NEW ISSUE – BOOK-ENTRY ONLY

RATINGS
Moody's: Aaa
S&P: AAA

$402,000,000
PRESIDENT AND FELLOWS OF HARVARD COLLEGE
Taxable Bonds, Series 2013A

$50,000,000 2.300% Bonds due October 1, 2023—Issue price: 100% CUSIP: 740816 AJ2*
$100,000,000 3.529% Bonds due October 1, 2031—Issue price: 100% CUSIP: 740816 AK9*
$252,000,000 3.619% Bonds due October 1, 2037—Issue price: 100% CUSIP: 740816 AL7*

Interest payable: April 1 and October 1 **Dated: Date of Delivery**

The President and Fellows of Harvard College Taxable Bonds, Series 2013A (the "Bonds") will be issued pursuant to the terms of an Indenture of Trust, dated as of May 1, 2013 (the "Indenture"), by and between President and Fellows of Harvard College (the "Institution") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used by the Institution to refund all of the Institution's Taxable Bonds, Series 2006A.

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 October 1, 2013. So long as the Bonds are held by DTC, the principal or Make-Whole 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 Make-Whole 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.

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012" attached hereto. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See "SECURITY FOR THE BONDS" herein.

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

The Bonds are offered by the Underwriters, when, as and if issued by the Institution and accepted by the Underwriters, subject to the approval of legality by 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, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about May 6, 2013.

J.P. Morgan **Goldman, Sachs & Co.**

Morgan Stanley

BofA Merrill Lynch **Barclays** **Citigroup**
CIBC **HSBC** **Wells Fargo Securities**

April 29, 2013

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GENERAL INFORMATION

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

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

The distribution of this Offering Memorandum and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Neither the Institution nor the Underwriters represent that this Offering Memorandum may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Institution or the Underwriters which would permit a public offering of any of the Bonds or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Action may be required to secure exemptions from the blue sky registration requirements either for the primary distribution 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 2012." A number of important factors, including factors affecting the Institution's financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE INSTITUTION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE THAT 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	\$50,000,000 2.300% Taxable Bonds, Series 2013A Bonds due October 1, 2023 \$100,000,000 3.529% Taxable Bonds, Series 2013A Bonds due October 1, 2031 \$252,000,000 3.619% Taxable Bonds, Series 2013A Bonds due October 1, 2037
Interest Accrual Dates	Interest will accrue from the Date of Issuance
Interest Payment Dates	April 1 and October 1 of each year, commencing October 1, 2013
Redemption	The Bonds are subject to optional redemption at the Make-Whole Redemption Price as discussed more fully herein. See "THE BONDS – Redemption."
Date of Issuance	May 6, 2013
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 the Bonds to refund the Institution's outstanding Taxable Bonds, Series 2006A. See "PLAN OF FINANCE" herein.
Ratings	Moody's: Aaa S&P: AAA

OFFERING MEMORANDUM

Relating to

$402,000,000

PRESIDENT AND FELLOWS OF HARVARD COLLEGE TAXABLE BONDS, SERIES 2013A

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 $402,000,000 aggregate principal amount of the President and Fellows of Harvard College Taxable Bonds, Series 2013A (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 refund all of the Institution's Taxable Bonds, Series 2006A. See "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 APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012" attached hereto, both of which should be read in their entirety.

The Bonds

The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2013 (the "Indenture"), by and between the Institution and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Indenture, on each Payment Date, until the principal of and interest on the Bonds shall have been paid or provision for such payment shall have been made as provided in the Indenture, the Institution will pay the Trustee a sum equal to the amount payable on such Payment Date as principal of or interest on the Bonds. See "THE BONDS" herein.

Security for the Bonds

The Bonds constitute unsecured general obligations of the Institution. The Institution has other unsecured general obligations outstanding. See "Outstanding Indebtedness" below. Moreover, the Institution is not restricted by the Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds. See "SECURITY FOR THE BONDS" herein.

Additional Bonds

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

Outstanding Indebtedness

As of June 30, 2012, the outstanding indebtedness of the Institution, including long-term debt and commercial paper debt, totaled approximately $6.0 billion. Upon delivery of the Bonds and after taking into account the indebtedness to be refunded with the proceeds of the Bonds, the total outstanding indebtedness is expected to be approximately $5.7 billion. For additional information regarding the outstanding indebtedness of the Institution, see APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012" attached hereto.

Redemption

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

Book-Entry Only System

When delivered, the Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of certificated securities (except under certain circumstances described in the Indenture). Payment of the principal or Make-Whole 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.

Certain Information Related to this Offering Memorandum

The descriptions herein of the Indenture and other documents relating to the Bonds do not purport to be complete and are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto for a brief summary of the Indenture, including descriptions of certain duties of the Trustee, rights and remedies of the Trustee and the Bondholders upon an Event of Default, and provisions relating to amendments of the Indenture and procedures for defeasance of the Bonds.

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

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

PLAN OF FINANCE

The proceeds of the Bonds, together with other monies of the Institution, will be applied to advance refund all of the Institution's oustanding $402,000,000 principal amount of Taxable Bonds, Series 2006A. The Taxable Bonds, Series 2006A will be redeemed on April 1, 2016 at a redemption price equal to 100% of the principal amount thereof. The proceeds of the Bonds will be held in a segregated escrow account by the trustee for the Taxable Bonds, Series 2006A until such redemption date.

Samuel Klein and Company, Certified Public Accountants (the "Verification Agent") will deliver to the Institution, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the obligations held in such segregated account, to pay, when due, the maturing principal of and interest on the Taxable Bonds, Series 2006A. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Institution, the Underwriters and their representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the Institution and its representatives and has not evaluated or examined the assumptions or information used in the computations.

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."

Interest on the Bonds will be payable on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing on October 1, 2013, and will be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

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

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

Redemption

The Bonds will be redeemable in whole or in part at the Institution's option, at any time and from time to time, at the Make-Whole Redemption Price.

"Make-Whole Redemption Price" means the redemption price equal to the greater of (i) 100% of the principal amount of any Bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of 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 basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus ten (10) basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date. See APPENDIX C − "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

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

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

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

“Reference Treasury Dealer” means each of J.P. Morgan Securities LLC, Goldman, Sachs & Co., and Morgan Stanley & Co. LLC, or their respective affiliates which are primary U.S. Government securities dealers, and their respective successors; provided that if J.P. Morgan Securities LLC, Goldman, Sachs & Co., or Morgan Stanley & Co. LLC or their respective affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a ‘‘Primary Treasury Dealer’’), the Institution shall substitute therefor another Primary Treasury Dealer.

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

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

Partial Redemption of Bonds

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

Notice of Redemption

Notice of redemption will be mailed by the Trustee by first class mail, or sent by electronic means, 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 electronic means 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 within a Maturity

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

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

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.

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

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

General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NONE OF THE INSTITUTION, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE INDENTURE; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

Certificated Bonds

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

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 principal (whether at maturity or upon acceleration) and interest 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. 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.

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

The Institution has other unsecured general obligations outstanding. See APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012" 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

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 Series 2013A Bond Fund and the Series 2013A 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 Make-Whole 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 Make-Whole 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 Fund except for a brief period of time on the Interest Payment Dates.

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 adversely 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, as defined below) 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 U.S. Holders 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) have 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.

If the liability of the Institution in respect of a Bond ceases as a result of an election by the Institution to pay and discharge the indebtedness on such Bond by depositing with the Trustee sufficient cash and/or obligations to pay or redeem and discharge the indebtedness on such Bond (a "legal defeasance"), under current tax law a Holder will be deemed to have sold or exchanged such Bond. In the event of such a legal defeasance, a Holder generally will recognize gain or loss on the deemed exchange of the Bond. Ownership of the Bond after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described in this "Certain United Stated Federal Income Tax Considerations" section and each Holder should consult its own tax advisor regarding the consequences to such Holder of a legal defeasance of a Bond.

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.

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.

Tax on Net Investment Income. For tax years beginning after December 31, 2012, certain non-corporate U.S. Holders of Bonds will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold. A U.S. Holder's calculation of net investment income generally will include its interest income on the Bonds and its net gains from the disposition of the Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders that are individuals, estates or trusts are urged to consult their own tax advisors regarding the applicability of this tax to income and gains in respect of their investment in the Bonds.

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 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 withheld under the backup withholding rules 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 provided to the IRS in a timely manner.

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 IRS 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 may 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; (2) the Non-U.S. Holder is not actually or constructively a "10-percent shareholder" under Section 871(h) of the Code; (3) the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; (4) the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code; and (5) 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 IRS 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.

Foreign Account Tax Compliance Act

Certain withholding rules imposed under Section 1471 through 1474 of the Code (the "Foreign Account Tax Compliance Act" or "FATCA") generally would impose a 30% U.S withholding tax on (i) payments of interest made after December 31, 2013, (ii) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016, (iii) certain "pass-thru" payments (other than "foreign pass-thru payments") received with respect to debt obligations held through a foreign financial institution after December 31, 2016 and (iv) certain "foreign pass-thru payments" received with respect to debt obligations held through foreign financial institutions after the later of December 31, 2016 and the date that final regulations defining the term "foreign pass-thru payments" are issued. "Foreign financial institution" is defined very broadly for this purpose, and includes any foreign entity that accepts deposits in the ordinary course of a banking or similar business; as a substantial portion of its business, holds financial assets for the account of others; or is engaged, or holds itself out as being engaged, primarily in the business of investing, reinvesting or trading in (or in interests in) securities, partnership interests or commodities. Under applicable regulations, this legislation generally will not apply to a debt obligation outstanding on January 1, 2014, unless such debt obligation undergoes a "significant modification" (within the meaning of the applicable Treasury regulations promulgated under the Code) after such date. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation and the applicable regulations on their investment in a Bond.

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 J.P. Morgan Securities LLC and Goldman, Sachs & Co. are acting as co-representatives, and the Underwriters have agreed to purchase the Bonds from the Institution at a purchase price of $402,000,000. The Underwriters will receive an underwriting fee in the amount of $1,623,463.50, which includes expenses for such underwriting (other than the fee of Underwriters' counsel).

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.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., each an Underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC ("WFS") (a member of NYSE, FINRA, NFA and SIPC). WFS, one of the Underwriters of the Bonds utilizes the distribution capabilities of Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of securities offerings, including the Bonds. WFS and WFIS are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

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

CONTINUING DISCLOSURE

The Institution covenants in the Indenture to furnish to the Trustee copies of its audited financial statements within one hundred eighty (180) days after the close of each of its fiscal years unless available on EMMA (defined below) or any successor thereto or to functions thereof. Except for providing such annual audited financial statements, the Institution has not undertaken either to supplement or update the information included in this Offering Memorandum.

The Institution has entered into continuing disclosure undertakings (the "Continuing Disclosure Undertakings") in connection with tax-exempt revenue bonds issued for the benefit of the Institution. See APPENDIX B – "HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012." Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Institution under those Continuing Disclosure Undertakings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Each Continuing Disclosure Undertaking terminates when the related tax-exempt revenue bonds are paid or deemed paid in full.

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, Orrick, Herrington & Sutcliffe LLP.

FINANCIAL STATEMENTS

The financial statements of the Institution presented in Appendix B hereto present the balance sheet, changes in net assets and cash flows for the year ended June 30, 2012, with summarized comparative financial information as of and for the year ended June 30, 2011. These financial statements should be read in their entirety.

INDEPENDENT ACCOUNTANTS

The financial statements of the Institution as of June 30, 2012 with summarized comparative financial information as of and for the year ended June 30, 2011, 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.

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RATINGS

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

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/ Daniel S. Shore
Vice President for Finance and Chief Financial Officer

APPENDIX A

CERTAIN INFORMATION CONCERNING THE INSTITUTION

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HARVARD UNIVERSITY

MASSACHUSETTS HALL
CAMBRIDGE, MASSACHUSETTS 02138

April 29, 2013

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.

By charter, Harvard has two governing boards – the President and Fellows (also known as the Corporation) and the Board of Overseers (the "Board"). The Corporation, as of the date hereof, consists of the President and Treasurer along with ten Fellows; one additional member was elected in February 2013 and is expected to begin his service on July 1, 2013. Members of the Corporation (including the President) are elected by the Corporation, subject to the counsel and consent of the Board. The Corporation oversees 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:

Name	Title
Drew Gilpin Faust	President and Lincoln Professor of History, Harvard University
James F. Rothenberg	Treasurer Chairman, Capital Research and Management Company
Lawrence S. Bacow	Visiting Professor of Education, Harvard Graduate School of Education President Emeritus, Tufts University
James W. Breyer (effective July 1, 2013)	Partner, Accel Partners
Paul Finnegan	Co-CEO, Madison Dearborn Partners
Susan L. Graham	Pehong Chen Distinguished Professor Emerita of Electrical Engineering and Computer Science, University of California, Berkeley
Nannerl O. Keohane	Laurance S. Rockefeller Distinguished Visiting Professor of Public Affairs, Woodrow Wilson School of Public and International Affairs and the University Center for Human Values, Princeton University President Emerita, Duke University President Emerita, Wellesley College
William F. Lee	Partner, Wilmer Cutler Pickering Hale and Dorr LLP
Jessica T. Mathews	President, Carnegie Endowment for International Peace

Joseph J. O'Donnell	Chairman, Centerplate, Inc.
Robert D. Reischauer	President Emeritus, The Urban Institute Former Director, Congressional Budget Office
Robert E. Rubin	Co-Chairman, Council on Foreign Relations Former Secretary of the Treasury
Theodore V. Wells, Jr.	Partner, Paul, Weiss, Rifkind, Wharton & Garrison LLP

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 more than 50 visiting committees composed of both Board members and others.

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, the Executive Vice President and ten Vice Presidents. The principal administrative officers of the University are as follows:

Name	Title
Drew Gilpin Faust	President
Alan M. Garber	Provost
James F. Rothenberg	Treasurer
Katherine N. Lapp	Executive Vice President
Marc Goodheart	Vice President and Secretary of the University
Marilyn Hausammann	Vice President for Human Resources
Christine Heenan	Vice President for Public Affairs and Communications
Lisa Hogarty	Vice President for Campus Services
Robert W. Iuliano	Vice President and General Counsel
Mark R. Johnson	Vice President for Capital Planning and Project Management
Anne H. Margulies	Vice President and Chief Information Officer
Tamara Elliott Rogers	Vice President for Alumni Affairs and Development
Leah Rosovsky	Vice President for Strategy and Planning
Daniel S. Shore	Vice President for Finance and Chief Financial Officer

Harvard Management Company

Harvard Management Company, Inc. ("HMC"), a wholly owned subsidiary of the University founded in 1974, has delegated authority to manage the General Investment Account and substantially all of the financial assets of the University pursuant to an Investment Advisory Agreement. HMC is governed by a thirteen-member Board of Directors, which includes the President, the Executive Vice President and the Treasurer of the University, and the President of HMC.

Jane Mendillo became the President and CEO of HMC effective July 1, 2008. Prior to joining HMC, Ms. Mendillo served for six years as the Chief Investment Officer of Wellesley College. Prior to her tenure at Wellesley, she served as one of HMC's senior investment officers from 1987 until early 2002. Information on other members of HMC's executive team, as of the date hereof, is available at: http://www.hmc.harvard.edu/about-hmc/executive-team.html.[1]

HMC manages a portion of Harvard's assets internally while selecting external managers for the remainder.

Allston Development

The University filed an Institutional Master Plan Notification Form ("IMPNF") with the City of Boston in October 2012, which outlines the University's "Ten Year Plan" for the extension of its campus in Allston, a neighborhood of the City of Boston across the Charles River from the Cambridge campus and adjacent to the Harvard Business School. The IMPNF includes a number of new developments, renovation, and public realm projects that the University expects to undertake over the next decade. The University anticipates that a final Institutional Master Plan will be submitted to the City of Boston later this year.

In addition, the University is advancing its Allston Science project, which is designed to house a substantial majority of the School of Engineering and Applied Sciences, as well as a significant area of flexible lab space dedicated to cross-faculty collaborations and experiments. The University has also engaged a third party real estate partner to develop a 325-unit residential and retail commons project.

The University continues to focus on property improvements, property leasing, and community engagement with respect to its Allston development projects.

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.

[1] Harvard Management Company is currently undergoing a search for the position of Chief Risk Officer to replace Neil Mason, who is expected to depart HMC at the end of the summer of 2013.

Recent Application Statisitics					
Academic Year	Freshman Applications Received	Freshmen Admitted	Freshmen Enrolled	Selectivity (%)	Yield (%)
2008-09	27,382	2,095	1,658	7.7%	79.1%
2009-10	29,114	2,175	1,665	7.5%	76.6%
2010-11	30,489	2,205	1,676	7.2%	76.0%
2011-12	34,950	2,188	1,661	6.3%	75.9%
2012-13	34,303	2,076	1,665	6.1%	80.2%

Source: University Records

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 the Harvard Division of Continuing Education.

Student Enrollment			
Academic Year	Undergraduate	Graduate	Total
2008-09	6,671	11,912	18,583
2009-10	6,652	12,163	18,815
2010-11	6,635	12,390	19,025
2011-12	6,654	12,387	19,041
2012-13	6,654	12,722	19,376

Source: University Records

Tuition, Fees and Room & Board

Shown below are undergraduate charges for academic years 2008-09 through 2012-13.

Tuition, Fees and Room & Board			
Academic Year	Tuition and Fees	Average Room and Board	Total
2008-09	$36,173	$11,042	$47,215
2009-10	$37,012	$11,856	$48,868
2010-11	$38,415	$12,308	$50,723
2011-12	$39,851	$12,801	$52,652
2012-13	$40,866	$13,630	$54,496

Source: University Records

Student Financial Aid

The University's undergraduate admissions policy includes the tenet that admission is need-blind. As of June 30, 2012, approximately 74% of undergraduate students received some form of financial aid, with 61% qualifying for need-based scholarship assistance. The average undergraduate aid package consists of grants, loans, and employment, and represents 78% of the total cost of attendance.

Harvard participates in the U.S. Department of Education's William D. Ford Federal Direct Student Loan Program. Total loans to students and parents as of June 30, 2012 included $1.0 million of loans issued by Harvard under federally guaranteed programs, $77.4 million of loans made under federally funded revolving loan programs, and $81.0 million of loans funded by donors or by unrestricted funds of the faculties. At the close of fiscal years 2007 through 2012, the amount of student loans (in millions of dollars, net of reserve for bad debt) from all University sources were as shown in the table below.

Student Loans Outstanding

2007	2008	2009	2010	2011	2012
$134.0	$150.4	$157.1	$157.4	$159.0	$159.4

Source: University Records

In 2007, President 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 initiative has focused on ensuring greater affordability for 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 are subject to the approval of the President, while certain other appointments (such as the University's Provost, faculty deans, Vice Presidents, and selected others) are subject to the approval of the governing boards' Joint Committee on Appointments.

Labor Relations

The University had approximately 13,700 employees as of March 31, 2013 (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 5,700 of its employees are covered under seven collective bargaining agreements, represented by ten 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. Six of the collective bargaining agreements covering these employees have varying expiration dates through calendar year 2016. The University's collective bargaining agreement with the Harvard University Police Association ("HUPA") remains under negotiation past its expiration date of July 31,

2012. The approximately 60 employees covered by HUPA continue to work under the terms of the expired agreement.

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 meet its commitments related to the Series 2013A Bonds.

Additional Information

In October 2008, the IRS announced that it was sending "compliance check questionnaires" to approximately 400 colleges and universities as part of a "colleges and universities compliance project." The University received and responded to one of the questionnaires. The IRS subsequently announced that it would initiate "team examination program" audits of approximately 40 colleges and universities by the end of 2010, and the University was notified that it would be one of the universities subject to examination. Following an audit closing meeting with the IRS on April 22, 2013, the audit has now concluded without an adverse impact on the tax-exempt status of the University or any other aspect of its operations.

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This Appendix A and the accompanying "Harvard University Financial Report - Fiscal Year 2012" appended as Appendix B are submitted for inclusion in the Offering Memorandum relating to the President and Fellows of Harvard College Taxable Bonds, Series 2013A.

PRESIDENT AND FELLOWS OF HARVARD COLLEGE

By: /s/ Daniel S. Shore
Vice President for Finance and Chief Financial Officer

APPENDIX B

HARVARD UNIVERSITY FINANCIAL REPORT - FISCAL YEAR 2012

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HARVARD UNIVERSITY
FINANCIAL REPORT

FISCAL YEAR **2012**



TABLE OF CONTENTS

Message from the President

I write to report Harvard University's financial results for fiscal 2012.

June 30, 2012, the close of our fiscal year, also marked the close of Harvard's 375th birthday year, a time that spurred us to consider not just the University's past but also its future, at a transformative time for higher education. A number of new initiatives launched during the year suggest both new directions and new capacities as Harvard looks ahead toward its fourth century. Early in the fall, a generous gift from Rita and Gus Hauser launched the Harvard Initiative for Learning and Teaching (HILT), a University-wide endeavor designed to address new environments and new opportunities for pedagogy in a digital and global era. The opening in November of the highly successful i-lab united the University in support of innovation and entrepreneurship. And in May we joined with MIT to create edX, a venture in digital learning that has generated worldwide excitement even in its rather unformed early stage. Sustaining momentum in all these areas will be a high priority in the months to come.

