NEW ISSUE – BOOK-ENTRY ONLY

$388,000,000
PRESIDENT AND FELLOWS OF HARVARD COLLEGE
Taxable Bonds, Series 2008A

Interest payable: *April 1 and October 1* ***Due:*** *As shown below*

The President and Fellows of Harvard College Taxable Bonds, Series 2008A (the "Bonds") will be issued pursuant to the terms of an Indenture of Trust, dated as of January 1, 2008 (the "Indenture"), by and between President and Fellows of Harvard College (the "Institution") and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used by the Institution to refinance a portion of the Institution's commercial paper programs, to pay the costs of issuance related to the Bonds and to fund other eligible corporate activities.

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 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 April 1 and October 1 of each year, commencing on April 1, 2008. So long as the Bonds are held by DTC, the principal or Redemption Price (as defined herein) of and interest on the Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal or Redemption Price and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in "BOOK-ENTRY ONLY SYSTEM" herein.

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

Interest on and profit, if any, on the sale of the Bonds are not excludable from gross income for federal, state or local income tax purposes. See "CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS" herein.

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 Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE INSTITUTION" - "Additional Information" and APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2007" 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.

$145,000,000 3.700% Bonds due April 1, 2013
Issue price: 99.859% CUSIP†: 740816AC7

$243,000,000 5.625% Bonds due October 1, 2038
Issue price: 99.922% CUSIP†: 740816AD5

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 Ropes & Gray LLP, Boston, Massachusetts, counsel to the Institution. In addition, certain other legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about January 30, 2008.

Morgan Stanley

Lehman Brothers **Loop Capital Markets, LLC**

January 24, 2008

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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 Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., and Loop Capital Markets, LLC (the "Underwriters") or the Institution to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

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 CONCERNING THE INSTITUTION" and APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2007." 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, its 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.

SUMMARY OF THE OFFERING

Issuer	President and Fellows of Harvard College
Securities Offered	$145,000,000 3.700% Taxable Bonds, Series 2008A Bonds due April 1, 2013 and $243,000,000 5.625% Taxable Bonds, Series 2008A Bonds due October 1, 2038
Interest Accrual Dates	Interest will accrue from January 30, 2008
Interest Payment Dates	April 1 and October 1 of each year, commencing April 1, 2008
Redemption	The Bonds maturing on April 1, 2013 are not subject to redemption. The Bonds maturing on October 1, 2038 are subject to optional redemption as discussed more fully herein. See "THE BONDS – Redemption."
Settlement Date	January 30, 2008
Authorized Denominations	$1,000 and any integral multiple thereof
Form and Depository	The Bonds will be delivered solely in book-entry form through the facilities of DTC.
Use of Proceeds	The Institution will use the net proceeds of this offering to refinance a portion of the Institution's commercial paper programs, to pay costs of issuance, and to fund other eligible corporate activities. See "ESTIMATED SOURCES AND USES OF PROCEEDS" and "PLAN OF FINANCE" herein.
Ratings	Moody's: Aaa S&P: AAA

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OFFERING MEMORANDUM

Relating to

$388,000,000

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

TAXABLE BONDS, SERIES 2008A

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 President and Fellows of Harvard College (the "Institution") of its $388,000,000 aggregate principal amount of the President and Fellows of Harvard College Taxable Bonds, Series 2008A (the "Bonds"). This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Offering Memorandum. All statements contained in this Introduction are qualified in their entirety by reference to the entire Offering Memorandum.

Purpose of the Bonds and the Plan of Finance

The proceeds of the Bonds will be used by the Institution to refinance a portion of the Institution's commercial paper programs, to pay the costs of issuance of the Bonds, and to fund other eligible corporate activities. See "ESTIMATED SOURCES AND USES OF PROCEEDS" and "PLAN OF FINANCE" herein.

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 CONCERNING THE INSTITUTION" and in APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2007" attached hereto, which should both be read in their entirety.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2008 (the "Indenture"), by and between the Institution and U.S. Bank National Association, 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.

Outstanding Indebtedness

As of January 15, 2008, the outstanding indebtedness of the Institution, including long-term debt and commercial paper debt, totaled approximately $3.75 billion. Upon delivery of the Bonds and after taking into account the amount of indebtedness to be refinanced with the proceeds of the Bonds, the total outstanding indebtedness is expected to remain at approximately $3.75 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE INSTITUTION – "Additional Information" and APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT FISCAL YEAR 2007" attached hereto.

Redemption

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

Book-Entry Only System

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

Continuing Disclosure

The Institution has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain information and operating data relating to the Institution (the "Annual Report") by not later than March 1 of each year and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" 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.

ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds of the Bonds will be used for the purposes described under "PLAN OF FINANCE" herein. The estimated sources and uses of the proceeds of the Bonds are shown below.

SOURCES:	
Principal Amount of Bonds	$388,000,000
Less: Original Issue Discount	(393,990)
Total Sources of Funds	$387,606,010
USES:	
Refinancing of a portion of commercial paper programs	$385,240,000
Eligible corporate activities*	2,366,010
Total Uses of Funds	$387,606,010

* Includes costs of issuance (including Underwriters' discount) and other. See "PLAN OF FINANCE."

PLAN OF FINANCE

The proceeds of the Bonds will be applied to refinance approximately $385 million of the Institution's commercial paper programs, to pay costs of issuance and to fund other eligible corporate activities. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE INSTITUTION" – Additional Information" and APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2007" attached hereto.

THE BONDS

Description of the Bonds

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

Interest on the Bonds will be payable on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing on April 1, 2008, 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 or Redemption Price of the Bonds will be payable by check 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) January 30, 2008 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. Notwithstanding the foregoing, as long as Cede & Co. is the Holder of all or part of the Bonds in Book-Entry Form, said principal, Redemption Price and interest payments will be made to Cede & Co. by wire transfer in immediately available funds.

Redemption

The Bonds maturing on April 1, 2013 are not subject to redemption.

The Bonds maturing on October 1, 2038 are subject to redemption in whole or in part (in Authorized Denominations) on any Interest Payment Date, at the option of the Institution, at the Make-Whole Redemption Price. See APPENDIX C − "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Make-Whole Redemption Price means the greater of:

(1) 100% of the principal amount of the Bonds to be redeemed; and

(2) the sum of the present values of the remaining scheduled payments of principal and interest to October 1, 2038 on the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual bases assuming a 360-day year consisting of twelve 30 day months at the adjusted Treasury Rate plus 25 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

The Treasury Rate means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to October 1, 2038; provided, however, that if the period from the redemption date to October 1, 2038 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

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 Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee) the maturity (including CUSIP number, if any), and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

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

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

Effect of Redemption

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

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

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, 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 Bonds in their aggregate principal amount and will be deposited with DTC.

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

NONE OF THE INSTITUTION, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

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

General

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the

Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 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 will be printed and delivered.

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 A – "CERTAIN INFORMATION CONCERNING THE INSTITUTION" –Additional Indebtedness" and "APPENDIX B – "HARVARD UNIVERSITY FINACIAL REPORT - FISCAL YEAR 2007" 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 refinance a portion of the Institution's commercial paper programs, to pay costs of issuance and to fund other eligible corporate activities. 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. The Project Fund will be depleted shortly after the closing since the money will be applied to refund existing indebtedness.

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

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds. The discussion below is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the "IRS"). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

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

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

As used herein, the term "U.S. Holder" means a beneficial owner of Bonds that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) has the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States person (within the meaning of the Code). As used herein, the term "Non-U.S. Holder" means a beneficial owner of Bonds that is not a U.S. Holder.

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

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

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

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

The Bonds should not be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Bonds will not exceed their issue price, or because any such excess should only be a *de minimis* amount (as determined for tax purposes). *De minimis* OID is included in the income of a U.S. Holder as stated principal payments are made, and is treated as an amount received in retirement of a Bond.

The Institution has the option to repurchase the Bonds at a premium to the issue price (subject to certain limitations). Under special rules governing this type of unconditional option, because the exercise of the option would not decrease the yield on the Bonds, the Institution will be deemed not to exercise the option, and the possibility of this redemption premium will not affect the amount of income recognized by U.S. Holders in advance of receipt of any such redemption premium.

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

Information Reporting and Backup Withholding. The Institution or its paying agent, if any (the "payor") must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 28% (subject to future adjustment) with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under section 3406(a)(1)(C) of the Code. Amounts paid as backup withholding do not constitute an additional tax and will be credited against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the IRS.

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

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

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

Interest on the Bonds held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the "portfolio interest" exemption applies. In general, interest paid on the Bonds to a Non-U.S. Holder will qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (1) such Non-U.S. Holder is not a "controlled foreign corporation" (within the meaning of section 957 of the Code) related, directly or indirectly, to the Institution; and (2) either (A) the payor receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN (or successor form), certifying that such owner is not a U.S. Holder and providing such owner's name and address or (B) a securities clearing organization, bank or other financial institution that holds the Bonds on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to the payor, under penalties of perjury, that such an IRS Form W-8BEN (or a successor form) has been received from the beneficial owner by it and furnishes the payor with a copy thereof. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

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

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

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

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

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

U.S. Federal Estate Tax. A Bond held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will not be includable in the decedent's gross estate for U.S. estate tax purposes, provided that, at the time of death, payments with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. In addition, the U.S. estate tax may not apply with respect to such Bond under the terms of an applicable estate tax treaty.

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

UNDERWRITING

The Institution has entered into a purchase contract with the Underwriters listed on the cover hereof for whom Morgan Stanley & Co. Incorporated is acting as representative, and the

Underwriters have agreed to purchase the Bonds from the Institution at an aggregate discount of $1,768,998.33 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.

CONTINUING DISCLOSURE

The Institution has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain information and operating data relating to the Institution (the "Annual Report") by not later than March 1 of each year, commencing March 1, 2009, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by or on behalf of the Institution with each Nationally Recognized Municipal Securities Repository and with the State Repository, if any. The Institution has not failed to comply in all material respects with any previous continuing disclosure undertakings to provide annual reports or notices of material events.

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

APPROVAL OF LEGALITY

Legal matters incident to validity of the Bonds and certain other matters are subject to the approving opinion of Ropes & Gray 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, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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, 2007, with summarized comparative financial information as of and for the year ended June 30, 2006. These financial statements should be read in their entirety.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of June 30, 2007 with summarized comparative financial information as of and for the year ended June 30, 2006, 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 is expected to assign a rating of "Aaa" and Standard & Poor's is expected to assign a rating of "AAA" on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody's and Standard & Poor's. Generally, rating agencies base their ratings on information and materials furnished and on investigation, studies, and assumptions by the rating agencies. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

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

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

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

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

By: /s/ Elizabeth Mora
Vice President for Finance

H A R V A R D U N I V E R S I T Y

MASSACHUSETTS HALL
CAMBRIDGE, MASSACHUSETTS 02138

APPENDIX A

January 24, 2008

The following is information with respect to the President and Fellows of Harvard College ("Harvard" or the "University").

The University

Harvard is one of the nation's oldest and most prestigious institutions of higher education. Harvard is an educational corporation incorporated in 1650 by act of the Colony of Massachusetts Bay confirmed, as amended, in the Constitution of 1780 of The Commonwealth of Massachusetts. It is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Its principal site is in Cambridge, Massachusetts. The University consists of Harvard College, eleven graduate schools and several research institutions and museums. Radcliffe College merged into the University on October 1, 1999.

Since 1650, the University has been governed by the Corporation and the Board of Overseers. The Corporation consists of the President, the Treasurer and five Fellows who elect their successors with the consent of the Board of Overseers (the "Board"). The Corporation supervises the management of the financial affairs of the University without need of consent by the Board to specific transactions. The members of the Corporation are:

President and Fellows of Harvard College

Drew Gilpin Faust
President
Harvard University

James F. Rothenberg
President, Capital Research and Management Company
Treasurer of Harvard College

James R. Houghton
Chairman of the Board and Chief Executive Officer
Corning Incorporated

Nannerl O. Keohane
Former President
Duke University and Wellesley College

Patricia A. King
Professor of Law, Medicine, Ethics and Public Policy
The Georgetown University Law Center

Robert D. Reischauer
President
The Urban Institute

Robert E. Rubin
Director and Chairman of the Executive Committee
Citigroup Inc.

The Board consists of the President and the Treasurer *ex-officiis* and 30 persons elected by the alumni of the University for six-year staggered terms. A member of the Board may serve more than one term. The consent of the Board is required for certain acts of the Corporation, including the election of successors to Fellows, certain academic and administrative appointments (including the President and the Treasurer) and the awarding of degrees. The Board also reviews the academic performance of the University through some 59 visiting committees composed of both overseers and others.

On July 1, 2007, Drew Gilpin Faust became Harvard University's twenty-eighth president. Faust was elected to the Harvard presidency by the members of the Corporation, with the consent of the Board. Derek Bok had been interim president since July 1, 2006.

Administration

The academic affairs of the University are managed by the President, the Provost, and the deans of the University's faculties. The non-academic affairs of the University are managed by the President, the Treasurer and seven Vice Presidents. The principal administrative officers of the University are as follows:

Drew Gilpin Faust	President
Steven Hyman	Provost
James F. Rothenberg	Treasurer
Tamara Rogers	Vice President for Alumni Affairs and Development
Robert W. Iuliano	Vice President and General Counsel
Elizabeth Mora	Vice President for Finance
Alan Stone	Vice President for Government, Community and Public Affairs
Sally H. Zeckhauser	Vice President for Administration
Clayton Spencer	Vice President for Policy
Marilyn Hausammann	Vice President for Human Resources

Harvard Management Company

The Harvard Management Company ("HMC") Board named Robert Kaplan, professor of management practice at the Harvard Business School and former vice chairman of The Goldman Sachs Group, to serve as interim chief executive officer of HMC. He assumed his responsibilities on November 12, 2007. Mohamed El-Erian, formerly president and CEO, left HMC to rejoin his former firm, PIMCO, as co-chief executive officer and co-chief investment officer.

Student Applications and Enrollment

The University receives applications substantially in excess of the number of students it can accept into undergraduate and graduate programs. Enrollment levels are correlated with other planning decisions. The following table shows applications received, and the number of freshmen admitted to and enrolled in Harvard College for the fall terms of the indicated academic years.

Academic Year	Freshman Applications Received	Freshmen Admitted	Freshmen Enrolled	Selectivity	Yield
2002-03	19,527	1,985	1,549	10.2	78.0
2003-04	20,906	2,014	1,554	9.6	77.2
2004-05	19,690	2,054	1,582	10.4	77.0
2005-06	22,769	2,102	1,640	9.2	78.0
2006-07	22,754	2,125	1,684	9.3	79.2

The following table shows the total number of full-time equivalent undergraduate students and graduate degree candidates enrolled for the fall term of the academic years indicated. Degree candidate figures do not include Continuing Education.

Academic Year	Undergraduate	Graduate	Total
2002-03	6,645	11,635	18,280
2003-04	6,594	11,767	18,361
2004-05	6,562	11,963	18,525
2005-06	6,613	11,974	18,587
2006-07	6,714	12,182	18,896

The University expects that annual enrollments in its undergraduate and graduate programs will remain at approximately the same levels for the next five academic years.

Tuition, Fees and Room and Board

Shown below are undergraduate charges for fiscal years 2003 through 2007.

Fiscal Year	Tuition and Fees	Average Room and Board	Total
2003	$27,448	$8,502	$35,950
2004	29,060	8,868	37,928
2005	30,620	9,260	39,880
2006	32,097	9,578	41,675
2007	33,709	9,946	43,655

Student Financial Aid

The University's undergraduate admissions policy includes the tenet that admission is need-blind. As of June 30, 2007, approximately 70% of undergraduate students received some form of financial aid, with close to 51% qualifying for need-based scholarship assistance. The average undergraduate aid package consists of grants, loans, and employment, and represents 70% of the total cost of attendance. Harvard participates in the Federal Direct Student Loan Program. Total loans to students and parents as of June 30, 2007, included $3.1 million of loans issued by Harvard under federally guaranteed programs, $63.9 million of loans made under federally funded revolving loan programs, and $67.2 million of loans funded by donors or by unrestricted funds of the faculties. At the close of fiscal years 2003 through 2007, student loans (in millions of dollars, net of reserve for bad debt) from all University sources amounted to:

	2003	2004	2005	2006	2007
Student Loans Outstanding	$136.7	$128.6	$128.6	$126.6	$134.2

On December 10, 2007, Harvard President Drew Faust and Dean of the Faculty of Arts and Sciences Michael D. Smith announced an overhaul of financial aid policies designed to make Harvard College more affordable for families across the income spectrum. The new initiative focuses on ensuring greater affordability for middle- and upper-middle-income families through major enhancements to grant aid, the elimination of student loans, and the removal of home equity from financial aid calculations.

Faculty and Staff

Harvard employs approximately 2,500 faculty. Each school at the University is responsible for its own staffing policies, which include hiring and wage and salary administration. Faculty tenure decisions and certain other appointments are subject to the approval of the Corporation.

Labor Relations

The University has approximately 15,700 employees as of January 1, 2007 (not including post-doctoral degree candidates, visiting scholars, research associates, research fellows and temporary or less than half-time workers). The University considers its relations with its employees to be good. Approximately 5,900 of its employees are covered under seven collective bargaining agreements, represented by nine labor unions. Bargaining units consist of clerical and technical workers; dining service workers; custodians; arborists and gardeners; maintenance tradespersons; police officers; and museum, parking and security guards. The employees in these units are covered by one of eight collective bargaining agreements, which have varying expiration dates between calendar years 2008 and 2011.

