311
Total net assets	**17,738,988**	**16,315,492**
Total liabilities and net assets	**$ 21,902,855**	**$ 20,358,797**

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

Massachusetts Institute of Technology
Statement of Activities
for the year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

(in thousands of dollars)	2015 Unrestricted	2015 Temporarily Restricted	2015 Permanently Restricted	Total 2015	Total 2014
Operating Activities					
Operating Revenues					
Tuition and similar revenues, net of discount of $280,282 in 2015 and $271,299 in 2014	$ 331,819	$ -	$ -	$ 331,819	$ 324,502
Research revenues:					
Campus	665,583	-	-	665,583	663,518
Lincoln	879,327	-	-	879,327	828,659
SMART	31,737	-	-	31,737	31,617
Total research revenues	1,576,647	-	-	1,576,647	1,523,794
Gifts and bequests for current use	221,820	-	-	221,820	162,091
Fees and services	160,962	-	-	160,962	176,341
Other programs	101,293	-	-	101,293	122,582
Support from investments:					
Endowment	545,861	-	-	545,861	515,431
Other investments	125,498	-	-	125,498	109,925
Total support from investments	671,359	-	-	671,359	625,356
Auxiliary enterprises	120,946	-	-	120,946	120,101
Net asset reclassifications and transfers	105,923	-	-	105,923	69,556
Total operating revenues	$ 3,290,769	$ -	$ -	$ 3,290,769	$ 3,124,323
Operating Expenses					
Salaries and wages	$ 1,253,353	$ -	$ -	$ 1,253,353	$ 1,183,270
Employee benefits	309,195	-	-	309,195	287,976
Supplies and services	971,239	-	-	971,239	892,493
Subrecipient agreements	140,417	-	-	140,417	124,074
Utilities, rent, and repairs	171,744	-	-	171,744	182,271
Depreciation	146,239	-	-	146,239	137,638
Interest expense	118,932	-	-	118,932	110,795
Total operating expenses	3,111,119	-	-	3,111,119	2,918,517
Results of operations	$ 179,650	$ -	$ -	$ 179,650	$ 205,806
Non-Operating Activities					
Pledge revenue	$ -	$ 132,249	$ 62,956	$ 195,205	$ 180,119
Gifts and bequests	-	-	76,665	76,665	110,445
Investment income	-	1,480	2,905	4,385	9,098
Net gain on investments and other assets	720,195	1,032,292	(100,887)	1,651,600	2,152,933
Distribution of accumulated investment gains	(192,145)	(324,648)	-	(516,793)	(497,888)
Net change in life income funds	(726)	(5,287)	(13,184)	(19,197)	24,101
Postretirement plan changes other than net periodic benefit cost	13,314	-	-	13,314	54,398
Net asset reclassifications and transfers	(116,161)	(864)	11,102	(105,923)	(69,556)
Total non-operating activities	424,477	835,222	39,557	1,299,256	1,963,650
Increase in net assets controlled by the Institute	604,127	835,222	39,557	1,478,906	2,169,456
Change in net assets attributable to noncontrolling interests	(55,410)	-	-	(55,410)	13,162
Net assets at the beginning of the year	6,754,956	6,718,225	2,842,311	16,315,492	14,132,874
Net assets at the end of the year	**$ 7,303,673**	**$ 7,553,447**	**$ 2,881,868**	**$ 17,738,988**	**$ 16,315,492**

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, 2015 and 2014

(in thousands of dollars)	2015	2014
Cash Flow from Operating Activities		
Increase in net assets	$ 1,423,496	$ 2,182,618
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gain on investments and other assets	(1,651,600)	(2,152,933)
Change in accrued benefits liabilities	4,403	(60,814)
Depreciation	146,239	137,638
Donated securities received	(47,153)	(42,890)
Proceeds from sale of donated securities	34,226	18,894
Net gain on life income funds	(9,844)	(32,275)
Change in noncontrolling interests	55,410	(13,162)
Amortization of bond premiums and discounts and other adjustments	(2,101)	(4,383)
Change in operating assets and liabilities:		
Pledges receivable	(67,759)	(85,742)
Accounts receivable	23,022	(26,612)
Contracts in progress	(1,114)	2,673
Deferred charges, inventories, and other assets	(9,459)	(12,920)
Accounts payable, accruals, and other liabilities, excluding building and equipment accruals	10,981	25,365
Liabilities due under life income fund agreements	38,870	7,817
Deferred revenue and other credits	18,645	(4,729)
Advance payments	30,461	(4,617)
Reclassify investment income	(4,385)	(9,098)
Reclassify contributions restricted for long-term investment	(63,738)	(86,449)
Net cash used in operating activities	(71,400)	(161,619)
Cash Flow from Investing Activities		
Purchase of land, buildings, and equipment	(332,275)	(243,118)
Purchases of investments	(23,018,625)	(34,457,642)
Proceeds from sale of investments	23,409,764	34,244,206
Student notes issued	(19,024)	(26,599)
Collections from student notes	21,224	27,801
Net cash provided by (used in) investing activities	61,064	(455,352)
Cash Flow from Financing Activities		
Contributions restricted for investment in endowment	63,738	86,449
Proceeds from sale of donated securities restricted for endowment	12,928	23,996
Increase in investment income for restricted purposes	4,385	9,098
Proceeds from borrowings	518,500	550,000
Repayment of borrowings	(569,816)	(55,200)
Increase in government advances for student loans	524	474
Net cash provided by financing activities	30,259	614,817
Net increase (decrease) in cash	19,923	(2,154)
Cash at the beginning of the year	297,759	299,913
Cash at the end of the year	**$ 317,682**	**$ 297,759**

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.

Tax Status

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.

US GAAP requires MIT to evaluate tax positions taken by the Institute and recognize a tax liability (or asset) if the Institute has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. MIT has analyzed the tax positions taken and has concluded that as of June 30, 2015, there are no significant uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Cash

Certain cash balances, totaling $116.4 million and $55.8 million at June 30, 2015 and 2014, respectively, are restricted for use under certain sponsored research agreements or are held on behalf of a related party.

The Institute had approximately $316.1 million and $296.0 million at June 30, 2015 and 2014, respectively, of its cash 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 US 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 agreements.

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 $34.3 million and $33.6 million during 2015 and 2014, respectively. Land, buildings, and equipment at June 30, 2015 and 2014 are shown in Table 1.

Table 1. Land, Buildings, and Equipment

(in thousands of dollars)	2015	2014
Land	$ 78,528	$ 67,538
Land improvements	64,525	64,733
Educational buildings	3,382,438	3,281,247
Equipment	271,326	246,026
Software	44,711	40,803
Total	3,841,528	3,700,347
Less: accumulated depreciation	(1,364,178)	(1,256,934)
Construction in progress	337,018	167,726
Software projects in progress	7,944	13,132
Net land, buildings, and equipment	**$ 2,822,312**	**$ 2,624,271**

Depreciation expense was $146.2 million in 2015 and $137.6 million in 2014. Net interest expense of $6.6 million and $4.4 million was capitalized during 2015 and 2014, 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)	2015	2014
Undergraduate and graduate programs	$ 569,982	$ 553,344
Executive and continuing education programs	42,119	42,457
Total	612,101	595,801
Less: tuition discount	(280,282)	(271,299)
Net tuition and similar revenues	**$ 331,819**	**$ 324,502**

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 $498.5 million and $481.8 million in 2015 and 2014, respectively. Of that amount, $161.4 million in 2015 and $157.6 million in 2014 was aid from sponsors. Components of student support are detailed in Table 3 below.

Table 3. Student Support

	2015			2014		
(in thousands of dollars)	Institute Sources	External Sponsors	Total Student Support	Institute Sources	External Sponsors	Total Student Support
Undergraduate tuition support	$ 92,488	$ 14,660	$ 107,148	$ 88,570	$ 14,506	$ 103,076
Graduate tuition support	187,794	59,567	247,361	182,729	57,293	240,022
Fellow stipends	21,469	17,290	38,759	20,934	17,858	38,792
Student employment	35,417	69,844	105,261	31,935	67,955	99,890
Total	**$ 337,168**	**$ 161,361**	**$ 498,529**	**$ 324,168**	**$ 157,612**	**$ 481,780**

Sponsored Research

Direct and indirect categories of research revenues are shown in the table 4 below.