The sense of forward momentum that characterized the year was enhanced by progress in Allston. In September, the University announced its intention to move forward with advancing plans for a Health and Life Science Center, for developer-built housing and retail, and for longer-range aspirations for an enterprise zone on Harvard land in the area. We submitted regulatory filings detailing our Allston plans to the city this fall, outlining our aspirations for the decade ahead.

The past year also marked significant progress in the implementation of the governance reforms announced in December 2010. The new committee structure and larger Corporation have reinforced our strategic focus and enriched our capacity for University-wide decision-making and planning in areas including finance, facilities, capital planning, and governance. Ensuring the continuing success of the governance reforms is a high priority for the next year.

Enhanced capacity in financial planning supported by our new committee structure has proved timely. The academic year began with the debt ceiling crisis in Washington and ended with the enduring financial crisis in Europe, putting pressure on revenue sources and investment returns. Financial and political uncertainties have been a constant, and they are likely to prove even more destabilizing in the months ahead.

Fiscal 2012 investment returns were flat, though they outperformed our policy portfolio, and HMC CEO and President Jane Mendillo has warned that macroeconomic headwinds will continue to weigh on investment performance. Adjusting to and planning for new and sustained financial realities will be a significant priority for the entire University leadership team.

Sincerely,

Drew Gilpin Faust

Drew Gilpin Faust
PRESIDENT

November 2, 2012

Financial Overview

From the Vice President for Finance and the Treasurer

We write to report on the University's financial position and results for the fiscal year ended June 30, 2012. Since Harvard thinks and acts in long-term timeframes, we believe it is important not only to understand this year's approximately breakeven operating result, but also to consider that result in the broader context of Harvard's changed financial circumstances and prospects.

The University's financial profile has changed considerably over the last decade in ways that have mirrored changes in the broader economy. We accumulated and deployed significant resources through the middle of 2008 when the global recession caused us to retrench and then reconsider our financial strategies in very fundamental ways. The University has become increasingly sophisticated in managing our finances, which should serve us well as we consider the more challenging environment that lies ahead – a landscape that almost certainly will be widely shared across higher education.

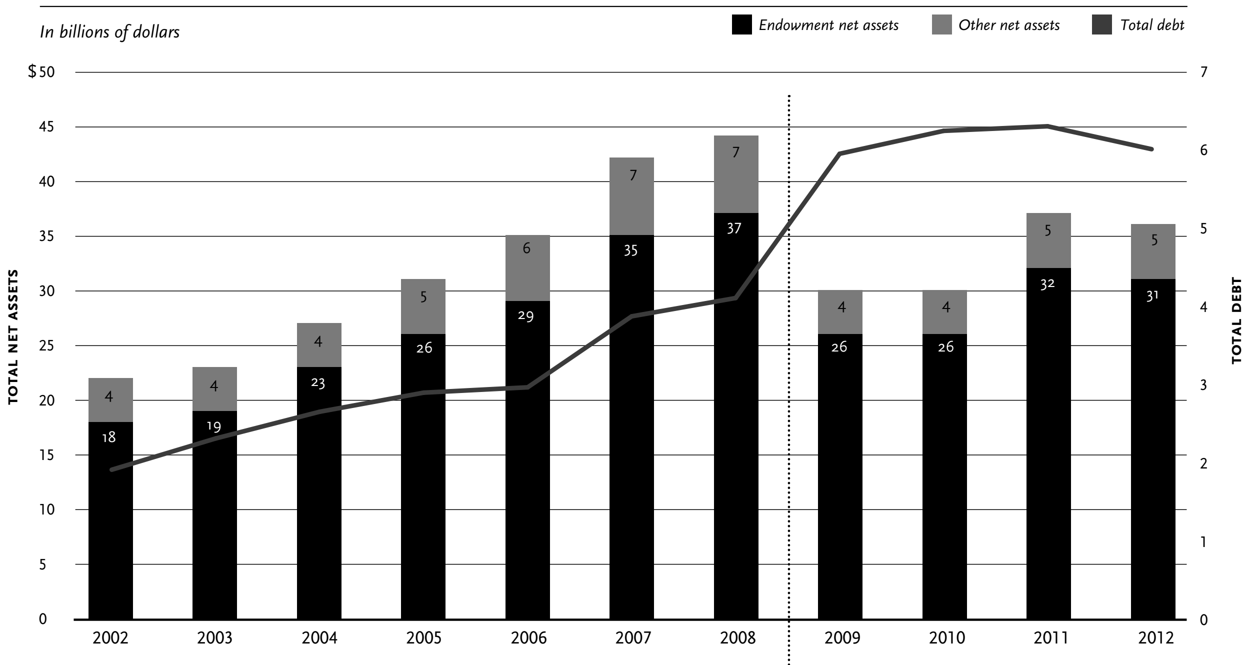
LOOKING BACK

The last decade is a story with two distinct chapters. In the first chapter, the University enjoyed substantial growth through fiscal 2008 driven by large increases in both endowment wealth and debt. Harvard was able to make important investments in the academic enterprise, adding approximately 200 faculty (a 10% increase) between fiscal 2002 and fiscal 2008. In the realm of science, the University enhanced its leadership position, bringing faculty from across the University and the affiliated hospitals together to support the first cross-University department in Stem Cell and Regenerative Biology and launching the Wyss Institute for Biologically Inspired Engineering. Investments made during this period required campus expansion with the addition of over four million gross square feet to the University's physical plant (a 20% increase).

Perhaps most noteworthy during this first chapter were the University's investments in better ensuring that a Harvard education would be accessible to students of extraordinary talent and promise regardless of financial means and sufficiently affordable to give those students the flexibility to pursue careers of their choosing without significant incremental debt. The Middle Income Initiative, announced by Harvard College in fiscal 2008, redefined the financial compact with undergraduates and their families by limiting the percentage of family household

UNIVERSITY NET ASSETS AND DEBT SINCE FY02

In billions of dollars



income that would be contributed toward an undergraduate education. This approach altered financial aid policy broadly across higher education, and from a financial perspective had a very meaningful impact. University-wide net tuition income actually declined by 1% in nominal terms between fiscal 2008 and fiscal 2009 – a noteworthy event that nonetheless was trumped by preceding growth of 80% in grant aid between fiscal 2002 and fiscal 2008.

The global financial crisis changed the University's financial profile in a sudden and consequential way, beginning a more turbulent second chapter. (See chart on page 3.) The endowment's negative return of 27% in fiscal 2009 caused an $11 billion decline in its value and an even greater decline of approximately $14 billion in the University's net assets. At the same time, the University issued $1.5 billion in incremental debt to enhance liquidity. The University's ratio of expendable resources to debt – a key metric used by credit rating agencies to evaluate balance sheet strength – fell in that one year from 9.2 to 3.9. The endowment's decline caused the University to implement a substantial reduction of $96 million and $129 million in the endowment payout for operations in fiscal 2010 and fiscal 2011, respectively. The University's interest expense, meanwhile, more than doubled to almost $300 million in fiscal 2011 compared to approximately $146 million in fiscal 2008.

As a further complication, over the past 10 years the University experienced only minimal inflation-adjusted growth in key non-endowment sources of revenue. As an example, our cumulative investments in financial aid have meant that net tuition has not been a source of meaningful support for new initiatives within Harvard. In fact, undergraduate net tuition actually has declined on an inflation-adjusted basis during the past decade at an average rate of 5%. Excluding the counter-cyclical benefits of federal government American Recovery and Reinvestment Act (ARRA) awards, federal sponsored research revenue has had an inflation-adjusted compound annual growth rate of only 2% since 2002, and non-federal sponsored research has fared worse. Meanwhile, on the expense side of the ledger, benefits expense has more than doubled in the past decade to $476 million in fiscal 2012.

The financial crisis has acted like a tidal wave that, as it receded, exposed certain vulnerabilities with a new clarity: endowment dependence and volatility, federal government dependence, non-endowment revenue stagnation, and a highly fixed cost structure. We have spent the past several years pursuing opportunities to be more efficient and effective without compromising our ability to fulfill our teaching and research mission. Among other things, exercising more discipline over staffing decisions, implementing organizational restructurings, constraining wage growth while nonetheless remaining competitive in attracting and retaining our talented individuals, and managing space for maximum efficiency have been important steps. While we have successfully achieved operating results of breakeven or better throughout this challenging period, we know additional financial headwinds may lie ahead. Flat investment returns in fiscal 2012 are just one good example. We know that our work is far from complete – and indeed, that we likely will need to undertake an even more fundamental examination of our activities with the goal of more crisply prioritizing what we do and what we are willing to forgo.

LOOKING FORWARD

The primary financial risks facing Harvard also are present at other large private research universities. We are challenged by volatility in the capital markets due to our endowment dependence and disproportionately fixed cost structure. We depend considerably on the federal government's funding of biomedical research at a time when the government's projected deficits and accumulated debt create enormous pressure to reduce such discretionary dollars. The University's sizable campus requires significant annual funding to maintain and still more funding to address deferred maintenance. And our employee benefit expense, of which health care is the largest component, has been increasing at an unsupportable rate relative to actual and expected growth in the University's revenue.

At the same time, Harvard has critical objectives that require near-term expenditures. Those objectives are embodied in both bricks (e.g., enhancing our cross-University science and engineering collaborations on the University's Allston campus) and bytes (e.g., investing in the promise of online education through our edX collaboration with MIT). Harvard has neither the desire nor the luxury to postpone its pursuit of critical priorities despite the prospect of challenging economic circumstances. Indeed, competition and opportunity compel us to move forward in a disciplined way – in which fundraising, creative restructurings, and more rigorous evaluations of the University's activities will be important endeavors.

After many decades of growth and stability, higher education is likely to face rapid, disorienting change. The ability to adapt quickly and effectively will be increasingly important. In the years ahead, we are likely to focus our efforts in a number of areas:

- *Pursuing integration opportunities:* Most universities are decentralized, and that decentralization typically results in incremental costs through the duplication of various activities. Harvard's significantly decentralized governance has contributed to an unmatched breadth of excellence across its various programs. Yet it comes at a financial cost. Our challenge is to determine where we might reduce or eliminate redundancies in order to be more efficient without compromising our ability to understand and pursue the highest-priority "local" opportunities that promise to make the University stronger. Our library reorganization is an initial attempt to meet such a challenge. We also are making progress consolidating IT management, and seeking to leverage the University's purchasing power by enhancing our strategic vendor relationships. Other initiatives are underway or in the works.

- *Evaluating benefits offerings:* Universities tend to be generous with their employee benefit offerings, and Harvard is no exception. Yet with those costs continuing to increase at unsustainable rates, Harvard – like its peers and indeed like most other businesses – cannot simply continue with the status quo. The University is committed to offering fair and competitive compensation to all its employees, but ultimately must balance our responsibilities to the workforce with our need to pursue the University's broader objectives.

- *Exploring incremental revenue:* Managing through the next decade will require more than cost constraint; it also will require the University to consider new ways to generate incremental resources. One increasingly clear path is a fundraising Campaign—which would be Harvard's first in more than a decade. We also will need to adopt more creative strategies to leverage the University's space and its vast intellectual resources for additional monies that can be reinvested in our teaching and research aspirations. Creativity of this sort has not been a distinguishing feature of the higher education industry, but given expected pressures on the business model of practically all colleges and universities, it increasingly will be a competitive differentiator.

IN CONCLUSION

The need for change in higher education is clear given the emerging disconnect between ever-increasing aspirations and universities' ability to generate the new resources to finance them. Certain aspirations more closely resemble imperatives and will require universities to make decisive and inevitably difficult choices from among competing priorities. We can be successful if we equate change with the opportunity to improve and move forward.

The road ahead will present any number of challenges and opportunities including, without doubt, a few surprises. Success will require a tolerance for ambiguity, an openness to different ways of doing things, a commitment to experimentation, an underlying confidence in our ability to implement a sustainable economic model, and an abiding passion for the University and its impact in the world. These are the same success factors that have enabled Harvard to thrive throughout the centuries, and we expect to achieve similar results in the future.

We hope this introduction provides you with a helpful context for evaluating the University's financial report.

Daniel S. Shore
VICE PRESIDENT FOR FINANCE AND
CHIEF FINANCIAL OFFICER

James F. Rothenberg
TREASURER

November 2, 2012

FINANCIAL OVERVIEW

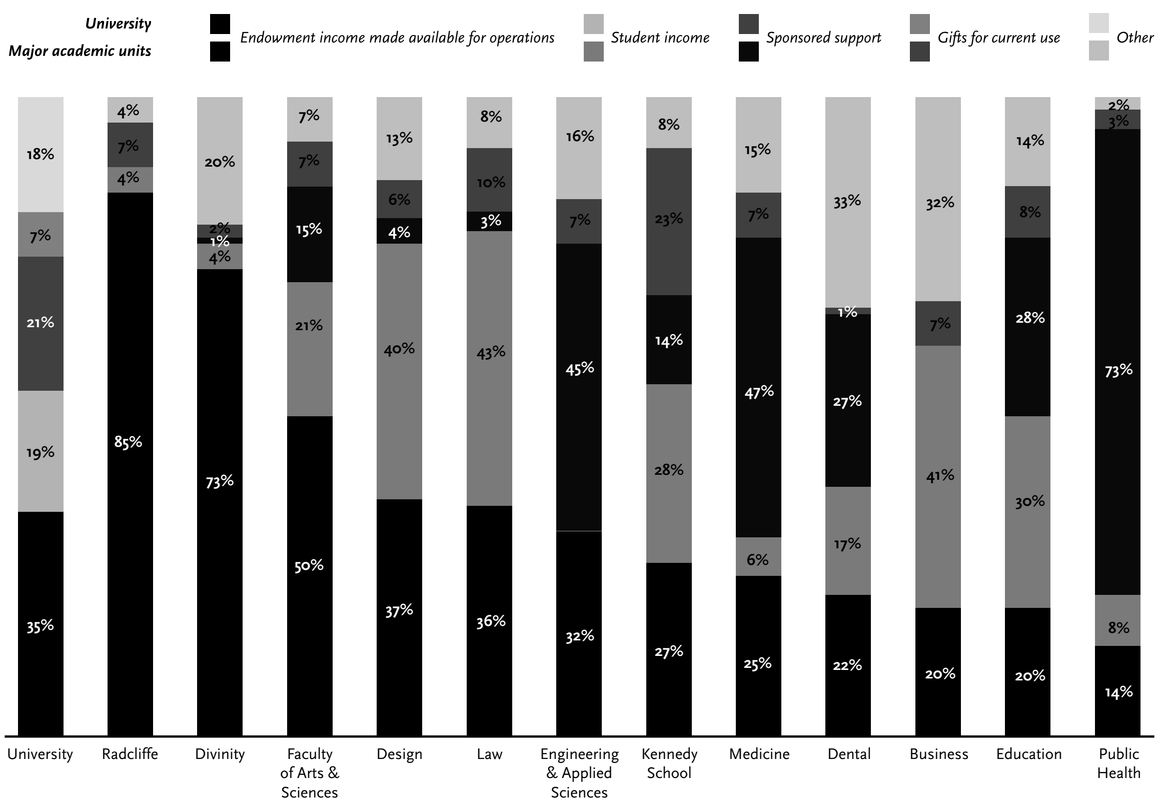
The University had an operating deficit of $4.5 million in fiscal 2012 compared to a deficit of $109 thousand in fiscal 2011. As of June 30, 2012, the University's net assets were $35.6 billion, a decrease of $1.2 billion from the prior year. The decrease in net assets resulted from the University making its annual endowment distribution for operations and subsequently achieving flat returns on its residual investments, causing the market value of the endowment to decline from $32.0 billion to $30.7 billion.

OPERATING REVENUE

Total operating revenue increased 3%, to $4.0 billion, due largely to the fiscal 2012 increase in the annual distribution from the endowment. The increase in total revenue was fully offset by a 3% increase in costs. In fiscal 2012, the endowment distribution was $1.4 billion compared to $1.3 billion in fiscal 2011. Growth in Harvard's endowment distribution was a result of the annual Corporation-approved increase, including the impact of new gifts. In the aggregate, Harvard's endowment payout rate (i.e., the dollars withdrawn annually for operations and for one-time or time-limited strategic purposes, as a percentage of the endowment's prior year-end market value) was 5.5%. This is in line with the University's targeted payout rate range of 5.0-5.5% and compares to a 5.3% payout rate in fiscal 2011.

Net student revenue increased 5%, from $741 million in fiscal 2011 to $777 million in fiscal 2012. Undergraduate net student revenue (i.e., undergraduate tuition, fees, board and lodging, less scholarships applied to student income) grew at a slower pace. This can be attributed to the University's continued commitment to financial aid with more than 60% of undergraduates receiving grant aid from Harvard in fiscal 2012, and an average grant size (among those receiving grant aid) of $40 thousand. Revenue from the University's continuing and executive education programs increased by $23 million or 9%, resulting from increases in both tuition and enrollment.

FISCAL 2012 SOURCES OF OPERATING REVENUE



The University's sponsored funding for fiscal 2012 decreased by 2%, from $852 million in fiscal 2011 to $833 million in fiscal 2012. Federal funding, which accounted for approximately 80% of the total sponsored funding during fiscal 2012, declined from $686 million in fiscal 2011 to $670 million in fiscal 2012 while non-federal funding declined from $166 million in fiscal 2011 to $163 million in fiscal 2012. The decline in sponsored funding was anticipated, resulting from declining American Recovery and Reinvestment Act of 2009 (ARRA) funding, as well as approximately flat revenue received from the Department of Health and Human Services (DHHS), the University's single largest grantor. Fortunately, the University received some offsetting increases in funding from other federal agencies as schools seek to diversify their sponsor base and announcements for new funding opportunities are more widely disseminated.

Current use gifts increased by 4%, from $277 million in fiscal 2011 to $289 million in fiscal 2012. Total giving, including gifts designated as endowment, increased 2% to $650 million (see Note 17 of the audited financial statements). As the University continues to plan for a capital Campaign, it has seen a meaningful increase in new pledges. We are extremely grateful to our donor community for their extraordinary generosity.

OPERATING EXPENSES

Total operating expenses increased 3%, to $4.0 billion. The main driver was compensation expense (i.e. salaries, wages and benefits), which represented approximately 50% of the University's total operating expense in fiscal 2012. Compensation expense increased 5%, from $1.9 billion in fiscal 2011 to $2.0 billion in fiscal 2012. The University's non-compensation expenditures grew by 2%.

Salaries and wages increased by 5%, or $78 million, to $1.5 billion in fiscal 2012, due to a combination of wage growth and increases in faculty, exempt and union staff populations.

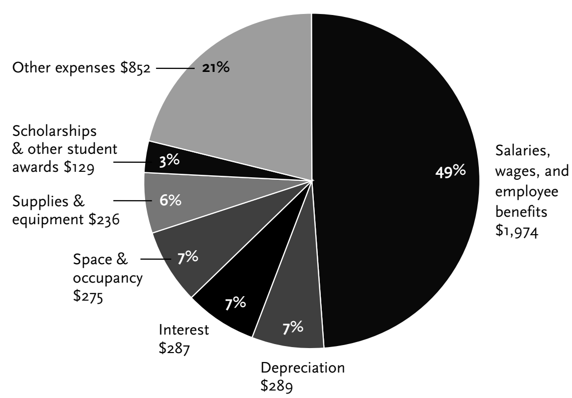
Employee benefits expense (before a one-time adjustment described below) increased 6%, primarily due to contributions to employee retirement plans, which are tied to employee wages, as well as increased enrollment and medical costs related to employee health benefit plans. In addition, there was an increase in the expense related to the University's defined benefit pension plans resulting from changes in actuarial assumptions used to calculate these costs.

During fiscal 2012, the University booked a one-time $14 million reduction in current year post-retirement health expense, due primarily to updating the demographic assumptions used to determine this expense. After accounting for this one-time adjustment, employee benefits expense grew 3%, or $15 million, to $476 million in fiscal 2012.

Of particular note within the University's non-compensation expenses, interest expense decreased 4%, from $299 million in fiscal 2011 to $287 million in fiscal 2012. The lower interest expense reflects the reduction in debt outstanding during fiscal 2012. After increasing from $1.3 billion at June 30, 2000 to $6.3 billion at June 30, 2010, the University's outstanding debt decreased to $6.0 billion at June 30, 2012.