Future Facilities

The University continues to move forward in planning for future development in Allston, Massachusetts. See “Capital Activities” in Appendix B. The expansion into Allston will be material to the future operations of the University. It is anticipated that the University will continue to access both tax-exempt and taxable debt capital markets to help finance future capital plans, including those relating to Allston.

Litigation

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. While the University’s ultimate liability, if any, is not determinable at present, no such proceedings are pending or threatened that, in management’s opinion, would be likely to have a material adverse effect on the University’s ability to pay debt service with respect to the Bonds.

Additional Information

For additional information regarding the University, including its financial statements for the fiscal years ended June 30, 2007 and 2006, an analysis of financial results, a review of endowment results and capital activities and the annual report of Harvard Management Company, see Appendix B – “Financial Report Fiscal Year 2007.”

As of January 15, 2008, the outstanding balance of the University's tax-exempt commercial paper program was $608,064,000 out of an authorized limit of $1,000,000,000. As of January 15, 2008, the outstanding balance of the University's previously issued taxable commercial paper program was $646,614,000 out of an authorized limit of $1,000,000,000. After giving effect to the sale of the Bonds and other related transactions, the outstanding balance on the University’s tax-exempt commercial paper program is expected to be approximately $587,252,000 and the University’s taxable commercial paper program is expected to be approximately $282,186,000.

* * *

This Appendix A and the accompanying "Financial Report Fiscal Year 2007" appended as Appendix B are submitted for inclusion in the Official Statement relating to the University's Taxable Bonds, Series 2008A.

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

By: /s/ Elizabeth Mora
Elizabeth Mora
Vice President for Finance

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APPENDIX B

HARVARD UNIVERSITY
FINANCIAL REPORT

FISCAL YEAR 2007

Former President Derek Bok and President Drew Gilpin Faust await the June 2007 Commencement Day Alumni Parade on the steps of Widener Library.

"I look forward to our future adventures together with immense anticipation. I can imagine no higher calling than doing all I can to serve this great university—and helping it, in turn, to serve the world. And I feel singularly fortunate to have the opportunity to do so in concert with all of you—the faculty, students, staff, and others without whom there could be no Harvard.

Each of us brings something different, and something significant, to our shared enterprise. We teach, we study, we discover, we create, we make sure the lights go on and the bills get paid. We are individual members of a collective whose opportunity to contribute to the future of learning, and the improvement of the human condition, knows few equals and few bounds. That opportunity is ours to make the most of—by aiming relentlessly high, by challenging each other and ourselves, by bridging our differences, and by drawing strength but never self-satisfaction from the past on which we are privileged to build."

—Drew Gilpin Faust, July 2, 2007

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Message from the President

I am pleased to present Harvard University's financial report for fiscal 2007. Although I did not assume the presidency until July 1st, I am privileged to convey results that were outstanding across the board. Under the leadership of Mohamed A. El-Erian, we achieved endowment returns of 23.0%, yielding a market value of $34.9 billion and support from the endowment of a third (over $1.0 billion) of the University's operating budget. In addition, our alumni and friends contributed $615.0 million during fiscal 2007, the second highest level of fund-raising receipts in the University's history, and we finished our eighth straight year with operating surpluses.

We are very fortunate to have these resources with which to fund our extraordinarily ambitious academic agenda. Planning for Allston is moving forward on a variety of fronts, from transportation and infrastructure to academic programming across a range of fields. The design of the first science building in Allston is well underway, and we expect to break ground during this academic year. In the past few months, we have announced the appointment of three new deans—in the Faculty of Arts and Sciences, the Medical School and the Design School—all of whom promise to bring energy and creativity to their respective Schools and Faculties, as well as to the increasingly important collaborations across the University. As we welcome new and returning students this fall, we will continue to explore ways to enhance the undergraduate experience in all of its dimensions and to provide appropriate support for the work of our faculty and graduate students.

Looking ahead, it will be more important than ever to make sound decisions about how we invest our resources, how we can direct endowment returns to priority areas within the Schools and the University as a whole, and how we can most effectively make the case to Harvard's generous community of alumni and friends about the importance of continued investment in the University's work. To these ends, I have launched a comprehensive academic planning effort, involving all of the Deans, as well as faculty leadership in a variety of cross-cutting areas, to provide a framework for systematic, but flexible, decision making that will allow us to define our goals with greater precision and to align financial and physical resources with identified priorities.

Success in all of these areas will depend on the continued efforts and engagement of the entire University community. I look forward to our shared endeavors in the years to come.

Sincerely,

Drew Gilpin Faust

Drew Gilpin Faust
PRESIDENT

September 30, 2007

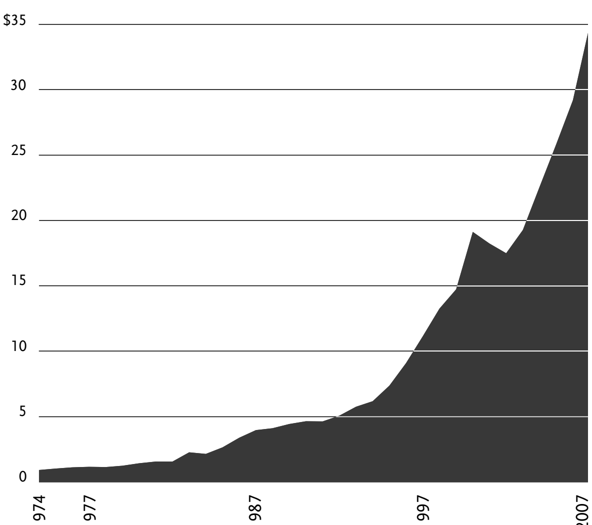
Financial highlights

Fiscal 2007's financial results were among the best Harvard has attained, with significant endowment growth, strong giving from alumni and friends, as well as a healthy operating surplus. This financial success provided the underpinning for progress on many programmatic fronts: continued planning for the Allston campus; formation of the Harvard University Science and Engineering Committee (HUSEC), charged with providing guidance on and governance of the University's efforts in inter-departmental and inter-School science and engineering; the transformation of the Division of Engineering and Applied Sciences within the Faculty of Arts and Sciences (FAS) into the School of Engineering and Applied Sciences; significant growth in international programs; and approval of a new undergraduate general education curriculum.

While celebrating the fiscal and programmatic achievements of the past year, it is important to recognize several elements of uncertainty that could impact Harvard's long-term financial stability. Total federal sponsored funding declined in fiscal 2007, reflecting the impact of federal research budget cuts following many years of solid growth. Recent volatility in the worldwide credit and investment markets may also negatively impact future endowment returns. The University's ability to manage and mitigate these and other risks will be crucial in ensuring its continued financial strength.

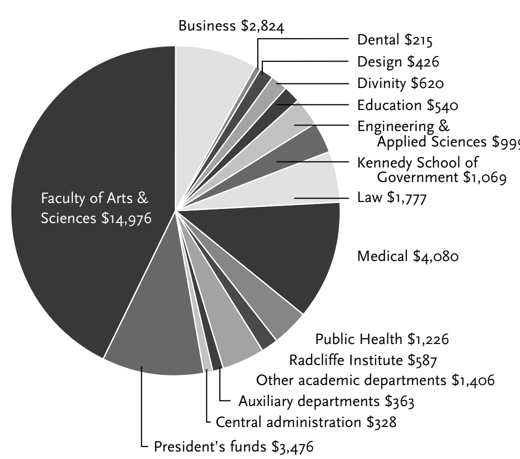
ENDOWMENT GROWTH

In billions of dollars



MARKET VALUE OF ENDOWMENT FUNDS AS OF JUNE 30, 2007

In millions of dollars



TOTAL MARKET VALUE $34,912

ENDOWMENT PERFORMANCE

Generous donors and expert investment management propelled the University's endowment to a record market value of $34.9 billion as of June 30, 2007. Harvard Management Company (HMC) is responsible for managing the investments that comprise the endowment. The endowment's total return for fiscal 2007 was 23.0%, exceeding the annual performance benchmark by 5.8% and resulting in a five-year annualized return of 18.4%.[1] The unaudited *Annual Report of the Harvard Management Company*, beginning on page 8, discusses HMC's investment philosophy and further analyzes the endowment's fiscal 2007 performance.

Mohamed A. El-Erian recently announced his resignation as president and chief executive officer of HMC, effective at the end of calendar year 2007. The search for his successor began immediately and is a top priority for for fiscal 2008.

SUMMARY OF FINANCIAL RESULTS

In millions of dollars	2007	2006	2005	2004	2003
Total revenue	**$ 3,210.5**	$ 2,999.6	$ 2,800.9	$ 2,597.7	$ 2,472.7
Total expenses	**3,170.7**	2,999.5	2,757.4	2,560.9	2,432.9
Total gifts	**615.0**	595.8	590.7*	549.6*	562.4
Fixed assets, net	**4,524.2**	4,078.5	3,797.8	3,468.9	3,168.4
Total investments	**41,832.9**	34,249.6	29,938.2*	26,211.0*	22,093.9*
Bonds and notes payable	**3,847.0**	2,922.2	2,849.1	2,604.7	2,246.9
Net assets–General Operating Account	**6,438.6**	5,116.1	4,197.6	3,935.5	3,439.4
Net assets–endowment funds	**34,912.1**	29,219.4	25,853.0	22,587.3	19,294.7
Total return on general investments**	**23.0**%	16.7%	19.2%	21.1%	12.5%

* *These numbers have been recast to conform with fiscal 2006 presentation.*
** *Total return on general investments is net of all fees and expenses, and includes the impact of revenue-sharing agreements with certain fund managers.*

OPERATING RESULTS

The University's fiscal 2007 operating surplus of $39.9 million comprised a $2.5 million unrestricted deficit and a $42.4 million surplus in restricted funds. Revenue rose 7% to $3.2 billion due to steady growth in most revenue categories, and operating expenses totaled $3.2 billion, a 6% increase over the prior year. The University continues to pursue cost savings across all expense categories.

Student income

Student income increased 7%, totaling $657.6 million in fiscal 2007. Revenue from undergraduate and graduate tuition rose 6% and 7%, respectively, slightly higher than the changes in tuition rates. Total student room and board income grew 6%, primarily due to the annual increase in the undergraduate room and board rate. Continuing and executive education revenue rose 14%, largely a result of higher enrollment in programs at Harvard Business School (HBS) and the Extension School, as well as new programs at HBS and the Graduate School of Education (GSE).

Sponsored research support

Total sponsored revenue increased 1% to $641.9 million in fiscal 2007. The University received 80% of its sponsored research funding from the federal government, 12% from foundations and 8% from other sources, including corporations; foreign, state and local governments; as well as research institutes.

Total federal funding decreased 1% to $514.8 million. Various agencies of the Department of Health and Human Services (DHHS), including most notably the National Institutes of Health (NIH), funded $412.0 million or 80% of the University's federal sponsored research in fiscal 2007. While total DHHS funding

[1] *These returns are calculated on a time-weighted basis, net of all fees and expenses, and include the impact of revenue-sharing agreements with certain fund managers.*

increased 2% in fiscal 2007, NIH funding fell 5%, reflecting a continued reduction in NIH funding that was first observed in fiscal 2006. In addition, funding from the National Science Foundation and the Department of Defense declined 6% and 16%, respectively. Cutbacks in federal funding pose challenges for the continued growth of the University's research activities, particularly for those Schools that are most reliant on federal funding. These decreases were offset in part by funding increases in support of the President's Emergency Plan for AIDS Relief (PEPFAR) project in Africa. In fiscal 2007, the Harvard School of Public Health (HSPH) entered the fourth year of this five-year award. Total PEPFAR funding was $48.5 million in fiscal 2007, increasing 128% from $21.3 million in fiscal 2006.

Non-federal funding grew 9% to $127.2 million. Corporate funding was responsible for much of this gain, increasing 71% to $15.6 million. Foundation support declined 2% to $72.9 million.

Gifts for current use

Gifts from alumni and friends provide vital funding for the University's ongoing operations and strategic priorities, such as faculty development and financial aid. Current use gifts rose 6% in fiscal 2007, totaling $214.0 million.

Investment income

Total investment income increased 11% to $1.2 billion. The largest component of investment income, endowment income distributed for operations, climbed 12% to $1.0 billion. This increase resulted from planned growth of up to 11% in endowment distributions as well as the impact of new gifts and other additions to the endowment. The Corporation-approved per unit distribution rate as a percentage of endowment market value was 4.3%. The Corporation also approves certain endowment decapitalizations to support strategic, mission-critical activities. For example, a $100.0 million decapitalization was approved for the FAS in fiscal 2007, primarily to fund construction and other facilities costs. The aggregate spending rate, including both endowment distributions as well as approved decapitalizations of endowment principal, was 4.6%, within the University's historically targeted spending rate range of 4.5% to 5.0%.

The University's endowment operating distribution comprises a base payout as well as a strategic payout. Implemented in fiscal 2006, the strategic payout component of the operating distribution has been an important source of funding for the Schools' key programs and objectives. The University has undertaken a systematic planning process to ensure that important strategic goals continue to benefit from the endowment's wealth. As a result, and in an effort to accelerate progress on priority initiatives, the University recently increased its targeted aggregate spending rate range to between 5.0% and 5.5% of the endowment's market value annually.

Endowment income distributed for operations remained Harvard's largest source of income in fiscal 2007, representing 33% of total operating income compared with 21% ten years ago. This growth has resulted from the generous support of our alumni and friends as well as the endowment's continued strong performance.

Other income

Other income rose 8% to $488.6 million in fiscal 2007, largely due to incremental rental and publications income.

Compensation

Compensation and benefits costs represented 49% of the University's total expenses in fiscal 2007. These costs totaled $1.5 billion in fiscal 2007, an increase of 5% over fiscal 2006. This increase included 7% growth in total salary and wage costs and a 2% decrease in benefits expenses. The lower benefits expenses resulted primarily from a reduction in costs associated with the employee vacation liability, partly offset by higher health and pension costs.

Rising health costs continue to be a concern, prompting the University to develop a multi-year strategy that addresses cost containment in this area. In calendar year 2007, the University introduced greater cost sharing with employees through increases in health plan copayments. The next step in this cost containment strategy is negotiation of a new pharmacy vendor agreement, expected to generate cost savings of approximately $6.0 million over the next three years.

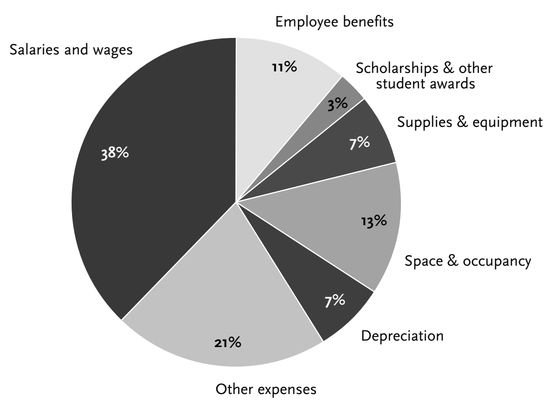
Financial aid

Enhancing the financial aid programs for both undergraduate and graduate students continues to be one of the University's top priorities. Scholarships and student awards, including amounts applied against student income, rose 11% to $339.2 million in fiscal 2007. In addition, the University spent $61.2 million on student employment, loaned $30.6 million to students and acted as agent on behalf of specific student recipients for $12.9 million in aid from outside sponsors. Approximately 65% of scholarships and student awards was funded through gifts, endowment income and sponsored support, with the remaining 35% provided by other University operating funds.

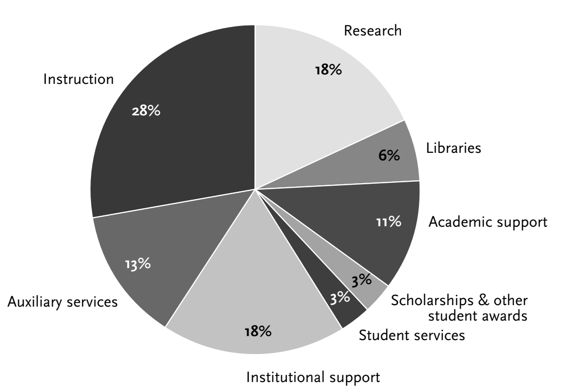
Supplies and equipment

Supplies and equipment expenses increased 8% to $216.5 million. Increased purchases of drugs and lab supplies in support of sponsored activity for the PEPFAR project represented $7.7 million of this increase. University-wide contracts with vendor partners together with cost-conscious purchasing practices contained further expense growth.

FISCAL 2007 OPERATING EXPENSES



FISCAL 2007 FUNCTIONAL EXPENSES



Space and occupancy

Space and occupancy costs totaled $405.2 million in fiscal 2007, a 13% increase over the prior year. Interest on bonds and notes payable related to capital projects rose 19% due to new debt issuances and higher interest rates on variable-rate debt. Space improvement, repair and maintenance expenses increased 24% as a result of establishing reserves for future environmental remediation and conditional asset retirement obligations. Utility costs remained flat thanks to the implementation of electricity and natural gas purchasing strategies to help mitigate the effects of volatility in the energy markets as well as lower usage, partly resulting from energy conservation efforts.

Other expenses

Other expenses grew 4% to $680.9 million, largely due to higher interest on working capital debt and losses on building sales and demolition. In addition, international travel costs climbed 19%, as the University's global presence expanded.

CAPITAL ACTIVITIES

The University invested $594.7 million in 388 active capital projects and acquisitions in fiscal 2007. Total capital expenditures included 57% new construction and acquisitions as well as 43% investment in the existing physical plant. The University's largest acquisition was the "Harvard at Trilogy" development in the Fenway area of Boston, which provides 171 apartments for graduate students and affiliates.