Table 4. Research Revenues

(in thousands of dollars)	2015	2014
Direct:		
Campus	$ 482,563	$ 475,382
Lincoln	844,588	791,292
SMART	31,620	31,519
Total direct	1,358,771	1,298,193
Indirect:		
Campus	$ 183,020	$ 188,136
Lincoln	34,739	37,367
SMART	117	98
Total indirect	217,876	225,601
Total research revenues	**$ 1,576,647**	**$ 1,523,794**

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 revenue 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 US Government and MIT. The variance between the negotiated fixed rate and the final audited rate results in a carryforward (over- or under-recovery). The carryforward 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 $47.2 million and $42.9 million in 2015 and 2014, 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 $0.3 million in 2015 and $1.3 million in 2014. Pledges in the amount of $558.1 million and $490.3 million were recorded as receivables at June 30, 2015 and 2014, 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)	2015	2014
Balance at the beginning of the year	$ 103,076	$ 95,259
Addition for new gifts	14,612	5,353
Termination and payments to beneficiaries	(14,984)	(14,917)
Net investment and actuarial gain	39,242	17,381
Balance at end of the year	**$ 141,946**	**$ 103,076**

Recently Adopted Accounting Standards

On July 1, 2014, MIT early adopted new guidance about *Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This guidance requires MIT to show investments that use net asset value (NAV) as a practical expedient for valuation purposes, separately from other investments categorized in the fair value hierarchy described in Footnote B. This disclosure change, which was applied retrospectively, can be seen in the investment leveling tables shown in Footnotes B and J for both fiscal years 2015 and 2014.

On July 1, 2013, MIT adopted new guidance enhancing the disclosures about *Offsetting Assets and Liabilities*. This guidance requires MIT to disclose both gross and net information about instruments and transactions eligible for offset in the statement of assets and liabilities as well as instruments and transactions subject to an agreement similar to a master netting arrangement. It also requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. Management has evaluated the impact of the enhanced guidance on the Institute's financial statements and has added the required additional disclosures in Note C.

A. Accounting Policies (continued)

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 $13.3 million and $14.6 million of accrued liabilities related to plant and equipment purchases for 2015 and 2014, 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, 2014 balances and amounts previously reported have been reclassified to conform to the June 30, 2015 presentation.

Subsequent Events

MIT has evaluated subsequent events through September 11, 2015, 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, 2014, 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.

• 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. Market information is considered when determining the proper categorization of the investment's fair value measurement within the fair valuation hierarchy.

Table 6 presents MIT's investments at fair value as of June 30, 2015 and 2014, grouped by the valuation hierarchy as defined earlier in this note. Investments that use NAV as a practical expedient for valuation purposes are shown separately.

Transfers between levels are recognized at the beginning of the reporting period. The 2015 transfers from Level 1 to Level 3 totaled $0.1 million and transfers from Level 1 to Level 2 totaled $9.6 million. There were no level transfers in 2014.

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.

B. Investments (continued)

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 fair value of 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, 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 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.

Level 3 investments are valued by MIT based upon valuation information received from the relevant 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)	NAV as Practical Expedient (NAV)	Total Fair Value
Fiscal Year 2015					
Cash and cash equivalents	$ 2,028,407	$ -	$ -	$ -	$ 2,028,407
US Treasury	795,335	-	-	-	795,335
US Government agency	-	70,493	-	-	70,493
Domestic bonds	11,917	84,072	101,763	-	197,752
Foreign bonds	21	24,582	-	-	24,603
Common equity:					
Long domestic	243,677	-	67,096	-	310,773
Long foreign	567,394	4,159	-	-	571,553
Short foreign	(6)	-	-	-	(6)
Equity:**					
Absolute return	-	-	-	1,734,169	1,734,169
Domestic	-	-	-	1,880,487	1,880,487
Foreign	-	-	-	3,504,707	3,504,707
Private	-	-	-	3,132,869	3,132,869
Real estate*	19	6,282	1,985,878	785,536	2,777,715
Real assets**	-	-	1,260	605,612	606,872
Split-interest agreements	-	-	146,405	-	146,405
Other	3,985	-	3,956	-	7,941
Derivatives	47	(35,967)	-	-	(35,920)
Total investments, gross	$ 3,650,796	$ 153,621	$ 2,306,358	$ 11,643,380	$ 17,754,155
Liabilities associated with investments:					
Real estate***	-	-	(220,391)	-	(220,391)
Total investments, net	**$ 3,650,796**	**$ 153,621**	**$ 2,085,967**	**$ 11,643,380**	**$ 17,533,764**
Fiscal Year 2014					
Cash and cash equivalents	$ 2,691,413	$ -	$ -	$ -	$ 2,691,413
US Treasury	779,831	-	-	-	779,831
US Government agency	15	74,312	-	-	74,327
Domestic bonds	15,624	91,704	97,254	-	204,582
Foreign bonds	20	22,545	-	-	22,565
Common equity:					
Long domestic	184,018	1	178,921	-	362,940
Long foreign	422,562	6,498	-	-	429,060
Short foreign	(5)	-	-	-	(5)
Equity:**					
Absolute return	-	-	-	1,643,868	1,643,868
Domestic	-	-	-	1,438,048	1,438,048
Foreign	71	-	-	2,532,278	2,532,349
Private	-	-	-	2,783,585	2,783,585
Real estate*	9,770	-	1,773,267	860,862	2,643,899
Real assets**	-	-	10,464	704,042	714,506
Split-interest agreements	-	-	147,182	-	147,182
Other	8,713	-	9,721	-	18,434
Derivatives	82	(26,722)	-	-	(26,640)
Total investments, gross	$ 4,112,114	$ 168,338	$ 2,216,809	$ 9,962,683	$ 16,459,944
Liabilities associated with investments:					
Real estate***	-	-	(231,188)	-	(231,188)
Total investments, net	**$ 4,112,114**	**$ 168,338**	**$ 1,985,621**	**$ 9,962,683**	**$ 16,228,756**

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

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

**** Interest rates are 3.75% to 4.54%. Maturities are in calendar years 2023 and 2030. Principal payments range from $5.4 million in fiscal year 2016 to $40.9 million in fiscal year 2030.*

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, 2015 and 2014.

Table 7. Rollforward of Level 3 Investments

(in thousands of dollars)	Fair Value Beginning	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers	Fair Value Ending
Fiscal Year 2015							
Domestic bonds	$ 97,254	$ -	$ -	$ 13,276	$ (8,767)	$ -	$ 101,763
Common equity:							
Long domestic	178,921	402	(104,853)	600	(7,989)	15	67,096
Short domestic	-	-	-	-	-	-	-
Equity:							
Private	-	-	-	-	-	-	-
Real estate	1,773,267	76,933	289,303	193,540	(347,265)	100	1,985,878
Real assets	10,464	-	(9,204)	-	-	-	1,260
Split-interest agreements	147,182	3,902	3,396	1,298	(9,373)	-	146,405
Other	9,721	(183)	78	3	(5,663)	-	3,956
Total, gross	$ 2,216,809	$ 81,054	$ 178,720	$ 208,717	$ (379,057)	$ 115	$ 2,306,358
Real estate liabilities	(231,188)	-	-	(75,000)	85,797	-	(220,391)
Total, net	**$ 1,985,621**	**$ 81,054**	**$ 178,720**	**$ 133,717**	**$ (293,260)**	**$ 115**	**$ 2,085,967**
Fiscal Year 2014							
Domestic bonds	$ 86,895	$ -	$ -	$ 20,530	$ (10,171)	$ -	$ 97,254
Common equity:						-	
Long domestic	241,381	(25)	(62,335)	7,575	(7,675)	-	178,921
Short domestic	(3)	(5)	2	6	-	-	-
Equity:							
Private	33,814	17,585	(16,530)	-	(34,869)	-	-
Real estate	1,481,564	41,082	174,988	398,134	(323,010)	509	1,773,267
Real assets	9,602	-	862	-	-	-	10,464
Split-interest agreements	148,297	634	9,597	4,716	(16,062)	-	147,182
Other	2,445	5	272	7,587	(79)	(509)	9,721
Total, gross	$ 2,003,995	$ 59,276	$ 106,856	$ 438,548	$ (391,866)	$ -	$ 2,216,809
Real estate liabilities	(82,000)	-	-	(150,000)	812	-	(231,188)
Total, net	**$ 1,921,995**	**$ 59,276**	**$ 106,856**	**$ 288,548**	**$ (391,054)**	**$ -**	**$ 1,985,621**

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 $948.9 million and $770.2 million as of June 30, 2015 and 2014, respectively. The net change in unrealized gains (losses) related to Level 3 investments held by MIT at June 30, 2015, and June 30, 2014, are disclosed in Table 7.

MIT enters into short sales whereby it sells securities that 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, 2015 and 2014.