FISCAL 2012 OPERATING EXPENSES

In millions of dollars



TOTAL OPREATING EXPENSES $4,042

BALANCE SHEET

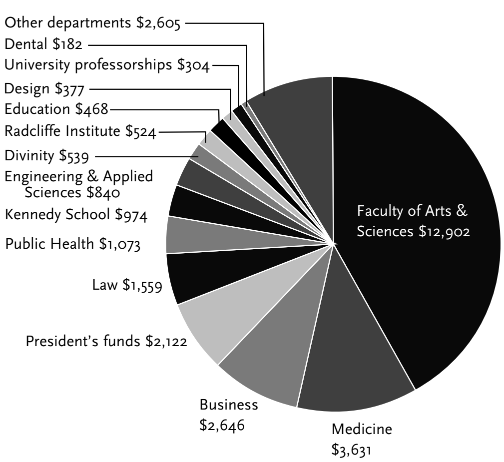
Investments

In fiscal 2012, the endowment earned an investment return of -0.05%, and its value (after the impact of endowment returns made available for operations and the addition of new gifts to the endowment during the year) decreased from $32 billion at the end of fiscal 2011 to $30.7 billion at the end of fiscal 2012. More information can be found in the Message from the CEO of Harvard Management Company (HMC), found on page 9 of this report.

The University's holdings of liquid investments (e.g., cash and treasuries) outside the General Investment Account (GIA) increased from $1.1 billion at June 30, 2011 to $1.3 billion at June 30, 2012. The GIA is managed by HMC and includes the endowment as well as a portion of the University's pooled operating funds. Over the past several years, the University has increased liquid, low risk investments held outside the GIA to ensure access to liquidity in situations of extreme financial duress. Harvard's efforts have been guided by a new liquidity management policy adopted during fiscal 2012 that calls for cash reserve levels sufficient to withstand a meaningful disruption to the endowment distribution for operations and/or a shock to the University's operating budget unrelated to investment performance.

FAIR VALUE OF THE ENDOWMENT AS OF JUNE 30, 2012

In millions of dollars



TOTAL FAIR VALUE $30,746

Debt

As noted previously, the University's outstanding debt decreased from $6.3 billion at June 30, 2011 to $6.0 billion at June 30, 2012. The weighted average interest rate of the portfolio was 4.7% at June 30, 2012, and the weighted average years to maturity was 17.8 years. The University is seeking to limit net new debt over the next several years in order to preserve financial flexibility and protect against potential revenue pressures on the University's budget.

The University's AAA/Aaa credit ratings with Standard & Poor's and Moody's Investors Service were re-affirmed in fiscal 2012. Additional detail regarding the University's debt portfolio can be found in Note 12 of the audited financial statements.

Capital Expenditures

The University invested $338.7 million in capital projects and acquisitions during fiscal 2012. This enabled progress on several significant projects including: continued work on The Harvard Art Museums' renovation and expansion, which will result in greater accessibility to the University's world-renowned collections; commencement of construction of the Science Center Plaza, which supports the University's goal of creating a new and programmable common space for the entire community; ground breaking on the Faculty of Arts and Sciences' renovation of Old Quincy, an undergraduate house that is being used as a test house for the broader renovation of the undergraduate river houses; retrofit of space for The Wyss Institute for Biologically Inspired Engineering; and completion of the Wasserstein Caspersen Clinical Wing Building at the Harvard Law School.

This concludes the summary of the key financial highlights for fiscal 2012. We encourage you to read the audited financial statements and related notes for more information regarding the financial position and results of the University.

Message from the CEO of Harvard Management Company

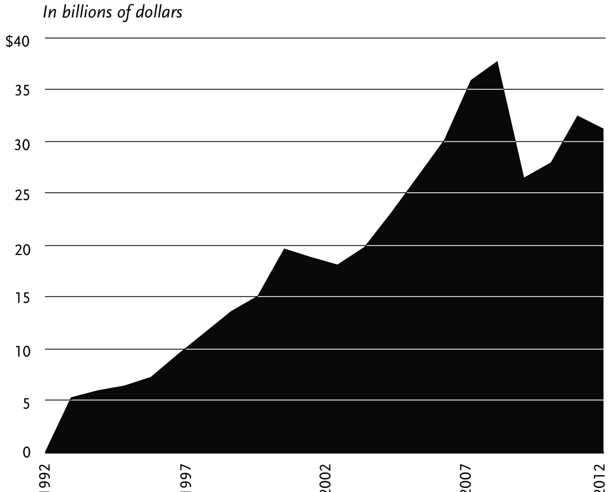
The return on the Harvard endowment for the fiscal year ended June 30, 2012 was essentially flat. The endowment earned an investment return of -0.05% and was valued at $30.7 billion at the end of the fiscal year. The fiscal year 2012 endowment return was 98 basis points in excess of the -1.03% return on the benchmark Policy Portfolio. Adding value relative to the Policy Portfolio – beating the markets – is not easily done and is not expected every year.

This is the third consecutive year that Harvard Management Company ("HMC") has beaten the Policy Portfolio. On a nominal basis, the average annual return for the endowment over the three year period since the financial crisis is 10.4%, exceeding the return on the Policy Portfolio benchmark by 125 basis points per year.

The markets during the last year continued to be choppy and highly sensitive to unresolved macroeconomic headwinds – with global equities down 6.5% for the year and the broad hedge fund industry experiencing total returns of -2.5%. In this context we are pleased that the endowment held steady and was able to provide substantial support to the University.

TOTAL VALUE (AFTER DISTRIBUTIONS) OF THE ENDOWMENT

In billions of dollars



As long-term investors, we manage the Harvard endowment with three primary objectives: growth, liquidity, and risk management. While market growth over the last twelve months was well below long-term averages, our portfolio benefited from the greatly improved liquidity and risk management we have built into the endowment over the last several years. We were also encouraged by the breadth of new investment opportunities we found through both internal and external managers during the year. We have invested in the best of these opportunities to enhance the positioning and balance of the overall portfolio and sow the seeds for future growth and alpha generation.

HISTORICAL CONTEXT

At HMC we are focused solely on providing strong financial support for Harvard University's many areas of excellence through successful portfolio management. We are constantly aware of both the opportunities and the responsibilities presented by the long-term nature of the endowment. This pool of assets needs to be kept

INVESTMENT RETURN
ANNUALIZED FOR PERIODS GREATER THAN ONE YEAR

	Harvard	Policy Portfolio Benchmark	60/40 Stock/bond Portfolio*
1 year	(0.05)%	(1.03)%	6.71%
3 years	10.42%	9.17%	12.82%
10 years	9.49%	7.09%	5.86%
20 years	12.29%	9.23%	7.94%

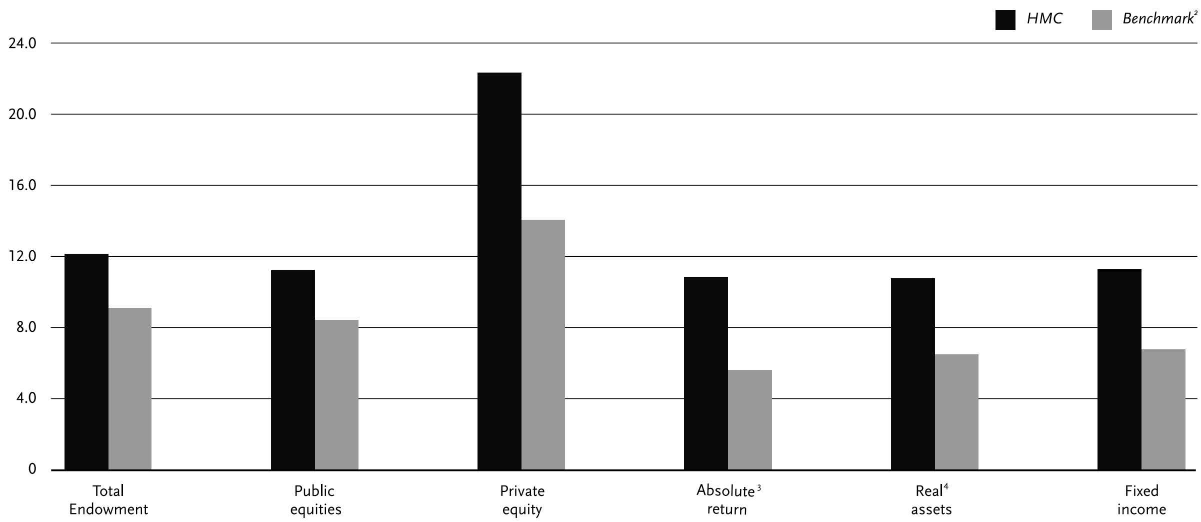
* *S&P 500 / CITI US BIG*

secure and to grow, in perpetuity. Such an extended investment horizon gives us an edge over the long-term, requiring that we think in decades, not months or years, when assessing the costs and benefits of our investment decisions and operating model.

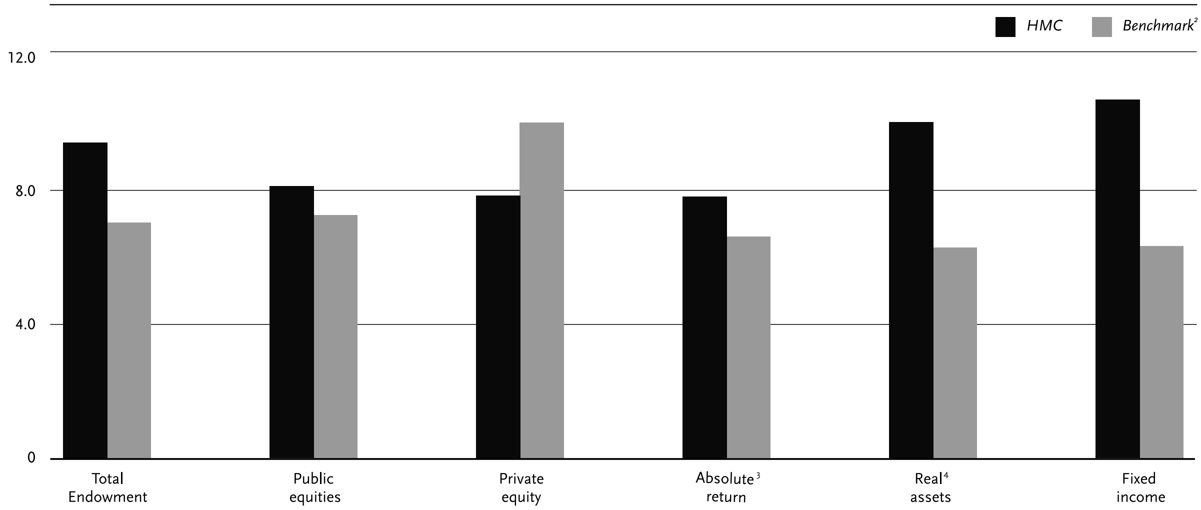
Over the past two decades the average annual return on the endowment has been 12.3%, beating our Policy Portfolio benchmark by over 300 basis points per year and a simple 60/40 stock/bond portfolio by even more substantial margins.

As markets and opportunities evolved over time, the drivers of Harvard's investment performance have also evolved, but our strategy of broad diversification and our long-term performance across all major asset classes has delivered significant value-added in total and across markets.

ANNUALIZED TWENTY-YEAR PERFORMANCE[1]



ANNUALIZED TEN-YEAR PERFORMANCE[1]



[1] *Returns are calculated on a time-weighted basis with the exception of private equity and real assets, which are calculated on a dollar-weighted basis. Returns are net of all internal management fees and expenses.*
[2] *Individual benchmarks are representative of each asset class and are approved by the Board of Directors of HMC.*
[3] *Absolute return asset class includes high yield.*
[4] *Real assets consist of investments in real estate, natural resources, and publicly traded commodities.*

Policy Portfolio Benchmark

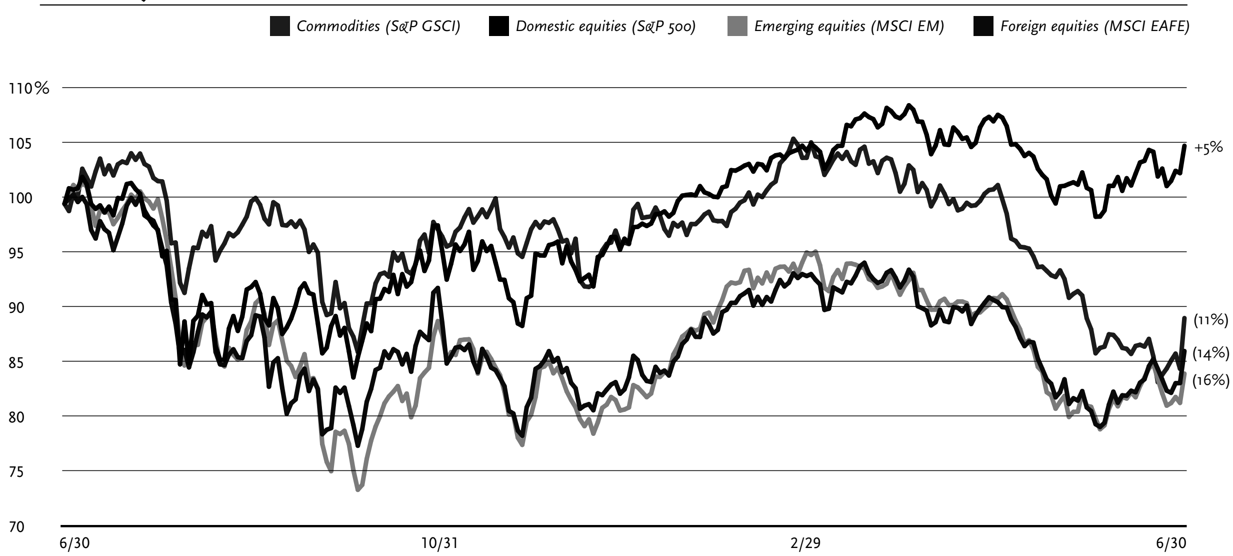
Each year, we review the long-term expected return, correlations and volatility for each of the asset classes in our diversified portfolio, and this work drives a thorough review and, from time to time, a revision of our benchmark Policy Portfolio. The Policy Portfolio is the mix of asset classes that we and the HMC Board determine is best equipped to meet Harvard's needs over the long-term. It provides HMC with a guide regarding asset allocation and a measuring stick for performance. When our return is in excess of the Policy Portfolio's return this means we have added value through active management. For more detail about the current Policy Portfolio and its evolution, visit HMC's website.

DISCUSSION OF FISCAL YEAR 2012

Market Overview

While we focus on the long-term in setting our investment strategy, current markets are also important. Over the last few years markets have been quite turbulent and managing through complexity has become one of our themes since the financial crisis of 2008. The 2012 fiscal year provided plenty of evidence that this theme remains relevant. The first five months of the year were characterized by a sharp downward correction in the public equity markets, driven by the US debt ceiling debate, stress in the euro zone, and fears of a slowdown in the Chinese economy. Although not as disorderly, there were some moments involving negative returns and high correlations among asset classes that were reminiscent of the summer-fall of 2008.

GLOBAL EQUITY AND COMMODITY INDICES FISCAL YEAR 2012



By early fall 2011 the impact was significant – the S&P was down nearly 20%, European stocks were down 30%, and natural gas was down 25%. As fall changed to winter the world equity markets shook off their anxiety and recovered nicely, however market sentiment turned sharply negative once again in the spring.

Fiscal 2012 Performance

Although we manage an exceptionally well-diversified portfolio, the endowment did feel the impact of market volatility during fiscal year 2012, especially in investments outside of the US. Despite these challenges, with our improved liquidity we have been active investors throughout the year in both liquid and illiquid markets. An example from each of these categories is discussed below.

	HMC	Benchmark	Relative
Public equities	(6.66)%	(9.05)%	2.39%
Private equity	1.99%	4.04%	(2.05)%
Fixed income	7.95%	7.85%	0.10%
Absolute return*	0.81%	(1.15)%	1.96%
Real assets	3.23%	1.55%	1.68%
TOTAL ENDOWMENT	**(0.05)%**	**(1.03)%**	**0.98%**

* *Includes high yield*

Public Equities—US and International

This year continues our record of outperformance in the combined public equities asset classes (US, foreign and emerging markets). On a combined basis, public equities in our portfolio added 239 basis points to the equity benchmark return, through a combination of internal and external strategies.

	HMC	Benchmark	Relative
Domestic equity	9.65%	4.08%	5.57%
Foreign equity	(10.81)%	(13.97)%	3.16%
Emerging markets	(17.43)%	(15.95)%	(1.48)%
PUBLIC EQUITIES	**(6.66)%**	**(9.05)%**	**2.39%**

Both US and foreign developed equities did very well relative to their market benchmarks last year, while emerging markets equities lagged their benchmark. Our US equity portfolio returned 9.7% (nearly 560 basis points over the US equity broad market benchmark).

We should note that Harvard carries relatively more exposure to both foreign and emerging markets than many of our peers. Our portfolio has roughly equal allocations to US, international developed, and emerging markets equities. The difference in returns among these markets was dramatic over the last twelve months, as can be seen from the public equities table above, but we remain convinced that active investing in emerging and international markets is not only wise, but imperative over the long-term.

We are now living and investing in a truly global economy: manufactured goods, commodities, capital, human talent, and services are shipped across borders and between hemispheres continuously. If chosen and executed well, emerging markets investments are poised to benefit from the phenomenal rate of change in local, regional, and global businesses worldwide and will be one of the key drivers of our portfolio's future performance.

Real Assets

As long-term investors driven by fundamentals, real assets investments hold strong appeal. Our definition of real assets includes real estate, natural resources, and publicly traded commodities. These three areas together make up about 25% of the total portfolio.

	HMC	Benchmark	Relative
Real estate	7.92%	6.80%	1.12%
Natural resources	2.40%	0.86%	1.54%
Publicly traded commodities	(8.14)%	(12.47)%	4.33%
REAL ASSETS	**3.23%**	**1.55%**	**1.68%**

We like the real assets theme for Harvard for several reasons: (a) long-term supply/demand characteristics and trends in many of these markets are favorable; (b) execution can be more complicated than in other investment areas, giving experienced investors an advantage; and (c) investors with a long-term view or more flexible timeline can do significantly better than those that are forced to transact by their specific investment mandate or time horizon.

Part 1 – Real Estate

Our revitalized real estate team and strategy, now about three years since inception, is beginning to bear fruit. Historically HMC's real estate strategy was focused exclusively on investments in private-equity-style real estate funds run by third-party managers. We are now investing a significant portion of our new capital in real estate through a direct deal/joint venture approach in specific market niches. This provides HMC much more discretion over capital allocation across markets and sectors, leverage, and development risk, as well as lower management fees. The assets invested in our new strategy returned about 15% last year. Our total real estate portfolio was up about 8% for the same period and outperformed its market benchmark.

Part 2 — Natural Resources

Our natural resource portfolio comprises hard assets, primarily timberland, agricultural land and other resource-bearing properties located around the world.

Our investment thesis in natural resources is fairly simple. We like the asset class because we believe its physical products are going to be in increasing demand in the global economy over the coming decades. At the same time, the supply of these physical products cannot be increased easily or quickly. In timberland, for example, it takes decades to produce incremental timber resources, while growing economies continue to demand more and more timber products today in order to build out infrastructure and satisfy growing consumer needs.

While we expect to see cycles in natural resources pricing, the inefficiencies in these markets can create excellent transaction opportunities, especially for investors like Harvard that have the ability to hold their investments for a long period of time.

Another reason we like this asset class is that experience counts. As a first mover, Harvard has developed a strong natural resources investment team including local market and natural resource specialists. Our expertise and scale allow us to make direct investments in individual properties, where we can have greater control over outcomes.

Sustainability is a key element of our natural resources investment strategy. We aim to manage so that our properties will be more productive with improved environmental outcomes at the end of our ownership period. We believe that by increasing the health and productivity of our assets, we will realize better value.

Returns in our natural resources portfolio were modest over the last twelve months at 2.4%, about 150 basis points over our benchmark. Since inception in 1997 our natural resources portfolio has delivered an average annual return of 12.7% versus the benchmark return of 6.7%.

Part 3 — Publicly Traded Commodities

The third leg of our real assets platform is broad-based exposure to publicly traded commodities. In this area we use a mix of internal and external management, with the common theme of applying strategic insight in individual markets or commodities in order to beat the public commodities indices.

Our internal management team in this asset class was new last year and got off to a very strong start, delivering over 1,100 basis points of return over our commodities benchmark. In total, our combined publicly traded commodities strategies added over 400 basis points of value relative to the commodities benchmark.

ORGANIZATIONAL UPDATE

Our company and our portfolio have stabilized and strengthened from their post-financial crisis state. Regarding the HMC organization, with a few near-term planned additions to our internal equities team, we anticipate being fully staffed on both the investment and support sides for the first time in several years. Our upgraded risk management team is providing essential and continuous input to our investment management functions. We have made good progress on rebalancing the mix of liquid and illiquid assets in our portfolio, although we are not quite where we want to be yet.

The experience, quality and commitment of our staff have never been better. Our portfolio management team in Boston is comprised of individuals with a diverse combination of backgrounds, cultures, and nationalities (many of whom share a direct connection to Harvard University).

We also continue to draw on the experiences and expertise of Harvard's broad global network, especially in areas such as China, India, Brazil, and other parts of the developing world. Harvard's unique reach has often provided us with deeper insight about opportunities and risks, and influenced the path of our thinking about how to best shape Harvard's portfolio going forward.

