

In the opinion of Bond Counsel, under existing law, interest on the initial Bonds is includable in the gross income of the owners thereof for federal income tax purposes, until the Institution effects a change from the Taxable Period to the Tax-Exempt Period. See "THE BONDS – Description of the SAVRS – Change to the Tax-Exempt Period" herein. In the opinion of Bond Counsel, under existing law, interest on the initial Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes and the initial Bonds are exempt from Massachusetts personal property taxes. See "TAX MATTERS" herein.



\$93,200,000
MASSACHUSETTS DEVELOPMENT
FINANCE AGENCY



TAXABLE REVENUE BONDS, OLIN COLLEGE ISSUE
SELECT AUCTION VARIABLE RATE SECURITIESSM (SAVRS[®])
\$40,000,000 SERIES A-1
\$53,200,000 SERIES A-2

Dated: Date of Issuance

Due: Second Business Day preceding the Regular Interest Payment Date on or immediately succeeding July 1, 2033 (while in SAVRS Mode)

This Official Statement has been prepared in connection with the delivery of \$93,200,000* of the Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-1 and Series A-2, Select Auction Variable Rate Securities (collectively, the "initial Bonds" or the "initial SAVRS"). The Massachusetts Development Finance Agency (the "Issuer") and Franklin W. Olin College of Engineering (the "Institution") have authorized the issuance of certain additional revenue bonds under the Agreement (as defined below) for the benefit of the Institution in one or more series or tranches (including the initial Bonds) of bonds (the "Bonds"). The authorized principal amount may be increased by the Issuer and the Institution. Following the issuance and delivery of the initial Bonds, the remaining Bonds may be issued by the Issuer at any time in one or more tranches upon the request of the Institution (the "remaining Bonds" or the "remaining SAVRS") subject to the terms of the Agreement as more fully described herein.

The initial Bonds will be issued only as fully registered bonds without coupons in denominations of \$50,000 or any integral multiple thereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Depository Trust Company will act as the securities depository for the Bonds. The initial Bonds will bear interest from their date of original delivery for the applicable Initial Auction Rate Period at a rate established by Lehman Brothers Inc. prior to their date of delivery and thereafter at the SAVRS Rate for a 35-day Auction Rate Period until a conversion to another Auction Rate Period, a Weekly Period or a Fixed Rate Period. Interest will be payable initially on February 12, 2004 with respect to the Series A-1 Bonds and on September 18, 2003 with respect to the Series A-2 Bonds, and, so long as each Subsequent Auction Rate Period is 35 days, on each succeeding fifth Thursday thereafter, subject to certain exceptions. The interest rate on the initial Bonds for the Initial Auction Rate Period will be communicated to the prospective purchasers by the Underwriter.

Wachovia Bank, National Association will serve as trustee (the "Trustee") and Paying Agent under the Agreement defined below. The Bank of New York will serve as Auction Agent under the Agreement.

The Bonds will be subject to redemption and mandatory tender for purchase prior to maturity as described herein.

Prospective purchasers of the initial Bonds should carefully review the Auction Procedures described herein, including the Appendices hereto, and should note that (i) a Bid or a Sell Order constitutes a commitment to purchase or sell Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the next Business Day following an Auction.

The initial Bonds shall be special obligations of the Issuer payable solely from the Revenues (as hereinafter defined) of the Issuer, including payments to the Trustee, for the account of the Issuer by the Institution in accordance with the provisions of the Mortgage and Trust Agreement dated as of August 1, 2003 (the "Agreement") among the Issuer, the Institution and the Trustee. Such payments required to be paid by the Institution will be in amounts sufficient to pay, when due, interest and principal of the initial Bonds, all in accordance with the Agreement. The payments pursuant to the Agreement are a general obligation of the Institution.

The scheduled payment of the principal of and interest on the initial Bonds when due will be guaranteed under a municipal bond insurance policy issued concurrently with the delivery of the initial Bonds by XL Capital Assurance Inc.



THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF; EXCEPT TO THE EXTENT PAID FROM BOND PROCEEDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE AGREEMENT. THE ISSUER HAS NO TAXING POWER.