Table 8. Level 3 Valuation Techniques

Asset Type *(in thousands of dollars)*	Fair Value at June 30, 2015	Fair Value at June 30, 2014	Valuation Technique	Unobservable Inputs	2015 Rates	2014 Rates
Real estate	$ 1,765,362	$ 1,542,069	Discounted cash flow	Discount Rate	4.8–9.0%	5.5–9.0%
Equity securities	50,653	162,416	Discounted cash flow	Discount Rate	15.3%	15.3%
Split-interest agreements	110,722	111,358	Net present value	Discount Rate	2.25%	2.20%
Real assets	1,260	10,464	Discount to public price	Discount	20.0%	20.0%
Other illiquid assets	426	1,761	Varies	Varies	Varies	Varies
Total assets	**$ 1,928,423**	**$ 1,828,068**				

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 limit the amount that may be withdrawn as of a given redemption date. Most absolute return, domestic equity, and foreign equity commingled funds limit withdrawals 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 15 to 20 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 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)*	2015 Unfunded Commitments	2015 Fair Value	2014 Unfunded Commitments	2014 Fair Value	Redemption Terms	Redemption Restrictions
Equity:						
Domestic	$ 1,923	$ 1,880,487	$ 9,983	$ 1,438,048	Redemption terms range from 30 days with 2 months notice to 2 years with 3 months notice and 1 closed-end fund not available for redemption	Lock-up provisions range from none to 5 years; 1 fund is not redeemable
Foreign	56,640	3,504,707	60,880	2,532,278	Redemption terms range from daily with 1 month notice to 3 years with 6 months notice and 1 closed-end fund not available for redemption	Lock-up provisions range from none to 5 years; 1 fund is not redeemable
Absolute return	218,025	1,734,169	171,070	1,643,868	Redemption terms range from 45 days with 2 months notice to closed-end funds which are not redeemable	Lock-up provisions range from none to not redeemable
Private	1,131,554	3,132,869	1,337,144	2,783,585	Closed-end funds not available for redemption	Not redeemable
Real estate	483,951	785,536	428,209	860,862	Closed-end funds not available for redemption	Not redeemable
Real assets	116,346	605,612	140,549	704,042	Redemption terms range from 4 months with 1 month notice to 8 months with 45 days notice for 2 funds with all other funds being closed-end and not redeemable	Not redeemable except for 2 funds with no lock-up provisions
Total	**$ 2,008,439**	**$ 11,643,380**	**$ 2,147,835**	**$ 9,962,683**		

B. Investments (continued)

MIT performs ongoing due diligence to determine that investment fair value is reasonable as of June 30, 2015 and 2014. In particular, to ensure that the valuation techniques for investments that are categorized within 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 composed 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 and Collateral

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 percent 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, 2015, the swap agreement had a total fair value of ($48.1) million and at June 30, 2014 had a fair value of ($41.3) million. This swap had a total net loss for 2015 of $6.8 million and a total net loss of $0.6 million for 2014. 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, 2015 and 2014, 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 US 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, 2015, 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 and Collateral (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 2015				
Fixed income instruments:				
Fixed income futures	$ 3,500	$ (3,400)	$ 47	$ (82)
Options on interest rate exchange agreements	1,702,000	-	8,800	(10,476)
Interest rate caps and floors	1,000,000	-	96	(485)
Interest rate swaps	-	-	-	-
Total fixed income instruments	2,705,500	(3,400)	8,943	(11,043)
Commodity and index instruments:				
Equity index swaps	-	(212,335)	5,046	(25,954)
Total commodity and index instruments	-	(212,335)	5,046	(25,954)
Credit instruments	-	(73,203)	(1,829)	9
2015 Total	**$ 2,705,500**	**$ (288,938)**	**$ 12,160**	**$ (36,988)**
Fiscal Year 2014				
Fixed income instruments:				
Fixed income futures	$ -	$ (19,500)	$ 82	$ 126
Options on interest rate exchange agreements	2,090,500	(55,000)	19,276	(17,341)
Interest rate caps and floors	1,000,000	-	581	(1,928)
Interest rate swaps	-	-	-	(2,059)
Total fixed income instruments	3,090,500	(74,500)	19,939	(21,202)
Commodity and index instruments:				
Equity index swaps	-	(47,519)	(2,548)	(4,958)
Total commodity and index instruments	-	(47,519)	(2,548)	(4,958)
Credit instruments	10,269	(115,938)	(2,725)	(2,090)
2014 Total	**$ 3,100,769**	**$ (237,957)**	**$ 14,666**	**$ (28,250)**

** The fair value of all credit derivative instruments is reflected in investments, at fair value in the Statements of Financial Position.*
*** Net gain (loss) of the credit derivative instruments is located in the non-operating section as net gain (loss) on investments and other assets in the Statement of Activities.*

C. Derivative Financial Instruments and Collateral (continued)

Table 11 provides further details related to MIT's credit instruments and 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, 2015 and 2014.

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.

Table 11. Credit Derivative Instruments

	Purchased Protection				Written Protection Notional Amount			
			Years to Maturity					
(in thousands of dollars)	Purchased Notional Amounts	Purchased Fair Value*	< 5 Years	5–10 Years	Written Notional Amounts	Offsetting Purchased Credit Protection **	Net Written Credit Protection	Net Written Credit Protection Fair Value
Fiscal Year 2015								
Credit rating on underlying or index:								
A- to AAA	$ 44,571	$ (1,109)	$ 10,000	$ 34,571	$ -	$ -	$ -	$ -
BBB- to BBB+	28,632	(720)	5,175	23,457	-	-	-	-
2015 Total	**$ 73,203**	**$ (1,829)**	**$ 15,175**	**$ 58,028**	**$ -**	**$ -**	**$ -**	**$ -**
Fiscal Year 2014								
Credit rating on underlying or index:								
A- to AAA	$ 68,692	$ (1,789)	$ 15,000	$ 53,692	$ 10,269	$ -	$ -	$ 120
BBB- to BBB+	36,977	(975)	5,000	31,977	-	(10,269)	-	(81)
2014 Total	**$ 105,669**	**$ (2,764)**	**$ 20,000**	**$ 85,669**	**$ 10,269**	**$ (10,269)**	**$ -**	**$ 39**

** The fair value of all credit derivative instruments is reflected in investments, at fair value in the Statements of Financial Position.*
*** Net gain (loss) of the credit derivative instruments is located in the non-operating section as net gain (loss) on investments and other assets in the Statement of Activities.*

C. Derivative Financial Instruments and Collateral (continued)

Counterparty risk may be partially or completely mitigated through master netting agreements included within an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement between MIT and each of its counterparties. The ISDA Master Agreement allows MIT to offset with the counterparty certain derivative instruments' payables and/or receivables with collateral held with each counterparty. To the extent amounts due from the counterparties are not fully collateralized contractually or otherwise, there is the risk of loss from counterparty non-performance. As of June 30, 2015, MIT has elected not to offset recognized assets and liabilities in the Statements of Financial Position Investments Table. The following tables, 12 and 13, summarize the effect that offsetting of recognized assets and liabilities could have in the Statements of Financial Position Investments Table.

Table 12. Offsetting of Financial and Derivative Assets and Liabilities

	2015			2014		
(in thousands of dollars)	Gross Amount	Cash/Treasury Collateral Posted/ (Received)	Net Amount	Gross Amount	Cash/Treasury Collateral Posted/ (Received)	Net Amount
Assets						
Counterparty A	$ 4,184	$ (4,386)	$ (202)	$ 9,250	$ (9,519)	$ (269)
Counterparty B	59,895	(61,220)	(1,325)	46,243	(47,385)	(1,142)
Counterparty C	-	-	-	27	-	27
Counterparty D	-	-	-	-	-	-
Counterparty E	-	-	-	-	-	-
Counterparty F	-	-	-	-	-	-
Counterparty G	30,088	(31,004)	(916)	38,924	(39,709)	(785)
Counterparty H	-	-	-	42,200	(43,165)	(965)
Counterparty I	-	-	-	-	-	-
Counterparty J	-	-	-	-	-	-
Counterparty K	9,759	(12,495)	(2,736)	10,646	(10,599)	47
Total assets	103,926	(109,105)	(5,179)	147,290	(150,377)	(3,087)
Liabilities						
Counterparty A	(2)	-	(2)	(108)	130	22
Counterparty B	(470)	720	250	(692)	720	28
Counterparty C	(201)	-	(201)	-	-	-
Counterparty D	(470)	721	251	(362)	305	(57)
Counterparty E	-	-	-	(51)	205	154
Counterparty F	-	-	-	(399)	335	(64)
Counterparty G	(48,081)	-	(48,081)	(41,300)	-	(41,300)
Counterparty H	-	-	-	-	-	-
Counterparty I	(316)	420	104	(378)	420	42
Counterparty J	(369)	415	46	(801)	770	(31)
Counterparty K	-	-	-	(2,549)	2,549	-
Total liabilities	(49,909)	2,276	(47,633)	(46,640)	5,434	(41,206)
Total assets and liabilities, net	**$ 54,017**	**$ (106,829)**	**$ (52,812)**	**$ 100,650**	**$ (144,943)**	**$ (44,293)**

Maximum risk of loss from counterparty credit risk on over-the-counter derivatives is generally the aggregate unrealized appreciation in excess of any collateral pledged by the counterparty. ISDA Master Agreements allow MIT or the counterparties to an over-the-counter derivative to terminate the contract prior to maturity in the event either party fails to meet the terms in the ISDA Master Agreements. This would cause an accelerated payment of net liability, if owed to the counterparty.