LOOKING AHEAD

One of the messages I constantly reinforce within HMC is that we can never stop evolving as stewards of Harvard's most valuable financial asset. We need to continually "up our game" as active investment managers, staying alert to change and focused on new opportunity. The world of investments changes every year – with more dollars, more analysts, and more investors of all types looking for additions to their portfolios that they hope will generate outstanding returns.

This is a time of unusual turbulence with significant macroeconomic issues facing regions around the world. While future returns may be uncertain, our strategy is to remain well diversified and focused on long-term value creation. We continue to concentrate on generating alpha on both a domestic and international stage.

Thank you for your support.

Sincerely,

Jane L. Mendillo
President and Chief Executive Officer

November 2, 2012

INSIDE HMC'S INVESTMENT PROCESS

At HMC we use a combination of internal and external teams to manage parts of the Harvard endowment in both public markets and alternative asset classes. Our process for evaluating investments for inclusion in the portfolio may vary by strategy, but always involves fundamental market analysis, asset valuation (and a plan for realizing that value), and assessments of expected return and risk. Our investment professionals' analysis is augmented by legal and operational due diligence conducted by separate dedicated teams within HMC. In every case, we consider several factors including:

- **Quality.** The quality of the underlying investment asset as well as the risk/reward profile of the investment must meet the standards of the world's largest endowment portfolio.

- **Innovation.** We strive for and value innovation in investment opportunities, with investment partners, and in our own organization. We know that the areas of best performance from prior decades will not necessarily give us our highest returns going forward, so it is imperative that we continue to look for innovation in our managers and in our own investment strategy.

- **Long-term Sustainability.** We are, by the nature of our mission, concerned with responsible stewardship and sustainability. While we are careful to avoid constraining our investment universe unnecessarily, we are responsible investors who fully vet potential investments and investment partners for long-term viability. We hold ourselves and our managers to a high standard regarding areas such as environmental stewardship, labor practices, and good governance.

pwc

Report of Independent Auditors

To the Board of Overseers of Harvard College:

In our opinion, the accompanying Balance Sheet and the related Statement 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") at June 30, 2012, 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 audits. The prior year summarized information has been derived from the University's fiscal 2011 financial statements, and in our report dated October 28, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audits 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 audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

November 2, 2012

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

BALANCE SHEETS

with summarized financial information as of June 30, 2011

In thousands of dollars	June 30 2012	2011
ASSETS:		
Cash	$ **155,088**	$ 142,503
Receivables, net (*Note 6*)	**227,401**	199,231
Prepayments and deferred charges	**171,026**	163,886
Notes receivable, net (*Note 7*)	**363,566**	363,356
Pledges receivable, net (*Note 8*)	**908,558**	758,441
Fixed assets, net (*Note 9*)	**5,776,545**	5,647,077
Interests in trusts held by others (*Note 4*)	**343,798**	351,408
Investment portfolio, at fair value (*Notes 3 and 4*)	**43,385,126**	46,817,373
Securities pledged to counterparties, at fair value (*Notes 3 and 4*)	**6,383,535**	6,768,202
TOTAL ASSETS	**57,714,643**	**61,211,477**
LIABILITIES:		
Accounts payable	**284,250**	340,911
Deposits and other liabilities	**648,896**	679,326
Securities lending and other liabilities associated with the investment portfolio (*Notes 3, 4 and 12*)	**12,294,626**	14,335,814
Liabilities due under split interest agreements (*Note 11*)	**670,242**	771,568
Bonds and notes payable (*Note 12*)	**6,039,139**	6,335,709
Accrued retirement obligations (*Note 13*)	**1,056,015**	817,885
Government loan advances (*Note 7*)	**67,044**	66,987
TOTAL LIABILITIES	**21,060,212**	**23,348,200**
NET ASSETS, attributable to non-controlling interests in the pooled general investment account (*Note 3*)	**1,070,136**	**832,339**
NET ASSETS, attributable to the University	**35,584,295**	**37,030,938**
TOTAL LIABILITIES AND NET ASSETS	**$ 57,714,643**	**$ 61,211,477**

	Unrestricted	Temporarily restricted	Permanently restricted	June 30 2012	2011
NET ASSETS, attributable to the University:					
General Operating Account (*Note 14*)	$ 2,743,325	$ 1,448,690	$ 96,498	$ 4,288,513	$ 4,500,420
Endowment (*Note 10*)	5,362,336	19,763,294	5,619,904	30,745,534	32,012,729
Split interest agreements (*Note 11*)		70,705	479,543	550,248	517,789
TOTAL NET ASSETS	**$ 8,105,661**	**$ 21,282,689**	**$ 6,195,945**	**$ 35,584,295**	**$ 37,030,938**

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, 2011

In thousands of dollars	Unrestricted	Temporarily restricted	Permanently restricted	For the year ended June 30 2012	2011
OPERATING REVENUE:					
Student income:					
Undergraduate program	$ 264,513			**$ 264,513**	$ 254,095
Graduate and professional degree programs	432,518			**432,518**	411,152
Board and lodging	155,417			**155,417**	149,972
Continuing education and executive programs	281,317			**281,317**	260,390
Scholarships applied to student income (*Note 15*)	(357,001)			**(357,001)**	(335,036)
Total student income	776,764	0	0	**776,764**	**740,573**
Sponsored support (*Note 16*):					
Federal government - direct costs	493,003			**493,003**	509,958
Federal government - indirect costs	176,560			**176,560**	176,270
Non-federal sponsors - direct costs	60,750	$ 78,868		**139,618**	145,044
Non-federal sponsors - indirect costs	15,971	7,472		**23,443**	20,555
Total sponsored support	746,284	86,340	0	**832,624**	**851,827**
Gifts for current use (*Note 17*)	90,405	198,812		**289,217**	276,914
Investment income:					
Endowment returns made available for operations (*Note 10*)	258,151	1,163,913		**1,422,064**	1,321,743
GOA returns made available for operations	141,804			**141,804**	148,178
Other investment income	10,318	7,192		**17,510**	21,624
Total investment income	410,273	1,171,105	0	**1,581,378**	**1,491,545**
Other income (*Note 18*)	557,165			**557,165**	546,600
Net assets released from restrictions	1,506,745	(1,506,745)		**0**	0
TOTAL OPERATING REVENUE	**4,087,636**	**(50,488)**	**0**	**4,037,148**	**3,907,459**
OPERATING EXPENSES:					
Salaries and wages	1,497,928			**1,497,928**	1,420,023
Employee benefits (*Note 13*)	476,436			**476,436**	461,010
Depreciation (*Note 9*)	288,865			**288,865**	281,027
Interest (*Note 12*)	287,067			**287,067**	298,843
Space and occupancy	274,786			**274,786**	271,853
Supplies and equipment	235,920			**235,920**	233,655
Scholarships and other student awards (*Note 15*)	128,993			**128,993**	116,510
Other expenses (*Note 19*)	851,703			**851,703**	824,647
TOTAL OPERATING EXPENSES	**4,041,698**	**0**	**0**	**4,041,698**	**3,907,568**
NET OPERATING SURPLUS/(DEFICIT)	**45,938**	**(50,488)**	**0**	**(4,550)**	**(109)**
NON-OPERATING ACTIVITIES:					
Income from GOA investments	10,938			**10,938**	20,946
Realized and unrealized (depreciation)/appreciation, net (*Note 3*)	(162,764)			**(162,764)**	649,799
GOA returns made available for operations	(141,804)			**(141,804)**	(148,178)
Change in pledge balances (*Note 8*)		123,553		**123,553**	36,616
Change in interests in trusts held by others		8,140		**8,140**	6,120
Capital gifts for loan funds and facilities (*Note 17*)		25,969	$ 274	**26,243**	32,987
Change in retirement obligations (*Note 13*)	(208,814)			**(208,814)**	172,482
Other changes	(17,226)			**(17,226)**	(51,364)
Transfers between GOA and endowment	(5,832)	138,971	7,003	**140,142**	19,090
Transfers between GOA and split interest agreements		12,053	2,182	**14,235**	14,100
Non-operating net assets released from restrictions	59,664	(50,606)	(9,058)	**0**	0
TOTAL NON-OPERATING ACTIVITIES	**(465,838)**	**258,080**	**401**	**(207,357)**	**752,598**
GENERAL OPERATING ACCOUNT NET CHANGE DURING THE YEAR	**(419,900)**	**207,592**	**401**	**(211,907)**	**752,489**
Endowment net change during the year	(233,444)	(1,445,399)	411,648	**(1,267,195)**	4,447,700
Split interest agreement net change during the year (*Note 11*)		(3,268)	35,727	**32,459**	95,816
NET CHANGE DURING THE YEAR, attributable to the University	**(653,344)**	**(1,241,075)**	**447,776**	**(1,446,643)**	**5,296,005**
NET CHANGE IN NET ASSETS, attributable to non-controlling interests in the pooled general investment account	237,797			**237,797**	**235,004**
NET CHANGE DURING THE YEAR	**(415,547)**	**(1,241,075)**	**447,776**	**(1,208,846)**	**5,531,009**
Net assets, beginning of year	9,591,344	22,523,764	5,748,169	**37,863,277**	32,332,268
NET ASSETS, end of year	**$ 9,175,797**	**$ 21,282,689**	**$ 6,195,945**	**$ 36,654,431**	**$ 37,863,277**

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, 2011

In thousands of dollars	Unrestricted	Temporarily restricted	Permanently restricted	For the year ended June 30 2012	For the year ended June 30 2011
Investment return (*Note 3*):					
Income from general investments	$ 19,269	$ 84,840		$ **104,109**	$ 161,206
Realized and unrealized appreciation/(depreciation), net	(15,806)	(87,903)		**(103,709)**	5,339,178
Total investment return	3,463	(3,063)	0	**400**	5,500,384
Endowment returns made available for operations	(258,151)	(1,163,913)		**(1,422,064)**	(1,321,743)
Net investment return	(254,688)	(1,166,976)	0	**(1,421,664)**	4,178,641
Gifts for capital (*Note 17*)	6,223	17,217	$ 203,054	**226,494**	212,364
Transfers between endowment and the GOA (*Note 10*)	5,832	(138,971)	(7,003)	**(140,142)**	(19,090)
Capitalization of split interest agreements (*Note 11*)		18,684	39,583	**58,267**	56,000
Change in pledge balances (*Note 8*)		7,761	17,749	**25,510**	(49,534)
Change in interests in trusts held by others (*Note 10*)		911	(16,661)	**(15,750)**	47,660
Other changes		(159,130)	159,220	**90**	21,659
Net assets released from restrictions (*Note 2*)	9,189	(24,895)	15,706	**0**	0
NET CHANGE DURING THE YEAR	**(233,444)**	**(1,445,399)**	**411,648**	**(1,267,195)**	**4,447,700**
Net assets of the endowment, beginning of year	5,595,780	21,208,693	5,208,256	**32,012,729**	27,565,029
NET ASSETS OF THE ENDOWMENT, end of year	**$ 5,362,336**	**$ 19,763,294**	**$ 5,619,904**	**$ 30,745,534**	**$ 32,012,729**

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 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ **(1,208,846)**	$ 5,531,009
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in net assets, attributable to non-controlling interests in the pooled general investment account	**(237,797)**	(235,004)
Depreciation	**288,865**	281,027
Realized and unrealized loss/(gain) on investments, net	**154,235**	(6,175,282)
Change in fair value of interest rate exchange agreements	**(18,675)**	(330,270)
Change in interests in trusts held by others	**7,610**	(53,779)
Change in liabilities due under split interest agreements	**(101,326)**	65,967
Gifts of securities	**(83,471)**	(53,717)
Gifts restricted for capital purposes	**(212,776)**	(235,636)
Loss on redemption of debt	**17,185**	32,190
Loss on disposal of assets	**1,348**	35,023
Change in accrued retirement obligations	**238,130**	(91,308)
Changes in operating assets and liabilities:		
Receivables, net	**(28,170)**	43,243
Prepayments and deferred charges	**(7,140)**	1,625
Pledges receivable, net	**(150,117)**	13,771
Accounts payable	**(14,666)**	(42,568)
Deposits and other liabilities	**(30,430)**	(56)
NET CASH USED IN OPERATING ACTIVITIES	**(1,386,041)**	**(1,213,765)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made to students, faculty, and staff	**(48,024)**	(45,987)
Payments received on student, faculty, and staff loans	**46,383**	37,470
Change in other notes receivable	**1,431**	9,470
Proceeds from the sales of gifts of securities	**83,471**	53,717
Proceeds from the sales and maturities of investments	**46,924,811**	72,153,105
Purchases of investments	**(47,337,633)**	(69,719,820)
Additions to fixed assets	**(437,673)**	(445,936)
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES	**(767,234)**	**2,042,019**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in overdrafts included in accounts payable	**(24,003)**	30,866
Proceeds from the issuance of debt	**136,280**	1,065,587
Debt repayments	**(450,035)**	(1,046,265)
Gifts restricted for capital purposes	**212,776**	235,636
Change associated with securities lending agreements	**2,290,785**	(1,008,795)
Change in government loan advances	**57**	5,591
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**2,165,860**	**(717,380)**
NET CHANGE IN CASH	**12,585**	**110,874**
Cash, beginning of year	**142,503**	**31,629**
CASH, end of year	**$ 155,088**	**$ 142,503**

Supplemental disclosure of cash flow information:		
Accounts payable related to fixed asset additions	$ 44,057	$ 62,049
Cash paid for interest	$ 302,149	$ 295,616

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 7,250 undergraduate and 13,800 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 responsib ility for all of the University's financial affairs. The Corporation delegates substantial authority to the Schools and departments for the management of their 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 (GAAP). Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2011, from which the summarized information is derived.

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications include moving the portion of the endowment payout accounted for in "Transfers between GOA and endowment" in non-operating activities to "Endowment returns made available for operations" in operating revenues in the *Statement of Changes in Net Assets with General Operating Account Detail*. This reclassification reduced the prior year operating deficit by $129.7 million. Additionally, the University reclassified $60.7 million of "Receivables" and $3.8 million of "Accounts payable" to the "Investment portfolio" in the *Balance Sheets*.

During a review of its endowment funds, the University noted that there were certain inconsistencies related to the recording of donor directed principal activity. As a result, the University has correctly reclassified $159.2 million from temporarily restricted to permanently restricted in the "Other changes" line item on the *Statement of Changes in Net Assets of the Endowment* for the year ended June 30, 2012. This reclassification had no impact on total net assets.

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 with General Operating Account Detail*.

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 endowment funds comprise 91% of the University's unrestricted net assets as of June 30, 2012. 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 and income, which must be reported as temporarily restricted net assets until appropriated for spending 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 returns 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. Investment returns earned by restricted donor funds are initially classified as temporarily restricted net assets and then reclassified to 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 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 operating surplus/(deficit)

Revenues earned, expenses incurred, and returns made available for operations for the purpose of teaching, conducting research, and the other programs and services of the University are the components of "Net operating surplus/(deficit)" in the *Statements of Changes in Net Assets with General Operating Account Detail*.

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 for financial statement purposes.

Insurance programs

The University, together with the Harvard-affiliated teaching hospitals, participates in a group captive insurance company, Controlled Risk Insurance Company (CRICO), to secure limited professional liability, general liability, and medical malpractice insurance for its member shareholders. The University self-insures a portion of its professional liability and general liability programs and maintains a reserve for incurred claims, including those related to Harvard Medical School activities occurring away from the affiliated teaching hospitals. The CRICO provided malpractice coverage applies with no deductible for medical professionals practicing within Harvard's University Health Services department, the School of Dental Medicine, and the School of Public Health. The University also maintains reserves for the self-insured portion of claims related to automobile liability, property damage, and workers' compensation; these programs are supplemented with commercial excess insurance above the University's self-insured retention. 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 GAAP in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

New accounting pronouncements

Effective July 1, 2010, the University adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires additional disclosures for significant transfers in and out of Levels 1 and 2 and the presentation of gross trading activity within the Level 3 rollforward. Further, ASU 2010-06 clarifies existing disclosures to include fair value measurement disclosures for each class of assets and liabilities as well as to require additional disclosures about inputs and valuation techniques utilized to measure fair value for Levels 2 and 3. The effects of adopting this amendment are addressed in *Notes 3* and *4*.

Effective July 1, 2010, the University adopted ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU 2010-20 requires additional disclosures surrounding credit losses on long-term receivables. The effects of adopting this amendment are addressed in *Note 7*.

Effective July 1, 2010, the University retroactively adopted ASU 2010-7 *Not-for-Profit Entities Mergers and Acquisitions*. While the University was not a party to any mergers or acquisitions, the guidance also impacts the financial statement treatment of non-controlling interests in consolidated entities. This guidance requires the University to report non-controlling interests in consolidated entities as a separate component of net assets on the Statement of Financial Position and the change in net assets attributable to the non-controlling interests separately within the *Statements of Changes in Net Assets with General Operating Account Detail*. The effects of adopting this amendment are addressed in *Note 3*.

3. INVESTMENTS

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

A) Investments are presented at fair value based on trade date positions as of June 30, 2012 and 2011. The University endeavors to utilize all relevant and available information in measuring fair value.

B) The preparation of financial statements requires management to make estimates and assumptions about the effects of matters that may be inherently uncertain. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a significant effect on the fair value of certain instruments. Actual results could differ from these estimates and could have a material impact on the financial statements.

C) Cash and short-term investments are recorded at cost, which approximates fair value, and include cash in bank accounts, institutional money market funds, and other temporary investments held for working capital purposes with maturities of three months or less. Cash and short-term investments do not include cash balances held as collateral.

D) Instruments listed or traded on a securities exchange are valued at the last quoted price on the primary exchange where the security is traded. Where no sale has occurred on the valuation date, long positions are valued at the bid price and short positions are valued at the ask price. Restrictions that are attached to a security are factored into the valuation of that security, reflective of the estimated impact of those restrictions. Investments in non-exchange traded debt and equity instruments are primarily valued using inputs provided by independent pricing services or by broker/dealers who actively make markets in these securities.

Investments managed by external advisors include investments in private equity, real assets, and certain other investments in limited partnerships and hedge funds classified as domestic equity, high yield, and absolute return. The majority of these external investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value and in consideration of any additional factors deemed pertinent to the fair value measurement. The University evaluates its external advisors through a manager due-diligence program executed by HMC, which includes an analysis of an advisor's use of and adherence to fair value principles. In situations where the information provided by the external advisor is deemed to not be representative of fair value as of the measurement date, management will evaluate specific features of the investment and utilize supplemental fair value information provided by the external advisor along with any relevant market data to measure the investment's fair value as of that date.

Fair value measurements of real assets (including direct investments in natural resources and real estate) are based on a combination of information obtained from independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach, or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods, the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized in the income approach may be subjective and require judgment regarding significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost or the replacement cost amounts are determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. These valuations are determined by management and subject to review by the HMC Board of Directors.

Over the counter derivative products classified as due to/from brokers include option, swap, credit default, interest rate, and forward contracts. These types of instruments are primarily valued using industry standard models with externally provided inputs or independent broker quotes. Inputs such as prices, spreads, curves, and/or broker quotes are evaluated for source reliability and consistency with industry standards. Counterparty marks obtained and used to determine daily collateral requirements are also used to corroborate input reasonability. Management considers current market conditions including interest rate and credit risks in its evaluation of inputs, pricing methodologies, and models utilized to determine fair values.

E) Dividend income is recognized net of applicable withholding taxes on the ex-dividend date. Non-cash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of applicable withholding taxes on the accrual basis of accounting. The University amortizes bond premiums and accretes bond discounts using the effective yield method and when cash collection is expected.

F) The University utilizes a number of wholly owned subsidiary entities to support its investment activities. The consolidated financial statements include all assets, liabilities, income, and expenses associated with these entities. All intercompany accounts and transactions have been eliminated during consolidation.

G) The University may enter into repurchase agreements, whereby the University acquires a security (collateral) for cash subject to an obligation by the counterparty to repurchase the security at an agreed-upon price and time. The University requires the fair value of the collateral received to be equal to or in excess of the total amount of the repurchase agreement, including interest. Securities purchased under repurchase agreements are reflected as an asset on the *Balance Sheets*. Interest earned or paid is recorded as a component of Investment income on the *Statements of Changes in Net Assets*. Generally, in the event of counterparty default, the University has the right to use the collateral to offset losses incurred. The collateral advanced under security borrowing agreements is in the form of cash. The minimum collateral the University requires by contract on each loaned security is 100% of the fair value of the security loaned. Collateral is exchanged as required by fluctuations in the fair value of the security loaned.

H) The *Balance Sheets* display both the assets and corresponding liabilities generated by reverse repurchase and securities lending transactions. Under the terms of a reverse repurchase agreement, the counterparty takes possession of an underlying security subject to an obligation of the University to repurchase the security at an agreed-upon price and time. The University pays the counterparty interest over the term of the reverse repurchase agreement. 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 included in "Investment portfolio, at fair value" in the *Balance Sheets*. Income and expenses related to reverse repurchase and securities lending transactions are included in "Income from general investments" in the *Statements of Changes in Net Assets of the Endowment*. These transactions are executed to support the investment activities of HMC.