Within Harvard's existing campus locations, site preparation for the Harvard Law School Northwest Corner development moved forward, and construction progressed on the North Precinct Chilled Water Plant and Electrical Substation. Major FAS science building projects continued at the Northwest Science Building and the Laboratory for Integrated Science and Engineering. The first of two graduate housing complexes in the Riverside area of Cambridge was completed in July 2007. As a related community benefit, the University completed construction on 33 affordable condominium units in the renovated Switch House on Blackstone Street, which the City of Cambridge will be selling to qualified Cambridge residents. Renovations were completed at University Operations Services' Blackstone office facility, earning a Platinum Leadership in Energy and Environmental Design (LEED) rating, the highest possible rating for sustainable construction. Renovation and expansion continued at the New College Theatre, and renovations were completed at the main house at Dumbarton Oaks in Washington, D.C. Design review is in process for the proposed renovation and expansion of the Fogg Museum and for a landscape master plan at the Radcliffe Institute. Other projects currently underway include construction of the second graduate housing complex in the Riverside Area, planning for the Arnold Arboretum's Weld Hill Research and Administration Building, and major renovations of the FAS Malkin Athletic Center, Byerly Hall at the Radcliffe Institute, Gallatin Hall at HBS and Rockefeller Hall at Harvard Divinity School (HDS), including the creation of a new HDS campus green.

Allston campus planning progressed as well, with several formal filings with the City of Boston launching the approval process for the long-range master plan. This plan contains the University's vision for transforming the Harvard-owned properties adjacent to the current campus into a vibrant mix of academic and support uses, including the development of the Allston Science Complex. The design for the complex has been completed, and construction is expected to begin in the first half of fiscal 2008. The Allston campus master plan will undergo substantially more review in the coming year. Sustainable construction, energy, landscape design and transportation are key components of the master plan.

Beyond the master plan and progress on the science complex, the University is undertaking several important studies to inform future Allston campus decisions. These studies will identify options and strategies for retail, housing, culture and support services, as well as for ensuring the best use of available space for potential users such as GSE, HSPH, athletics and the arts. All of these efforts will help to realize the University's vision for a 21st century interdisciplinary campus in Allston.

Developing the Allston campus, exploring the frontiers of interdisciplinary science, expanding the faculty ranks while promoting both diversity and excellence, and continuing to evolve as an international University will demand significant resources in the coming decades. Attentive and careful stewardship of Harvard's investments and resources, including managing the risks that may jeopardize the federal sponsored and endowment revenue streams, will continue to be essential. These efforts and the crucial continued support of our donors will help to ensure the success of the University's important strategic initiatives.

Elizabeth Mora
VICE PRESIDENT FOR FINANCE AND
CHIEF FINANCIAL OFFICER

James F. Rothenberg
TREASURER

September 30, 2007

Annual Report of the Harvard Management Company

Harvard Management Company (HMC) is a wholly owned subsidiary of Harvard University that is governed by a Board of Directors (the "Board") appointed by the President and Fellows of Harvard College (the "Corporation"). Established in 1974, HMC is charged with management of the University's endowment, pension assets, working capital, and deferred-giving balances. As of June 30, 2007, HMC managed a total of $42.8 billion, $40.8 billion of which consisted of the General Investment Account (GIA). The GIA is a pooled fund consisting primarily of endowment assets. The information presented in this unaudited report relates to the GIA.

PERFORMANCE OF THE GENERAL INVESTMENT ACCOUNT

The GIA experienced another strong year of absolute and relative performance in fiscal 2007. Accordingly, HMC was able to meet its objective of preserving and enhancing the real value of the GIA after taking into account distributions to support the University's mission of excellence in teaching and research. HMC also outperformed its "Policy Portfolio," the long-term neutral asset mix deemed likely to meet the University's return goals given the appropriate risk specification.

The total investment return amounted to 23.0%, calculated on a time-weighted basis, net of all fees and expenses, and including the impact of revenue-sharing agreements with certain fund managers. After including gifts, distributions, and other changes, the total value of the GIA increased from $33.5 billion as of June 30, 2006 to $40.8 billion as of June 30, 2007. The endowment, the largest component of the GIA, grew from $29.2 billion to $34.9 billion.

Consistent with global developments, the main drivers of the GIA's absolute return in the fiscal year ended June 30, 2007 included exposures to emerging markets, international, and domestic equities (through both public and private vehicles). Emerging markets bonds also did well, benefiting from both capital appreciation and carry. The absolute return/special situations and real estate categories had a good twelve months, while also offering some diversification during periods of market volatility.

Notwithstanding the fact that HMC is still in a transition phase, the fiscal 2007 investment return is consistent with Harvard's history of superior investment performance. Indeed, as illustrated on the following page, the fiscal 2007 return of 23.0% exceeds various historical averages. Relative to the major U.S. indices, the endowment outpaced the 20.6% return registered by the S&P in fiscal 2007 and the 6.1% return registered by the Lehman Aggregate (a broad measure of the bond market).

Within the overall investment return, HMC's efforts to add value contributed 5.8% (23.0% versus the Policy Portfolio benchmark return of 17.2%) for fiscal 2007. This translates into $1.9 billion of additional value for the GIA. In the process, HMC maintained its record of delivering long-term value added across the eleven (non-cash) asset classes in which it invests.

Traditionally, HMC has measured itself against the TUCS median (Trust Universe Comparison Service compiled by Wilshire Associates) for peer comparison. On the basis of this measure, which incorporates available data on 151 large institutional investors, the GIA's performance exceeded the median return of 17.7%, as well as the 20.9% return that marks the top five percentile for this sample.

HMC's value-added efforts benefited from bottom-up internal and external portfolio management capabilities, as well as top-down adjustments in overall positioning.

Specifically, the GIA's value was enhanced by:

- The outperformance of the internal portfolio management group,
- The strong results delivered by some long-standing external managers,
- Returns generated by recent additions to the stable of external managers, and
- Asset allocation adjustments driven by intra-year risk mitigation considerations.

HMC is also excited about some of the new approaches that its portfolio managers pursued in fiscal 2007. While the specific opportunities are relatively small at this point—in absolute terms and relative to more traditional strategies—they have the ability and potential to grow over time. They involve looking at under-exploited market segments that speak directly to HMC's secular themes, helping to develop new investment vehicles by drawing on modern portfolio tools and techniques, and seeking incremental value through a deeper and broader set of institutional relationships.

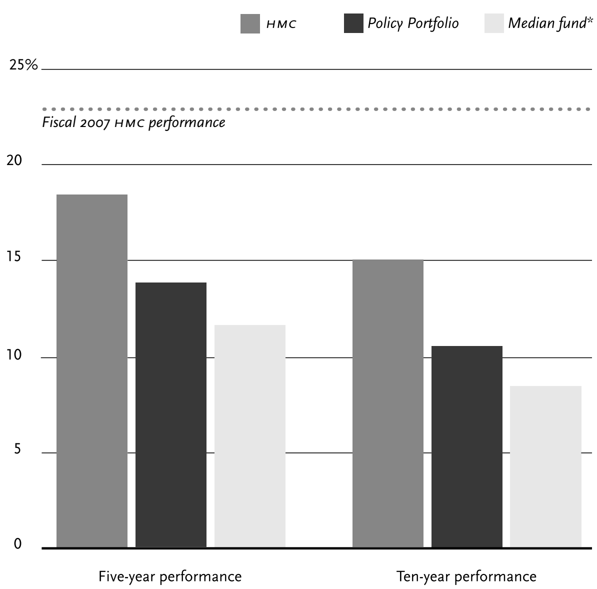
THE HISTORICAL CONTEXT

The annualized five- and ten-year performance for the GIA, after incorporating the fiscal 2007 results, are summarized in the graph below. Three historical factors are worth noting:

- First, by significantly outperforming the University's long-term real return target over time, the GIA has taken advantage of the opportunities present in the market to build an important margin for the future;
- Second, by having access to a mix of both internal and external investment management capabilities, the long-term outperformance margin relative to the Policy Portfolio is solidly ahead of the 1.0% level that has historically been deemed a realistic long-term objective; and
- Third, relative to the long-term average for institutional funds, the GIA has maintained an outperformance margin that continues to exceed the target of 1.5%.

FIVE- AND TEN-YEAR ANNUALIZED AVERAGE RETURNS

Fiscal 2007 HMC performance is consistent with HMC's history of superior investment returns



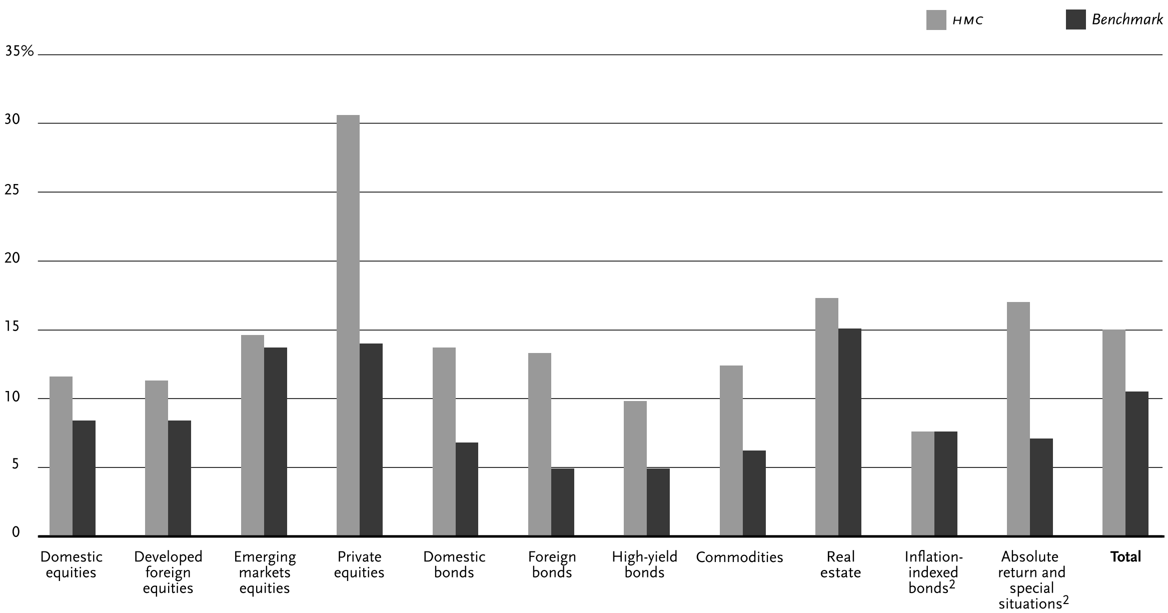
* *As measured by the median of 151 institutional funds with assets of over $1.0 billion, based on information compiled by the Trust Universe Comparison Service (TUCS).*

AVERAGE ANNUALIZED PERCENTAGE RETURNS FOR THE PERIODS ENDED JUNE 30, 2007

	Total return*	Policy Portfolio benchmark	Value added
1 year	23.0%	17.2%	5.8%
5 years	18.4	13.8	4.6
10 years	15.0	10.5	4.5
15 years	16.2	12.2	4.0
20 years	14.0	11.5	2.5
25 years	15.7	13.9	1.8
30 years	14.3	12.6	1.7
Since inception	13.3	11.9	1.4

* *Total return is net of all fees and expenses, and includes the impact of revenue-sharing agreements with certain fund managers.*

ANNUALIZED TEN-YEAR PERFORMANCE BY ASSET CLASS[1]



1 *Returns are calculated on a time-weighted basis with the exception of private equities, real estate, and commodities, which are calculated on a dollar-weighted basis. Returns are net of all fees and expenses, and include the impact of revenue-sharing agreements with certain fund managers. Individual benchmarks are representative of each asset class and are approved by the Board.*

2 *Inflation-indexed bonds, and absolute return and special situations, have been held for less than ten years. For these asset classes, the HMC return and the benchmark reflect annualized performance of 8.00 years and 8.75 years, respectively.*

Similar to what occurred in fiscal 2007, the historical outperformance of the GIA has been accompanied by consistently solid results at the individual asset class level, as illustrated above.

INVESTMENT MANAGEMENT PHILOSOPHY AND PROCESS

HMC's results were achieved within the context of an investment philosophy and approach that has served the GIA well over the years. The investment philosophy has been anchored by a disciplined approach that draws lessons from experience and monitors changing global economic and financial conditions. HMC tries to blend the best of two worlds by leveraging the University's intrinsic attributes—large, patient pool of single-source capital, AAA credit rating, world-class reputation—to take the long view with direct investments in the capital markets, while also accessing some of the best external investment management available in the marketplace.

The breakdown of the GIA by asset category as of June 30, 2007 and 2006 was (in millions of dollars):

	2007	2006
Equities:		
Domestic equities	**$ 7,266**	$ 5,730
Developed foreign equities	**5,932**	5,189
Emerging markets equities	**4,595**	2,722
Private equities	**4,156**	2,968
Total equities	**21,949**	16,609
Fixed-income:		
Domestic bonds	**2,694**	3,299
Foreign bonds	**1,351**	1,276
High-yield bonds	**641**	1,724
Total fixed-income	**4,686**	6,299
Real assets:		
Commodities	**5,725**	2,887
Real estate	**2,722**	2,518
Inflation-indexed bonds	**2,679**	1,535
Total real assets	**11,126**	6,940
Absolute return and special situations	**5,063**	4,917
Cash	**(2,071)**	(1,293)
TOTAL	**$ 40,753**	**$ 33,472**

HMC seeks to add value in every element of the investment stream, starting at the asset allocation level. Each year, HMC's Board of Directors and management team determine an appropriate "neutral" allocation of Harvard's capital across various markets given the University's desired return target and risk tolerance. Currently, capital is allocated across eleven (non-cash) asset classes. While significant changes are not generally made on an annual basis, Harvard's investment mix has evolved substantially over time.

Once the neutral allocation guidelines are determined, HMC's management is charged with the selection of appropriate implementation vehicles. Both internal and external vehicles are used to optimally deploy capital across all asset classes. This active use of specific investment strategies is aimed at delivering value over and above what can be realized by investing in a passive portfolio.

HMC uses a variety of alpha generators to add value. Examples include absolute return strategies, including equity and fixed-income arbitrage, enhanced cash management, structural alpha trades, and tactical adjustments to the asset allocation. All of these alpha generators help HMC focus on delivering a superior, risk-adjusted return across all of its asset classes (after all fees required to generate that return). The result is a diversified investment portfolio, managed in a responsive manner, and backed by effective risk management.

RISK MANAGEMENT

Appropriate controls and procedures are integral to mitigating risks and effectively managing the GIA. Accordingly, HMC maintains an approach aimed at monitoring and managing the factors pertaining to credit, liquidity, market and operational risks. (A summary description of these risk factors may be found below.) Since no single indicator can reasonably be expected to capture the host of risk factors that affect the GIA, HMC utilizes a matrix approach that is subject to regular reviews both by the Board and management of HMC.

HMC's risk mitigating measures include the use of risk limits as they pertain to investment strategies, single names, and managers; assessment of correlations across investment strategies, managers and asset classes; counterparty credit evaluations; etc. By necessity, this is a dynamic process that takes into account general market developments, the proliferation of new instruments, and the changing nature of linkages across asset classes. This process is supported by consistent efforts to ensure that HMC has the required information inputs and management system, the appropriate analytical tools, and a robust set of checks and balances.

The effectiveness of HMC's risk management is highly dependent on manager transparency and the quality of the data inputs, particularly in terms of completeness and timeliness. In this context, and as HMC deepens and widens its relationships with external managers, an effort is being made to counteract the existing market tendency towards a lower level of information transparency.

COMPONENTS OF RISK

MARKET RISK is defined as the sensitivity of income and capital to variations in interest rates, foreign exchange rates, equity prices, commodity prices, and other market-driven rates and prices. Market risk also considers the correlation risk among investments and the liquidity of the underlying positions. Market risk is measured as the potential gain or loss resulting from a price change at a given probability over a specific time period; this is also described as value at risk. Value at risk is monitored and reviewed frequently by the Board of Directors and senior management to ensure that exposures are consistent with approved limits and guidelines. Stress and scenario tests are also conducted to determine how potential changes in market conditions could impact the market value of the portfolio.

CREDIT RISK is defined as the risk of loss arising from a counterparty's failure or inability to meet payment or performance terms of a contract. HMC manages credit risk by establishing strict credit policies, setting concentration limits and approval procedures, and monitoring exposure continuously. HMC enters into arrangements with counterparties believed to be creditworthy and requires collateral to the maximum extent possible. Limits are established for each counterparty based on their creditworthiness.

(Continued on next page)

Finally, and in recognition of the increasing fluidity of the global economy, HMC has placed particular emphasis on potential cross-asset class correlations and market contagion.

SALIENT ORGANIZATIONAL DEVELOPMENTS

Fiscal 2007 saw important institutional changes as HMC completes its transition phase. Efforts in this area have been aimed at establishing conditions for sustaining superior investment returns for Harvard University over time, including the development of deep organizational and institutional roots.

Of note are several initiatives that, in the context of ongoing changes in the global financial landscape, target the appropriate balance between continuity and change:

- During the course of the year, HMC essentially completed the process of reconstructing the internal portfolio management platform. It now consists of teams covering five market segments: advanced country equities, emerging markets equities, domestic fixed income, international fixed income, and foreign exchange. In the process, HMC hired top talent from the industry that complements existing staff.

- HMC restructured the allocations to its external managers within the confines of various investment lockups. In addition to emphasizing bottom-up manager-related issues, this process was influenced by the secular themes guiding HMC's overall investment approach.