C. Derivative Financial Instruments and Collateral (continued)

Table 13 below reconciles the net recognized assets and liabilities, as shown in Table 12, to derivative financial instruments as shown in Table 6.

Table 13. Reconciliation of Financial and Derivative Assets and Liabilities

(in thousands of dollars)	2015	2014
Derivatives from Table 6	$ (35,920)	$ (26,640)
Repurchase agreements	89,984	127,372
Fixed income futures	(47)	(82)
Total	**$ 54,017**	**$ 100,650**

D. Pledges Receivable

Table 14 below shows the time periods in which pledges receivable at June 30, 2015 and 2014 are expected to be realized.

Table 14. Pledges Receivable

(in thousands of dollars)	2015	2014
In one year or less	$ 192,149	$ 156,094
Between one year and five years	393,518	227,752
More than five years	34,218	160,760
Less: allowance for unfulfilled pledges	(61,790)	(54,270)
Pledges receivable, net	**$ 558,095**	**$ 490,336**

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 $35.5 million and $36.8 million in 2015 and 2014, respectively. MIT has gross conditional pledges, not recorded, for the promotion of education and research of $76.6 million and $39.3 million in 2015 and 2014, respectively. MIT has pledges receivable relating to research in the amount of $28.3 million and $21.4 million in 2015 and 2014, respectively.

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

Table 15 below is a rollforward of the pledges receivable at June 30, 2015 and 2014.

Table 15. Rollforward of Pledges Receivable

(in thousands of dollars)	2015	2014
Balance at beginning of the year	$ 490,336	$ 404,594
New pledges	201,495	191,973
Pledge payments received	(127,446)	(94,377)
Decrease (increase) in pledge discount	1,230	(2,534)
Increase in reserve for unfulfilled pledges	(7,520)	(9,320)
Balance at the end of the year	**$ 558,095**	**$ 490,336**

E. Student Notes Receivable

Table 16 below details the components of student notes receivable at June 30, 2015 and 2014.

Table 16. Student Notes Receivable

(in thousands of dollars)	2015	2014
Institute-funded student notes receivable	$ 12,894	$ 13,426
Perkins student notes receivable	35,784	37,743
Total student notes receivable	48,678	51,169
Less: allowance for doubtful accounts	(3,000)	(3,000)
Student notes receivable, net	**$ 45,678**	**$ 48,169**

Perkins student notes receivable are funded by the US Government and by MIT. Funds advanced by the US Government for this program are ultimately refundable to the US Government and are classified as liabilities in US 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 loans 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 US 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, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014 were as shown in Table 17.

Table 17. Rollforward of Allowance for Credit Losses

(in thousands of dollars)	2015	2014
Balance at beginning of the year	$ 3,000	$ 3,000
Provision for credit losses	264	126
Net charge-offs	(264)	(126)
Balance at the end of the year	**$ 3,000**	**$ 3,000**

F. Accounts Payable, Accruals, and Other Liabilities

MIT's accounts payable, accruals, and other liabilities at June 30, 2015 and 2014 are shown in Table 18 below.

Table 18. Accounts Payable, Accruals, and Other Liabilities

(in thousands of dollars)	2015	2014
Accounts payable and accruals	$ 373,825	$ 352,668
Accrued vacation	62,463	59,291
Total	**$ 436,288**	**$ 411,959**

G. Borrowings

MIT's outstanding borrowings at June 30, 2015 and 2014 are shown in Table 19 below.

Table 19. Borrowings

(in thousands of dollars / due dates are calendar based / par values as of 2015)	2015	2014
Educational plant		
Massachusetts Development Finance Agency (MassDevelopment)		
Series I, 5.20%, due 2028, par value $30,000	$ 30,723	$ 30,781
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%–5.5%, due 2012–2032, par value $203,500	213,010	213,673
Series L, 3.0%–5.25%, due 2004–2033, par value $141,670	150,357	151,017
Series M, 5.25%, due 2014–2030, par value $122,000	130,264	140,437
Series N, par value $0	-	327,965
Series O, 4.0%–5.0%, due 2017, par value $88,000	89,117	268,716
Total MassDevelopment	$ 863,471	$ 1,382,589
Medium Term Notes Series A, 7.125%, due 2026, par value $17,415	17,371	17,367
Medium Term Notes Series A, 7.25%, due 2096, par value $45,604	45,451	45,449
Taxable Bonds, Series B, 5.60%, due 2111, par value $750,000*	747,019	746,987
Taxable Bonds, Series C, 4.68%, due 2114, par value $550,000*	550,000	550,000
Taxable Bonds, Series D, 2.051–3.959%, due 2019-2038, par value $522,410**	522,410	-
Notes payable to bank, variable rate, due 2017	113,033	83,033
Total Taxable	$ 1,995,284	$ 1,442,836
Total educational plant	$ 2,858,755	$ 2,825,425
Other		
Notes payable to bank, variable rate, due 2017	63,476	93,476
Total borrowings	**$ 2,922,231**	**$ 2,918,901**

** The proceeds of Taxable Bonds, Series B and C were held as investments as of June 30, 2014 and were in the process of being invested in physical assets as of June 30, 2015.*
*** Series D is an advance refunding, defeasing portions of Series N and Series O.*

Fair value of the outstanding debt is approximately 9 and 11 percent greater than the carrying value in 2015 and 2014, respectively. It is classified as Level 3 under the valuation hierarchy described in Note B. Fair value is based on estimates using current interest rates available for similarly rated debt of the same remaining maturities for tax-exempt debt and rates for recent trades for taxable debt.

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 20 below.

Table 20. Debt Principal Obligations

(in thousands of dollars)	
2016	$ 9,585
2017	98,090
2018	26,500
2019	92,410
2020	10,620

MIT maintains a line of credit with a major financial institution for an aggregate commitment of $500.0 million. As of June 30, 2015, $323.5 million was available under this line of credit. The line of credit expires on March 31, 2017.

During 2015, MIT issued $522.4 million in Series D taxable bonds to advance refund and defease $275.2 million of Series N and $178.5 million of Series O tax-exempt bonds.

Cash paid for interest on long-term debt in 2015 and 2014 was $128.9 million and $107.2 million, respectively.

Variable interest rates at June 30, 2015 are shown in Table 21 below.

Table 21. Variable Interest Rates

(in thousands of dollars)	Amount	Rate
MassDevelopment Series J-1	$ 125,000	0.05%
MassDevelopment 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 carryforward of under-or over-recoveries. At June 30, 2015 and 2014, MIT recorded a net over-recovery of $19.5 million and $14.9 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 2015 research revenues of $1,576.6 million include reimbursement of indirect costs of $217.9 million, which includes the adjustment for the variance between the indirect cost income determined by the fixed rates and actual costs for 2015. In 2014, research revenues were $1,523.8 million, which included reimbursement of indirect costs of $225.6 million.

Leases

At June 30, 2015, there were no capital lease obligations. MIT is committed under certain operating (rental) leases. Rent expense incurred under operating lease obligations was $41.3 million and $45.1 million in 2015 and 2014, respectively. Future minimum payments under operating leases are shown in Table 22 below.

Table 22. Lease Obligations

(in thousands of dollars)	
2016	$ 38,713
2017	39,888
2018	38,761
2019	28,323
2020	28,934

Investments

As of June 30, 2015, $11.3 million of investments were pledged as collateral to various suppliers and Government agencies.

H. Commitments and Contingencies (continued)

Future Construction

MIT has contracted for the educational plant in the amount of $225.4 million at June 30, 2015. 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 23 below.

Table 23. Expenditures by Functional Classification

(in thousands of dollars)	2015	2014
General and administrative	$ 763,680	$ 713,103
Instruction and unsponsored research	811,495	777,382
Sponsored research	1,386,334	1,283,189
Auxiliary enterprises	134,076	129,692
Operation of Alumni Association	15,534	15,151
Total operating expenses	**$ 3,111,119**	**$ 2,918,517**

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 healthcare 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 healthcare 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 $7.5 million and a $20.4 million contribution to the defined benefit plan in 2015 and 2014, respectively. MIT also contributed $28.7 million and $31.5 million to the postretirement welfare benefit plan in 2015 and 2014, respectively.