The majority of the University's investments are managed by HMC 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 cash, short-term investments, and fixed income securities (principally government securities) held for the University's working capital and liquidity needs, interest rate contracts on the University's debt portfolio, and publicly traded securities associated with split interest agreements. All investments are measured at fair value using valuation techniques consistent with ASC 820 and the accounting policies presented herein.

The University's investment holdings as of June 30, 2012 and 2011 are summarized in the following table (in thousands of dollars):

	2012	2011
Investment portfolio, at fair value:		
Pooled general investment account assets[1]	**$ 47,788,308**	$ 51,276,581
Other investments	**1,980,353**	2,308,994
Investment assets[2]	**49,768,661**	53,585,575
Pooled general investment account liabilities	**(11,912,733)**	(13,935,246)
Interest rate exchange agreements	**(381,893)**	(400,568)
Investment liabilities	**(12,294,626)**	(14,335,814)
TOTAL INVESTMENTS	**37,474,035**	39,249,761
Non-controlling interests attributable to the pooled general investment account	**(1,070,136)**	(832,339)
TOTAL INVESTMENTS, NET	**$ 36,403,899**	**$ 38,417,422**

[1] *Includes securities pledged to counterparties of $6,383,535 and $6,768,202 at June 30, 2012 and 2011, respectively.*

[2] *Investment holdings include cash and cash equivalents that consist principally of deposits that have maturities of 90 days or less. Cash and cash equivalents classified as investments were $926,896 and $1,363,712 at June 30, 2012 and 2011, respectively.*

A summary of the University's total return on investments for fiscal 2012 and 2011 is presented below (in thousands of dollars):

	2012	2011
Return on pooled general investment account:		
Realized and change in unrealized gains, net	$ (141,861)	$ 6,100,258
Net investment income	117,569	184,192
Total return on pooled general investment account[1]	(24,292)	6,284,450
Return on other investments:		
Realized and change in unrealized (losses)/gains, net	(12,374)	75,024
Net investment income	28,979	35,284
Total return on other investments	16,605	110,308
Realized and unrealized (losses)/gains on interest rate exchange agreements, net	(140,219)	7,877
TOTAL RETURN ON INVESTMENTS	**$ (147,906)**	**$ 6,402,635**

[1] *Net of all internal and external management fees and expenses.*

The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the global equity, fixed income, real estate, commodities, and private equity markets. The Policy Portfolio provides HMC with a guide as to the targeted allocation in the core investment portfolio. The Policy Portfolio is the long-term asset mix determined by the HMC Board of Directors and management team that is considered most likely to meet the University's long-term return goals with the designated level of risk. It serves as the benchmark against which the performance of the pooled general investment account is measured. In addition, the University seeks to enhance the returns of certain asset classes through relative strategies designed to capture mispricing in specific financial instruments without changing the fundamental risk profile of the core investment account.

The University has various sources of liquidity at its disposal within its investment pools, including approximately $3.8 billion in cash and cash equivalents (including repurchase agreements of $3.0 billion) at June 30, 2012 in the General Investment Account and the General Operating Account. In addition, management estimates that as of June 30, 2012, it could liquidate additional unencumbered US government securities of $1.4 billion within one business day (typical settlement terms) to meet any immediate short-term needs of the University.

The pooled general investment account assets and liabilities below have been disaggregated into asset classes based on the exposure of the investment to various markets. Exposure to each asset class is achieved through investments in individual securities, direct investments in special purpose vehicles, and/or through vehicles advised by external managers.

The pooled general investment account assets and liabilities as of June 30, 2012 and 2011 are summarized as follows (in thousands of dollars):

	2012	2011
POOLED GENERAL INVESTMENT ACCOUNT ASSETS:		
Investment assets:		
Domestic common and convertible equity	**$ 3,510,380**	$ 3,806,649
Foreign common and convertible equity	**1,771,081**	2,062,218
Domestic fixed income	**5,232,751**	4,982,365
Foreign fixed income	**1,774,283**	3,112,809
Emerging market equity and debt	**2,959,047**	2,411,371
High yield	**1,557,938**	1,634,649
Absolute return	**4,751,754**	5,033,413
Private equities	**7,095,625**	7,262,271
Real assets[1]	**10,156,008**	8,816,619
Inflation-indexed bonds	**919,081**	1,303,314
Due from brokers	**299,518**	998,001
Total investment assets[2]	**40,027,466**	41,423,679
Repurchase and securities borrowing agreements	**6,002,202**	7,765,585
Cash and short-term investments	**750,733**	941,141
Other assets[3]	**1,007,907**	1,146,176
POOLED GENERAL INVESTMENT ACCOUNT ASSETS	**47,788,308**	**51,276,581**
POOLED GENERAL INVESTMENT ACCOUNT LIABILITIES:		
Investment liabilities:		
Equity and convertible securities sold, not yet purchased	**38,854**	358,553
Fixed income securities sold, not yet purchased	**3,343,931**	4,225,876
Due to brokers	**63,512**	803,307
Total investment liabilities	**3,446,297**	5,387,736
Reverse repurchase and securities lending agreements	**6,725,670**	6,198,268
Other liabilities[4]	**1,740,766**	2,349,242
POOLED GENERAL INVESTMENT ACCOUNT LIABILITIES	**11,912,733**	13,935,246
Non-controlling interests attributable to the pooled general investment account	**1,070,136**	832,339
POOLED GENERAL INVESTMENT ACCOUNT NET ASSETS[5]	**$ 34,805,439**	**$ 36,508,996**

[1] *Real assets includes investments in natural resources and real estate managed by external advisors of $3,941,571 and $3,650,447 as of June 30, 2012 and 2011, respectively. The remaining balance consists of direct investments in natural resources and real estate held through special purpose vehicles of $6,214,437 and $5,166,172 as of June 30, 2012 and 2011, respectively.*

[2] *Includes fair value of securities pledged to counterparties where the counterparty has the right to sell or repledge the securities of $6,383,535 and $6,768,202 as of June 30, 2012 and 2011, respectively.*

[3] *As of June 30, 2012, other assets consisted primarily of receivables for the sale of securities of $179,148, and assets consolidated under ASC 810 of $426,018. As of June 30, 2011, other assets consisted primarily of receivables for the sale of securities of $748,598, and assets consolidated under ASC 810 of $397,577.*

[4] *As of June 30, 2012, other liabilities consisted primarily of payables for the purchase of securities of $143,644, and other liabilities consolidated under ASC 810 of $1,203,333. As of June 30, 2011, other liabilities consisted primarily of payables for the purchase of securities of $1,433,911, and other liabilities consolidated under ASC 810 of $844,431.*

[5] *The cost of the total pooled general investment account net assets was $33,203,550 and $32,266,809 as of June 30, 2012 and 2011, respectively.*

As of June 30, 2012 and 2011, the GIA was comprised of the following components (in thousands of dollars):

	2012	2011
POOLED GENERAL INVESTMENT ACCOUNT		
Endowment[1]	$ 29,907,024	$ 31,153,645
General operating account	3,792,118	4,202,095
Split interest agreements	761,333	796,563
Other internally designated funds	344,964	356,693
TOTAL POOLED GENERAL INVESTMENT ACCOUNT NET ASSETS	**$ 34,805,439**	**$ 36,508,996**

[1] *Includes only the portion of the endowment invested in the GIA and excludes pledges, interests in trusts held by others, other non-GIA investments, and GIA income.*

The asset allocation of the University's investment portfolio involves exposure to a diverse set of markets. The investments within these markets involve various risks such as price, interest rate, market, sovereign, currency, liquidity, and credit risks. Additionally, the GIA's investments in real assets, which include investments in natural resources and real estate, expose the University to a unique set of risks such as operational, environmental, and political risks. Furthermore, a component of the investment portfolio's asset allocation includes two diversified funds managed by external advisors, which represent 14% of the GIA net asset value ("NAV"), in the aggregate. The University anticipates that the value and composition of its investments may, from time to time, fluctuate substantially in response to any or all of the risks described herein.

The table on page 24 includes the total fair value of securities pledged to counterparties where the counterparty has the right, by contract or practice, to sell or repledge the securities. The total fair value of securities pledged that cannot be sold or repledged was $56.3 million and $172.6 million as of June 30, 2012 and 2011, respectively. The fair value of collateral accepted by the University was $5,571.8 million and $7,759.8 million as of June 30, 2012 and 2011, respectively. The portion of this collateral that was sold or repledged was $45.3 million and $178.9 million as of June 30, 2012 and 2011, respectively.

The University has consolidated certain non-controlling interests relating to its investments in real assets under ASU 2010-7. These non-controlling interests represent the minority interest portion of the real assets controlled by the University that are required to be presented on the University's balance sheet under GAAP. The table on page 24 includes the minority interest portion of real assets of $1,223.4 million and $892.0 million as of June 30, 2012 and 2011, respectively. Other assets include the minority interest portion of cash, receivables, and fixed assets of $56.1 million and $48.6 million as of June 30, 2012 and 2011, respectively. Other liabilities include the minority interest portion of accruals, payables, and debt of $209.4 million and $108.3 million as of June 30, 2012 and 2011, respectively. The net increase in non-controlling interests year over year relates to $78.1 million of new non-controlling interests acquired during the year ended June 30, 2012, and appreciation on existing non-controlling interests of $159.7 million for the year then ended.

Other liabilities on page 24 include debt outstanding on consolidated real asset portfolio investments of $979.4 million and $599.9 million as of June 30, 2012 and 2011, respectively. Based on the structure, duration, and nature of the debt being consolidated, the amounts approximate the fair value of the debt as of each reporting period. This debt is specific to real assets held by the investment portfolio, and does not extend to other assets held by the University.

4. FAIR VALUE OF INVESTMENT ASSETS AND LIABILITIES

The University's investments have been categorized based upon the fair value hierarchy in accordance with ASC 820. The ASC 820 fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value of investment assets and liabilities into three levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are:

LEVEL 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

LEVEL 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

LEVEL 3 Prices or valuations that require inputs that are significant to the fair value measurement, unobservable and/or require the University to develop its own assumptions.

The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Transfers between levels are recognized at the beginning of the year.

Investments that trade in inactive markets, but are valued based on quoted market prices, broker/dealer quotations, or independent pricing services supported by observable inputs are primarily classified within Level 2. These may include non-exchange traded equity and fixed income securities, securities subject to restriction, and certain over the counter derivatives. In evaluating the level at which the University's externally managed investments have been classified within this hierarchy, management has assessed factors including, but not limited to price transparency, the ability to redeem these investments at NAV at the measurement date, and the existence or absence of certain restrictions at the measurement date. Investments in externally managed funds generally have limited redemption options for investors and, subsequent to final closing, may or may not permit subscriptions by new or existing investors. These entities may also have the ability to impose gates, lockups, and other restrictions on an investor's ability to readily redeem out of their investment interest in the fund. At June 30, 2012 and 2011, certain externally managed funds where the University has the ability and the right to redeem interests within the next twelve months have been classified as Level 2 investments.

The University's Level 3 investments consist almost entirely of investments managed by external advisors, and direct investments in natural resources and real estate. Externally managed investments are generally valued using the most current information received from the external advisor, subject to assessments that the value is representative of fair value and in consideration of any additional factors deemed pertinent to the valuations. Direct investments are primarily valued using a combination of independent appraisals, when available, and/or other industry standard methodologies as applicable. Level 3 investments also include certain over the counter derivative products primarily valued using independent broker quotes. Valuations determined using significant and unobservable inputs or assumptions are subject to additional review and consideration by management; the University strives to corroborate information from third-party sources for relevance and accuracy. Valuation policies for these types of investments are further discussed in *Note 3*.

The following is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2012 (in thousands of dollars):

	Level 1	Level 2	Level 3	Total
INVESTMENT ASSETS:				
Cash and short-term investments	$ 926,896			**$ 926,896**
Domestic common and convertible equity	190,117	$ 1,693,625	$ 1,807,661	**3,691,403**
Foreign common and convertible equity	82,331	1,056,359	713,439	**1,852,129**
Domestic fixed income	5,212,122	100,678	319	**5,313,119**
Foreign fixed income	1,797,397	3,120		**1,800,517**
Emerging market equity and debt	2,540,972	213,363	204,712	**2,959,047**
High yield	12,936	962,175	595,763	**1,570,874**
Absolute return		2,734,708	2,017,046	**4,751,754**
Private equities		1,952	7,193,196	**7,195,148**
Real assets	63,430	71,316	10,036,845	**10,171,591**
Inflation-indexed bonds	936,662			**936,662**
Due from brokers	30,743	242,474	26,302	**299,519**
Other investments	19,279	1,321	7,862	**28,462**
TOTAL INVESTMENT PORTFOLIO ASSETS*	**11,812,885**	**7,081,091**	**22,603,145**	**41,497,121**
Interests in trusts held by others			343,798	**343,798**
TOTAL INVESTMENT ASSETS	**$ 11,812,885**	**$ 7,081,091**	**$ 22,946,943**	**$ 41,840,919**

* *Excludes repurchase and securities borrowing agreements and other assets of $8,271,540.*

	Level 1	Level 2	Level 3	Total
INVESTMENT LIABILITIES:				
Equity and convertible securities sold, not yet purchased	$ 36,792	$ 2,062		**$ 38,854**
Fixed income securities sold, not yet purchased	3,233,121	110,810		**3,343,931**
Due to brokers	6,416	437,719	$ 1,270	**445,405**
TOTAL INVESTMENT LIABILITIES**	**3,276,329**	**550,591**	**1,270**	**3,828,190**
Liabilities due under split interest agreements		670,242		**670,242**
TOTAL LIABILITIES	**$ 3,276,329**	**$ 1,220,833**	**$ 1,270**	**$ 4,498,432**

** *Includes fair value of interest rate exchange agreements of $381,893 and excludes reverse repurchase and securities lending agreements and other liabilities of $8,466,436.*

The following is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2011 (in thousands of dollars):

	Level 1	Level 2	Level 3	Total
INVESTMENT ASSETS:				
Cash and short-term investments	$ 1,363,712			**$ 1,363,712**
Domestic common and convertible equity	298,522	$ 1,749,239	$ 1,948,111	**3,995,872**
Foreign common and convertible equity	158,333	1,092,772	886,485	**2,137,590**
Domestic fixed income	5,064,584	1,969	12,405	**5,078,958**
Foreign fixed income	3,138,090			**3,138,090**
Emerging market equity and debt	1,757,074	365,313	288,984	**2,411,371**
High yield	20,366	776,190	858,459	**1,655,015**
Absolute return		2,733,664	2,299,749	**5,033,413**
Private equities		45,020	7,312,137	**7,357,157**
Real assets	73,736	77,889	8,680,598	**8,832,223**
Inflation-indexed bonds	1,323,144			**1,323,144**
Due from brokers	21,813	912,681	63,507	**998,001**
Other investments	28,856	1,744	3,677	**34,277**
TOTAL INVESTMENT PORTFOLIO ASSETS*	**13,248,230**	**7,756,481**	**22,354,112**	**43,358,823**
Interests in trusts held by others			351,408	**351,408**
TOTAL INVESTMENT ASSETS	**$ 13,248,230**	**$ 7,756,481**	**$ 22,705,520**	**$ 43,710,231**

* *Excludes repurchase and securities borrowing agreements and other assets of $10,226,752.*

	Level 1	Level 2	Level 3	Total
INVESTMENT LIABILITIES:				
Equity and convertible securities sold, not yet purchased	$ 358,553			**$ 358,553**
Fixed income securities sold, not yet purchased	4,225,876			**4,225,876**
Due to brokers	34,513	$ 1,160,179	$ 9,183	**1,203,875**
TOTAL INVESTMENT LIABILITIES**	**4,618,942**	**1,160,179**	**9,183**	**5,788,304**
Liabilities due under split interest agreements		771,568		**771,568**
TOTAL LIABILITIES	**$ 4,618,942**	**$ 1,931,747**	**$ 9,183**	**$ 6,559,872**

** *Includes fair value of interest rate exchange agreements of $400,568 and excludes reverse repurchase and securities lending agreements and other liabilities of $8,547,510.*

The following is a rollforward of Level 3 investments for the year ended June 30, 2012 (in thousands of dollars):

	Beginning balance as of July 1, 2011	Realized gains/ (losses)	Change in unrealized gains/(losses)*	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3**	Ending balance as of June 30, 2012
INVESTMENT ASSETS:								
Domestic common and convertible equity	$ 1,948,111	$ 134,362	$ 109,828	$ 212,045	$ (653,700)	$ 57,015		**$ 1,807,661**
Foreign common and convertible equity	886,485	38,737	(152,352)	138,770	(238,737)	40,536		**713,439**
Domestic fixed income	12,405	1,680	111	14,133	(23,498)		$ (4,512)	**319**
Emerging market equity and debt	288,984	(50,485)	(93,460)	51,476	(168,518)	176,715		**204,712**
High yield	858,459	38,501	30,168	86,320	(229,986)	30,738	(218,437)	**595,763**
Absolute return	2,299,749	255,439	(241,720)	474,511	(986,508)	216,618	(1,043)	**2,017,046**
Private equities	7,312,137	596,506	(453,981)	991,832	(1,294,758)	41,460		**7,193,196**
Real assets	8,680,598	72,368	662,569	1,660,883	(1,046,146)	6,573		**10,036,845**
Due from brokers	63,507	(101)	(19,009)		(18,095)			**26,302**
Other investments	3,677	6	4,179					**7,862**
TOTAL INVESTMENT PORTFOLIO ASSETS	**22,354,112**	**1,087,013**	**(153,667)**	**3,629,970**	**(4,659,946)**	**569,655**	**(223,992)**	**22,603,145**
Interests in trusts held by others	351,408		(7,610)					**343,798**
TOTAL INVESTMENT ASSETS	**$ 22,705,520**	**$ 1,087,013**	**$ (161,277)**	**$ 3,629,970**	**$ (4,659,946)**	**$ 569,655**	**$ (223,992)**	**$ 22,946,943**
INVESTMENT LIABILITIES:								
Due to brokers	$ 9,183	$ (527)	$ (7,913)	$ 527				**$ 1,270**
TOTAL INVESTMENT LIABILITIES	**$ 9,183**	**$ (527)**	**$ (7,913)**	**$ 527**				**$ 1,270**

* *Total change in unrealized gains/(losses) relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2012 is $(573,061) and is reflected in "Realized and unrealized (depreciation)/appreciation, net" in the Statements of Changes in Net Assets.*

** *Changes in classification for certain externally managed funds from Level 3 to Level 2 are included in the above table as transfers out of Level 3.*

The following is a rollforward of Level 3 investments for the year ended June 30, 2011 (in thousands of dollars):

	Beginning balance as of July 1, 2010	Realized gains/ (losses)	Change in unrealized gains/(losses)*	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3**	Ending balance as of June 30, 2011
INVESTMENT ASSETS:								
Domestic common and convertible equity	$ 1,977,249	$ 111,921	$ 902,554	$ 12,507	$ (292,430)		$ (763,690)	**$ 1,948,111**
Foreign common and convertible equity	711,184	(103,157)	555,610		(59,742)		(217,410)	**886,485**
Domestic fixed income	24,613	7,734	(4,024)	25,322	(48,449)	$ 7,209		**12,405**
Foreign fixed income		(1,095)	1,095					
Emerging market equity and debt	418,433	42,924	53,188	88,054	(677,190)	364,961	(1,386)	**288,984**
High yield	869,213	(6,474)	118,179	839,377	(270,074)		(691,762)	**858,459**
Absolute return	2,679,639	268,961	277,213	658,737	(1,293,301)		(291,500)	**2,299,749**
Private equities	6,358,302	575,938	949,492	1,100,628	(1,792,791)	165,640	(45,072)	**7,312,137**
Real assets	6,145,956	156,546	1,274,343	1,893,867	(771,784)		(18,330)	**8,680,598**
Due from brokers	45,973	3,659	325	17,138	(3,554)		(34)	**63,507**
Other investments	3,062	2	613					**3,677**
TOTAL INVESTMENT PORTFOLIO ASSETS	**19,233,624**	**1,056,959**	**4,128,588**	**4,635,630**	**(5,209,315)**	**537,810**	**(2,029,184)**	**22,354,112**
Interests in trusts held by others	297,629		53,779					**351,408**
TOTAL INVESTMENT ASSETS	**$ 19,531,253**	**$ 1,056,959**	**$ 4,182,367**	**$ 4,635,630**	**$ (5,209,315)**	**$ 537,810**	**$ (2,029,184)**	**$ 22,705,520**
INVESTMENT LIABILITIES:								
Equity and convertible securities sold, not yet purchased	$ 209	$ 202	$ (135)	$ (276)				
Fixed income securities sold, not yet purchased	620	(2,104)	548	936				
Due to brokers	15,901	898	(151)	(1,626)	$ (5,839)			**$ 9,183**
TOTAL INVESTMENT LIABILITIES	**$ 16,730**	**$ (1,004)**	**$ 262**	**$ (966)**	**$ (5,839)**			**$ 9,183**

* *Total change in unrealized gains/(losses) relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2011 is $2,766,382 and is reflected in "Realized and unrealized appreciation/(depreciation), net" in the Statements of Changes in Net Assets.*

** *Changes in classification for certain externally managed funds from Level 3 to Level 2 are included in the above table as transfers out of Level 3.*

The University has entered into agreements with private equity and real asset partnerships and other external investment managers, which include commitments to make periodic contributions in the form of cash in future periods. The amounts of these expected disbursements as of June 30, 2012 and 2011 are broken out below (in thousands of dollars):

	As of June 30, 2012		
	Fair value*	Remaining unfunded commitments	Estimated remaining life**
Private equities	$ 6,494,120	$ 2,382,070	4–10
Real assets	3,214,819	1,606,028	4–10
Other externally managed funds***	850,114	587,441	2–8
TOTAL	**$ 10,559,053**	**$ 4,575,539**	

	As of June 30, 2011		
	Fair value*	Remaining unfunded commitments	Estimated remaining life**
Private equities	$ 6,428,104	$ 2,888,016	5–10
Real assets	2,356,477	2,050,947	5–10
Other externally managed funds***	1,155,327	490,249	2–8
TOTAL	**$ 9,939,908**	**$ 5,429,212**	

* *Represents the fair value of the funded portion of investments with remaining unfunded commitments for each asset class.*
** *The estimated remaining lives of these funds, expressed in years, are forward-looking projections based on management's estimates and could vary significantly depending on the investment decisions of external managers, changes in the University's investment portfolio, and other circumstances.*
*** *Investments in externally managed funds primarily include exposures to absolute return, domestic, foreign, and emerging equities, and high yield asset classes.*

The University's interests in many of its partnership investments (primarily private equity and real estate) generally represent commitments that are not subject to redemption; instead the University is a limited partner in funds that invest in private companies or properties, or pursue specific investment strategies. The nature of these investments is that distributions are received through the liquidation of the underlying assets of the partnership. The fair value of the investments in these asset classes has generally been estimated using the University's capital account balance with each partnership, unless management has deemed the NAV to be an inappropriate representation of fair value. The University generally classifies its interest in these types of entities as Level 3 investments within the aforementioned fair value hierarchy.