- Risk management activities benefited from updates in analytics, scenario formulation, guidelines, and monitoring mechanisms.

- Progress in these areas was facilitated by ongoing efforts to retool key support functions in compliance, risk, operations and information technology. While these are less visible to the outside world, they are nonetheless important for the sustainability of superior, risk-adjusted investment returns.

- Further steps were taken to enhance HMC's corporate governance. The Board committee structure was expanded and strengthened, and the self-evaluation procedures were revised.

- Finally, HMC starts fiscal 2008 with a new organizational task: selecting a new CEO for HMC. The Board of Directors has launched an immediate search for my successor.

THE ROAD AHEAD

HMC continues to take a multi-faceted approach to asset allocation. First, as has periodically been the case, the composition of the Policy Portfolio has been slightly altered for fiscal 2008, consistent with an updated analysis of the risk/return prospects for individual asset classes and their likely correlations. In addition to this annual review, HMC has layered elements that reflect its secular themes, including the realignment in key components of global growth, the structural weakening of global disinflationary pressures, the gradual

COMPONENTS OF RISK, *continued*

LIQUIDITY RISK considers the risk of loss arising from the inability to meet funding commitments. The objective of liquidity risk management is to ensure the ability to meet the endowment's financial obligations. Effective management of liquidity risk requires the ability to project and understand all cash flows and potential future commitments. It also involves the identification and prioritization of sources of liquidity. Cash is actively managed by a centralized staff responsible for understanding funding requirements and evaluating sources of liquidity. Liquidity measures are employed to ensure that the University maintains adequate liquidity and is prepared for periods of stress.

OPERATIONAL RISK is the risk of loss resulting from inadequate or failed internal processes or systems, errors by employees, or external events. The management of these risks is primarily the responsibility of the business line managers in each functional area. HMC manages operational risk by identifying areas of risk, monitoring compliance, promoting best practices, and implementing internal controls and robust systems. The results of these activities are reviewed frequently by senior management.

HISTORICAL EVOLUTION OF THE POLICY PORTFOLIO (SELECTED YEARS)

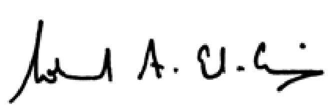
	1980	1991	1996	2000	2007	2008
Equities:						
Domestic equities	66%	40%	36%	22%	12%	12%
Developed foreign equities		18	15	15	11	12
Emerging markets equities			9	9	8	10
Private equities		12	15	15	13	11
Total equities	66	70	75	61	44	45
Fixed-income:						
Domestic bonds	27	15	13	10	7	5
Foreign bonds	8	5	5	4	3	3
High-yield bonds		2	2	3	3	1
Total fixed-income	35	22	20	17	13	9
Real assets:						
Commodities		6	3	6	16	17
Real estate		7	7	7	10	9
Inflation-indexed bonds				7	5	7
Total real assets	0	13	10	20	31	33
Absolute return and special situations				5	17	18
Cash	(1)	(5)	(5)	(3)	(5)	(5)
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

redeployment of windfall reserve gains by emerging economies, the institutionalization of alternative investments, and the broader application of risk transfer technology to balance sheets within and beyond the banking system.

In addition to understanding the key characteristics influencing the long-term evolution of the global financial landscape, HMC's future success will depend on its ability to navigate the journey—particularly the extent to which it can discern and respond to an increasingly fluid and volatile economic, financial and geopolitical landscape.

The global system is in the midst of important structural changes that offer new opportunities as well as a different configuration of risks. Ever larger pools of private and public investment capital are looking to mimic the "endowment approach." And while imitation may be the highest form of flattery, such migration of capital will inevitably dilute the potency of the approach and complicate its implementation. This comes at a time when global payments imbalances remain large, correlations among asset classes and managers are rising, the market robustness of certain new derivative products is yet to be tested sufficiently, and a certain amount of hubris seems to influence some market participants who have confidently moved to a "just-in-time" risk management paradigm.

In view of these factors, HMC is resisting the temptation to extrapolate the recent strong investment performance. Instead, it is more prudent to view it as involving a "windfall gain" component. Indeed, the question is not whether there will be market pullbacks, but rather their likely depth, breadth, and duration. This consideration assumes added importance given the gradual decline in the traditional risk-mitigating characteristics of a diversified asset allocation, thus further emphasizing the importance of HMC's hedging and risk management strategies. Indeed, as HMC enters fiscal 2008, it has been reminded of how these strategies can help the GIA navigate well a challenging combination of sudden market disruptions, significant liquidity dislocations, and severe difficulties for an external manager. HMC's Board of Directors is committed to continuing the current investment management approach and strategies.



Mohamed A. El-Erian
PRESIDENT AND CEO

September 30, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston MA 02110
Telephone (617) 530 5000
Facsimile (617) 530 5001

Report of Independent Auditors

To the Board of Overseers of Harvard College:

In our opinion, the accompanying Balance Sheet and the related Statements of Changes in Net Assets with General Operating Account Detail, Changes in Net Assets of the Endowment, and Cash Flows, present fairly, in all material respects, the financial position of Harvard University (the "University") as of June 30, 2007, and the changes in its net assets of the General Operating Account and endowment funds and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's fiscal 2006 financial statements, and in our report dated October 6, 2006, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the University changed the manner in which it accounts for defined benefit and other postretirement plans and limited partnerships held for investment in 2007 and began recognizing conditional asset retirement obligations in 2006.

PricewaterhouseCoopers LLP

September 30, 2007

BALANCE SHEETS

with summarized financial information as of June 30, 2006

In thousands of dollars	June 30 2007	June 30 2006
ASSETS:		
Cash	$ **39,800**	$ 43,594
Receivables, net (*Note 4*)	**207,999**	222,793
Prepayments and deferred charges	**98,718**	82,698
Notes receivable, net (*Note 5*)	**307,643**	286,297
Pledges receivable, net (*Note 6*)	**524,972**	540,623
Fixed assets, net (*Note 7*)	**4,524,162**	4,078,536
Net retirement assets (*Note 11*)	**303,282**	0
Interests in trusts held by others (*Notes 8 and 12*)	**358,294**	320,990
Investment portfolio, at market (*Note 3*)	**46,616,888**	37,085,236
Market value of securities pledged to counterparties (*Note 3*)	**5,341,587**	2,905,867
TOTAL ASSETS	**58,323,345**	**45,566,634**
LIABILITIES:		
Accounts payable (*Note 19*)	**370,496**	327,697
Deposits and other liabilities (*Note 7*)	**478,471**	409,775
Securities lending and other liabilities associated with the investment portfolio (*Note 3*)	**10,125,587**	5,741,473
Liabilities due under split interest agreements (*Note 9*)	**906,581**	693,383
Bonds and notes payable (*Note 10*)	**3,846,978**	2,922,247
Accrued retirement obligations (*Note 11*)	**545,698**	476,600
Government loan advances (*Note 5*)	**57,146**	56,960
TOTAL LIABILITIES	**16,330,957**	**10,628,135**
NET ASSETS	**$ 41,992,388**	**$ 34,938,499**

	Unrestricted	Temporarily restricted	Permanently restricted	June 30 2007	June 30 2006
NET ASSETS:					
General Operating Account (*Note 12*)	$ 5,201,951	$ 1,150,504	$ 86,156	$ **6,438,611**	$ 5,116,072
Endowment (*Note 8*)	5,796,425	24,779,301	4,336,342	**34,912,068**	29,219,430
Split interest agreements (*Note 9*)	0	196,021	445,688	**641,709**	602,997
TOTAL NET ASSETS	**$ 10,998,376**	**$ 26,125,826**	**$ 4,868,186**	**$ 41,992,388**	**$ 34,938,499**

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

STATEMENTS OF CHANGES IN NET ASSETS WITH GENERAL OPERATING ACCOUNT DETAIL

with summarized financial information for the year ended June 30, 2006

In thousands of dollars	Unrestricted	Temporarily restricted	Permanently restricted	For the year ended June 30 2007	For the year ended June 30 2006
REVENUE:					
Student income:					
Undergraduate program	$ 225,690			$ **225,690**	$ 212,473
Graduate programs	345,443			**345,443**	323,157
Board and lodging	123,892			**123,892**	116,485
Continuing education and executive programs	193,164			**193,164**	169,963
Scholarships applied to student income (*Note 13*)	(230,562)			**(230,562)**	(205,957)
Total student income	657,627	0	0	**657,627**	616,121
Sponsored research support (*Notes 14 and 15*):					
Federal government - direct costs	376,415			**376,415**	378,466
Federal government - indirect costs	138,355			**138,355**	139,526
Non-federal sponsors - direct costs	37,493	$ 76,784		**114,277**	104,942
Non-federal sponsors - indirect costs	7,779	5,108		**12,887**	11,296
Total sponsored research support	560,042	81,892	0	**641,934**	634,230
Gifts for current use (*Note 15*)	83,128	130,866		**213,994**	201,946
Investment income:					
Endowment income distributed for operations (*Note 8*)	174,423	869,332		**1,043,755**	933,337
Income on working capital investments distributed for operations	132,672	24,989		**157,661**	154,009
Interest received on student, faculty and staff loans	6,962			**6,962**	6,075
Total investment income	314,057	894,321	0	**1,208,378**	1,093,421
Other operating income (*Note 16*)	488,573			**488,573**	453,865
Net assets released from restrictions	1,064,727	(1,064,727)		**0**	0
TOTAL REVENUE	**3,168,154**	**42,352**	**0**	**3,210,506**	**2,999,583**
EXPENSES:					
Salaries and wages	1,203,209			**1,203,209**	1,126,322
Employee benefits (*Note 11*)	341,962			**341,962**	350,575
Scholarships and other student awards (*Note 13*)	108,588			**108,588**	99,574
Supplies and equipment	216,549			**216,549**	199,779
Space and occupancy	405,156			**405,156**	360,054
Depreciation (*Note 7*)	214,318			**214,318**	210,964
Other expenses (*Note 17*)	680,868			**680,868**	652,235
TOTAL EXPENSES	**3,170,650**	**0**	**0**	**3,170,650**	**2,999,503**
NET REVENUE/(DEFICIT)	**(2,496)**	**42,352**	**0**	**39,856**	**80**
OTHER PROVISIONS AND CREDITS:					
Increase in appreciation, net of operating distribution (*Note 10*)	880,089	4,315		**884,404**	868,832
Change in undistributed general investment income	(4,884)	(17,976)		**(22,860)**	115,977
Other changes (*Note 10*)				**0**	(11,316)
TOTAL OTHER PROVISIONS AND CREDITS	**875,205**	**(13,661)**	**0**	**861,544**	**973,493**
CAPITAL CHANGES:					
Change in pledge balances (*Note 6*)		11,536		**11,536**	(29,020)
Increase in interests in trusts held by others (*Note 12*)		8,856		**8,856**	21,174
Capital gifts for loan funds and facilities (*Note 15*)		5,062	$ 534	**5,596**	16,150
Transfers between the General Operating Account and endowment	38,745	38,547	(959)	**76,333**	(34,993)
Transfers from split interest agreements (*Note 9*)		6,970	506	**7,476**	4,917
Non-operating net assets released from restrictions	99,717	(101,538)	1,821	**0**	0
TOTAL CAPITAL CHANGES	**138,462**	**(30,567)**	**1,902**	**109,797**	**(21,772)**
GENERAL OPERATING ACCOUNT NET CHANGE DURING THE YEAR	**1,011,171**	**(1,876)**	**1,902**	**1,011,197**	**951,801**
Endowment net change during the year	1,088,095	4,382,032	222,511	**5,692,638**	3,366,382
Split interest agreements net change during the year (*Note 9*)		8,383	30,329	**38,712**	95,218
NET CHANGE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	**2,099,266**	**4,388,539**	**254,742**	**6,742,547**	**4,413,401**
Cumulative effect of accounting changes (*Notes 2, 7 and 11*)	311,342			**311,342**	(33,323)
NET CHANGE DURING THE YEAR	**2,410,608**	**4,388,539**	**254,742**	**7,053,889**	**4,380,078**
Net assets, beginning of year	8,587,768	21,737,287	4,613,444	**34,938,499**	30,558,421
NET ASSETS, end of year	**$ 10,998,376**	**$ 26,125,826**	**$ 4,868,186**	**$ 41,992,388**	**$ 34,938,499**

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

STATEMENTS OF CHANGES IN NET ASSETS OF THE ENDOWMENT

with summarized financial information for the year ended June 30, 2006

In thousands of dollars	Unrestricted	Temporarily restricted	Permanently restricted	For the year ended June 30 2007	For the year ended June 30 2006
Gifts for capital (*Note 15*)	$ 25,751	$ 43,918	$ 207,957	**$ 277,626**	$ 273,381
Investment return (*Notes 3 and 8*):					
Income from general investments	75,745	374,433		**450,178**	474,558
Increase in realized and unrealized appreciation	1,046,442	5,002,933		**6,049,375**	3,639,196
Total investment return	1,122,187	5,377,366	0	**6,499,553**	4,113,754
Endowment income distributed for operations	(174,423)	(869,332)		**(1,043,755)**	(933,337)
Change in undistributed general investment income	2,397	21,983		**24,380**	(102,662)
Net investment return after distributions	950,161	4,530,017	0	**5,480,178**	3,077,755
Transfers between endowment and the General Operating Account:					
Net transfers to/(from) unexpended endowment income	5,003	(70,201)	9,013	**(56,185)**	37,818
Gifts capitalized	257	3,127	901	**4,285**	5,818
Other transfers	(44,005)	28,527	(8,955)	**(24,433)**	(8,643)
Total transfers between endowment and the General Operating Account	(38,745)	(38,547)	959	**(76,333)**	34,993
Capitalization of split interest agreements (*Note 9*)		3,265	15,348	**18,613**	6,897
Change in pledge balances (*Note 6*)		4,083	(30,645)	**(26,562)**	(75,603)
Increase in interests in trusts held by others (*Note 8*)		9,449	18,999	**28,448**	47,899
Other changes	2,858	(7,700)	(4,490)	**(9,332)**	1,060
Net assets released from restrictions	148,070	(162,453)	14,383	**0**	0
NET CHANGE DURING THE YEAR	**1,088,095**	**4,382,032**	**222,511**	**5,692,638**	**3,366,382**
Net assets of the endowment, beginning of year	4,708,330	20,397,269	4,113,831	**29,219,430**	25,853,048
NET ASSETS OF THE ENDOWMENT, end of year	**$ 5,796,425**	**$ 24,779,301**	**$ 4,336,342**	**$ 34,912,068**	**$ 29,219,430**

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

STATEMENTS OF CASH FLOWS

In thousands of dollars	For the year ended June 30 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ 7,053,889**	$ 4,380,078
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Cumulative effect of accounting changes	**(311,342)**	33,323
Depreciation	**214,318**	210,964
Increase in fair value of interest rate exchange agreements	**(4,651)**	(442,888)
Increase in interests in trusts held by others	**(37,304)**	(69,073)
Increase in liabilities due under split interest agreements	**213,198**	125,271
Increase in accrued retirement obligations	**77,158**	80,201
Gain on investments, net	**(7,286,777)**	(4,298,785)
Gifts restricted for capital purposes	**(292,645)**	(302,164)
Changes in operating assets and liabilities:		
Receivables, net	**14,794**	(51,177)
Prepayments and deferred charges	**(16,020)**	(4,888)
Pledges receivable, net	**15,651**	104,220
Accounts payable	**47,053**	(105,582)
Deposits and other liabilities	**68,696**	20,196
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	**(243,982)**	**(320,304)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made to students, faculty and staff	**(56,338)**	(55,325)
Payments received on student, faculty and staff loans	**34,681**	45,203
Change in other notes receivable	**311**	(6,631)
Proceeds from the sales and maturities of investments	**41,386,657**	38,883,059
Purchase of investments	**(43,400,260)**	(22,814,630)
Additions to fixed assets	**(635,727)**	(466,858)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(2,670,676)**	**15,584,818**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in overdrafts included in accounts payable	**(28,471)**	7,426
Proceeds from the issuance of debt	**1,122,628**	921,596
Debt repayments	**(197,897)**	(848,478)
Gifts restricted for capital purposes	**292,645**	302,164
Change associated with securities lending agreements	**1,721,773**	(15,638,182)
Increase in government loan advances	**186**	104
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**2,910,864**	**(15,255,370)**
NET CHANGE IN CASH	**(3,794)**	**9,144**
Cash, beginning of year	**43,594**	34,450
CASH, end of year	**$ 39,800**	**$ 43,594**

Supplemental disclosure of cash flow information:		
Change in investments as well as other liabilities associated with the investment portfolio related to the implementation of EITF 04-5	$ 537,544	$ 0
Change in accounts payable related to fixed asset additions	24,217	24,804
Cash paid for interest	158,881	119,526

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

1. UNIVERSITY ORGANIZATION

Harvard University (the "University") is a private, not-for-profit institution of higher education with approximately 7,100 undergraduate and 12,940 graduate students. Established in 1636, the University includes the Faculty of Arts and Sciences, the School of Engineering and Applied Sciences, the Division of Continuing Education, ten graduate and professional Schools, the Radcliffe Institute for Advanced Study, a variety of research museums and institutes, and an extensive library system to support the teaching and research activities of the Harvard community. The President and Fellows of Harvard College (the "Corporation"), a governing board of the University, has oversight responsibility for all of the University's financial affairs. The Corporation delegates substantial authority to the Schools and departments for the management of their individual resources and operations.