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 2015 and 2014 related to the defined contribution plan were $51.5 million and $48.6 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 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 Cost

Table 24 summarizes the components of net periodic benefit cost recognized in operating activity and other amounts recognized in non-operating activity in unrestricted net assets for the years ended June 30, 2015 and 2014.

Table 24. Components of Net Periodic Benefit Cost

	Defined Benefit Plan		Postretirement Welfare Benefit Plan	
(in thousands of dollars)	2015	2014	2015	2014
Components of net periodic benefit cost recognized in operating activity:				
Service cost	$ 80,840	$ 71,661	$ 25,950	$ 22,079
Interest cost	141,805	141,213	24,453	24,210
Expected return on plan assets	(223,648)	(207,532)	(30,623)	(27,204)
Amortization of net actuarial loss	24,596	14,066	6,064	5,822
Amortization of prior service cost	953	953	(2,801)	(2,801)
Net periodic benefit cost recognized in operating activity	$ 24,546	$ 20,361	$ 23,043	$ 22,106
Other amounts recognized in non-operating activity in unrestricted net assets:				
Current year actuarial loss (gain)	56,748	(25,547)	(41,250)	(10,811)
Amortization of actuarial gain	(24,596)	(14,066)	(6,064)	(5,822)
Amortization of prior service cost	(953)	(953)	2,801	2,801
Total other amounts recognized in non-operating activity	$ 31,199	$ (40,566)	$ (44,513)	$ (13,832)
Total recognized	**$ 55,745**	**$ (20,205)**	**$ (21,470)**	**$ 8,274**

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 $20.1 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 $1.0 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 25 for the years ended June 30, 2015 and 2014.

Table 25. Cumulative Amounts Recognized in Unrestricted Net Assets

(in thousands of dollars)	Defined Benefit Plan 2015	Defined Benefit Plan 2014	Postretirement Welfare Benefit Plan 2015	Postretirement Welfare Benefit Plan 2014
Amounts recognized in unrestricted net assets consist of:				
Net actuarial loss	$ 315,879	$ 283,726	$ 9,626	$ 56,937
Prior service cost/(credit)	1,926	2,880	(13,416)	(16,216)
Total cumulative amounts recognized in unrestricted net assets	**$ 317,805**	**$ 286,606**	**$ (3,790)**	**$ 40,721**

Benefit Obligations and Fair Value of Assets

Table 26 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 26. Projected Benefit Obligations and Fair Value of Assets

(in thousands of dollars)	Defined Benefit Plan 2015	Defined Benefit Plan 2014	Postretirement Welfare Benefit Plan 2015	Postretirement Welfare Benefit Plan 2014
Change in projected benefit obligations:				
Projected benefit obligations at beginning of year	$ 3,140,704	$ 2,803,784	$ 539,262	$ 479,117
Service cost	80,840	71,661	25,950	22,079
Interest cost	141,805	141,213	24,453	24,210
Retiree contributions	-	-	4,881	4,346
Net benefit payments, transfers, and other expenses	(113,739)	(124,927)	(24,232)	(23,512)
Assumption changes and actuarial net loss (gain)	182,078	248,973	(21,349)	33,022
Projected benefit obligations at end of the year	$ 3,431,688	$ 3,140,704	$ 548,965	$ 539,262
Change in plan assets:				
Fair value of plan assets at beginning of the year	3,135,764	2,758,276	495,372	414,981
Actual return on plan assets	348,975	482,053	50,522	71,038
Employer contributions	7,500	20,362	28,651	31,514
Retiree contributions	-	-	4,881	4,346
Net benefit payments, transfers, and other expenses	(113,739)	(124,927)	(30,506)	(26,507)
Fair value of plan assets at end of the year	3,378,500	3,135,764	548,920	495,372
Unfunded status at end of the year	**$ (53,188)**	**$ (4,940)**	**$ (45)**	**$ (43,890)**
Amounts recognized in the Statements of Financial Position consist of:				
Total accrued benefit liabilities	**$ (53,188)**	**$ (4,940)**	**$ (45)**	**$ (43,890)**

J. Retirement Benefits (continued)

The accumulated benefit obligation for MIT's defined benefit plan was $3,075.9 million and $2,922.1 million at June 30, 2015 and 2014, respectively.

MIT provides 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.

Assumptions and Healthcare Trend Rates

Table 27 summarizes assumptions and healthcare 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 27. Assumptions

	Defined Benefit Plan		Postretirement Welfare Benefit Plan	
(in thousands of dollars)	2015	2014	2015	2014
Assumptions used to determine benefit obligation as of June 30:				
Discount rate	4.62%	4.50%	4.54%	4.43%
Rate of compensation increase*	4.00%	4.00%		
Assumptions used to determine net periodic benefit cost for the year ended June 30:				
Discount rate	4.50%	5.03%	4.43%	4.95%
Expected long-term return on plan assets	8.00%	8.00%	7.00%	7.00%
Rate of compensation increase*	4.00%	4.00%		
Assumed healthcare cost trend rates:				
Healthcare 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%	4.75%
Year the rate reaches the ultimate trend rate			2021	2021

* *The average rate of salary increase is assumed to be 4.00% for 2016 and thereafter.*

As an indicator of sensitivity, a one percentage point change in the assumed healthcare cost trend rate would affect 2015 as shown in Table 28 below.

Table 28. Healthcare Cost Trend Rate Sensitivity

(in thousands of dollars)	1% Point Increase	1% Point Decrease
Effect on 2015 postretirement service and interest cost	$ 8,457	$ (6,779)
Effect on postretirement benefit obligation as of June 30, 2015	79,036	(64,866)

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 29A and 29B 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, 2015 and 2014, 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 2015 or 2014.

Table 29A. Defined Benefit Plan Investments

(in thousands of dollars)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	Total Fair Value
Fiscal Year 2015					
Cash and cash equivalents	$ 204,917	$ -	$ -	$ -	$ 204,917
US Treasury	298,529	-	-	-	298,529
US Government agency	-	11,183	-	-	11,183
Foreign bonds	-	144	-	-	144
Common equity:					
Long domestic	32,253	-	74	-	32,327
Long foreign	122,483	902	-	-	123,385
Equity:*					
Absolute return	-	-	-	334,619	334,619
Domestic	-	-	-	504,042	504,042
Foreign	-	-	-	809,825	809,825
Private	-	-	-	629,042	629,042
Real estate*	-	1,466	-	273,468	274,934
Real assets*	-	-	261	133,386	133,647
Other	5,069	-	760	-	5,829
Derivatives	13	1,209	-	-	1,222
Total plan investments	**$ 663,264**	**$ 14,904**	**$ 1,095**	**$ 2,684,382**	**$ 3,363,645**
Fiscal Year 2014					
Cash and cash equivalents	$ 307,951	$ -	$ -	$ -	$ 307,951
US Treasury	262,062	-	-	-	262,062
US Government agency	-	14,816	-	-	14,816
Foreign bonds	-	-	-	-	-
Common equity:					
Long domestic	34,248	-	909	-	35,157
Long foreign	66,543	-	-	-	66,543
Equity:*					
Absolute return	-	-	-	339,650	339,650
Domestic	-	-	-	400,981	400,981
Foreign	-	-	-	660,205	660,205
Private	-	-	-	545,295	545,295
Real estate*	-	-	-	311,942	311,942
Real assets*	-	-	2,706	176,446	179,152
Other	-	-	1,191	-	1,191
Derivatives	24	(1,265)	-	-	(1,241)
Total plan investments	**$ 670,828**	**$ 13,551**	**$ 4,806**	**$ 2,434,519**	**$ 3,123,704**

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

Table 29B. Postretirement Welfare Benefit Plan Investments

(in thousands of dollars)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Total Fair Value
Fiscal Year 2015					
Cash and cash equivalents	$ 18,502	$ -	$ -	$ -	$ 18,502
Domestic bonds	-	71,428	-	-	71,428
Foreign bonds	-	10	-	-	10
Common equity:					
Long domestic	25,177	-	-	-	25,177
Long foreign	18,098	123	-	-	18,221
Equity:*					
Absolute return	-	-	-	68,771	68,771
Domestic	-	-	-	79,074	79,074
Foreign	-	-	-	194,610	194,610
Private	-	-	-	48,593	48,593
Real estate	-	200	-	20,362	20,562
Real assets*	-	-	-	3,763	3,763
Other	362	-	-	-	362
Total plan investments	**$ 62,139**	**$ 71,761**	**$ -**	**$ 415,173**	**$ 549,073**
Fiscal Year 2014					
Cash and cash equivalents	$ 35,960	$ -	$ -	$ -	$ 35,960
Domestic bonds	-	78,182	-	-	78,182
Foreign bonds	-	-	-	-	-
Common equity:					
Long domestic	26,789	-	-	-	26,789
Long foreign	5,022	-	-	-	5,022
Equity:*					
Absolute return	-	-	-	69,554	69,554
Domestic	-	-	-	65,018	65,018
Foreign	-	-	-	156,344	156,344
Private	-	-	-	32,032	32,032
Real estate	-	-	-	20,677	20,677
Real assets*	-	-	-	6,032	6,032
Total plan investments	**$ 67,771**	**$ 78,182**	**$ -**	**$ 349,657**	**$ 495,610**

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

J. Retirement Benefits (continued)

Table 30 is a rollforward of the investments classified by MIT's defined benefit plan within Level 3 of the fair value hierarchy defined in Note B as at June 30, 2015 and 2014.