PRICE: 100%

The initial Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality and certain other matters by Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Institution by its counsel, Palmer & Dodge LLP, Boston, Massachusetts, and for the Underwriter by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. The initial Bonds are expected to be available for delivery in definitive form to DTC in New York, New York or its custodial agent on or about August 13, 2003.

LEHMAN BROTHERS

August 4, 2003

† See "Ratings" herein.

SM Servicemark of Lehman Brothers Inc.

[®] Registered Trademark of Lehman Brothers Inc.

TABLE OF CONTENTS

INTRODUCTION	1
SOURCES OF PAYMENT AND SECURITY FOR THE BONDS	2
THE ISSUER	4
PLAN OF FINANCING	5
ESTIMATED SOURCES AND USES OF FUNDS	5
ADDITIONAL INDEBTEDNESS	5
DESCRIPTION OF THE PROJECT	5
THE MORTGAGED PROPERTY	6
BOND INSURANCE	6
RIGHTS OF THE BOND INSURER	8
THE BONDS	9
BONDOWNERS' RISKS	33
TAX MATTERS	34
LITIGATION	35
CONTINUING DISCLOSURE	35
RATINGS	35
UNDERWRITING	35
LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT	36
LEGAL MATTERS	36
MISCELLANEOUS	36
ISSUER NOT RESPONSIBLE FOR OFFICIAL STATEMENT	37
Appendix A - Certain Information Regarding the Institution	A-1
Appendix B - Financial Statements of the Institution	B-1
Appendix C - Definitions of Certain Terms	C-1
Appendix D - Summary of the Mortgage and Trust Agreement	D-1
Appendix E - Proposed Form of Continuing Disclosure Agreement	E-1
Appendix F - Proposed Form of Bond Counsel Opinion	F-1
Appendix G - Form of Municipal Bond Insurance Policy	G-1

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

No dealer, broker, salesperson or other person has been authorized by the Massachusetts Development Finance Agency (the "Issuer"), Franklin W. Olin College of Engineering (the "Institution"), XL Capital Assurance Inc. (the "Bond Insurer") or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer by any person to sell or the solicitation by any person of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein have been obtained from the Institution, XL Capital Assurance Inc., The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Issuer. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

OFFICIAL STATEMENT

Relating to the issuance of

MASSACHUSETTS DEVELOPMENT FINANCE AGENCY

Taxable Revenue Bonds, Olin College Issue

Select Auction Variable Rate SecuritiesSM (SAVRS®)

\$40,000,000 Series A-1

\$53,200,000 Series A-2

INTRODUCTION

The Massachusetts Development Finance Agency (the "Issuer") and Franklin W. Olin College of Engineering (the "Institution") have authorized the issuance of the Issuer's revenue bonds under the Agreement (the "Bonds") for the benefit of the Institution in one or more series or tranches within a series, provided that the total amount of Bonds plus the Tax-Exempt Bonds (as defined below) may not exceed \$183,000,000 unless the issuance of such remaining Bonds is approved by the Issuer and the Institution and the Bond Insurer has consented to such issuance in writing. The purpose of this Official Statement is to set forth certain information concerning the Issuer, the Institution and the Bonds.

The first two such series and tranche of the Bonds will be issued as Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-1, Select Auction Variable Rate Securities, in the aggregate principal amount of \$40,000,000 (the "initial Series A-1 SAVRS" or the "initial Series A-1 Bonds") and Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-2, Select Auction Variable Rate Securities, in the aggregate principal amount of \$53,200,000 (the "initial Series A-2 SAVRS" or the "initial Series A-2 Bonds" and together with the initial Series A-1 Bonds, the "initial Bonds") pursuant to a Mortgage and Trust Agreement dated as of August 1, 2003 among the Issuer, the Institution and Wachovia Bank, National Association, as trustee (the "Trustee") and subsequent tranches or series of the Bonds shall be issued under one or more supplemental agreements (collectively, the "Agreement"). The initial Series A-1 SAVRS and the initial Series A-2 SAVRS are collectively referred to herein as the initial SAVRS or the initial Bonds. The Bonds will be issued in accordance with the provisions of Chapters 23G and 40D of the General Laws of The Commonwealth of Massachusetts (the "Commonwealth"), as amended (collectively, the "Act").