5. DERIVATIVES

The University uses a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement, which are exchange traded or executed over the counter. These instruments are used in both the core portfolio to increase or decrease exposure to a given asset class and in the relative value strategies, with the goal of enhancing the returns of certain asset classes. The University may also invest in derivative instruments when it believes investments or other derivatives are mispriced in relation to other investments, and the University can benefit from such mispricing. The fair value of these financial instruments is included in the "Investment portfolio, at fair value" and "Securities lending and other liabilities associated with the investment portfolio" line items of the *Balance Sheets*, with changes in fair value reflected as "Realized and changes in unrealized appreciation/(depreciation), net" within the *Statements of Changes in Net Assets*.

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.

Derivative instruments entered into by limited partnerships and commingled investment vehicles pose no direct off-balance sheet risk to the University due to the limited liability structure of the investments.

The following table presents the gross fair values and the net profit/(loss) from derivatives by primary risk exposure for the year ended June 30, 2012 (in thousands of dollars):

	As of June 30, 2012		For the year ended June 30, 2012
Primary risk exposure	Gross derivative assets	Gross derivative liabilities	Net profit/(loss)
Equity instruments:			
Equity futures		$ 3,615	$ 58,307
Equity options	$ 58,236	31,730	7,871
Equity exchange agreements	83,168	55,589	(488,127)
TOTAL EQUITY INSTRUMENTS	**141,404**	**90,934**	**(421,949)**
Fixed income instruments:			
Fixed income futures	10,069	5,075	(113,800)
Fixed income options	5,409	4,194	796
Interest rate exchange agreements[1]	776,602	1,070,542	(205,686)
Interest rate caps and floors	169,899	172,167	303
TOTAL FIXED INCOME INSTRUMENTS	**961,979**	**1,251,978**	**(318,387)**
Commodity instruments:			
Commodity futures	26,619	30,052	19,898
Commodity options	53,846	41,019	2,706
Commodity exchange agreements	42,660	18,109	(62,253)
TOTAL COMMODITY INSTRUMENTS	**123,125**	**89,180**	**(39,649)**
Currency instruments:			
Currency forwards	1,780,893	1,777,928	71,673
Currency options	42,498	11,581	(2,087)
Currency exchange agreements	34,649	21,013	4,558
TOTAL CURRENCY INSTRUMENTS	**1,858,040**	**1,810,522**	**74,144**
CREDIT INSTRUMENTS	**47,071**	**34,878**	**(6,099)**
TOTAL	**3,131,619**	**3,277,492**	**$ (711,940)**
Counterparty netting[2]	(2,820,570)	(2,820,556)	
INCLUDED IN INVESTMENT PORTFOLIO, AT FAIR VALUE	**$ 311,049**	**$ 456,936**	

[1] *Includes $11,531 and $393,424 of gross derivative assets and liabilities, respectively, and a net profit/(loss) of $(140,219), related to interest rate exchange agreements on the University's debt portfolio, further discussed in Note 12.*

[2] *GAAP permits the netting of derivative assets and liabilities and the related cash collateral received and paid when a legally enforceable master netting agreement exists between the University and a derivative counterparty.*

The following table presents the gross fair values and the net profit/(loss) from derivatives by primary risk exposure for the year ended June 30, 2011 (in thousands of dollars):

	As of June 30, 2011		For the year ended June 30, 2011
Primary risk exposure	Gross derivative assets	Gross derivative liabilities	Net profit/ (loss)
Equity instruments:			
Equity futures		$ 1,090	$ (400)
Equity options	$ 37,715	7,894	1,016
Equity exchange agreements	75,846	71,649	675,299
TOTAL EQUITY INSTRUMENTS	**113,561**	**80,633**	**675,915**
Fixed income instruments:			
Fixed income futures	28,014	17,401	7,376
Fixed income options	6,259	5,033	(3,678)
Interest rate exchange agreements[1]	662,684	929,106	34,733
Interest rate caps and floors	65,781	67,942	32,692
TOTAL FIXED INCOME INSTRUMENTS	**762,738**	**1,019,482**	**71,123**
Commodity instruments:			
Commodity futures	9	9	
Commodity exchange agreements	6,314	2,204	231,309
COMMODITY INTSTRUMENTS	**6,323**	**2,213**	**231,309**
Currency instruments:			
Currency forwards	1,663,481	1,686,469	(31,707)
Currency options	52,753	32,822	(6,694)
Currency exchange agreements	21,852	10,949	11,666
TOTAL CURRENCY INSTRUMENTS	**1,738,086**	**1,730,240**	**(26,735)**
CREDIT INSTRUMENTS	**48,751**	**42,226**	**(24,329)**
TOTAL	**2,669,459**	**2,874,794**	**$ 927,283**
Counterparty netting[2]	(1,662,597)	(1,662,058)	
INCLUDED IN INVESTMENT PORTFOLIO, AT FAIR VALUE	**$ 1,006,862**	**$ 1,212,736**	

[1] *Includes $8,861 and $409,429 of gross derivative assets and liabilities, respectively, and a net profit/(loss) of $7,877, related to interest rate exchange agreements on the University's debt portfolio, further discussed in Note 12.*

[2] *GAAP permits the netting of derivative assets and liabilities and the related cash collateral received and paid when a legally enforceable master netting agreement exists between the University and a derivative counterparty.*

The following section details the accounting for each type of derivative contract, as well as the University's intended purpose for entering into each type of derivative instrument.

Options

The University purchases and sells put and call options to take advantage of mispricing due to expectations in the marketplace of future volatility of the underlying instruments. When purchasing an option, the University pays a premium, which is included in the pooled general investment account table in *Note 3* as an asset and subsequently marked-to-market to reflect the current value of the option. Premiums paid for purchased options that expire unexercised are treated as realized losses within the *Statements of Changes in Net Assets*.

When the University sells (writes) a call or put option, an amount equal to the premium received is recorded as a liability in the pooled general investment account table in *Note 3* and subsequently marked-to-market to reflect the current fair value of the option written. Premiums received from writing options that expire unexercised are treated as realized gains within the *Statements of Changes in Net Assets*.

When a purchased option is closed before expiration or exercise, the University records a realized gain or loss equal to the difference between the proceeds received upon closing and the premium paid. When a written option is closed before expiration or exercise, the University records a realized gain or loss equal to the difference between the cost to close the option and the premium received from selling the option.

During fiscal 2012, the University transacted approximately 500 equity and fixed income option trades with an average transaction size of approximately 2,500 contracts. Additionally, the University transacted approximately 400 currency option contracts with average USD equivalent notional amounts of approximately $23.0 million per contract.

During fiscal 2011, the University transacted approximately 500 equity and fixed income option trades with an average transaction size of approximately 3,500 contracts. Additionally, the University transacted approximately 275 currency option contracts with average USD equivalent notional amounts of approximately $25.0 million per contract.

Swap contracts

The University enters into swap contracts, which are contracts between two parties to exchange future cash flows at periodic intervals based on a notional principal amount. Payments are exchanged at specified intervals, accrued daily commencing with the effective date of the contract and recorded as realized gains or losses. Gains or losses are realized in the event of an early termination of a swap contract. Risks of loss may include unfavorable changes in the returns of the underlying instruments or indexes, adverse fluctuations of interest rates, failure of the counterparty to perform under the terms of the agreement, and lack of liquidity in the market.

Collateral in the form of securities or cash may be posted to or received from the swap counterparty in accordance with the terms of the swap contract. Realized gains or losses are recorded within the *Statements of Changes in Net Assets* on periodic payments received or made on swap contracts and with respect to swaps that are closed prior to termination date. When the University enters into a swap transaction, it may make or receive a payment equal to the value of the swap on the entry date and amortizes such payments to realized gain or loss over the outstanding term of the swap. The terms of the swap contracts can vary, and they are reported at fair value based on a valuation model or a counterparty provided price.

The University enters into swap contracts to increase or decrease its exposure to changes in the level of interest rates, underlying asset values and/or credit risk. In the normal course of its trading activities, the University enters into credit default, interest rate, and total return swap contracts.

Credit default contracts

The University enters into credit derivatives to simulate long and short bond exposure that is either unavailable or considered to be less attractively priced in the bond market, or to hedge exposure obtained in the bond market.

The University also uses these derivatives to reduce risk where it has exposure to the issuer, or to take an active long or short position with respect to the likelihood of an event of default. The reference obligation of the derivative can be a single issuer, a "basket" of issuers, or an index. During fiscal 2012, the University transacted approximately 700 credit default contracts with average notional amounts of approximately $22.0 million. During fiscal 2011, the University transacted approximately 600 credit default contracts with average notional amounts of approximately $11.5 million.

In instances where the University has purchased credit protection on an underlying reference obligation, the University is obligated to pay the seller of the credit protection a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to the underlying reference obligation. The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. The amount paid for purchased protection is typically a nominal percentage of the notional amount. In instances where the University has sold credit protection on an underlying reference obligation, the University receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, and in some instances up to ten years. In the case where the University sold credit protection, if a credit event occurs, the University may cash settle the contract or pay the purchaser of credit protection the full notional value of the contract in exchange for the reference obligation.

As of June 30, 2012, the University's purchased and written credit derivatives had gross notional amounts of $1.8 billion and $0.3 billion, respectively, for total net purchased protection of $1.5 billion in notional value. As of June 30, 2011, the University's purchased and written credit derivatives had gross notional amounts of $2.0 billion and $0.2 billion, respectively, for total net purchased protection of $1.8 billion in notional value.

The table below summarizes certain information regarding credit protection purchased and written as of June 30, 2012 and 2011 (in thousands of dollars):

	As of June 30, 2012							
	Purchased protection		Written protection					
			Years to maturity					
Credit rating on underlying	Purchased notional amount*	Purchased fair value	< 5 years	5-10 years	Total written notional	Offsetting purchased notional**	Net written notional	Net written credit protection fair value
A- to AAA	$ 654,143	$ 2,777	$ 75,000	$ 23,000	$ 98,000	$ 12,000	$ 86,000	$ (3,269)
BBB- to BBB+	854,000	769	50,000		50,000		50,000	3,601
Non-investment grade	252,208	31,922	113,042		113,042	12,000	101,042	(23,606)
TOTAL	**$ 1,760,351**	**$ 35,468**	**$ 238,042**	**$ 23,000**	**$ 261,042**	**$ 24,000**	**$ 237,042**	**$ (23,274)**

	As of June 30, 2011							
	Purchased protection		Written protection					
			Years to maturity					
Credit rating on underlying	Purchased notional amount*	Purchased fair value	< 5 years	5-10 years	Total written notional	Offsetting purchased notional**	Net written notional	Net written credit protection fair value
A- to AAA	$ 584,750	$ 194	$ 14,498	$ 26,500	$ 40,998	$ 17,998	$ 23,000	$ 166
BBB- to BBB+	1,210,115	(271)		28,500	28,500		28,500	(326)
Non-investment grade	175,368	32,905	38,581	59,386	97,967	24,250	73,717	(29,735)
TOTAL	**$ 1,970,233**	**$ 32,828**	**$ 53,079**	**$ 114,386**	**$ 167,465**	**$ 42,248**	**$ 125,217**	**$ (29,895)**

* *Amounts shown are net of purchased credit protection that directly offsets written credit protection, as discussed in the note (**) below.*
** *Offsetting purchased credit derivatives represent the notional amount of purchased credit derivatives to the extent they hedge written credit derivatives with identical underlyings.*

Credit ratings on the underlying reference obligation, together with the period of expiration, are indicators of payment/performance risk. For example, the seller of credit protection is least likely to pay or otherwise be required to perform where the credit ratings are AAA and the period of expiration is "< 5 years". The likelihood of payment or performance is generally greater as the credit ratings fall and period of expiration increases.

Interest rate contracts

The University enters into interest rate swaps (including swaptions) to hedge certain investment positions against interest rate fluctuations; to benefit from interest rate fluctuations; to obtain better interest rate terms than it would have been able to get without the swap; or to manage the interest, cost, and risk associated with its outstanding debt and to hedge issuance of future debt. Interest rate swaps involve the exchange by the University with another party of its respective commitments to pay or receive interest at specified intervals based on a notional amount of principal.

During fiscal 2012, the University transacted approximately 3,500 interest rate swap and cap and floor contracts with average notional amounts of approximately $200.0 million. During fiscal 2011, the University transacted approximately 3,500 interest rate swap and cap and floor contracts with average notional amounts of approximately $400.0 million.

Total return swaps

The University enters into total return swaps to manage its exposure to market fluctuations in various asset classes. Total return swaps involve commitments to pay interest in exchange for a market linked return, both based on notional amounts. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the University will receive a payment from or make a payment to the counterparty, respectively. During fiscal 2012, the University transacted approximately 400 commodity swap contracts, 700 equity swap contracts, and 200 currency swap contracts with average notional amounts of approximately $12.0 million,

$10.0 million, and $8.0 million, respectively. During fiscal 2011, the University transacted approximately 90 commodity swap contracts, 1,300 equity swap contracts, and 250 currency swap contracts with average notional amounts of approximately $30.0 million, $2.5 million, and $13.0 million, respectively.

Forward currency contracts

The University enters into forward currency contracts in connection with settling planned purchases or sales of securities, for investment purposes, or to hedge the currency exposure associated with some or all of the University's portfolio securities. A forward currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The value of a forward currency contract fluctuates with changes in forward currency exchange rates. Forward currency contracts are marked-to-market daily and the change in fair value is recorded by the University as an unrealized gain or loss. Realized gains or losses equal to the difference between the fair value of the contract at the time it was opened and the fair value at the time it was closed are recorded upon delivery or receipt of the currency or, if a forward currency contract is offset by entering into another forward currency contract with the same broker, upon settlement of the net gain or loss. During fiscal 2012, the University transacted approximately 5,700 forward currency contracts with average USD equivalent notional amounts of approximately $3.0 million. During fiscal 2011, the University transacted approximately 5,000 forward currency contracts with average USD equivalent notional amounts of approximately $2.3 million.

Futures contracts

The University uses futures contracts to manage its exposure to financial markets, including to hedge such exposures. Buying futures tends to increase the University's exposure to the underlying instrument. Selling futures tends to decrease exposure to the underlying instrument. Upon entering into a futures contract, the University is required to deposit with its prime broker an amount of cash or liquid securities in accordance with the initial margin requirements of the broker or exchange.

Gains and losses are realized when the contracts expire or are closed. Futures contracts are marked-to-market daily based on settlement prices established by the board of trade or exchange on which they are traded, and an appropriate payable or receivable for the change in fair value is recorded by the University. During fiscal 2012, the University transacted approximately 10,000 futures trades with an average transaction size of approximately 100 contracts. During fiscal 2011, the University transacted approximately 5,000 futures trades with an average transaction size of approximately 100 contracts.

Counterparty credit exposure

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 US 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 by the University and are adjusted according to policy.

Some of the financial instruments entered into by the University contain credit-risk-related contingency features that allow the parties to the agreement to demand immediate payment for outstanding contracts and/or collateral. If material credit-risk-related contingency features were triggered on June 30, 2012 and 2011, the additional collateral due to counterparties for derivative contracts would have been $6.4 million and $19.5 million, respectively.

6. RECEIVABLES

The major components of receivables, net of reserves for doubtful accounts of $12.0 million and $13.1 million as of June 30, 2012 and 2011, respectively, were as follows (in thousands of dollars):

	2012	2011
Federal sponsored support	**$ 66,902**	$ 63,557
Publications	**37,114**	31,113
Gift receipts	**27,167**	7,402
Executive education	**23,286**	22,978
Non-federal sponsored support	**13,450**	13,108
Tuition and fees	**12,807**	12,670
Other	**46,675**	48,403
TOTAL RECEIVABLES, NET	**$ 227,401**	**$ 199,231**

7. NOTES RECEIVABLE

Notes receivable are recorded initially at face value plus accrued interest, which approximates fair value. Notes receivable, and the related allowance for doubtful accounts, were as follows (in thousands of dollars):

	2012			2011		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student loans:						
Government revolving	$ 80,039	$ 2,619	**$ 77,420**	$ 80,664	$ 2,509	**$ 78,155**
Institutional	83,931	2,955	**80,976**	82,244	2,800	**79,444**
Federally insured	985		**985**	1,434		**1,434**
Total student loans	164,955	5,574	**159,381**	164,342	5,309	**159,033**
Faculty and staff loans	187,081	422	**186,659**	185,788	422	**185,366**
Other loans	22,393	4,867	**17,526**	22,932	3,975	**18,957**
TOTAL	**$ 374,429**	**$ 10,863**	**$ 363,566**	**$ 373,062**	**$ 9,706**	**$ 363,356**

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan Program and certain other programs. These advances totaled $67.0 million as of June 30, 2012 and 2011, 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.

Faculty and staff notes receivable primarily consists of mortgage 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.

The University assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, and, where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the University reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on these reviews. The University considers the allowance at June 30, 2012 and 2011 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

8. PLEDGES RECEIVABLE

Unconditional promises to donate to the University in the future are initially recorded at fair value (pledge net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. Discounts of $34.4 million and $41.8 million for the years ended June 30, 2012 and 2011, respectively, were calculated using discount factors based on the appropriate US Treasury Note rates for pledges received prior to the adoption of ASC 820, and using the University's taxable unsecured borrowing rate for pledges received since fiscal 2009.

Pledges receivable included in the financial statements as of June 30, 2012 and 2011 are expected to be realized as follows (in thousands of dollars):

	2012	2011
Within one year	**$ 157,294**	$ 134,080
Between one and five years	**629,175**	536,317
More than five years	**210,582**	193,902
Less: discount and allowance for uncollectible pledges	**(88,493)**	(105,858)
TOTAL PLEDGES RECEIVABLE, NET	**$ 908,558**	**$ 758,441**

Pledges receivable as of June 30, 2012 and 2011 have been designated for the following purposes (in thousands of dollars):

	2012	2011
General Operating Account balances:		
Gifts for current use	**$ 429,859**	$ 330,138
Non-federal sponsored grants	**106,149**	95,768
Loan funds and facilities	**62,391**	47,886
Total General Operating Account balances	**598,399**	473,792
Endowment	**310,159**	284,649
TOTAL PLEDGES RECEIVABLE, NET	**$ 908,558**	**$ 758,441**

Because of uncertainties with regard to realizability and valuation, bequest intentions and other conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled $63.8 million and $30.4 million as of June 30, 2012 and 2011, respectively.