Table 30. Rollforward of Level 3 Investments

(in thousands of dollars)	Fair Value Beginning	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Transfers	Fair Value Ending
Defined Benefit Plan							
Fiscal Year 2015							
Common equity:							
Long domestic	$ 909	$ -	$ (835)	$ -	$ -	$ -	$ 74
Long foreign.	-	-	-	-	-	-	-
Real assets	2,706	-	(2,445)	-	-	-	261
Other	1,191	-	(431)	-	-	-	760
Total	**$ 4,806**	**$ -**	**$ (3,711)**	**$ -**	**$ -**	**$ -**	**$ 1,095**
Fiscal Year 2014							
Common equity:							
Long domestic	$ 2,100	$ -	$ -	$ -	$ -	$ (1,191)	$ 909
Long foreign.	-	-	-	-	-	-	-
Real assets	2,486	-	220	-	-	-	2,706
Other	-	-	-	-	-	1,191	1,191
Total	**$ 4,586**	**$ -**	**$ 220**	**$ -**	**$ -**	**$ -**	**$ 4,806**

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 and 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 in Table 31 below as of June 30, 2015 and 2014.

Table 31. Unfunded Commitments

	2015		2014			
(in thousands of dollars)	Unfunded Commitments	Fair Value	Unfunded Commitments	Fair Value	Redemption Terms	Redemption Restrictions
Defined Benefit Plan						
Equity:						
Domestic	$ 433	$ 504,042	$ 1,027	$ 400,981	Redemption terms range from 4 months with 30 days notice to 25 months with 3 months notice and 1 closed-end fund not available for redemption	Lock-up provisions range from none to 3 months; 1 fund is not redeemable
Foreign	12,710	809,825	11,760	660,205	Redemption terms range from daily with 28 days notice to 3 years with 3 months notice	Lock-up provisions range from none to 5 years
Absolute return	65,457	334,619	44,824	339,650	Redemption terms range from 4 months with 30 days notice to closed-end funds which are not redeemable	Lock-up provisions range from none to not redeemable
Private	232,650	629,042	269,612	545,295	Closed-end funds not available for redemption	Not redeemable
Real estate	133,612	273,468	135,912	311,942	Closed-end funds not available for redemption	Not redeemable
Real assets	30,602	133,386	37,447	176,446	Redemption terms range from 8 months with 45 days notice for 1 fund with all other funds being closed-end and not redeemable	Not redeemable except for 1 fund with no lock-up provisions
Total	**$ 475,464**	**$ 2,684,382**	**$ 500,582**	**$ 2,434,519**		
Postretirement Welfare Benefit Plan						
Equity:						
Domestic	$ 48	$ 79,074	$ 114	$ 65,018	Redemption terms range from 4 months with 30 days notice to 25 months with 3 months notice and 1 closed-end fund not available for redemption	Lock-up provisions range from none to 3 months; 1 fund is not redeemable
Foreign	2,000	194,610	1,560	156,344	Redemption terms range from 45 days with 10 days notice to 3 years with 3 months notice	Lock-up provisions range from none to 5 years
Absolute return	7,393	68,771	3,697	69,554	Redemption terms range from 4 months with 30 days notice to closed-end funds which are not redeemable	Lock-up provisions range from none to not redeemable
Private	30,742	48,593	33,669	32,032	Closed-end funds not available for redemption	Not redeemable
Real estate	16,083	20,362	13,722	20,677	Closed-end funds not available for redemption	Not redeemable
Real assets	3,889	3,763	4,675	6,032	Closed-end funds not available for redemption	Not redeemable
Total	**$ 60,155**	**$ 415,173**	**$ 57,437**	**$ 349,657**		

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, 2015 and 2014, are shown in Table 32.

Table 32. Plan Investment Allocation

	Defined Benefit Plan			Postretirement Welfare Benefit Plan		
	2015 Target Allocation	2015	2014	2015 Target Allocation	2015	2014
Cash and cash equivalents	0-10%	6%	10%	0–10%	3%	7%
Fixed income	3-13%	9%	8%	10–20%	13%	16%
Equities	35.5–75.5%	63%	55%	38–78%	66%	58%
Marketable alternatives	7.5–17.5%	10%	11%	9.5–19.5%	13%	14%
Real assets	3–13%	4%	6%	0–7.5%	1%	1%
Real estate	6–16%	8%	10%	0–10%	4%	4%
Total		**100%**	**100%**		**100%**	**100%**

Table 33 summarizes the notional exposure and net ending fair value of derivative financial instruments held by the MIT defined benefit plan at June 30, 2015 and 2014. Refer to Note C for a detailed discussion regarding derivative financial instruments.

Table 33. Derivative Financial Instruments for Defined Benefit Plan

(in thousands of dollars)	Notional Exposure Long	Notional Exposure Short	Net Ending Fair Value Amount	Net Gain (Loss)
Fiscal Year 2015				
Fixed income instruments:				
Fixed income futures	$ 2,500	$ (1,000)	$ 13	$ (23)
Interest rate swaps	-	-	-	-
Total fixed income instruments	2,500	(1,000)	13	(23)
Commodity and index instruments:				
Equity index swaps	-	(50,851)	1,209	(10,835)
Total commodity and index instruments	-	(50,851)	1,209	(10,835)
Credit instruments	-	-	-	-
2015 Total	**$ 2,500**	**$ (51,851)**	**$ 1,222**	**$ (10,858)**
Fiscal Year 2014				
Fixed income instruments:				
Fixed income futures	$ 200	$ (4,700)	$ 24	$ 73
Interest rate swaps	-	-	-	-
Total fixed income instruments	200	(4,700)	24	73
Commodity and index instruments:				
Equity index swaps	-	(23,573)	(1,265)	(89)
Total commodity and index instruments	-	(23,573)	(1,265)	(89)
Credit instruments	-	-	-	-
2014 Total	**$ 200**	**$ (28,273)**	**$ (1,241)**	**$ (16)**

J. Retirement Benefits (continued)

Counterparty risk may be partially or completely mitigated through master netting agreements included within an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement between the Plan and each of its counterparties. The ISDA Master Agreement allows the Plan to offset with the counterparty certain derivative instruments' payables and/or receivables with collateral held with each counterparty.

To the extent amounts due from the counterparties are not fully collateralized contractually or otherwise, there is the risk of loss from counterparty non-performance. As of June 30, 2015, the Plan has elected not to offset recognized assets and liabilities in the Defined Benefit Plan Investments Table. The following tables, 34 and 35, summarize the effect that offsetting of recognized assets and liabilities could have in the Defined Benefit Plan Investments Table.

Table 34. Offsetting of Financial and Derivative Assets and Liabilities

	2015			2014		
(in thousands of dollars)	Gross Amount	Cash/Treasury Collateral Posted/ (Received)	Net Amount	Gross Amount	Cash/Treasury Collateral Posted/ (Received)	Net Amount
Assets						
Counterparty A.	$ 1,209	$ (2,950)	$ (1,741)	$ -	$ -	$ -
Total assets	$ 1,209	$ (2,950)	$ (1,741)	$ -	$ -	$ -
Liabilities						
Counterparty A.	$ -	$ -	$ -	$ (1,265)	$ 1,330	$ 65
Total liabilities	-	-	-	(1,265)	1,330	65
Total assets and liabilities, net . .	**$ 1,209**	**$ (2,950)**	**$ (1,741)**	**$ (1,265)**	**$ 1,330**	**$ 65**

Maximum risk of loss from counterparty credit risk on over-the-counter derivatives is generally the aggregate unrealized appreciation in excess of any collateral pledged by the counterparty. ISDA Master Agreements allow the Plan or the counterparties to an over-the-counter derivative to terminate the contract prior to maturity in the event either party fails to meet the terms in the ISDA Master Agreements. This would cause an accelerated payment of net liability, if any owed to the counterparty.

Table 35 below reconciles the net recognized assets and liabilities, as shown in Table 34, to derivative financial instruments as shown in Table 29A.