The University includes Harvard Management Company (HMC), a wholly owned subsidiary founded in 1974 to manage the University's investment assets. HMC is governed by a Board of Directors that is appointed by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements present the activities of Harvard University as a whole, including significant affiliated organizations controlled by the University.

The financial statements include certain prior year summarized comparative information in total, not by net asset classification. This information is not presented in sufficient detail to conform with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2006, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to current year presentation.

Funds transferred to the University on behalf of specific beneficiaries (agency funds) are recorded as assets and liabilities in the *Balance Sheets* and are not included in the *Statements of Changes in Net Assets*.

Net asset classifications

For the purposes of financial reporting, the University classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

UNRESTRICTED net assets are not subject to donor-imposed restrictions. Funds invested in fixed assets and unrestricted funds functioning as endowment comprise 65% of the University's unrestricted net assets as of June 30, 2007. In addition, this category includes unrestricted gifts and endowment income balances, University-designated loan funds and other unrestricted current funds.

TEMPORARILY RESTRICTED net assets are subject to legal or donor-imposed stipulations that will be satisfied either by actions of the University, the passage of time, or both. These net assets include gifts donated for a particular purpose, amounts subject to time restrictions such as funds pledged for future payment, or amounts subject to legal restrictions such as portions of otherwise unrestricted capital appreciation, which must be reported as temporarily restricted net assets in accordance with Massachusetts law.

PERMANENTLY RESTRICTED net assets are subject to donor-imposed stipulations that they be invested to provide a perpetual source of income to the University. Generally, donors of these assets require the University to maintain and invest the original contribution in perpetuity, but permit the use of some or all investment earnings for general or specific purposes.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned by restricted fund and gift accounts is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Unconditional pledges are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from temporarily restricted to unrestricted net assets and appear as "Net assets released from restrictions" and "Non-operating net assets released from restrictions" in the *Statements of Changes in Net Assets*.

Net revenue/(deficit)
Revenues earned, expenses incurred and income distributed for operations for the purpose of conducting research and the programs and services of the University are presented as "Net revenue/(deficit)" in the *Statements of Changes in Net Assets with General Operating Account Detail*. Net revenue/(deficit) is the measure of the University's operating result.

Securities lending transactions
The *Balance Sheets* display both the assets and corresponding liabilities generated by securities lending transactions. These transactions are executed to support the investment activities of HMC. The University also separately reports the fair value of assets for which counterparties have the right to pledge or exchange the collateral they have received; assets of the investment portfolio that are unencumbered are reported as "Investment portfolio, at market" in the *Balance Sheets*.

Collections
The University's vast array of museums and libraries houses priceless works of art, historical treasures, literary works and artifacts. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recorded or capitalized for financial statement purposes.

Insurance programs
The University, together with the Harvard-affiliated teaching hospitals, has formed a captive insurance company, Controlled Risk Insurance Company (CRICO), to provide limited professional liability, general liability and medical malpractice insurance for its shareholders. The University self insures a portion of its professional liability and general liability programs and maintains a reserve for liability claims. CRICO provides medical malpractice coverage with no deductible for Harvard University Health Services, the Harvard School of Dental Medicine and the Harvard School of Public Health. The University also maintains self-insurance programs and reserves for claims for automobile liability, property and workers' compensation; these programs are supplemented with commercial excess insurance above the University's self-insured limit. In addition, the University is self insured for unemployment, the primary senior health plan and all health and dental plans for active employees. The University's claims liabilities are recognized as incurred, including claims that have been incurred but not reported, and are included in operating expenses.

Tax-exempt status
The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Use of estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

New accounting pronouncements
The University implemented the requirements of Financial Accounting Standard 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158) as of June 30, 2007. Under FAS 158, the funded status of each pension and other postretirement benefit plan as of June 30 is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). FAS 158 requires disclosure of the incremental effect of adopting the standard on certain individual line items of the *Balance Sheet*. In addition, the initial implementation of this standard is recognized as a cumulative effect of a change in an accounting principle in the fiscal 2007 *Statement of Changes in Net Assets with General Operating Account Detail*. The effect of FAS 158's adoption is discussed in *Note 11*.

Effective July 1, 2006, the University implemented Emerging Issues Task Force Issue 04-5, *Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights* (EITF 04-5). Under EITF 04-5, a general partner is required to consolidate any partnership that it controls, including those interests in the partnerships in which it does not have ownership rights. A general partner is presumed to control a partnership unless the limited partners have certain rights to remove the general partner or other substantive rights to participate in partnership operations.

In accordance with EITF 04-5, the University has consolidated assets held in partnerships controlled by HMC. These assets are included in "Investment portfolio, at market" in the *Balance Sheets*. Liabilities of the consolidated entities and the minority interest related to the assets not owned by the University are included in "Securities lending and other liabilities associated with the investment portfolio" in the *Balance Sheets*. The effect of adopting EITF 04-5 is discussed in *Note 3*.

In fiscal 2006, the University adopted Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition of a liability, a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability is presumed to be incurred on the date that the legal requirement to perform the asset retirement activity was enacted. The effect of FIN 47's adoption is discussed in *Note 7*.

3. INVESTMENTS

The significant accounting policies of the University related to investments are as follows:

A) Investments are presented at fair market value based on trade date positions as of June 30. Instruments listed or traded on a securities exchange are valued at the last sale price on the primary exchange where the security is traded. Investments in publicly traded securities that are subject to restrictions limiting their salability are discounted from the current public market price to levels that reflect the estimated cost of those restrictions. Non-exchange traded debt instruments are primarily valued using independent pricing services or by broker/dealers who actively make markets in these securities. Options contracts, forward contracts, interest rate exchange agreements and interest rate cap and floor agreements are primarily valued using models with externally verifiable inputs, or by using independent broker quotes. Private equities, real assets, and absolute return and special situations consist primarily of investments that are not readily marketable. Investments in these categories, which are managed externally, are valued utilizing the most current information provided by the general partner. Direct private equity and real asset investments are valued using discounted cash flow and other industry standard methodologies. Where applicable, independent appraisers and engineers assist in the valuation. These values are determined under the direction of, and subject to approval by, the Valuation Committee of the HMC Board of Directors.

B) The preparation of financial statements requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The accounting policies considered potentially significant in this respect are the valuation of derivative instruments, absolute return and special situations, private equities and certain real assets. Values for these instruments are often estimated using techniques such as discounted cash flow analysis and comparisons to similar instruments. Estimates developed using these methods are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a significant effect on the fair value of these instruments. Actual results could differ from these estimates and could have a material impact on the financial statements.

C) The University amortizes bond premiums and accretes bond discounts.

D) The University utilizes a number of subsidiary entities to support its investment activities. The consolidated financial statements include all assets and liabilities associated with these entities.

E) The collateral advanced under security borrowing agreements is in the form of cash. The minimum collateral the University requires by contract on each stock loan and repurchase agreement is 100% of the market value of the security loaned. Collateral is moved as is required by fluctuations in the market value of the security loaned.

The majority of the University's investments are managed in the General Investment Account (GIA), a pooled fund that consists primarily of endowment assets.

Other investments are managed separately from the GIA. These investments consist primarily of fixed-income securities (principally government securities and certificates of deposit held for the University's working capital needs) and various managed bond and equity portfolios associated with split interest agreements.

The University's investments as of June 30, 2007 and 2006 are summarized in the following table (in thousands of dollars):

	2007	2006
Investment portfolio, at market:		
Pooled general investment assets[1]	**$ 45,536,634**	$ 36,308,104
Other investments[2]	**1,093,529**	795,058
Fair value of interest rate exchange agreements	**(13,275)**	(17,926)
Total investment portfolio, at market	**46,616,888**	37,085,236
Market value of securities pledged to counterparties	**5,341,587**	2,905,867
Securities lending and other liabilities associated with the investment portfolio	**(10,125,587)**	(5,741,473)
TOTAL INVESTMENTS[3]	**$ 41,832,888**	**$ 34,249,630**

Investments as of June 30, 2007 and 2006 comprised the following (in thousands of dollars):

	2007	2006
Pooled general investment net assets:		
General Operating Account	**$ 5,264,544**	$ 3,904,716
Endowment	**34,251,729**	28,589,702
Split interest agreements	**986,906**	779,902
Other internally designated funds	**249,455**	198,178
Total pooled general investment net assets	**40,752,634**	33,472,498
Other investments[2]	**1,093,529**	795,058
Fair value of interest rate exchange agreements	**(13,275)**	(17,926)
TOTAL INVESTMENTS[3]	**$ 41,832,888**	**$ 34,249,630**

[1] *Excludes securities pledged to counterparties.*
[2] *Includes split interest agreement assets of $561,384 and $516,478 as of June 30, 2007 and 2006, respectively.*
[3] *Includes cash equivalents that consist principally of funds that have maturities of 90 days or less. Cash equivalents classified as investments were $2,627,760 and $1,859,259 as of June 30, 2007 and 2006, respectively.*

A summary of the University's total return on investments for fiscal 2007 and 2006 is presented below (in thousands of dollars):

	2007	2006
Return on pooled general investments:		
Realized and unrealized gains, net	**$ 7,135,715**	$ 4,290,895
Investment income	**535,902**	558,322
Total return on pooled general investments*	**7,671,617**	4,849,217
Return on other investments:		
Realized and unrealized gains, net	**151,062**	7,890
Investment income	**35,644**	23,941
Total return on other investments	**186,706**	31,831
Unrealized gain on interest rate exchange agreements	**4,651**	442,888
TOTAL RETURN ON INVESTMENTS	**$ 7,862,974**	**$ 5,323,936**

* *Net of all fees and expenses, and including the impact of revenue-sharing agreements with certain fund managers.*

The University employs a unit method of accounting for pooled general investments. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit market values. Changes in the market value of investments are distributed proportionately to each fund in the investment pool. Net general investment income distributed during the year is allocated on a per unit basis.

The changes in the market value and income of participating units for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Unit market value, end of year	**$ 1,982.64**	$ 1,635.04
Unit market value, beginning of year	**1,635.04**	1,425.68
Increase in unit market value due to realized and unrealized appreciation	**347.60**	209.36
Income earned per unit on general investments	**26.12**	27.27
TOTAL UNIT RETURN OF POOLED GENERAL INVESTMENTS*	**$ 373.72**	**$ 236.63**
TOTAL UNIT RETURN PERCENTAGE USING MONTHLY COMPOUNDING*	**23.0%**	**16.7%**

* *Net of all fees and expenses, and including the impact of revenue-sharing agreements with certain fund managers.*

The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the world equity, fixed-income, real estate, commodities and private equity markets. A core investment portfolio is structured to mirror the market exposures defined by the Policy Portfolio and is considered to be "unhedged" as represented by "Total investments" in the table on page 24. The Policy Portfolio is the long-term asset mix that is most likely to meet the University's long-term return goals with the appropriate level of risk. It serves as the benchmark against which the performance of the pooled general investments is measured. In addition, the University seeks to enhance the returns of certain asset classes through strategies designed to capture mispricings in specific financial instruments without changing the fundamental risk profile of the core investment account. These strategies generally involve several distinct but highly correlated financial instruments that are weighted to neutralize market risk. Depending on the characteristics of the financial instruments, the specific positions within a given strategy may be recorded in the asset or liability sections of the table on page 24.

The table on page 24 delineates securities pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the securities. The fair value of collateral pledged to counterparties that cannot be sold or repledged as of June 30, 2007 was $747.0 million and as of June 30, 2006 was $906.9 million. The fair value of collateral accepted by the University as of June 30, 2007 was $2,822.6 million and as of June 30, 2006 was $2,096.8 million. The portion of this collateral that was sold or repledged as of June 30, 2007 was $1,046.2 million and as of June 30, 2006 was $1,633.3 million. The cost of the net investments (the sum of total investments, total financial instruments purchased under hedge transactions and total financial instruments sold, not yet purchased, under hedge transactions) was $34,872.9 million as of June 30, 2007 and $27,411.0 million as of June 30, 2006.

As discussed in *Note 2*, the University consolidated assets and liabilities held in partnerships controlled by HMC in fiscal 2007, in accordance with EITF 04-5. The consolidation of these entities increased both the pooled general investment assets and liabilities shown in the table on page 24. Real asset investments increased by $401.5 million; other assets, consisting of cash, receivables and fixed assets, increased by $136.0 million; and other liabilities, consisting of accruals, payables, debt and minority interests, increased by $537.5 million.

The pooled general investment assets and liabilities as of June 30, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2007		2006	
POOLED GENERAL INVESTMENT ASSETS:				
Investments:				
Domestic equity and convertible securities	$ 6,757,501		$ 5,957,302	
Securities pledged to counterparties	437,237	$ **7,194,738**	295,341	$ 6,252,643
Developed foreign equity and convertible securities	4,162,410		5,427,138	
Securities pledged to counterparties		**4,162,410**	525,970	5,953,108
Domestic fixed-income securities	1,399,694		1,691,594	
Securities pledged to counterparties	1,734,036	**3,133,730**	801,097	2,492,691
Foreign fixed-income securities	12,428		21,220	
Securities pledged to counterparties	1,236,639	**1,249,067**	594,072	615,292
Emerging markets equity, debt and options	2,326,864		2,062,680	
Securities pledged to counterparties	1,045,380	**3,372,244**	396,684	2,459,364
High-yield securities	2,000,304		1,237,422	
Securities pledged to counterparties		**2,000,304**	43,494	1,280,916
Absolute return funds and special situations	5,487,554		4,431,298	
Securities pledged to counterparties		**5,487,554**	25,827	4,457,125
Real assets[1]	9,724,325		5,839,778	
Securities pledged to counterparties	279,466	**10,003,791**	112,951	5,952,729
Private equities		**4,178,397**		3,072,182
Total investments		**40,782,235**		32,536,050
Financial instruments purchased under hedge transactions:				
Equity and convertible securities	1,095,684		1,394,026	
Securities pledged to counterparties	27,113	**1,122,797**	45,672	1,439,698
Fixed-income securities	1,772,670		768,074	
Securities pledged to counterparties	563,070	**2,335,740**	64,759	832,833
Real assets[1]	16,030		20,110	
Securities pledged to counterparties	18,646	**34,676**		20,110
Options		**353,192**		38,478
Total financial instruments purchased under hedge transactions		**3,846,405**		2,331,119
Collateral advanced under security borrowing agreements[2]		**2,450,224**		1,724,361
Cash and short-term investments		**2,523,657**		1,741,657
Other assets[3]		**1,275,700**		880,784
TOTAL POOLED GENERAL INVESTMENT ASSETS		**50,878,221**		**39,213,971**
POOLED GENERAL INVESTMENT LIABILITIES:				
Financial instruments sold, not yet purchased, under hedge transactions:				
Equity and convertible securities		**1,044,560**		1,416,443
Fixed-income securities		**1,714,450**		410,547
Options		**300,968**		8,819
Total financial instruments sold, not yet purchased, under hedge transactions		**3,059,978**		1,835,809
Cash collateral held under security lending agreements[4]		**5,128,807**		2,681,172
Other liabilities[5]		**1,936,802**		1,224,492
TOTAL POOLED GENERAL INVESTMENT LIABILITIES		**10,125,587**		**5,741,473**
TOTAL POOLED GENERAL INVESTMENT NET ASSETS		**$ 40,752,634**		**$ 33,472,498**

1 *Real assets include investments in commodities, real estate and inflation-indexed bonds.*
2 *The collateral advanced under security borrowing agreements is in the form of cash.*
3 *As of June 30, 2007, other assets consisted primarily of accounts receivable for the sale of securities of $1,103,913, of which gross receivables related to off-balance sheet instruments were $294,374. As of June 30, 2006, other assets consisted primarily of accounts receivable for the sale of securities of $817,568, of which gross receivables related to off-balance sheet instruments were $68,946.*
4 *The minimum collateral the University requires by contract on each stock loan and repurchase agreement is 100% of the market value of the security loaned. Collateral is moved as is required by fluctuations in the market value of the security loaned.*
5 *As of June 30, 2007, other liabilities consisted primarily of accounts payable for undistributed income and the purchase of securities of $1,363,483, of which gross payables related to off-balance sheet instruments were $117,001. As of June 30, 2006, other liabilities consisted primarily of accounts payable for undistributed income and the purchase of securities of $1,161,276, of which gross payables related to off-balance sheet instruments were $26,466.*

The University uses a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement. These include futures, options, interest rate exchange agreements, interest rate cap and floor agreements, and forward purchase and sale agreements, which are exchange traded or executed over the counter. These instruments are used in both the core portfolio to gain exposure to a given asset class (displayed as "unhedged" market exposure in the following tables) and in the arbitrage strategies with the goal of enhancing the returns of certain asset classes without increasing the market risk to the underlying asset class (displayed as "hedged" market exposure in the following tables). The market risk of a strategy is influenced by the relationship between the financial instruments with off-balance sheet risk and the offsetting positions recorded in the *Balance Sheets*. The University manages exposure to market risk through the use of industry standard analytical tools that measure the market exposure of each position within a strategy. The strategies are monitored daily and positions are frequently adjusted in response to changes in the financial markets.