9. FIXED ASSETS

Fixed assets are reported at cost or, if a gift, 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, 2012 and 2011 are summarized as follows (in thousands of dollars):

	2012	2011	Estimated useful life (in years)
Research facilities	**$ 2,091,652**	$ 1,990,895	*
Classroom and office facilities	**1,572,065**	1,324,352	35
Housing facilities	**1,173,626**	1,150,756	35
Other facilities	**526,102**	519,968	35
Service facilities	**568,626**	561,422	35
Libraries	**434,622**	408,666	35
Museums and assembly facilities	**312,214**	310,440	35
Athletic facilities	**167,427**	165,221	35
Land	**698,673**	695,570	N/A
Construction in progress	**719,589**	807,095	N/A
Equipment	**950,602**	864,903	**
SUBTOTAL AT COST	**9,215,198**	8,799,288	
Less: accumulated depreciation	**(3,438,653)**	(3,152,211)	
FIXED ASSETS, NET	**$ 5,776,545**	**$ 5,647,077**	

* *Estimated useful lives of components range from 10 to 45 years.*
** *Estimated useful lives of equipment range from 3 to 8 years.*

Certain University facilities are subject to restrictions as to use, structural modifications, and ownership transfer. Included in the fixed asset balances are restricted facilities with a net book value of $226.4 million and $222.3 million as of June 30, 2012 and 2011, respectively.

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

Equipment includes general and scientific equipment, computers, software, furniture, and vehicles.

The University has asset retirement obligations of $61.3 million and $67.4 million, which are included in the "Deposits and other liabilities" in the *Balance Sheets* as of June 30, 2012 and 2011, respectively.

10. ENDOWMENT

The University's endowment consists of approximately 12,000 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 and state law. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds historic dollar value. Unrestricted net assets were reduced by $23.4 million and $13.1 million for such losses in fiscal 2012 and 2011, respectively. Although funds functioning as endowment are not subject to 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 include the present values of expected future cash flows from outside trusts and the fair value of the underlying assets of perpetual trusts, are recognized as assets and increases in net assets when the required trust documentation is provided to the University. The fair values of these trusts are provided by the external trustees and are adjusted annually by the University. These are included as Level 3 investments in the fair value hierarchy table in *Note 4*.

The endowment consisted of the following as of June 30, 2012 and 2011 (in thousands of dollars):

	2012				2011
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Endowment funds	$ (23,417)	$ 17,204,271	$ 5,064,566	**$ 22,245,420**	$ 23,131,202
Funds functioning as endowment	5,385,753	2,511,525		**7,897,278**	8,288,451
Pledge balances		34,552	275,607	**310,159**	284,649
Interests in trusts held by others		12,946	279,731	**292,677**	308,427
TOTAL ENDOWMENT	**$ 5,362,336**	**$ 19,763,294**	**$ 5,619,904**	**$ 30,745,534**	**$ 32,012,729**

The University's endowment distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and generate a predictable stream of available income. Each fall, the Corporation approves the endowment distribution for the following fiscal year. The endowment distribution is based on presumptive guidance from a formula that is intended to provide budgetary stability by smoothing the impact of annual investment gains and losses. The formula's inputs reflect expectations about long-term returns and inflation rates. For fiscal 2012, the endowment distribution approved by the Corporation (prior to decapitalizations) was equal to 4.6% of the fair value of the endowment invested in the GIA as of the beginning of the fiscal year. The total endowment distribution made available for operations was $1.4 billion and $1.3 billion in fiscal 2012 and 2011, respectively.

Each year the Corporation also approves certain decapitalizations from the endowment to support strategic, mission-critical activities or objectives that are typically one-time or time-limited. These decapitalizations totaled $308.5 million and $105.0 million in fiscal 2012 and 2011, respectively. These additional decapitalizations, in combination with the endowment distribution, resulted in an aggregate payout rate of 5.5% and 5.3% in fiscal 2012 and 2011, respectively.

11. 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 (SIA) investment assets are invested primarily in the GIA and publicly traded securities, a small segment is managed by an external advisor, and all are recorded at fair value as discussed in *Notes 3* and *4*. The publicly traded securities are included as Level 1 and externally managed investments are included as Level 3 investments in the fair value hierarchy table in *Note 4*. Associated liabilities are recorded at the present value of estimated future payments due to beneficiaries and other institutions. These liabilities were calculated using discount factors based on the appropriate US Treasury Note rates for gifts received prior to the adoption of ASC 820, and using the University's current taxable unsecured borrowing rate for gifts received beginning in fiscal 2009.

The changes in split interest agreement net assets for fiscal 2012 and 2011 were as follows (in thousands of dollars):

	2012			2011
	Temporarily restricted	Permanently restricted	Total	Total
Investment return:				
Investment income	$ 3,571	$ 10,392	**$ 13,963**	$ 15,670
Realized and unrealized appreciation/(depreciation), net	(7,112)	(20,697)	**(27,809)**	193,148
Total investment return	(3,541)	(10,305)	**(13,846)**	208,818
Gifts for capital (*Note 17*)*	6,671	13,497	**20,168**	24,891
Payments to annuitants	(14,899)	(43,358)	**(58,257)**	(58,925)
Transfers to endowment	(18,684)	(39,583)	**(58,267)**	(56,000)
Transfers between SIA and the GOA	(12,053)	(2,182)	**(14,235)**	(14,100)
Change in liabilities and other adjustments	39,238	117,658	**156,896**	(8,868)
NET CHANGE DURING THE YEAR	**(3,268)**	**35,727**	**32,459**	**95,816**
Total split interest agreement net assets, beginning of year	**73,973**	**443,816**	**517,789**	421,973
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, end of year	**$ 70,705**	**$ 479,543**	**$ 550,248**	**$ 517,789**

* *Shown at net present value. The undiscounted value of these gifts was $51,045 and $41,807 for the years ended June 30, 2012 and 2011, respectively.*

Split interest agreement net assets as of June 30, 2012 and 2011 consisted of the following (in thousands of dollars):

	2012	2011
Split interest agreement investments (*Note 3*):		
Charitable remainder trusts	**$ 786,258**	$ 842,092
Charitable lead trusts	**115,618**	117,115
Charitable gift annuities	**213,847**	225,335
Pooled income funds	**104,767**	104,815
Total split interest agreement investments	**1,220,490**	1,289,357
Liabilities due under split interest agreements:		
Amounts due to beneficiaries	**(560,474)**	(656,138)
Amounts due to other institutions	**(109,768)**	(115,430)
Total liabilities due under split interest agreements	**(670,242)**	(771,568)
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, end of year	**$ 550,248**	**$ 517,789**

12. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2012 and 2011 were as follows (in thousands of dollars):

	Fiscal year of issue	Years to final maturity*	One-year yield**	Outstanding principal 2012***	Outstanding principal 2011****
Tax-exempt bonds and notes payable:					
Variable-rate bonds and notes payable:					
Series R - daily	2000-2006	20	0.1%	**$ 131,200**	$ 131,200
Series Y - weekly	2000	23	0.1	**117,905**	117,905
Commercial paper	2012	<1	0.2	**288,735**	319,681
Total variable-rate bonds and notes payable			0.1	**537,840**	568,786
Fixed-rate bonds:					
Series N	1992	8	6.3	**79,210**	79,109
Series Z	2001	1	5.7	**10,143**	19,748
Series DD	2002	N/A	5.0		135,071
Series FF	2003	25	5.1	**185,154**	185,312
Series 2005A	2005	24	4.8	**93,049**	93,213
Series 2005B	2006	20	4.8	**104,324**	104,512
Series 2005C	2006	23	4.9	**129,469**	129,622
Series 2008B	2008	26	4.8	**215,829**	216,094
Series 2009A	2009	24	5.4	**984,205**	985,106
Series 2010A	2010	22	4.5	**523,579**	526,987
Series 2010B	2011	28	4.6	**657,918**	661,672
Total fixed-rate bonds			5.0	**2,982,880**	3,136,446
Total tax-exempt bonds and notes payable			**4.2**	**3,520,720**	3,705,232
Taxable bonds and notes payable:					
Series GG2 - weekly	2005	N/A	0.2		24,355
Series 2006A	2006	25	6.3	**401,459**	401,437
Series 2008A	2008	26	4.9	**387,805**	387,760
Series 2008C	2008	6	5.3	**125,205**	125,205
Series 2008D	2009	27	6.1	**996,820**	1,196,376
Series 2010C	2011	28	4.9	**298,105**	298,038
Commercial paper	2012	<1	0.2	**158,007**	44,045
Total taxable bonds and notes payable			**5.4**	**2,367,401**	**2,477,216**
Other notes payable	Various	Various	Various	**151,018**	153,261
TOTAL BONDS AND NOTES PAYABLE			**4.7%**	**$ 6,039,139**	**$ 6,335,709**

* *The weighted average maturity of the portfolio on June 30, 2012 was 17.8 years.*

** *Exclusive of interest rate exchange agreements. Inclusive of these agreements, the overall portfolio rate was 5.1%.*

*** *Series N, FF, 2006A, 2008A, 2008D, 2009A and 2010C principal are net of $0.8 million, $1.3 million, $0.5 million, $0.2 million, $3.2 million, $15.8 million and $1.9 million of discounts, respectively. Series 2005A, 2005B, 2005C, 2008B, 2010A and 2010B principal include premiums of $3.9 million, $3.8 million, $3.6 million, $7.0 million, $43.6 million and $56.9 million, respectively.*

**** *Series N, DD, FF, 2006A, 2008A, 2008D, 2009A and 2010C principal are net of $0.9 million, $0.8 million, $1.2 million, $0.6 million, $0.2 million, $3.6 million, $14.9 million and $2.0 million of discounts, respectively. Series Z, 2005A, 2005B, 2005C, 2008B, 2010A and 2010B principal include premiums of $0.01 million, $4.1 million, $4.0 million, $3.7 million, $7.2 million, $47.0 million and $60.6 million, respectively*

Interest expense related to bonds and notes payable was $285.8 million and $296.4 million for fiscal 2012 and 2011, respectively. The interest expense in the *Statement of Changes in Net Assets with General Operating Account Detail* includes additional components related to capital leases. Excluding maturity of commercial paper and unamortized discounts and premiums, scheduled principal payments are (in thousands of dollars):

Fiscal year	Principal payments
2013	$ 345,573
2014	65,935
2015	38,603
2016	38,601
2017	29,724
Thereafter	4,979,013
TOTAL PRINCIPAL PAYMENTS	**$ 5,497,449**

In fiscal 2012, the University redeemed Series DD and Series GG2 in full ($135.9 million and $16.6 million, respectively) by exercising the bonds' call options and $200.0 million of Series 2008D, scheduled to mature in 2014, by exercising the bond's make-whole call option. The redemption of these bonds was funded with cash on hand.

In fiscal 2012, the University entered into a $2.0 billion unsecured, revolving credit facility with a syndicate of banks, of which $1.0 billion expires in January 2013 and $1.0 billion expires in January 2017. There was no outstanding balance on the credit facility at June 30, 2012.

In fiscal 2012, the University's AAA/Aaa credit ratings were affirmed with Standard & Poor's and Moody's Investors Service, respectively.

As of June 30, 2012, the University had $249.1 million of variable-rate bonds outstanding (excluding commercial paper) with either a daily or weekly interest rate reset, as noted in the bonds and notes payable table on page 39. 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.

In fiscal 2011, the University issued $601.1 million of tax-exempt fixed-rate Series 2010B bonds, and $300.0 million of taxable fixed-rate Series 2010C bonds. The proceeds from these bonds were primarily used for a combination of redemptions, refinancings, and the funding of certain capital projects and acquisitions. In fiscal 2011, the University also redeemed $300.0 million of Series 2008D bonds by exercising the bond's make-whole call option.

The estimated fair value of the University's outstanding bonds and notes payable, including accrued interest, was $7,213.9 million and $6,854.6 million as of June 30, 2012 and 2011, respectively.

In July 2012, the University redeemed the remaining $186.5 million outstanding of Series FF by exercising the bond's call option, and funded the redemption with cash.

In August 2012, the University obtained reauthorization of its tax-exempt commercial paper program.

Interest rate exchange agreements

The University has entered into various interest rate exchange agreements in order to manage the interest cost and risk associated with its outstanding debt and to hedge issuance of future debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. Each of these agreements is collateralized, as described in *Note 5*, and thereby carries liquidity risk to the extent the relevant agreements have negative mark-to-market valuations (pursuant to methodologies described below).

In fiscal 2012, the University terminated interest rate exchange agreements with a notional value of $756.0 million, for which it realized a loss of $134.6 million. In addition, interest rate exchange agreements with $207.8 million notional value matured during fiscal 2012.

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*. The notional amount and fair value of interest rate exchange agreements were $1,075.6 million and $(381.9) million, respectively, as of June 30, 2012 and $2,039.4 million and $(400.6) million, respectively, as of June 30, 2011. The fair value of these agreements is included in the "Securities lending and other liabilities associated with the investment portfolio" line in the *Balance Sheets*.

The net expense realized related to interest rate exchange agreements was $23.0 million and $36.3 million for fiscal 2012 and 2011, respectively. All unrealized and realized gains and losses and settlements from interest rate exchange agreements are included in the "Realized and unrealized (depreciation) / appreciation, net" line in the *Statements of Changes in Net Assets with General Operating Account Detail*.

NOTIONAL AMOUNT OF INTEREST RATE EXCHANGE AGREEMENTS
In thousands of dollars

Beginning balance, July 1, 2011	$ 2,039,355
Interest rate exchange agreements terminated/matured	(963,800)
ENDING BALANCE, JUNE 30, 2012	**$ 1,075,555**

13. 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 retirement plans covering substantially all employees.

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

Pension benefits

All eligible faculty members, staff and hourly employees are covered by retirement programs that include a defined benefit component, a defined contribution component, or a combination of the two.

In accordance with the Employee Retirement Income Security Act (ERISA) requirements, the University has established a trust to hold plan assets for its defined benefit pension plans. The fair value of the trust's assets was $755.4 million and $746.9 million as of June 30, 2012 and 2011, respectively.

During fiscal year 2012, the University used $36.9 million of internally designated funds for a discretionary defined benefit pension plan contribution. The University recorded expenses for its defined contribution plans of $110.3 million and $104.5 million for fiscal 2012 and 2011, respectively. Gross benefits paid for pensions were $41.0 million and $41.3 million as of June 30, 2012 and 2011, respectively.

Postretirement health benefits

The University provides postretirement health coverage and life insurance to substantially all of its employees. As of June 30, 2012, the University had internally designated and invested $339.0 million to fund the postretirement health benefit accrued liability of $901.5 million. As of June 30, 2011, the University had internally designated and invested $311.9 million to fund an accrued liability of $782.2 million.

The following table sets forth the pension and postretirement plans' funded status that is reported in the *Balance Sheets* as of June 30, 2012 and 2011 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2012	2011	2012	2011
Change in projected benefit obligation:				
Projected benefit obligation, beginning of year	**$ 782,567**	$ 762,862	**$ 782,219**	$ 812,336
Service cost	**13,514**	14,491	**32,748**	38,091
Interest cost	**43,200**	44,951	**46,628**	50,323
Plan participants' contributions			**3,089**	2,876
Plan change*			**(41,605)**	
Gross benefits paid	**(41,013)**	(41,345)	**(26,660)**	(22,087)
Expected federal subsidy on benefits paid			**790**	
Actuarial (gain)/loss	**107,811**	1,608	**104,261**	(99,320)
Special termination benefits	**3,830**			
PROJECTED BENEFIT OBLIGATION, end of year	**909,909**	**782,567**	**901,470**	**782,219**
Change in plan assets:				
Fair value of plan assets, beginning of year	**746,901**	666,005		
Actual return on plan assets	**8,768**	122,241		
Employer contributions	**40,708**			
Gross benefits paid	**(41,013)**	(41,345)		
FAIR VALUE OF PLAN ASSETS, end of year	**755,364**	746,901	**0**	0
UNFUNDED STATUS	**$(154,545)**	**$ (35,666)**	**$ (901,470)**	**$ (782,219)**

* *The 2012 postretirement current year prior service credit was primarily due to the introduction of a medical deductible and co-insurance and a new cost sharing program for pharmacy.*

The accumulated benefit obligation associated with pension benefits was $791.5 million and $659.9 million at June 30, 2012 and 2011, respectively. The funded status disclosed above has been prepared in accordance with pension accounting rules. When measured on an IRS funding basis, which informs the University's required cash contribution amount, the plan was overfunded at January 1, 2012.

Net periodic benefit (income)/cost

Components of net periodic benefit (income)/cost recognized in operating activity and other amounts recognized in non-operating activity in unrestricted net assets in the *Statements of Changes in Net Assets with General Operating Account Detail* are summarized as follows for the years ended June 30 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2012	2011	**2012**	2011
Components of net periodic benefit (income)/cost:				
Service cost	**$ 13,514**	$ 14,491	**$ 32,748**	$ 38,091
Interest cost	**43,200**	44,951	**46,628**	50,323
Expected return on plan assets	**(48,694)**	(52,231)		
Amortization of:				
Actuarial (gain)/loss	**264**	(975)	**(4,227)**	2,895
Prior service (credit)/cost	**(1,247)**	(4,633)	**727**	1,411
Transition (asset)/obligation			**6,062**	6,062
Cost of special termination benefits	**3,830**			
Total net periodic benefit (income)/cost recognized in operating activity	**10,867**	1,603	**81,938**	**98,782**
Other amounts recognized in non-operating activity in unrestricted net assets:				
Current year actuarial (gain)/loss	**147,737**	(68,402)	**104,261**	(99,320)
Amortization of:				
Current year prior service (credit)/cost			**(41,605)**	
Transition asset/(obligation)			**(6,062)**	(6,062)
Prior service credit/(cost)	**1,247**	4,633	**(727)**	(1,411)
Actuarial gain/(loss)	**(264)**	975	**4,227**	(2,895)
Total other amounts recognized in non-operating activity*	**148,720**	(62,794)	**60,094**	(109,688)
Total recognized in *Statements of Changes in Net Assets with General Operating Account Detail*	**$ 159,587**	**$ (61,191)**	**$ 142,032**	**$ (10,906)**

Cumulative amounts recognized as non-operating changes in unrestricted net assets are summarized as follows for the years ended June 30 (in thousands of dollars):

	2012	2011	**2012**	2011
Net actuarial (gain)/loss	**$ 141,160**	$ (6,313)	**$ 89,563**	$ (18,926)
Prior service (credit)/cost	**118**	(1,129)	**(35,529)**	741
Transition (asset)/obligation				12,125
Cumulative amounts recognized in unrestricted net assets*	**$ 141,278**	**$ (7,442)**	**$ 54,034**	**$ (6,060)**

* *These amounts totaling $208.8 million in fiscal 2012 and ($172.5) million in fiscal 2011 include gains and losses and other changes in the actuarially determined benefit obligations arising in the current period but that have not yet been reflected within net periodic benefit (income)/cost and are included in the "Change in Retirement Obligations" line in the Statements of Changes in Net Assets with General Operating Account Detail.*

The estimated net actuarial gain and prior service credit for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit (income)/cost in fiscal 2013 are $11.9 million and ($0.1) million, respectively. The estimated prior service cost for the postretirement health benefit that will be amortized from unrestricted net assets into net periodic benefit (income)/cost in fiscal 2013 is ($3.2) million.

Assumptions and health care cost trend rates used in determining the year end obligation as well as the net periodic benefit (income)/cost of the pension and postretirement health plans are summarized as follows for fiscal 2012 and 2011:

	Pension benefits		Postretirement health benefits	
	2012	2011	**2012**	2011
Weighted-average assumptions used to determine benefit obligation as of June 30:				
Discount rate	**4.45%**	5.60%	**4.55%**	5.80%
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%
Health care cost trend rate:				
– Initial rate	**N/A**	N/A	**7.00%**	8.50%
– Ultimate rate	**N/A**	N/A	**5.00%**	5.00%
– Years to ultimate rate	**N/A**	N/A	**6**	7
Weighted-average assumptions used to determine net periodic benefit (income)/cost:				
Discount rate	**5.60%**	6.00%	**5.80%**	6.00%
Expected long-term rate of return on plan assets	**7.25%**	7.50%	**N/A**	N/A
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%
Health care cost trend rate:				
– Initial rate	**N/A**	N/A	**8.50%**	11.00%
– Ultimate rate	**N/A**	N/A	**5.00%**	5.00%
– Years to ultimate rate	**N/A**	N/A	**7**	8

As an indicator of sensitivity, a one percentage point change in assumed health care cost trend rate would affect 2012 as shown in the following table (in thousands of dollars):

	1% point increase	1% point decrease
Effect on 2012 postretirement health benefits service and interest cost	24,544	(16,218)
Effect on postretirement health benefits obligation as of June 30, 2012	190,970	(146,831)

The expected 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.

Plan assets

The actual asset allocation of the investment portfolio for the pension plan at June 30, 2012 and 2011, along with target allocations for June 30, 2013, is as follows:

	2013 target	June 30, 2012	June 30, 2011
Asset allocation by category for pension plan:			
Equity securities	30 – 50%	42.0%	48.2%
Fixed income securities	30 – 50	28.6	19.8
Real estate	0 – 10	6.0	5.9
Commodities	0 – 10	0.0	1.8
Absolute return	10 – 30	20.0	22.5
Cash	0 – 10	3.4	1.8
TOTAL OF ASSET ALLOCATION CATEGORIES		**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. During fiscal year 2012, the University has increased its allocation to fixed income securities to better manage the interest rate volatility associated with its pension obligations. The University expects to continue this strategy in future years. The investment program is also managed to comply with all ERISA regulations.