Table 35. Reconciliation of Financial and Derivative Assets and Liabilities

(in thousands of dollars)	2015	2014
Derivatives from Table 29A.	$ 1,222	$ (1,241)
Fixed income futures.	(13)	(24)
Total	**$ 1,209**	**$ (1,265)**

J. Retirement Benefits (continued)

Expected Future Benefit Payments

In 2016, MIT expects to make contributions of $21.9 million and $23.2 million to its defined benefit pension plan and post-retirement welfare benefit plan, respectively. These contributions have been estimated based on the same assumptions used to measure MIT's benefit obligations at June 30, 2015.

Table 36 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, 2015.

Table 36. Expected Future Benefit Payments

(in thousands of dollars)	Pension Benefits	Other Benefits*
2016	$ 144,557	$ 25,230
2017	151,687	27,342
2018	156,611	29,084
2019	162,670	30,511
2020	169,197	31,857
2021–2025	945,966	182,062

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

K. Components of Net Assets and Endowment

Table 37 presents the total net assets composition as of June 30, 2015. 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 37. Total Net Asset Composition

	2015				
(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
Endowment funds					
General purpose	$ 900,984	$ 1,115,371	$ 227,474	$ 2,243,829	$ 2,067,894
Departments and research	625,386	1,096,170	609,789	2,331,345	2,114,376
Library	12,077	24,660	15,073	51,810	45,792
Salaries and wages	549,714	2,696,320	684,765	3,930,799	3,630,002
Graduate general	89,489	156,713	98,159	344,361	314,380
Graduate departments	120,290	372,942	250,894	744,126	659,938
Undergraduate	225,798	1,143,805	355,383	1,724,986	1,580,124
Prizes	8,754	32,580	20,551	61,885	57,016
Miscellaneous	1,133,931	251,230	279,334	1,664,495	1,606,546
Investment income held for distribution	377,107	-	-	377,107	349,063
Endowment funds before pledges	4,043,530	6,889,791	2,541,422	13,474,743	12,425,131
Pledges	-	-	213,196	213,196	164,647
Total endowment funds	4,043,530	6,889,791	2,754,618	13,687,939	12,589,778
Other Invested Funds					
Student loan funds	20,052	-	18,262	38,314	37,842
Building funds	49,111	54,879	-	103,990	134,092
Designated purposes:					
Departments and research	355,371	-	-	355,371	304,097
Other purposes	415,061	45,203	-	460,264	496,317
Life income funds	6,022	31,917	108,988	146,927	158,043
Pledges	-	344,899	-	344,899	325,688
Other funds available for current expenses	1,485,072	186,758	-	1,671,830	1,364,418
Funds expended for educational plant	697,039	-	-	697,039	617,392
Total other invested funds	3,027,728	663,656	127,250	3,818,634	3,437,889
Noncontrolling interests	232,415	-	-	232,415	287,825
Total net assets at fair value	**$ 7,303,673**	**$ 7,553,447**	**$ 2,881,868**	**$ 17,738,988**	**$ 16,315,492**

K. Components of Net Assets and Endowment (continued)

MIT's endowment consists of approximately 3,800 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Executive Committee of the MIT Corporation (Executive Committee) to function as endowments. As required by 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 the 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 38. Endowment Net Asset Composition by Type of Fund

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal Year 2015				
Donor-restricted endowment funds	$ -	$ 6,889,791	$ 2,754,618	$ 9,644,409
Board-designated endowment funds	4,043,530	-	-	4,043,530
Total endowment funds	**$ 4,043,530**	**$ 6,889,791**	**$ 2,754,618**	**$ 13,687,939**
Fiscal Year 2014				
Donor-restricted endowment funds	$ -	$ 6,169,847	$ 2,710,357	$ 8,880,204
Board-designated endowment funds	3,709,574	-	-	3,709,574
Total endowment funds	**$ 3,709,574**	**$ 6,169,847**	**$ 2,710,357**	**$ 12,589,778**

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. There were no underwater endowment funds reported in unrestricted net assets as of June 30, 2015 and June 30, 2014.

K. Components of Net Assets and Endowment (continued)

Table 39. Changes in Endowment Net Assets

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal Year 2015				
Endowment net assets, July 1, 2014	$ 3,709,574	$ 6,169,847	$ 2,710,357	$ 12,589,778
Investment return:				
Investment income	29,346	63,752	7,738	100,836
Net appreciation (realized and unrealized)	448,256	1,029,171	(100,887)	1,376,540
Total investment return	477,602	1,092,923	(93,149)	1,477,376
Contributions	-	-	88,376	88,376
Appropriation of endowment assets for expenditure	(165,768)	(375,259)	(4,834)	(545,861)
Other changes:				
Underwater gain adjustment	-	-	-	-
Net asset reclassifications and transfers to create board-designated endowment funds	22,122	2,280	53,868	78,270
Endowment net assets, June 30, 2015	**$ 4,043,530**	**$ 6,889,791**	**$ 2,754,618**	**$ 13,687,939**
Fiscal Year 2014				
Endowment net assets, July 1, 2013	$ 3,228,902	$ 5,171,454	$ 2,605,576	$ 11,005,932
Investment return:				
Investment income	26,120	51,051	17,590	94,761
Net appreciation (realized and unrealized)	576,974	1,294,684	(59,564)	1,812,094
Total investment return	603,094	1,345,735	(41,974)	1,906,855
Contributions	-	-	117,208	117,208
Appropriation of endowment assets for expenditure	(158,367)	(346,848)	(10,216)	(515,431)
Other changes:				
Underwater gain adjustment	1,191	(1,191)	-	-
Net asset reclassifications and transfers to create board-designated endowment funds	34,754	697	39,763	75,214
Endowment net assets, June 30, 2014	**$ 3,709,574**	**$ 6,169,847**	**$ 2,710,357**	**$ 12,589,778**

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 $14,957.1 million at June 30, 2015 and $13,654.9 million at June 30, 2014. Pool A includes certain operating and life income funds totaling $1,652.2 million at June 30, 2015 and $1,512.6 million at June 30, 2014. Certain assets are also maintained in separately invested funds. Separately invested funds totaled $176.3 million at June 30, 2015 and $282.8 million at June 30, 2014.

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 $65.33 and $62.90 per Pool A unit as of June 30, 2015 and 2014, respectively. In 2015, the amount distributed for spending from Pool A and Pool C totaled $670.3 million, compared to $623.5 million distributed in 2014. Included in this amount was a special distribution of $34.7 million and $31.1 million from gains in Pool C in 2015 and 2014, respectively. During 2015, distributions from separately invested funds were $5.5 million, compared to $10.9 million in 2014. The income earned in Pool C, or currently invested funds, was fully distributed.

pwc

Independent Auditor's Report

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

We have audited the consolidated financial statements, as listed in the accompanying table of contents, of the Massachusetts Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits 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, as listed in the accompanying table of contents, present fairly, in all material respects, the financial position of the Massachusetts Institute of Technology as of June 30, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

September 11, 2015

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)	2015	2014	2013	2012	2011
Financial Position					
Investments, at fair value	$ 17,533,764	$ 16,228,756	$ 13,830,100	$ 12,847,866	$ 12,236,531
Land, buildings, and equipment, at cost less accumulated depreciation	2,822,312	2,624,271	2,516,264	2,497,711	2,451,479
Borrowings	2,922,231	2,918,901	2,428,215	2,460,002	2,467,825
Total assets	21,902,855	20,358,797	17,719,840	16,738,758	16,052,231
Total liabilities	4,163,867	4,043,305	3,586,966	3,939,414	3,664,500
Unrestricted net assets	7,303,673	6,754,956	5,775,618	4,888,952	4,885,321
Temporarily restricted net assets	7,553,447	6,718,225	5,644,291	5,297,554	5,044,519
Permanently restricted net assets	2,881,868	2,842,311	2,712,965	2,612,838	2,457,891
Total net assets	17,738,988	16,315,492	14,132,874	12,799,344	12,387,731
Total endowment funds before pledges	13,474,743	12,425,131	10,857,976	10,149,564	9,712,628
Principal Sources of Revenues					
Tuition and similar revenues	$ 612,101	$ 595,801	$ 568,957	$ 527,702	$ 493,777
Research revenues:					
Campus direct	482,563	475,382	473,220	471,155	456,416
Campus indirect	183,020	188,136	188,742	183,200	162,497
Lincoln Laboratory direct	844,588	791,292	860,190	819,645	770,672
Lincoln Laboratory indirect	34,739	37,367	30,783	25,263	34,111
SMART direct	31,620	31,519	47,332	28,311	23,300
SMART indirect	117	98	193	276	210
Gifts, bequests, and pledges	493,690	452,655	325,018	433,424	522,409
Net gain (loss) on investments and other assets	1,651,600	2,152,933	1,164,164	738,308	1,483,669
Investment income and distributions	675,744	634,454	604,753	554,627	505,503
Principal Purposes of Expenditures					
Total operating expenditures	$ 3,111,119	$ 2,918,517	$ 2,908,577	$ 2,744,586	$ 2,571,147
General and administrative	763,680	713,103	681,505	604,320	523,676
Instruction and unsponsored research	811,495	777,382	692,032	673,851	659,839
Direct cost of sponsored research current dollars	1,386,334	1,283,189	1,397,857	1,335,638	1,265,776
Direct cost of sponsored research constant dollars (2011 = 100)	1,295,019	1,207,395	1,335,834	1,297,619	1,265,776