The following table summarizes the market exposure (expressed in delta-weighted notional amounts), net ending fair value, net average fair value (an average of the five quarters ending June 30, 2007) and credit exposure relative to the financial instruments with off-balance sheet risk as of June 30, 2007 (in thousands of dollars):

	Market exposure			Net ending fair value of off-balance sheet positions		Net average fair value	Credit exposure*
	Long unhedged	Long hedged	Short hedged	Unhedged	Hedged		
Equity instruments:							
Equity futures	$ 1,314,137		$ (301,633)	$ 25,788	$ (96)	$ 5,760	$ 52,305
Equity options	20,244	$ 7,587	(191,730)	3,861	13,256	29,462	2,859
Equity exchange agreements	4,133,959	164	(110,003)	61,896	(2,397)	23,391	7,616
Total equity instruments	5,468,340	7,751	(603,366)	91,545	10,763	58,613	62,780
Fixed-income instruments:							
Fixed-income futures		1,854,864	(1,164,495)		970	5,578	21,233
Fixed-income options		10,222,863	(12,701,397)		1,645	(13,533)	44,628
Interest rate exchange agreements	537,119	1,939,938	(1,441,566)	(2,881)	11,194	(7,671)	618
Interest rate caps and floors		9,883,207	(12,929,576)		55,024	20,228	16,605
Total fixed-income instruments	537,119	23,900,872	(28,237,034)	(2,881)	68,833	4,602	83,084
Commodity instruments:							
Commodity futures							3,968
Commodity options			(10,280)		(10,280)	(3,042)	
Commodity exchange agreements	3,293,716						32,492
Total commodity instruments	3,293,716	0	(10,280)	0	(10,280)	(3,042)	36,460
Currency forwards	1,305,209	12,195,924	(13,537,807)	2,334	(39,008)	(26,258)	22,717
Currency options		259,923	(48,594)		(19,330)	(4,180)	13,961
TOTAL	**$ 10,604,384**	**$ 36,364,470**	**$ (42,437,081)**	**$ 90,998**	**$ 10,978**	**$ 29,735**	**$ 219,002**

* *Credit exposure represents cash or securities advanced by the University to meet legal margin requirements in connection with future, forward and option contracts, as well as exposure to counterparties where gains on financial instruments with off-balance sheet risk exceeds collateral held by the University.*

The following table summarizes the market exposure (expressed in delta-weighted notional amounts), net ending fair value, net average fair value (an average of the five quarters ending June 30, 2006) and credit exposure relative to the financial instruments with off-balance sheet risk as of June 30, 2006 (in thousands of dollars):

	Market exposure			Net ending fair value of off-balance sheet positions		Net average fair value	Credit exposure*
	Long unhedged	Long hedged	Short hedged	Unhedged	Hedged		
Equity instruments:							
Equity futures	$ 469,645		$ (677,883)		$ 1,611	$ 1,098	$ 49,118
Equity options	1,861	$ 11,031	(233,370)	$ 1,861	31,763	44,627	18,657
Equity exchange agreements	607,916	18,702	(438,633)	(10,591)	28,737	6,326	2,814
Total equity instruments	1,079,422	29,733	(1,349,886)	(8,730)	62,111	52,051	70,589
Fixed-income instruments:							
Fixed-income futures	1,091,435	176,929	(26,829)	70		78	9,029
Fixed-income options	14,070	140,557	(157,873)	(483)	(7,298)	206,871	9,249
Interest rate exchange agreements	154,842	222,504	(254,960)	(1,573)	(1,977)	(252,746)	
Interest rate caps and floors		89,903	(30)		5,341	48,670	2,512
Total fixed-income instruments	1,260,347	629,893	(439,692)	(1,986)	(3,934)	2,873	20,790
Commodity instruments:							
Commodity futures			(46,378)				2,115
Commodity options		10	(10)			24	
Commodity exchange agreements	1,549,575					205,518	
Total commodity instruments	1,549,575	10	(46,388)	0	0	205,542	2,115
Currency forwards	907,316	778,730	(1,682,154)	5,949	(2,058)	(11,049)	2,569
Currency options		77,218	(37,623)		13,805	147,390	416
TOTAL	**$ 4,796,660**	**$ 1,515,584**	**$ (3,555,743)**	**$ (4,767)**	**$ 69,924**	**$ 396,807**	**$ 96,479**

* *Credit exposure represents cash or securities advanced by the University to meet legal margin requirements in connection with future, forward and option contracts, as well as exposure to counterparties where gains on financial instruments with off-balance sheet risk exceeds collateral held by the University.*

Financial instruments with off-balance sheet risk are recorded in the table on page 24 at fair value. Fair value is a function of the characteristics of the individual financial instruments and their relationship to current market conditions, as well as the length of time each instrument has been held. For example, domestic futures contracts, which expire periodically, are subject to daily cash settlements and, as such, the end-of-day fair value of these contracts is zero. In contrast, interest rate exchange agreements may be held for the life of a strategy and may reflect significant unrealized gains and losses depending on the change in value since the inception of the contract. The market exposure represents the notional value of the off-balance sheet instrument adjusted for its correlation to its underlying index or asset. Market exposure for the "hedged" positions is most meaningful when related to the corresponding positions recorded in the *Balance Sheets*. Fair value and market exposure do not accurately measure risk.

A more appropriate indicator of market risk is the net exposure of all positions (on- and off-balance sheet) expressed in market-risk equivalents, or value at risk.

Financial instruments with off-balance sheet risk involve counterparty credit exposure. The policy of the University is to require collateral to the maximum extent possible under normal trading practices. Collateral is moved on a daily basis as required by fluctuations in the market. The collateral is generally in the form of debt obligations issued by the U.S. Treasury. In the event of counterparty default, the University has the right to use the collateral to offset the loss associated with the replacements of the agreements. The University enters into arrangements only with counterparties believed to be creditworthy. Specific credit limits are established for counterparties based on their individual credit ratings. Credit limits are monitored daily and are adjusted according to policy.

The asset allocation of the University's portfolio involves exposure to a diverse set of markets. The investments within these markets involve various risks such as interest rate, market, sovereign and credit risks. The University anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

The University has also entered into agreements with private equity and real estate partnerships and external investment managers, which require periodic cash contributions totaling approximately $8,170.6 million through fiscal 2017.

4. RECEIVABLES

The major components of receivables, net of reserves for doubtful accounts of $3.7 million and $4.1 million as of June 30, 2007 and 2006, respectively, were as follows (in thousands of dollars):

	2007	2006
Investment income	$ **37,724**	$ 64,195
U.S. Government, principally related to research	**41,072**	36,799
Non-federal sponsored research	**5,677**	6,019
Tuition and fees	**10,246**	11,282
Publications	**23,086**	23,162
Rent	**9,844**	17,397
Gift receipts	**15,246**	8,834
Executive education	**21,615**	6,396
Other	**43,489**	48,709
TOTAL RECEIVABLES, NET	**$ 207,999**	**$ 222,793**

5. NOTES RECEIVABLE

Notes receivable, net of reserves for doubtful accounts of $7.5 million and $7.0 million as of June 30, 2007 and 2006, respectively, were as follows (in thousands of dollars):

	2007	2006
Student:		
Government revolving loans	$ **63,391**	$ 60,115
Institutional loans	**67,557**	61,829
Federally guaranteed loans	**3,085**	4,564
Total student	**134,033**	126,508
Faculty and staff	**145,129**	130,997
Other	**28,481**	28,792
TOTAL NOTES RECEIVABLE, NET	**$ 307,643**	**$ 286,297**

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan Program and certain other programs. These advances totaled $57.1 million and $57.0 million as of June 30, 2007 and 2006, respectively, and are classified as liabilities in the *Balance Sheets*. Interest earned on the revolving and institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

In addition to administering institutional loan programs, the University participates in various federal loan programs. Federally insured loans are generally repaid over a ten-year period and earn interest at an adjustable rate that approximates the 90-day U.S. Treasury Bill rate plus 3.0%. Principal and interest payments on these loans are insured by the American Student Assistance Corporation and are reinsured by the federal government.

Faculty and staff notes receivable primarily contain mortgages and educational loans. Mortgages include shared appreciation loans and loans that bear interest at the applicable federal rate. In addition, certain mortgages bear interest at the current market rate, which may be subsidized for an initial period. The educational loans are primarily zero-interest loans.

Notes receivable are presented at fair value with the exception of those under federally guaranteed student loan programs. These notes are subject to significant restrictions, and accordingly, it is not practicable to determine their fair value.

6. PLEDGES RECEIVABLE

Unconditional promises to donate to the University in the future are recorded as pledges receivable in the years promised at the present value of expected cash flows, net of an allowance for uncollectible pledges. Pledges receivable included in the financial statements as of June 30, 2007 and 2006 are expected to be realized as follows (in thousands of dollars):

	2007	2006
Within one year	$ **86,999**	$ 86,104
Between one and five years	**348,000**	344,412
More than five years	**172,337**	180,677
Less: discount and allowance for uncollectible pledges	**(82,364)**	(70,570)
TOTAL PLEDGES RECEIVABLE, NET	**$ 524,972**	**$540,623**

Discounts of $48.1 million and $42.4 million for the years ended June 30, 2007 and 2006, respectively, were calculated using discount factors based on the appropriate U.S. Treasury Note rates.

Pledges receivable as of June 30, 2007 and 2006 have been designated for the following purposes (in thousands of dollars):

	2007	2006
General Operating Account balances:		
Gifts for current use	$ **119,965**	$ 123,074
Non-federal sponsored gifts	**112,533**	102,532
Loan funds and facilities	**15,312**	11,293
Total General Operating Account balances	**247,810**	236,899
Endowment	**277,162**	303,724
TOTAL PLEDGES RECEIVABLE, NET	**$ 524,972**	**$ 540,623**

Because of uncertainties with regard to realizability and valuation, bequest intentions and other conditional promises are not estimated by management and are only recognized as assets if and when the specified conditions are met.

7. FIXED ASSETS

Fixed assets are reported at cost or at fair value as of the date of the gift, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The major categories of fixed assets as of June 30, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2007	2006	Estimated useful life (in years)
Research facilities	**$ 1,480,450**	$ 1,323,422	*
Classrooms and offices	**1,065,829**	1,025,588	35
Housing facilities	**933,052**	844,643	35
Libraries	**374,231**	367,700	35
Museums and assembly facilities	**254,977**	223,637	35
Athletic facilities	**129,157**	127,840	35
Service facilities	**304,753**	294,550	35
Other facilities	**360,989**	374,627	35
Land	**591,932**	558,555	N/A
Construction in progress	**585,250**	361,056	N/A
Equipment	**544,314**	471,911	**
Total fixed assets, at cost	**6,624,934**	5,973,529	
Less: accumulated depreciation	**(2,100,772)**	(1,894,993)	
TOTAL FIXED ASSETS, NET	**$ 4,524,162**	**$ 4,078,536**	

* *Estimated useful lives of components range from 10 to 45 years.*

** *Estimated useful lives of equipment range from 3 to 8 years.*

The costs of each research facility are separated into the shell, roof, finishes, fixed equipment and services. These components are depreciated separately.

Equipment fixed assets include general and scientific equipment, computers, software, furniture and vehicles.

Certain University facilities are subject to restrictions related to use, structural modifications and ownership transfer.

Upon adoption of FIN 47 on June 30, 2006, the University recognized a conditional asset retirement obligation of $33.3 million that is reported as a "Cumulative effect of accounting changes" in the fiscal 2006 *Statement of Changes in Net Assets with General Operating Account Detail*, and as a liability included in "Deposits and other liabilities" in the *Balance Sheets*. The liability is associated with buildings that are fully depreciated, therefore no adjustment was made to the cost of the assets. During fiscal 2007, this obligation was reevaluated, resulting in a $5.2 million increase in the liability.

8. ENDOWMENT FUNDS

The University's endowment consists of approximately 11,100 separate funds established over many years for a wide variety of purposes. Endowment fund balances, including funds functioning as endowment, are classified and reported as unrestricted, temporarily restricted or permanently restricted net assets in accordance with donor specifications. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the market value equals or exceeds book value. Although funds functioning as endowment are not subject to permanent donor restrictions, decisions to spend their principal require the approval of the Corporation. All but a small fraction of the endowment is invested in the GIA (*Note 3*).

The University is also the beneficiary of certain irrevocable trusts held and administered by others. The estimated fair values of trust assets, which approximate the present values of expected future cash flows from the trusts, are recognized as assets and increases in net assets when the required trust documentation is provided to the University.

Endowment funds as of June 30, 2007 and 2006 are summarized below (in thousands of dollars):

	2007				2006
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Endowment funds		$ 21,663,975	$ 3,815,240	$ **25,479,215**	$ 21,369,630
Funds functioning as endowment	$ 5,796,425	3,031,002		**8,827,427**	7,246,260
Pledge balances		57,199	219,963	**277,162**	303,724
Interests in trusts held by others		27,125	301,139	**328,264**	299,816
TOTAL ENDOWMENT FUNDS	$ **5,796,425**	$ **24,779,301**	$ **4,336,342**	$ **34,912,068**	$ **29,219,430**

The University's endowment distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Each fall, the Corporation approves the endowment distribution rate (the "endowment distribution"), stated in dollars per unit, for the following fiscal year. The endowment distribution is not based on a specific formula, nor is it directly tied to current investment returns. Rather, it reflects expectations about long-term returns, inflation rates and the University's ongoing spending needs. For fiscal 2007, the per unit endowment distribution approved by the Corporation (prior to decapitalizations described below) was equal to 4.3% of market value as of the beginning of the fiscal year.

In addition to the endowment distribution, the Corporation approves certain decapitalizations from the endowment to support strategic, mission-critical activities or objectives that are typically one-time or time-limited. During fiscal 2007, these additional decapitalizations, in combination with the endowment distribution, resulted in an aggregate spending rate of 4.6%. The following table displays for each of the past five years the total return on endowment, the endowment distribution rate per unit and as a percentage of market value as of the beginning of each fiscal year, and the aggregate spending rate (inclusive of decapitalizations).

Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of endowment distributions funded by dividend and interest income or by capital gains may vary significantly from year to year. Amounts withdrawn from endowment capital gains to fund the fiscal 2007 and 2006 distributions totaled $709.7 million and $685.0 million, respectively.

Endowment income capitalized to endowment principal is available to meet future spending needs, subject to the approval of the Corporation.

		Distribution rate[2]		Aggregate spending rate[3]
Fiscal year	Endowment total return %[1]	Per unit	As a % of market value	As a % of market value
2007	23.0%	$ 69.73	4.3%	4.6%
2006	16.7	60.99	4.3	4.2
2005	19.2	54.17	4.5	4.5
2004	21.1	49.70	4.9	4.9
2003	12.5	47.11	5.1	5.2

1 *The endowment total return % is calculated in relation to pooled general investments, is net of all expenses and fees, and includes the impact of revenue-sharing agreements with certain fund managers.*
2 *This data is based upon the per unit distribution rate established by the Corporation for each fiscal year.*
3 *Aggregate spending rate percentages are based upon actual endowment distributions in combination with approved decapitalizations of endowment principal made during the fiscal year.*

9. SPLIT INTEREST AGREEMENTS

Under split interest agreements, donors enter into trust arrangements with the University in which the University receives benefits that are shared with other beneficiaries and institutions. Split interest agreement investment assets are recorded at fair value, and liabilities are recorded at the present value of estimated future payments due to beneficiaries and other institutions.

The changes in split interest agreement net assets for fiscal 2007 and 2006 were as follows (in thousands of dollars):

	2007			2006
	Temporarily restricted	Permanently restricted	Total	Total
Gifts for capital (*Note 15*)*	$ 9,190	$ 25,984	**$ 35,174**	$ 23,562
Investment return:				
Investment income	9,713	20,791	**30,504**	28,496
Increase in realized and unrealized appreciation	78,269	167,535	**245,804**	119,698
Total investment return	87,982	188,326	**276,308**	148,194
Payments to annuitants	(24,988)	(53,487)	**(78,475)**	(56,760)
Transfers to endowment	(3,265)	(15,348)	**(18,613)**	(6,897)
Transfers to the General Operating Account	(6,970)	(506)	**(7,476)**	(4,917)
Increase in liabilities and other adjustments	(53,566)	(114,640)	**(168,206)**	(7,964)**
NET INCREASE DURING THE YEAR	**8,383**	**30,329**	**38,712**	**95,218**
Total split interest agreement net assets, beginning of year	187,638	415,359	**602,997**	507,779
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, end of year	**$ 196,021**	**$ 445,688**	**$ 641,709**	**$ 602,997**

* *Shown at net present value. The undiscounted value of these gifts was $89,928 and $61,854 for the years ended June 30, 2007 and 2006, respectively.*
** *Includes the effect of recording charitable lead trusts previously included in pledges.*

Split interest agreement net assets as of June 30, 2007 and 2006 consisted of the following (in thousands of dollars):

	2007	2006
Split interest agreement investments (*Note 3*):		
Charitable remainder trusts	**$ 926,741**	$ 792,381
Charitable lead trusts	**118,949**	84,082
Charitable gift annuities	**385,885**	313,302
Pooled income funds	**116,715**	106,615
Total split interest agreement investments	**1,548,290**	1,296,380
Liabilities due under split interest agreements:		
Amounts due to beneficiaries	**(785,032)**	(581,804)
Amounts due to other institutions	**(121,549)**	(111,579)
Total liabilities due under split interest agreements	**(906,581)**	(693,383)
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS	**$ 641,709**	**$ 602,997**

10. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2007 and 2006 were as follows (in thousands of dollars):