Pursuant to the Agreement, (a) the Issuer will loan the proceeds of the initial Bonds to the Institution for the purpose of financing the project described herein under the heading "The Project" and in Appendix A -- "The Project"; (b) the Institution will covenant to repay the loan of Bond proceeds from the Issuer through payment to the Trustee of all amounts necessary to pay the principal of and interest on the Bonds issued by the Issuer; and (c) the Issuer will assign to the Trustee in trust for the benefit and security of the Bondowners the Issuer's rights under the Agreement and the revenues to be received from the Institution except as otherwise provided therein. The definitions of certain terms used and not defined herein are contained in Appendix C -- "Definitions of Certain Terms."

The obligation of the Institution to make payments under the Agreement is a general obligation of the Institution to which the full faith and credit of the Institution is pledged. The Issuer is obligated to pay the principal of, premium, if any, and interest on the Bonds from the revenues and funds pledged therefor as provided in the Agreement. See "Sources of Payment and Security for the Bonds."

Simultaneously with the issuance of the initial Bonds, the Issuer also is issuing its Tax-Exempt Revenue Bonds, Olin College Issue, Series B pursuant to a separate Mortgage and Trust Agreement dated as of August 1, 2003 (the "Tax-Exempt Mortgage") among the Issuer, the Institution and Wachovia Bank, National Association, as trustee

SM Servicemark of Lehman Brothers Inc.

® Registered Trademark of Lehman Brothers Inc.

(the “Series B Bonds” and together with any additional series of bonds issued pursuant to the Tax-Exempt Mortgage, the “Tax-Exempt Bonds”).

The Bonds are secured by a grant of a mortgage on certain property of the Institution, including the Mortgaged Property and the Mortgaged Personalty. See “Sources of Payment and Security for the Bonds” and “The Mortgaged Property.” The Institution has also granted a mortgage on the Mortgaged Property and the Mortgaged Personalty to secure the Tax-Exempt Bonds. The mortgages are of equal priority.

The payment of regularly scheduled principal and interest on the initial Bonds will be secured by a municipal bond insurance policy (the “Bond Insurance Policy”) to be issued by XL Capital Assurance Inc. (the “Bond Insurer”) upon issuance of the initial Bonds. See “Bond Insurance” herein.

The agreements of the Issuer and the Institution with the Trustee for the benefit of the Bondowners are fully set forth in the Agreement, and neither any advertisement of the Bonds nor this Official Statement shall be construed as constituting an agreement with the purchasers of the Bonds. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Special Obligations

The Bonds are special obligations of the Issuer payable solely from, and to the extent of, loan payments made by the Institution pursuant to the Agreement and any other funds held under the Agreement for such purpose. The initial Bonds are additionally secured by a municipal bond insurance policy to be issued simultaneously with the delivery of the initial Bonds by the Bond Insurer.

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF; EXCEPT TO THE EXTENT PAID FROM BOND PROCEEDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE AGREEMENT. THE ISSUER HAS NO TAXING POWER.

Pursuant to the Agreement, the Institution agrees to make loan payments sufficient to pay in full the principal of, premium, if any, and interest on the Bonds. The Institution also will be obligated under the Agreement to pay certain fees and expenses (consisting generally of fees, charges and expenses of the Trustee and the Issuer) associated with the Bonds. Loan obligations are a general obligation of the Institution to which the full faith and credit of the Institution is pledged.

The payment of the principal of, premium, if any, and interest on the Bonds will be payable solely from, and secured by the Issuer’s pledge to the Trustee of (i) payments to be received by the Trustee, for the account of the Issuer, from the Institution under the Agreement (except certain rights to payment of indemnification, reimbursement and administrative fees) and (ii) additional amounts, if any, received by the Trustee pursuant to the Agreement.