The following is a summary of the levels within the fair value hierarchy for the pension plan assets subject to fair value measurement as of June 30, 2012 (in thousands of dollars):

	Level 1	Level 2	Level 3	Total
INVESTMENT ASSETS:				
Absolute return and special situations funds		$ 123,891	$ 24,681	$ **148,572**
Cash and short-term investments	$ 34,591			**34,591**
Domestic common and convertible equity	6,777	97,881		**104,658**
Domestic fixed income	208,820			**208,820**
Due from broker	235			**235**
Emerging market equity and debt	51,900			**51,900**
Foreign common and convertible equity	42,538	46,136		**88,674**
High yield		4,636	4	**4,640**
Private equities			68,261	**68,261**
Real estate			42,918	**42,918**
TOTAL INVESTMENT ASSETS*	**$ 344,861**	**$ 272,544**	**$ 135,864**	**$ 753,269**

* *Excludes investment assets not subject to fair value of $2,095.*

The following is a summary of the levels within the fair value hierarchy for the pension plan assets subject to fair value measurement as of June 30, 2011 (in thousands of dollars):

	Level 1	Level 2	Level 3	Total
INVESTMENT ASSETS:				
Absolute return and special situations funds		$ 77,766	$ 87,999	$ **165,765**
Cash and short-term investments	$ 22,814			**22,814**
Domestic common and convertible equity	19,969	106,123		**126,092**
Domestic fixed income	100,997			**100,997**
Emerging market equity and debt	66,471			**66,471**
Foreign common and convertible equity	50,644	53,229		**103,873**
High yield		4,544		**4,544**
Inflation-indexed bonds	38,737			**38,737**
Private equities			72,717	**72,717**
Real estate			43,456	**43,456**
TOTAL INVESTMENT ASSETS*	**$ 299,632**	**$ 241,662**	**$ 204,172**	**$ 745,466**

* *Excludes investment assets not subject to fair value of $1,435.*

The following is a rollforward of Level 3 investments for the year ended June 30, 2012 (in thousands of dollars):

	Beginning balance as of July 1, 2011	Realized gains/ (losses)	Change in unrealized gains/(losses)	Purchases	Sales	Net transfers out of Level 3	Ending balance as of June 30, 2012
INVESTMENT ASSETS:							
Absolute return and special situations funds	$ 87,999	$ 54	$ (2,496)	$ 21	$ (1,258)	$ (59,639)	$ **24,681**
Foreign common and convertible equity		(4)			4		
High yield			4				**4**
Private equities	72,717	9,179	(1,937)	4,508	(16,206)		**68,261**
Real estate	43,456	780	2,626	1,445	(5,389)		**42,918**
TOTAL INVESTMENT ASSETS	**$ 204,172**	**$ 10,009**	**$ (1,803)**	**$ 5,974**	**$ (22,849)**	**$ (59,639)**	**$ 135,864**

The following is a rollforward of Level 3 investments for the year ended June 30, 2011 (in thousands of dollars):

	Beginning balance as of July 1, 2010	Realized gains/ (losses)	Change in unrealized gains/(losses)	Purchases	Sales	Net transfers into Level 3	Ending balance as of June 30, 2011
INVESTMENT ASSETS:							
Absolute return and special situations funds	$ 80,446	$ 4,395	$ 5,101	$ 24,357	$ (26,300)		$ **87,999**
Domestic fixed income		(14)	7		(3)	$ 10	
Foreign common and convertible equity	1,547	(2,520)	2,594		(1,621)		
High yield	57	58	(57)		(58)		
Private equities	76,337	8,298	3,312	8,317	(23,547)		**72,717**
Real estate	39,250	2,258	4,745	1,460	(4,257)		**43,456**
TOTAL INVESTMENT ASSETS	**$ 197,637**	**$ 12,475**	**$ 15,702**	**$ 34,134**	**$ (55,786)**	**$ 10**	**$ 204,172**

Expected future benefit payments

There are no expected employer contributions for fiscal 2013 to funded pension or postretirement health benefit plans. The following table summarizes expected benefit payments and subsidies for pension and other postretirement benefits for the University (in thousands of dollars):

	Expected benefit payments			
Fiscal year	Pension	Postretirement health	Expected Medicare Part D subsidies	Net Postretirement health
2013	$ 49,877	$ 21,484	$ 52	$ 21,432
2014	48,841	23,409	99	23,310
2015	50,191	25,270	150	25,120
2016	53,292	27,169	217	26,952
2017	53,749	29,114	301	28,813
Thereafter	275,244	182,569	3,174	179,395

14. GENERAL OPERATING ACCOUNT

The 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 GOA consisted of the following as of June 30, 2012 and 2011 (in thousands of dollars):

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
General Operating Account	$ 2,743,325	$ 1,448,690	$ 96,498	$ **4,288,513**	$ **4,500,420**

The temporarily restricted net assets consist primarily of unexpended income, gifts, and pledges. The permanently restricted net assets are loan funds.

15. STUDENT FINANCIAL AID

Financial aid granted to students in fiscal 2012 and 2011 is summarized as follows (in thousands of dollars):

	2012	2011
Scholarships and other student awards:		
Scholarships applied to student income	$ **357,001**	$ 335,036
Scholarships and other student awards paid directly to students	**128,993**	116,510
Total scholarships and other student awards	**485,994**	**451,546**
Student employment	**64,088**	66,690
Student loans	**22,015**	22,059
Agency financial aid*	**9,158**	16,779
TOTAL STUDENT FINANCIAL AID	**$ 581,255**	**$ 557,074**

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

16. SPONSORED SUPPORT

Total expenditures funded by US government sponsors or by institutions that subcontract federally sponsored projects to the University were $669.6 million and $686.2 million in fiscal 2012 and 2011, respectively. The University's principal source of federal sponsored 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.

Sponsored 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 and the Medical School (including the School of Dental Medicine) through fiscal year 2015. The School of Public Health has predetermined indirect cost rates through fiscal 2013. Funds received for federally sponsored activity are subject to audit.

17. GIFTS

Gifts that are available for current purposes are classified as either "Gifts for current use" or "Non-federal sponsored 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 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, 2012 and 2011 are summarized as follows (in thousands of dollars):

	2012	2011
Gifts for current use	**$ 289,217**	$ 276,914
Non-federal sponsored grants	**88,262**	91,980
Gifts for capital:		
Endowment funds	**226,494**	212,364
Split interest agreements*	**20,168**	24,891
Loan funds and facilities	**26,243**	32,987
Total gifts for capital	**272,905**	270,242
TOTAL GIFTS	**$ 650,384**	**$ 639,136**

* *Shown at net present value. The gross value of these gifts was $51,045 and $41,807 for the years ended June 30, 2012 and 2011, respectively.*

18. OTHER INCOME

The major components of other income for the years ended June 30, 2012 and 2011 were as follows (in thousands of dollars):

	2012	2011
Rental and parking	**$ 147,373**	$ 136,102
Royalties from patents, copyrights, and trademarks	**112,814**	107,067
Publications	**78,086**	78,079
Services income	**68,080**	62,010
Health and clinic fees	**51,689**	49,878
Sales income	**45,605**	49,103
Interest income	**11,280**	10,768
Other student income	**5,934**	6,711
Other	**36,304**	46,882
TOTAL OTHER INCOME	**$ 557,165**	**$ 546,600**

19. OTHER EXPENSES

The major components of other expenses for the years ended June 30, 2012 and 2011 were as follows (in thousands of dollars):

	2012	2011
Services purchased	**$ 424,898**	$ 381,536
Subcontract expenses under sponsored projects	**160,961**	170,297
Travel	**79,459**	68,020
Publishing	**49,579**	44,371
Taxes and fees	**33,543**	30,286
Postage	**21,181**	22,177
Advertising	**19,728**	18,876
Insurance	**13,212**	18,409
Telephone	**12,907**	12,307
Other	**36,235**	58,368
TOTAL OTHER EXPENSES	**$ 851,703**	**$ 824,647**

20. FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

Operating expenses by functional classification for the years ended June 30, 2012 and 2011 were as follows (in thousands of dollars):

	2012	2011
Instruction	**$ 1,063,971**	$ 1,016,221
Research	**769,077**	734,526
Institutional support	**657,082**	673,424
Academic support	**539,516**	529,948
Auxiliary services	**478,366**	455,075
Libraries	**237,082**	231,629
Student services	**167,611**	150,235
Scholarships and other student awards	**128,993**	116,510
TOTAL EXPENSES	**$ 4,041,698**	**$ 3,907,568**

21. COMMITMENTS AND CONTINGENCIES

Lease commitments

The University is the lessee of equipment and space under operating (rental) and capital leases. Rent expense related to leases was $51.8 million and $48.4 million for the years ended June 30, 2012 and 2011, respectively.

Future minimum payments under these operating and capital leases are as follows (in thousands of dollars):

	Operating	Capital
2013	$ 58,554	$ 7,050
2014	45,426	7,119
2015	41,518	7,403
2016	31,287	7,711
2017	27,497	7,916
Thereafter	90,320	176,029
TOTAL FUTURE MINIMUM PAYMENTS	**$ 294,602**	**$ 213,228**

Fixed asset-related commitments

The University has various commitments for capital projects involving construction and renovation of certain facilities, real estate acquisitions, and equipment purchases, for which the outstanding commitments as of June 30, 2012 totaled approximately $301.7 million.

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 environmental remediation have been discounted to their net present value. Management is not aware of any existing conditions that it believes are likely to have a material adverse effect on the University's financial position, changes in net assets, or cash flows.

Utilities purchase commitments

The University has entered into Power Purchase Agreements (PPAs) with a series of utilities providers to purchase natural gas and electricity for various quantities and time periods. As of June 30, 2012, future obligations under the PPAs are as follows (in thousands of dollars):

2013	$ 21,691
2014	14,223
2015	10,800
2016	6,420
2017	3,930
Thereafter	29,685
TOTAL UTILITY FUTURE PURCHASE OBLIGATIONS	**$ 86,749**

General

The University is a defendant in various legal actions arising from 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.

The University has evaluated subsequent events through November 2, 2012, the date the financial statements were available for issuance.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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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, Treasurer, Assistant Treasurer, or any other Person designated as an Authorized Representative of the Institution by a Certificate of the Institution signed by the Institution's Vice President for Finance or Assistant Treasurer, updated as necessary, 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 .

"*Bonds*" means the President and Fellows of Harvard College, Taxable Bonds, Series 2013A 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.

"*Commonwealth*" means The Commonwealth of Massachusetts.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the

Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

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

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

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

"*Designated Offic*e" means the Designated Office of the Trustee, which as of the date of the Indenture is located at 135 Santilli Highway, AIM 026-0018, Everett, MA 02149, Attention: Corporate Trust, 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 Fun*d" 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, or said educational corporation's successor or successors.

"*Interest Payment Date"* means April 1 and October 1 of each year, commencing October 1, 2013.

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

"*Make-Whole Redemption Price*" means 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 the maturity date of 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 basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus ten (10) basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

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

"*Offering Memorandum*" means the final offering memorandum dated April 29, 2013, 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 a 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 Payment Date*" means the date of final maturity of each of the Bonds.

"*Project*" means the refunding of $402,000,000 of the Institution's Series 2006A Bonds.

"*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.

"*Reference Treasury Dealer*" means each of J.P. Morgan Securities LLC, Goldman, Sachs & Co., and Morgan Stanley & Co. LLC, or their respective affiliates which are primary U.S. Government securities dealers, and their respective successors; *provided* that if J.P. Morgan Securities LLC, Goldman, Sachs & Co., or Morgan Stanley & Co. LLC or their respective affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a ''Primary Treasury Dealer''), the Institution shall substitute therefor another Primary Treasury Dealer.

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

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

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

"*Securities Depository*" means 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.

"*Series 2013A Bond Fund*" means the fund by that name established pursuant to the Indenture.

"*Series 2013A Interest Account*" means the account by that name in the Series 2013A Bond Fund established pursuant to the Indenture.

"*Series 2013A Principal Account*" means the account by that name in the Series 2013A Bond Fund established pursuant to the Indenture.

"*Series 2013A Redemption Fund*" means the fund by that name established pursuant to the Indenture.

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

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

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

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

"*Underwriters*" means J.P. Morgan Securities LLC, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Barclays Capital, CitiGroup Global Markets Inc., CIBC World Markets Corp., HSBC Securities (USA), Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Wells Fargo Securities, LLC.

"*Uniform Commercial Code*" means the Uniform Commercial Code as in effect in the Commonwealth 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 Make-Whole 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 Make-Whole 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 and the Institution shall prepare and file or cause to be prepared and filed the initial Uniform Commercial Code filings if necessary; (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 Make-Whole 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.

Redemption

The Bonds will be redeemable in whole or in part (in Authorized Denominations), at the Institution's option on any Business Day at the Make-Whole Redemption Price. At the request of the Trustee to the Institution, the Make-Whole Redemption Price of Bonds to be redeemed shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Institution at the Institution's expense to calculate such Make-Whole Redemption Price.

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

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

Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, or sent by electronic means, 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 electronic means 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 Make-Whole 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 shall also state that on said date there will become due and payable on each of said Bonds the Make-Whole 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 pursuant to the Indenture to any one or more of the securities information services or depositories designated by the Institution, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Holders of any Bonds designated for redemption shall 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 notice given pursuant to the Indenture 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 shall 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 pursuant to the Indenture.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Institution shall execute (but need not prepare) and the Trustee shall 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.

Effect of Redemption. Notice of redemption having been duly given as provided in the Indenture, and moneys for payment of the Make-Whole 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 Make-Whole 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) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Make-Whole Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

Funds and Accounts

The Indenture creates an Indenture Fund, a Series 2013A Bond Fund, and a Series 2013A Redemption Fund thereunder. The Indenture also creates a Series 2013A Interest Account and Series 2013A Principal Account under the Series 2013A Bond Fund. All of the funds and accounts are to be held by the Trustee.

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 transferred by the Underwriters to the Trustee for the Series 2006A Bonds.

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 Series 2013A Bond Fund and the Series 2013A 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.

Series 2013A 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 received by the Trustee, if any, amounts which are to be deposited in the Series 2013A Redemption Fund or income or profit from investments which are to be applied pursuant to the Indenture) in a special fund designated the "Series 2013A 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 Series 2013A Bond Fund in the following order of priority the following amounts to the following accounts or funds, each of which the Trustee shall establish and maintain and hold in trust and each of which shall be disbursed and applied only as hereinafter authorized: (1) On each Interest Payment Date, the Trustee shall deposit in the "Series 2013A 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 each Principal Payment Date, the Trustee shall deposit in the "Series 2013A Principal Account" the aggregate amount of principal becoming due and payable on such Principal Payment Date, until the balance in said account is equal to said aggregate amount of such principal.

Series 2013A Interest Account. All amounts in the Series 2013A 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).

Series 2013A Principal Account. All amounts in the Series 2013A Principal Account shall be used and withdrawn by the Trustee solely to pay at maturity the Bonds.

Series 2013A Redemption Fund. Upon the receipt thereof, the Trustee shall deposit the following amounts in a special fund designated the "Series 2013A 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 Series 2013A Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Series 2013A Redemption Fund.

All amounts deposited in the Series 2013A 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 written 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 Series 2013A Interest Account) as the Institution may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Make-Whole Redemption Price then applicable to 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 Series 2013A 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, less the amount, if any, in the Series 2013A Bond Fund and available therefor. 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 Series 2013A 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 financed with the proceeds of the Bonds, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth or any political subdivision of either of these, or any failure of the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, except to the extent permitted by the Indenture.

Validity of Bonds

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

Additional Bonds

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

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, through funds provided by the Institution, punctually pay the principal or Make-Whole 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 has entered into continuing disclosure undertakings (the "Continuing Disclosure Undertakings") in connection with tax-exempt revenue bonds issued for the benefit of the Institution. Holders and prospective purchasers of the Bonds may obtain copies of the information provided by the Institution under those Continuing Disclosure Undertakings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). Each Continuing Disclosure Undertaking terminates when the related tax-exempt revenue bonds are paid or deemed paid in full.

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 Make-Whole Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise; (b) default in the due and punctual payment of any interest on any Bond when and as such interest shall become due and payable; (c) default by the Institution in the performance or observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" under the Indenture, shall have been given to the Institution by the Trustee, or to the Institution and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; (d) the commencement by the Institution of a voluntary case under the federal bankruptcy laws, or if the Institution shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property; (e) the appointment of a trustee, receiver, custodian or similar official or agent for the Institution or for any substantial part of its property and such trustee or receiver shall not be discharged within 60 days; or (f) an order or decree for relief in an involuntary case under the federal bankruptcy laws shall be entered against the Institution, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for 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 Make-Whole Redemption Price of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Bonds by written notice to the Institution, rescind and annul such declaration and its consequences and waive such Default; but no such rescission and annulment shall extend to or shall affect any subsequent Default, or shall impair or exhaust any right or power consequent thereon.

Rights as a Secured Party. The Trustee, as appropriate, may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code with respect to securities in the Indenture Fund, including without limitation the Series 2013A Bond Fund and the Series 2013A 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 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;

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

(C) To the payment of the principal or Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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 Make-Whole 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, 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 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 redemption price or 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 Make-Whole 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 shall be deemed paid, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Make-Whole 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 Make-Whole 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 under then applicable Massachusetts law) after such principal, Make-Whole 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.

Substitute Defeasance Securities. At the written Request of the Institution, and upon compliance with the conditions set forth below, the Trustee shall redeem, sell, transfer or otherwise dispose of any Investment Securities held by the Trustee pursuant to the Indenture and purchase substitute Investment Securities, as identified by the Institution, in principal amounts and bearing interest at rates such that the principal of and interest on such substitute Investment Securities to be purchased, together with the principal of and interest on any securities then held by the Trustee pursuant to the Indenture that are not to be redeemed, sold, transferred or otherwise disposed of, shall be sufficient to pay the principal or Make-Whole Redemption Price and interest as the same become due. The Trustee shall purchase such substitute Investment Securities with the proceeds derived from the redemption, sale, transfer, or other disposition on the date of such transaction. The transactions may be consummated only if the Trustee shall have received (i) a report prepared by a firm of independent, certified public accountants selected by the Institution who are recognized on a nationwide basis for skill and expertise in the preparation of such verifications confirming that the amounts of moneys and investments remaining after such payment will mature and will earn interest in such amounts and at such times so that sufficient moneys will be available to pay when due all outstanding installments of interest on and principal and Make-Whole Redemption Price of the Bonds; and (ii) an Opinion of Counsel selected by the Institution to the effect that such substitution of Investment Securities is permitted under the Indenture. If, following any such substitution of Investment Securities, the funds held by the Trustee under the Indenture contain moneys that will not be required for the payment of installments of interest on and principal or Make-Whole Redemption Price of the Bonds, the Institution may direct that such excess moneys be promptly paid over to the Institution.

Purchase of Bonds by Institution. The Institution may purchase the Bonds on the open market and tender them to the Trustee for cancellation at any time. If, following any such tender of Bonds by the Institution, the funds held by the Trustee under the Indenture contain moneys that will not be required for the payment of installments of interest on and principal or Make-Whole Redemption Price of the Bonds, the Institution may direct that such excess moneys be promptly paid over to the Institution; provided, however, that (i) the Trustee and the Institution shall, at the expense of the Institution, confirm by a mathematical verification prepared by a firm of independent, certified public accountants selected by the Institution who are recognized on a nationwide basis for skill and expertise in the preparation of such verifications that the amounts of moneys and investments remaining after such payment will mature and will earn interest in such amounts and at such times so that sufficient moneys will be available to pay when due all outstanding installments of interest on and principal and Make-Whole Redemption Price of the Bonds; and (ii) the Trustee shall have received an Opinion of Counsel selected by the Institution to the effect that such purchase, tender and cancellation is permitted under the Indenture.

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 Make-Whole 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 applicable to contracts made and performed in the Commonwealth. The Indenture shall be enforceable in the Commonwealth, and any action arising under the Indenture shall (unless waived by the Institution) be filed and maintained in the Commonwealth.

CUSIP Numbers

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

APPENDIX D

PROPOSED FORM OF OPINION OF COUNSEL TO THE INSTITUTION

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[PROPOSED FORM OF BOND COUNSEL OPINION]

[Date of Closing]

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 $402,000,000 principal amount of Taxable Bonds, Series 2013A (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 and subsequent amendments, the College's Charter.

We have examined executed copies of the Indenture of Trust dated as of _________ 1, 2013 (the "Indenture of Trust") between the College and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") 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 to effect the transactions contemplated thereby.

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

1. The Indenture of Trust has been duly authorized, executed and delivered and constitutes a valid and legally binding obligation of the College and, subject to the

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

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

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

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

Very truly yours,

Ropes & Gray LLP

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