	Fiscal year of issue	Remaining years to maturity	One-year effective interest rate	Outstanding principal 2007	Outstanding principal 2006
Tax-exempt bonds and notes payable:					
Variable-rate bonds and notes payable:					
Series L - weekly	1990	17	4.8%	$ **71,140**	$ 71,140
Series R - daily	2000–2006	42	3.5	**131,200**	131,200
Series Y - weekly	2000	28	5.1	**117,905**	117,905
Series BB - weekly	2001	27	3.6	**196,700**	196,700
Series HH - weekly	2004	26	4.8	**92,235**	92,235
Series GG1 - weekly	2005	22	4.4	**205,935**	205,935
Series 2006B1 - daily	2007	29	3.3	**112,900**	
Series 2006B2 - weekly	2007	29	3.4	**112,900**	
Commercial paper	Various	Various**	3.6	**546,895**	189,162
Total variable-rate bonds and notes payable			3.9	**1,587,810**	1,004,277
Fixed-rate bonds:					
Series N	1992	13	6.3	**79,002***	78,925
Series P	1995	N/A	5.0		1,335
Series Z	2001	9	5.1	**85,413***	93,838
Series AA	2001	2	5.5	**10,213***	15,171
Series DD	2002	28	5.0	**134,949***	134,917
Series FF	2003	30	5.1	**275,984***	275,979
Series 2005A	2005	29	5.0	**93,877***	94,041
Series 2005B	2006	25	5.0	**105,234***	105,422
Series 2005C	2006	28	5.0	**130,155***	130,312
Total fixed-rate bonds			5.2	**914,827**	929,940
Total tax-exempt bonds and notes payable			**4.4**	**2,502,637**	1,934,217
Taxable bonds and notes payable:					
Commercial paper	Various	Various**	5.7	**807,079**	329,224
Fixed-rate bonds	1992	N/A	8.1		115,000
Series GG2	2005	6	4.5	**45,745**	52,250
Series 2006A	2006	30	6.3	**401,350***	401,329
Total taxable bonds and notes payable			**6.0**	**1,254,174**	897,803
Other notes payable	Various	3-15	Various	**90,167**	90,227
TOTAL BONDS AND NOTES PAYABLE			**4.9%**	**$ 3,846,978**	**$ 2,922,247**

* *Series N, DD, FF and 2006A principal are net of $1.0 million, $0.9 million, $0.2 million and $0.7 million of discounts, respectively. Series Z, AA, 2005A, 2005B and 2005C principal include premiums of $1.4 million, $0.4 million, $4.8 million, $4.7 million and $4.2 million, respectively.*

** *All commercial paper will mature in fiscal 2008.*

Interest expense, recorded in both the "Space and occupancy" and "Other expenses" lines of the *Statements of Changes in Net Assets with General Operating Account Detail*, was $162.8 million and $124.9 million for fiscal 2007 and 2006, respectively. Excluding maturity of commercial paper and other notes payable, as well as unamortized discounts and premiums, scheduled principal payments are (in thousands of dollars):

Fiscal year	Principal payments
2008	$ 19,570
2009	20,345
2010	16,140
2011	16,900
2012	17,765
Thereafter	2,299,460
TOTAL PRINCIPAL PAYMENTS	**$ 2,390,180**

In fiscal 2007, the University reauthorized and increased the capacity of its taxable commercial paper program to $1.0 billion from $650.0 million. In July 2007, the University paid down $238.0 million of taxable commercial paper. As of July 31, 2007, the balance outstanding was $571.3 million. Also in fiscal 2007, the University issued $225.8 million of tax-exempt daily and weekly variable-rate reset Series 2006B bonds to finance graduate housing.

In fiscal 2006, the University issued $105.6 million of Series 2005B bonds. The Series 2005B bonds refunded $102.1 million of Series P bonds and will mature in 2032. Also in fiscal 2006, the University issued $130.5 million of tax-exempt fixed-rate Series 2005C bonds and $401.3 million of taxable fixed-rate Series 2006A bonds, which were used in part to redeem the University's outstanding Series CC bonds.

An $11.3 million loss resulting from the fiscal 2006 refunding of Series P bonds and the refinancing of Series CC bonds is reflected in the "Other changes" line of the *Statements of Changes in Net Assets with General Operating Account Detail*.

In fiscal 2006, the seventh tranche of Series R current refunding bonds was issued. This tranche totaled $14.0 million and brought the total amount outstanding under this series to $131.2 million. These bonds, which are in a daily variable-rate reset mode, represent a current refunding of tax-exempt principal payments made throughout the calendar year. Also in fiscal 2006, the University reauthorized its existing tax-exempt commercial paper program. With this action, the authorized limit on the program was raised from $650.0 million to $1.0 billion.

Based on quoted market prices, the estimated fair value of the University's outstanding bonds and notes payable, including accrued interest, was $3,813.3 million and $2,887.1 million as of June 30, 2007 and 2006, respectively.

In the event that the University receives notice of any optional tender on its variable-rate bonds, or if the 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, the University will have a general obligation to purchase the bonds tendered.

Interest rate exchange agreements

The University has entered into various interest rate exchange agreements (interest rate swaps) in order to convert variable-rate borrowings to a fixed rate, thereby managing the interest cost and risk associated with its outstanding debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. Under the terms of these agreements, the University pays a fixed rate, determined at inception, and receives a variable rate on the respective notional principal amounts. Each of these exchanges is collateralized, as described in *Note 3*. The interest rates in the preceding schedule reflect any applicable exchange agreements.

The fair value of interest rate exchange agreements is the estimated amount that the University would have received or (paid), including accrued interest, to terminate the agreements on the dates of the *Balance Sheets*, taking into account the creditworthiness of the underlying counterparties. The notional amount and fair value of interest rate exchange agreements were $3,533.9 million and $(13.3) million, respectively, as of June 30, 2007 and $3,542.6 million and $(17.9) million, respectively, as of June 30, 2006.

The fair value of these agreements is included in the "Investment portfolio, at market" line in the *Balance Sheets*. The loss realized from the monthly settling of these agreements was $7.9 million and $18.5 million for fiscal 2007 and 2006, respectively. All unrealized and realized gains and losses from interest rate exchange agreements are included in the "Increase in appreciation, net of operating distribution" line in the *Statements of Changes in Net Assets with General Operating Account Detail*.

11. EMPLOYEE BENEFITS

The University offers current employees a choice of health plans, a dental plan, short-term and long-term disability plans, life insurance, tuition assistance and a variety of other benefits, such as subsidized passes for public transportation and for Harvard athletic facilities. In addition, the University has pension plans covering substantially all employees.

The University uses a measurement date of June 30 for its pension and postretirement health plans.

Pension benefits

Faculty members and certain long service administrative officers participate in defined contribution plans that are funded on a current basis. All staff and hourly employees are covered by a retirement program that includes a defined benefit component, a defined contribution component, or a combination of the two.

In accordance with ERISA requirements, the University has established a trust to hold plan assets for its defined benefit pension plans. The market values of the trust's assets were $897.0 million and $776.4 million as of June 30, 2007 and 2006, respectively. In addition, the University had internally designated and invested $36.7 million and $35.1 million as of June 30, 2007 and 2006, respectively, for its defined benefit pension plans. The University recorded expenses for its defined contribution plans of $87.4 million and $79.3 million for fiscal 2007 and 2006, respectively.

Postretirement health benefits

The University provides defined benefit postretirement health coverage and life insurance to substantially all of its employees. As of June 30, 2007, the University had internally designated and invested $206.7 million to fund the postretirement health benefit accrued liability of $545.7 million. As of June 30, 2006, the University had internally designated and invested $157.9 million to fund an accrued liability of $441.5 million.

The following table provides a reconciliation of the benefit obligation for the University for fiscal 2007 and 2006 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2007	2006	**2007**	2006
Reconciliation of benefit obligation:				
Benefit obligation, beginning of year	**$ 583,501**	$ 632,362	**$ 505,104**	$ 520,746
Service cost	**12,819**	14,580	**23,353**	27,724
Interest cost	**37,399**	33,135	**31,822**	29,039
Plan participants' contributions	**N/A**	N/A	**1,819**	1,593
Federal subsidy on benefits paid	**N/A**	N/A	**1,231**	N/A
Gross benefits paid	**(39,298)**	(38,849)	**(17,829)**	(14,332)
Actuarial (gain)/loss	**(739)**	(57,727)	**198**	(59,666)
BENEFIT OBLIGATION, end of year	**$ 593,682**	**$ 583,501**	**$ 545,698**	**$ 505,104**
Accumulated benefit obligation	**$ 511,923**	$ 507,476	**N/A**	N/A
Weighted-average assumptions used to determine benefit obligation at end of year:				
Discount rate	**6.25**%	6.25%	**6.25**%	6.25%
Rate of compensation increase	**4.00**%	4.00%	**4.00**%	4.00%
Health care cost trend rate:				
– Initial rate	**N/A**	N/A	**9.00**%	8.00%
– Ultimate rate	**N/A**	N/A	**5.00**%	5.00%
– Years to ultimate rate	**N/A**	N/A	**4**	3
Effect of one-percentage-point change in assumed health care cost trend rate on postretirement benefit obligation:				
– Increase	**N/A**	N/A	**$ 95,593**	$ 95,979
– Decrease	**N/A**	N/A	**$ (76,066)**	$ (75,385)

The following table provides a reconciliation of the fair value of plan assets for the University as of June 30, 2007 and 2006 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2007	2006	**2007**	2006
Reconciliation of fair value of plan assets:				
Fair value of plan assets, beginning of year	**$ 776,442**	$ 709,639	**$ 0**	$ 0
Actual return on plan assets	**159,820**	105,652		
Gross benefits paid	**(39,298)**	(38,849)		
FAIR VALUE OF PLAN ASSETS, end of year	**$ 896,964**	**$ 776,442**	**$ 0**	**$ 0**

The actual asset allocation of the investment portfolio for the pension plan for fiscal 2007 and 2006, along with target allocations for fiscal 2008, are as follows:

	2008 Target	2007 Actual	2006 Actual
Asset allocation by category for pension plan:			
Equity securities	44.0%	48.1%	53.3%
Debt securities	18.0	21.1	20.4
Real estate	10.0	6.9	9.6
Other	28.0	23.9	16.7
TOTAL OF ALL ASSET CATEGORIES	**100.0%**	**100.0%**	**100.0%**

The University's investment strategy for the pension portfolio is to manage the assets across a broad and diversified range of investment categories, both domestic and international. The objective is to achieve a risk-adjusted return that is in line with the long-term obligations that the University has to the pension plan beneficiaries. The investment program is also managed to comply with all ERISA regulations. The "Other" asset category consists of absolute return funds, commodities and cash.

The following tables provide the funded status at the end of the year and the related amounts recognized in the *Balance Sheets* for the University for fiscal 2007 and 2006 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2007	2006	2007	2006
Funded status and amounts recognized, end of year:				
Fair value of plan assets	**$ 896,964**	$ 776,442		
Benefit obligation	**(593,682)**	(583,501)	**$ (545,698)**	$ (505,104)
FUNDED STATUS, end of year	**303,282**	**192,941**	**(545,698)**	**(505,104)**
Unrecognized net actuarial (gain)/loss	**N/A**	(204,142)	**N/A**	12,365
Unrecognized prior service (credit)/cost	**N/A**	(23,911)	**N/A**	8,816
Unrecognized transition (asset)/obligation	**N/A**		**N/A**	42,435
AMOUNTS RECOGNIZED, end of year	**$ 303,282**	**$ (35,112)**	**$ (545,698)**	**$ (441,488)**
Amounts recognized in the *Balance Sheets* consist of:				
Net retirement assets	**$ 303,282**			
Accrued retirement obligations		$ (35,112)	**$ (545,698)**	$ (441,488)
TOTAL AMOUNTS RECOGNIZED IN THE *BALANCE SHEETS*	**$ 303,282**	**$ (35,112)**	**$ (545,698)**	**$ (441,488)**
Amounts recognized in unrestricted net assets consist of:				
Net actuarial (gain)/loss	**$ (320,749)**	N/A	**$ (14,521)**	N/A
Prior service (credit)/cost	**(19,215)**	N/A	**6,770**	N/A
Transition (asset)/obligation		N/A	**36,373**	N/A
TOTAL AMOUNTS RECOGNIZED IN UNRESTRICTED NET ASSETS	**$ (339,964)**	**N/A**	**$ 28,622**	**N/A**

There are no expected employer contributions for fiscal 2008 to funded pension or other postretirement health benefit plans. The following table summarizes expected benefit payments and subsidies for pension and other postretirement health benefits for the University (in thousands of dollars):

	Expected benefit payments		
Fiscal year	Pension	Postretirement health	Expected Medicare Part D subsidies
2008	$ 38,062	$ 22,782	$ 2,832
2009	38,780	24,796	3,089
2010	39,589	26,819	3,352
2011	40,502	28,688	3,617
2012	41,349	30,294	3,895
2013–2017	221,045	178,321	23,970

The following table summarizes the net periodic benefit (income)/cost for the University for fiscal 2007 and 2006 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2007	2006	2007	2006
Components of net periodic benefit (income)/cost:				
Service cost	**$ 12,819**	$ 14,580	**$ 23,353**	$ 27,724
Interest cost	**37,399**	33,135	**31,822**	29,039
Expected return on plan assets	**(48,512)**	(47,434)	**(10,111)**	(9,360)
Amortization of the:				
Actuarial (gain)/loss	**(2,857)**	1,254	**(77)**	4,602
Prior service (credit)/cost	**(4,696)**	(5,305)	**2,046**	2,046
Transition (asset)/obligation			**6,062**	6,062
Net periodic benefit (income)/cost	**(5,847)**	(3,770)	**53,095**	60,113
Additional designated funding	**7,417**	14,308	**22,493**	9,550
TOTAL NET PERIODIC BENEFIT (INCOME)/COST	**$ 1,570**	$ 10,538	**$ 75,588**	$ 69,663

Weighted-average assumptions used to determine net periodic benefit (income)/cost:				
Discount rate	**6.25%**	5.25%	**6.25%**	5.25%
Expected long-term rate of return on plan assets	**7.50%**	8.00%	**7.50%**	8.00%
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%
Health care cost trend rate:				
– Initial rate	**N/A**	N/A	**8.00%**	9.00%
– Ultimate rate	**N/A**	N/A	**5.00%**	5.00%
– Years to ultimate rate	**N/A**	N/A	**3**	4
Effect of one-percentage-point change in assumed health care cost trend rate on aggregate service and interest cost:				
– Increase	**N/A**	N/A	**$ 12,607**	$ 14,270
– Decrease	**N/A**	N/A	**$ (9,664)**	$ (10,758)

The expected long-term rate of return on pension plan assets is determined by utilizing HMC's capital markets model, which takes into account the expected real return, before inflation, for each of the pension portfolio's asset classes, as well as the correlation of any one asset class to every other asset class. This model calculates the real returns and correlations and derives an expected real return for the entire portfolio, given the percentage weighting allocated to each asset class. After calculating the expected real return, an assessment is made to accommodate the expected inflation rate for the forthcoming period. The final expected return on assets is the aggregate of the expected real return plus the expected inflation rate.

The estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal 2008 are as follows (in thousands of dollars):

	Pension benefits	Postretirement health benefits
Amounts amortized:		
Actuarial (gain)/loss	$ (4,456)	$ (225)
Prior service (credit)/cost	(4,375)	1,796
Transition (asset)/obligation		6,062
TOTAL AMOUNTS AMORTIZED	**$ (8,831)**	**$ 7,633**

The University's adoption of FAS 158, discussed in *Note 2*, had the following incremental effect on retirement benefit-related amounts reported in the *Balance Sheet* as of June 30, 2007 (in thousands of dollars):

	Balances before adopting FAS 158	Adjustments to adopt FAS 158	Balances after adopting FAS 158
Impact of FAS 158 implementation on the *Balance Sheet* as of June 30, 2007:			
Net retirement assets	$ 0	$ 303,282	$ 303,282
Accrued retirement obligations	553,758	(8,060)	545,698
Unrestricted net assets	10,687,034	311,342*	10,998,376

* *The $311.3 million change in unrestricted net assets is included in the "Cumulative effect of accounting changes" line in the fiscal 2007* Statement of Changes in Net Assets with General Operating Account Detail.

12. GENERAL OPERATING ACCOUNT

The General Operating Account (GOA) consists of the general or current funds of the University as well as the assets and liabilities related to student and faculty loans and facilities. The GOA accepts, manages and pays interest on deposits made by University departments, invests surplus working capital, makes loans and arranges external financing for major capital projects. It is used to manage, control and execute all University financial transactions, except for those related to investment activities conducted by HMC.

The major components of the GOA net asset balances as of June 30, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2007				2006
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Departmental balances:					
Unexpended endowment income	$ 118,379	$ 554,725		**$ 673,104**	$ 710,004
Unexpended gift balances	59,402	238,318		**297,720**	289,053
Pledge balances		223,469		**223,469**	212,706
Interests in trusts held by others		25,037		**25,037**	17,043
Loan funds	29,960		$ 86,156	**116,116**	115,963
Funds for construction		13,171		**13,171**	17,756
Funds invested in fixed assets	1,360,383			**1,360,383**	1,229,612
Other departmental purposes	666,885			**666,885**	335,522
Total departmental balances	2,235,009	1,054,720	86,156	**3,375,885**	2,927,659
University balances*	2,966,942	95,784		**3,062,726**	2,188,413
TOTAL GOA NET ASSET BALANCES	**$ 5,201,951**	**$ 1,150,504**	**$ 86,156**	**$ 6,438,611**	**$ 5,116,072**

* *Includes interests in trusts held by others of $4,993 and $4,131 for the years ended June 30, 2007 and 2006, respectively.*

13. STUDENT FINANCIAL AID

Financial aid granted to students in fiscal 2007 and 2006 is summarized as follows (in thousands of dollars):

	2007	2006
Scholarships and other student awards:		
Scholarships applied to student income	$ **230,562**	$ 205,957
Scholarships and other student awards paid directly to students	**108,588**	99,574
Total scholarships and other student awards	**339,150**	305,531
Student employment	**61,233**	59,260
Student loans	**30,553**	30,315
Agency financial aid*	**12,887**	13,948
TOTAL STUDENT FINANCIAL AID	$ **443,823**	$ **409,054**

* *Represents aid from sponsors for which the University acts as an agent for the recipient.*

Approximately 65% of total scholarships and other student awards was funded by gifts, endowment income and sponsored support in both fiscal 2007 and 2006.