Massachusetts Institute of Technology

Five-Year Trend Analysis – Financial Highlights (continued)

(in thousands of dollars)	2015	2014	2013	2012	2011
Research Revenues					
Campus					
Federal Government sponsored:					
Health and Human Services	$ 116,469	$ 115,075	$ 119,908	$ 133,687	$ 152,664
Department of Defense	125,854	122,761	127,967	117,458	107,753
Department of Energy	81,528	88,451	88,988	90,940	89,562
National Science Foundation	78,953	78,979	79,255	81,487	74,859
National Aeronautics and Space Administration	41,740	32,062	29,835	30,204	28,080
Other Federal	15,435	17,610	19,994	18,807	16,602
Total Federal	459,979	454,938	465,947	472,583	469,520
Non-Federally sponsored:					
State/local/foreign governments	27,951	28,967	33,429	38,273	32,969
Nonprofits	78,667	72,118	58,227	48,373	44,436
Industry	119,238	112,379	106,447	109,745	100,763
Total non-Federal	225,856	213,464	198,103	196,391	178,168
Total Federal and non-Federal	685,835	668,402	664,050	668,974	647,688
F&A and other adjustments	(20,252)	(4,884)	(2,088)	(14,619)	(28,775)
Total campus	665,583	663,518	661,962	654,355	618,913
Lincoln Laboratory					
Federal Government sponsored	886,637	809,011	882,462	844,202	803,599
Non-Federally sponsored	3,609	2,333	1,622	2,023	2,511
F&A and other adjustments	(10,919)	17,315	6,889	(1,317)	(1,327)
Total Lincoln Laboratory	879,327	828,659	890,973	844,908	804,783
SMART [(A)]					
Non-Federally sponsored	31,737	31,617	47,525	28,587	23,510
Total SMART	31,737	31,617	47,525	28,587	23,510
Total research revenues	**$ 1,576,647**	**$ 1,523,794**	**$ 1,600,460**	**$ 1,527,850**	**$ 1,447,206**

[(A)] *The amounts represent research that has predominantly taken place in Singapore.*

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

	2015	2014	2013	2012	2011
Students					
Undergraduate:					
Full-time	4,476	4,499	4,480	4,354	4,252
Part-time	36	29	23	30	47
Undergraduate applications:					
Applicants	18,356	18,989	18,109	17,909	16,632
Accepted	1,447	1,548	1,620	1,742	1,676
Acceptance rate	8%	8%	9%	10%	10%
Enrolled	1,043	1,115	1,135	1,126	1,067
Yield	72%	72%	70%	65%	64%
Freshman ranking in the top 10% of their class	97%	99%	98%	97%	98%
Average SAT Scores (math and verbal)	1,500	1,492	1,481	1,472	1,473
Graduate:					
Full-time	6,630	6,639	6,537	6,342	6,108
Part-time	177	134	149	168	159
Graduate applications:					
Applicants	24,468	24,029	22,588	22,219	22,139
Accepted	3,718	3,320	3,504	3,306	3,431
Acceptance rate	15%	14%	16%	15%	15%
Enrolled	2,441	2,163	2,229	2,118	2,141
Yield	66%	65%	64%	64%	62%
Tuition *(in dollars)*					
Tuition and fees	$ 45,016	$ 43,498	$ 42,050	$ 40,732	$ 39,212
Average room and board	13,224	12,744	12,188	11,775	11,234
Student Support *(in thousands of dollars)*					
Undergraduate tuition support	$ 107,148	$ 103,076	$ 101,831	$ 102,081	$ 92,060
Graduate tuition support	247,361	240,022	226,158	215,702	201,995
Fellowship stipends	38,759	38,792	36,173	33,263	30,435
Student loans	8,348	9,095	9,669	9,556	9,968
Student employment	105,261	99,890	96,446	90,135	85,335
Total student support	**$ 506,877**	**$ 490,875**	**$ 470,277**	**$ 450,737**	**$ 419,793**
Faculty and Staff *(including unpaid appointments)*					
Faculty	1,021	1,030	1,022	1,018	1,017
Staff and fellows	14,307	13,787	13,416	13,109	12,662

Report of the Treasurer

for the year ended
June 30, 2015

Massachusetts
Institute of
Technology

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 E 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 selected by a Designated Investment Banker as having an actual maturity comparable to the remaining term to maturity of the Bond 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 Bond.

"Comparable Treasury Price" means, with respect to any such Redemption Date, (A) the average of Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Referenced Treasury Dealer Quotations.

"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 January 1, 2017.

"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.

"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 July 26, 2016, 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, 2116, 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 Date" means any Business Day prior to maturity as set forth in the written direction of the Institution to the Trustee.

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

(1) 100% of the principal amount of any Bonds, or portions thereof, being redeemed; and

(2) the sum of the present values of the remaining scheduled payments of principal of and interest on the Bonds, or portions thereof, being redeemed (exclusive of interest accrued and unpaid as of the Redemption Date), 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 25 basis points.

"Reference Treasury Dealer" means J.P. Morgan Securities LLC, Barclays Capital Inc., and three additional firms, as designated by the Institution, and the respective affiliates of each that are primary U.S. Government securities dealers (each a "Primary Treasury Dealer"), together with the respective successors of each of the foregoing; provided that if any of them ceases to be a Primary Treasury Dealer, the Institution shall substitute therefor another Primary Treasury Dealer.

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

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

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

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

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

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

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

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

“Underwriters” means J.P. Morgan Securities LLC and Barclays Capital Inc.

“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 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 E "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 E "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 E "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 E "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 Redemption Date 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 Redemption Date, or in combination therewith, amounts in such account may be transferred to the Principal Account as set forth in a Request by the Institution.

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

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

Validity of Bonds

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

Additional Bonds

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

Use of Securities Depository

The Bonds will be issued as Global Bonds.

Notwithstanding any provision of the Indenture to the contrary:

The Bonds shall be issued as fully registered Bonds, registered under a global book-entry system initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Bond in the amount of $500,000,000. 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. So long as the Outstanding Bonds are registered in the name of the Cede & Co. or its registered assign, the Institution and the Trustee shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns, in effecting payment of the principal or Redemption Price of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations of the Institution to the Securities Depository or as otherwise agreed by the Trustee and the Securities Depository.

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. In the event financial statements are delivered to the Trustee under the Indenture, the Trustee does not have a duty to review such financial statements, is not considered to have notice of the content of such financial statements or a default based on such content and does not have a duty to verify the accuracy of such financial statements.

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 (other than a covenant, agreement or condition a Default in performance or observance of which is elsewhere in this paragraph specifically dealt with), 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 and Remedies of Bondholders" 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. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. 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. In such event, upon the Request of the Institution, the Trustee shall cause an accounting for such period or periods as may be requested by the Institution to be prepared and filed with the Institution and shall execute and deliver to the Institution all such instruments as may be necessary to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Institution all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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

[Date of Issuance]

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 $500,000,000 principal amount of Taxable Bonds, Series E (the "Bonds").

We have examined executed copies of the Indenture of Trust dated as of August 1, 2016 (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 may not be relied upon by any other party without our express written consent.

Very truly yours,

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

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The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") or Clearstream Banking, S.A. ("Clearstream Banking") (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Institution believes to be reliable, but none of the Institution, the Trustee or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Institution will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

DTC Book-Entry Only System

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

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

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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to 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 the 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 Money Market Instrument 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).

Principal, redemption 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 a payment 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 Participants and not of DTC, 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 proceeds 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 the Direct and Indirect Participants.

DTC may discontinue providing its services as 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 depository is not obtained, Bond certificates are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS OF SUCH BONDS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such Bonds, will be required to withdraw the Bonds from DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Institution believes to be reliable, but the Institution takes no responsibility for the accuracy thereof.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking have advised the Institution as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream Banking and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in

European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Institution will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Institution on the date of delivery of the Bonds.

Secondary Market Trading

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

General

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Institution nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

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