14. SPONSORED RESEARCH

Total expenditures funded by U.S. government sponsors or by institutions that subcontract federally sponsored research to the University were $514.8 million and $518.0 million in fiscal 2007 and 2006, respectively. The University's principal source of federal research funds is the Department of Health and Human Services. The University also has many non-federal sources of sponsored awards and grants, including corporations, foundations, state and local governments, foreign governments and research institutes.

Research grants and contracts normally provide for the recovery of direct and indirect costs. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed or predetermined rates negotiated with the federal government and other sponsors. Predetermined federal indirect cost rates have been established for the University Area, the Medical School (including the School of Dental Medicine) and the School of Public Health through fiscal 2010. Funds received for federally sponsored research activity are subject to audit.

15. GIFTS

Gifts that are available for current purposes are classified as either "Gifts for current use" or "Non-federal sponsored research grants," as appropriate. Gifts that have been restricted by the donor or designated by the Corporation for facilities, loan funds, endowment or similar purposes are classified as "Gifts for capital." Gifts for current use, non-federal sponsored research grants and gifts for capital are classified as unrestricted, temporarily restricted or permanently restricted net assets in accordance with donor specifications.

Gifts received for the years ended June 30, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2007	2006
Gifts for current use	$ **213,994**	$ 201,946
Non-federal sponsored research grants	**82,656**	80,792
Gifts for capital:		
Endowment funds	**277,626**	273,381
Split interest agreements*	**35,174**	23,562
Loan funds and facilities	**5,596**	16,150
Total gifts for capital	**318,396**	313,093
TOTAL GIFTS	$ **615,046**	$ **595,831**

* *Shown at net present value. The undiscounted value of these gifts was $89,928 and $61,854 for the years ended June 30, 2007 and 2006, respectively.*

16. OTHER OPERATING INCOME

The major components of other operating income for the years ended June 30, 2007 and 2006 were as follows (in thousands of dollars):

	2007	2006
Rental and parking	$ **133,977**	$ 112,629
Publications	**86,909**	80,819
Royalties from patents, copyrights and trademarks	**64,490**	64,398
Services income	**48,188**	50,116
Sales income	**42,148**	46,147
Non-student health and clinic fees	**24,340**	23,981
Other student income	**22,170**	21,181
Other	**66,351**	54,594
TOTAL OTHER OPERATING INCOME	**$ 488,573**	**$ 453,865**

17. OTHER EXPENSES

The major components of other expenses for the years ended June 30, 2007 and 2006 were as follows (in thousands of dollars):

	2007	2006
Services purchased	$ **343,160**	$ 345,780
Subcontract expenses under sponsored projects	**90,304**	87,390
Travel	**66,640**	60,315
Publishing	**51,740**	51,583
Advertising	**28,035**	26,045
Taxes and fees	**21,586**	21,128
Interest	**21,390**	10,550
Postage	**14,948**	13,921
Insurance	**13,554**	9,596
Telephone	**11,408**	11,032
Other	**18,103**	14,895
TOTAL OTHER EXPENSES	**$ 680,868**	**$ 652,235**

18. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses are allocated functionally on a direct basis. Interest, depreciation, and operations and maintenance expenses are allocated based on square footage.

Expenses by functional classification for the years ended June 30, 2007 and 2006 were as follows (in thousands of dollars):

	2007	2006
Instruction	$ **883,010**	$ 788,715
Research	**559,314**	562,827
Libraries	**197,939**	183,611
Academic support	**349,504**	349,071
Scholarships and other student awards	**108,588**	99,574
Student services	**111,976**	104,857
Institutional support	**562,255**	552,376
Auxiliary services	**398,064**	358,472
TOTAL EXPENSES	**$ 3,170,650**	**$ 2,999,503**

19. COMMITMENTS AND CONTINGENCIES

Sponsored support

The University receives funding from government agencies and private entities for research and other sponsored activities conducted under grants and contracts. These grants and contracts provide for reimbursement of direct and indirect costs. The costs recovered by the University in support of sponsored research are subject to audit and adjustment.

Lease commitments

The University is the lessee of equipment and land under operating (rental) and capital leases. Rent expense related to these leases was $4.5 million and $4.1 million in fiscal 2007 and 2006, respectively. Future minimum payments under these operating and capital leases are as follows (in thousands of dollars):

	Operating	Capital
2008	$ 4,603	$ 582
2009	3,344	582
2010	1,955	2,194
2011	1,320	461
2012	973	499
Thereafter		17,862
TOTAL FUTURE MINIMUM PAYMENTS	**$ 12,195**	**$ 22,180**

Joint venture

In the spring of 2004, the University together with the Harvard-affiliated teaching hospitals, the Massachusetts Institute of Technology (MIT) and the Whitehead Institute for Biomedical Research established the Eli and Edythe L. Broad Institute (the "Broad Institute"). The Broad Institute is a collaborative biomedical research institute that is jointly governed by the University, MIT and the Broad Foundation. The Broad Institute is focused on applying knowledge of the human genome to clinical medicine and making such knowledge widely available to the scientific community.

In connection with the founding of the Broad Institute, the University and MIT agreed to strive to jointly raise $20.0 million per year in gifts and non-federal grants and awards to support the Broad Institute's endeavors. In the event this fundraising goal is not reached, the University has agreed to provide MIT with a portion of the shortfall, subject to certain conditions. The University will make payments and record the corresponding expenses as these conditions are met. The University's obligation for such payments will not exceed $32.5 million over the initial five-year term, or $60.0 million in total if the term is extended for a second five years. The University had a commitment of $6.5 million and $9.0 million as of June 30, 2007 and 2006, respectively, which was recorded in "Accounts payable" in the *Balance Sheets*.

The University and MIT will equally share certain laboratory construction fit-out costs for the Broad Institute's building. The University's portion of these costs is limited to $13.0 million. Payments to MIT under this commitment totaled $1.2 million and $6.8 million in fiscal 2007 and 2006, respectively. If the University's participation in the collaboration terminates under certain circumstances, the University may also be obligated to pay MIT up to $5.0 million to compensate MIT for expenses incurred in connection with the lease for the new building. In addition, the University expects to share with MIT in ongoing facilities improvement costs of approximately $4.0 million per year for up to ten years. Payments to MIT under this commitment totaled $1.1 million and $2.8 million in fiscal 2007 and 2006, respectively. Some of the University's contributions to the fit-out and ongoing capital costs have been and will continue to be reimbursed in the future through indirect cost recoveries associated with the Broad Institute's grant funding.

Future construction

The University has various commitments for capital projects related to its ongoing campus planning, academic and other initiatives.

Environmental remediation

The University is subject to laws and regulations concerning environmental remediation and has established reserves for potential obligations that management considers to be probable and for which reasonable estimates can be made. These estimates may change substantially depending on new information regarding the nature and extent of contamination, appropriate remediation technologies and regulatory approvals. Costs of future expenditures for environmental remediation have not been discounted to their net present value. Management is not aware of any existing conditions that it currently believes are likely to have a material adverse effect on the University's financial position, changes in net assets or cash flows.

General

The University is a defendant in various legal actions arising out of the normal course of its operations. While it is not possible to predict accurately or determine the eventual outcome of such actions, management believes that the outcome of these proceedings will not have a material adverse effect on the University's financial position, changes in net assets or cash flows.

PHOTOGRAPHY:

front cover: Archway at Annenberg Hall, model from the Allston room: Kris Snibbe, Harvard University News Office; Professor Doug Melton's laboratory: Gus Freedman; Wind turbine at Hull, MA: Rose Lincoln, Harvard University News Office

inside front cover: Jon Chase, Harvard University News Office

CONCEPT AND DESIGN:

Sametz Blackstone Associates, Boston

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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 Vice President for Finance, Assistant Treasurer, or any other person designated an Authorized Representative of the Institution by a Certificate of the Institution signed by the Institution's Vice President for Finance or Assistant Treasurer 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 President and Fellows of Harvard College, Taxable Bonds, Series 2008A authorized by, and at any time Outstanding pursuant to, the Indenture.

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

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

"'*Certificate'*, '*Statement'*, '*Request'* or '*Requisition' of the Institution*" mean, respectively, a written certificate, statement, request or requisition signed in the name of the Institution by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

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

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

"*Designated Office*" means the Designated Office of the Trustee, which as of the date of the Indenture is located at One Federal Street, Boston, Massachusetts, 02110, 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.

"*Event of Default*" means any of the events specified as such 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.

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

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

"*Institution*" means President and Fellows of Harvard College, an educational corporation existing under the laws of The Commonwealth of Massachusetts, or said 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 April 1 and October 1 of each year, commencing April 1, 2008.

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

"*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 January 24, 2008, relating to the Bonds.

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

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

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

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

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

"*Principal Payment Date*" means April 1, 2013 and October 1, 2038, the dates of final maturity of the Bonds.

"*Project*" means (1) the refinancing of a portion of the Institution's commercial paper programs, (2) costs of issuance, and (3) other eligible corporate activities.

"*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 (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

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

"*Redemption Price*" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"*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 The Depository Trust Company 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.

"*Trustee*" means U.S. Bank National Association, 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 Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., and Loop Capital Markets, LLC.

"*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 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 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 the refinancing of a portion of the Institution's commercial paper programs, to pay costs of issuance, and to fund other eligible corporate activities.

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

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

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

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

Interest Account. All amounts in the Interest Account 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 shall be used and withdrawn by the Trustee solely to pay at maturity the Bonds.

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

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

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

The obligations of the Institution to make the payments required by the immediately preceding paragraph and to perform and observe the other agreements on its part contained in the Indenture shall be a general obligation of the Institution, absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Trustee, and during the term of the Indenture, the Institution shall pay all payments required to be made by the immediately preceding paragraph (which payments shall be net of any other obligations of the Institution) as prescribed therein and all other payments required under the Indenture, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Institution (i) will not suspend or discontinue any payments provided for in the immediately preceding paragraph; (ii) will perform and observe all of its other covenants contained in the Indenture; and (iii) except as otherwise provided in the Indenture, will not terminate the Indenture for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of the projects refinanced 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.

Use of Securities Depository

Notwithstanding any provision of the Indenture to the contrary:

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

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

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

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

Particular Covenants

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

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

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

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

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

The Trustee shall file and furnish to each Bondholder who shall have filed his or her name and address with the Trustee for such purpose, within 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. The Institution and the Trustee covenant and agree that each will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it and the Indenture. The Institution shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Institution or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any owner (including a Beneficial Owner) of Bonds may seek specific performance of the Institution's or the Trustee's obligations to comply with the Continuing Disclosure Agreement or the Indenture and not for money damages in any amount.

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; or (c) default by the Institution in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" under the Indenture, shall have been given to the Institution by the Trustee, or to the Institution and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; 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 benefits 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; 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; 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 Bond Fund and the Redemption Fund, including the right to sell or redeem such securities and the right to retain the securities in satisfaction of the obligation of the Institution hereunder. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least seven (7) days before an event under Uniform Commercial Code Sections 9-610 and 9-611, or any successor provision of law shall constitute reasonable notification of such event.

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

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

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

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

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

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

Absolute Obligation of Institution. Notwithstanding any other provision of the Indenture, or in the Bonds, nothing shall affect or impair the obligation of the Institution, which is absolute and unconditional, to pay the principal or 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 in 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 regarding the Trustee's rights to compensation and indemnification, the parties to the Indenture agree, and each Holder of any Bond by such Person's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee or to any suit instituted by any Bondholder or group of Bondholders holding in the aggregate more than a majority in aggregate principal amount of the Outstanding Bonds.

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

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

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

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

The Trustee

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

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

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

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

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

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

Modification or Amendment of the Indenture

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

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

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

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

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

Defeasance

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

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

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Institution in respect of such Bond shall cease, terminate and be completely discharged, and the Bonds 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 Institution and the Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Trustee and the Institution with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Institution as aforesaid, the Trustee may (at the cost of the Institution) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Institution of the moneys held for the payment thereof.

Limitation of Rights to Parties and Bondholders

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

Evidence of Rights of Bondholders

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

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

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

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

Waiver of Personal Liability

No member, officer, agent or employee of the Institution shall be individually or personally liable for the payment of the principal or 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.

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ROPES & GRAY

ROPES & GRAY LLP
ONE INTERNATIONAL PLACE BOSTON, MA 02110-2624 617-951-7000 F 617-951-7050
BOSTON NEW YORK PALO ALTO SAN FRANCISCO TOKYO WASHINGTON, DC www.ropesgray.com

January 30, 2008

President and Fellows of Harvard College
440 Holyoke Center
1350 Massachusetts Avenue
Cambridge, Massachusetts 02138

Ladies and Gentlemen:

As counsel for President and Fellows of Harvard College (the "College"), we have been requested to furnish you with an opinion in connection with the proposed issue by the College of $388,000,000 principal amount of Taxable Bonds, Series 2008A (the "Bonds").

The College is an educational corporation incorporated on May 31, 1650 by Act of the General Court of the Colony of Massachusetts Bay, confirmed, as amended, in the Constitution of 1780 of The Commonwealth of Massachusetts, constituting, together with certain acts of the General Court of The Commonwealth of Massachusetts and its predecessors, the College's Charter.

We have examined executed copies of the Indenture of Trust dated as of January 1, 2008 (the "Indenture of Trust") between the College and U.S. Bank National Association (the "Trustee"), the Continuing Disclosure Agreement dated January 30, 2008 between the College and the Trustee (the "Continuing Disclosure Agreement") and a certified copy of proceedings of the College 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 the Continuing Disclosure Agreement and to effect the transactions contemplated thereby.

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

1. The Indenture of Trust and the Continuing Disclosure Agreement have been duly authorized, executed and delivered and constitute valid and legally binding

obligations of the College and, subject to the qualifications stated in the unnumbered paragraphs at the end of this opinion, are enforceable against the College in accordance with their terms.

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

Our opinion that the Indenture of Trust and the Continuing Disclosure Agreement are enforceable, each in accordance with its terms, is qualified to the extent that enforcement of the rights and remedies created thereby is subject to (i) general principles of equity, regardless of whether applied in proceedings in equity or at law and (ii) applicable bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights in general.

The opinions expressed herein are subject to the qualification that the enforceability of provisions in the Indenture of Trust and the Continuing Disclosure Agreement 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 or the Continuing Disclosure Agreement 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.

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

Very truly yours,

Ropes & Gray LLP

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by President and Fellows of Harvard College (the "Institution") and U.S. Bank National Association, as Trustee (the "Trustee") in connection with the issuance of $388,000,000 Taxable Bonds, Harvard University Issue, Series 2008A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of January 1, 2008 (the "Indenture") between the Trustee and the Institution, and the proceeds of the Bonds are being issued by the Institution pursuant to the Indenture. The Institution and the Trustee covenant and agree as follows:

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

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

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

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

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

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

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

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

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

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

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agent is listed on Exhibit B attached hereto.

"Underwriter" shall mean the original underwriter of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) Not later than March 1 of each year, commencing March 1, 2009 (the "Filing Deadline") the Dissemination Agent shall provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited financial statements of the Institution at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Institution shall submit the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to each Repository as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Trustee.

(b) The Dissemination Agent shall:

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

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

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

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

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

(a) Quantitative information for the preceding fiscal year of the type presented under the heading captioned "Student Applications and Enrollment" in Appendix A to the Institution's Offering Memorandum dated January 24, 2008.

(b) Quantitative information for the preceding fiscal year of the type presented in the tables captioned "Summary of Financial Results," and general information with respect to endowment assets, and income and expenses as found in Appendix B to the Institution's Offering Memorandum dated January 24, 2008.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

Items 3, 4, 5 and 10 are inapplicable to the Bonds.

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

SECTION 6. Alternative Methods for Reporting. The Institution may satisfy its obligation to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

SECTION 7. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Indenture are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

SECTION 8. Dissemination Agent. The Institution may, from time to time with notice to the Trustee appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon 30 days' written notice to the Institution and the Trustee.

SECTION 9. Amendment, Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Trustee may amend this Disclosure Agreement (and, subject to the last sentence of this paragraph, the Trustee shall agree to any amendment so requested by the Institution) if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (c) the amendment is consented to by the Bondowners as though it were an amendment to the Indenture pursuant to Section 9.01 of the Indenture. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. As to the Trustee, Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, director, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

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

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Trustee, the Dissemination Agent, the Underwriter and the Bondowners, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Date: January 30, 2008

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

By______________________________
Title:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By______________________________
Title:

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Harvard University
Name of Bond Issue:	Taxable Bonds, Series 2008A
Name of Obligated Person:	President and Fellows of Harvard College
Date of Issuance:	January 30, 2008

NOTICE IS HEREBY GIVEN that President and Fellows of Harvard College (the "Institution") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated January 30, 2008 between the Institution and U.S. Bank National Association, as Trustee.

Dated: __________

U.S. BANK NATIONAL ASSOCIATION, on behalf of PRESIDENT AND FELLOWS OF HARVARD COLLEGE

cc: President and Fellows of Harvard College

EXHIBIT B

NATIONAL REPOSITORIES AND TRANSMISSION AGENT

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

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

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

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

TRANSMISSION AGENT

www. DisclosureUSA.org

Disclosure USA
P.O. Box 684667
Austin, Texas 78768-4667

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