Security Under The Agreement

Under the Agreement, the Issuer assigns and pledges to the Trustee in trust upon the terms of the Agreement: (i) all Revenues (defined below) to be received from the Institution or derived from any security provided thereunder; (ii) all rights to receive such Revenues and the proceeds of such rights; (iii) all funds and investments held from time to time in the funds established under the Agreement and (iv) all of its right, title and

interest in the Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses as set forth therein. Under the Act, to the extent authorized or permitted by law, the pledge of Revenues is valid and binding from the time when such pledge is made and the Revenues and all income and receipts earned on funds held by the Trustee for the account of the Issuer shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

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

The assignment and pledge by the Issuer does not include: (i) the rights of the Issuer pursuant to provisions for consent, concurrence, approval or other action by the Issuer, notice to the Issuer or the filing of reports, certificates or other documents with the Issuer; (ii) the right of the Issuer to any payment or reimbursement pursuant to the Agreement; or (iii) the powers of the Issuer as stated in the Agreement to enforce the provisions thereof. As additional security for its obligations to make payments to the Debt Service Fund and the Redemption Fund, and for its other payment obligations under the Agreement, pursuant to the Agreement the Institution will grant to the Issuer a security interest in its interest in the moneys and other investments held from time to time in the funds established under the Agreement.

Pursuant to the Agreement, the Institution will grant to the Trustee a mortgage on certain property of the Institution, and a security interest in certain tangible personal property located thereon. The Mortgaged Property is more fully described below under the heading “The Mortgaged Property.” A separate but shared first priority mortgage lien on the Mortgaged Property secures the Tax-Exempt Bonds. The lien of the Agreement and the Bonds secured thereby are equal in priority as to the lien, time of payment and in all other respects, to the lien of the Tax-Exempt Mortgage and the Tax-Exempt Bonds issued thereunder. The Trustee may release certain portions of the Mortgaged Property under circumstances more fully described in Appendix D – Summary of the Mortgage and Trust Agreement” under the heading “Partial Releases.” The Agreement imposes certain restrictions on the Institution as to the incurrence of debt and the encumbering of property. The Institution has agreed to keep the Mortgaged Property free from all liens and encumbrances except for Permitted Liens. The Institution also has covenanted in the Agreement, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law (“Legal Limitations”), to maintain unrestricted net assets and, to the extent available to pay principal and interest on the Bonds, restricted assets (excluding the value of plant) at a market value equal to at least 100% of all outstanding Indebtedness. See Appendix D -- “Summary of the Mortgage and Trust Agreement” under the headings “Restrictions on Encumbrance, Sale and Lease of Property,” “Limitations On Incurring Additional Indebtedness,” and “Maintenance of Unrestricted Net Assets.”

Rate Covenant

Under the Agreement, the Institution agrees, subject to any Legal Limitations, to charge and collect rates and charges which, together with any other moneys legally available to it, shall provide moneys sufficient at all times: (a) to make the payments required by the Agreement and comply with the Agreement in all other respects, and (b) to satisfy all other obligations of the Institution in a timely fashion.

THE ISSUER

The Issuer is a body politic and corporate and a public instrumentality of the Commonwealth. The Issuer was created pursuant to Chapter 289 of the Acts of 1998 (the "Enabling Act"), as successor to the Massachusetts Industrial Finance Agency (MIFA) and the Massachusetts Government Land Bank, both of which ceased to exist as of September 30, 1998. The Enabling Act provides that any and all obligations and liabilities of MIFA and the Massachusetts Government Land Bank became obligations and liabilities of the Issuer on such date and that any resolution taken by or commitment made by either such entity with respect to any financing, including, among others, loans and bond issuance, became a resolution, commitment or action of the Issuer. The Issuer is authorized and empowered under the laws of the Commonwealth, including the Act, to issue Bonds for the purpose of financing the Project and to enter into the Agreement. The Issuer has no taxing power. There is currently one vacancy on the board.

Members of the Board of Directors

Robert L. Beal, Chairperson; Partner, The Beal Companies, Inc., Boston, Massachusetts; former President, Greater Boston Real Estate Board.

David F. Squire, Vice Chairperson; Business Consultant, Boston, Massachusetts; former Vice President of Administration, Brandeis University, Waltham, Massachusetts.

Lisa Campoli, Member; Managing Director, Insignia-ESG, Boston, Massachusetts.

Dix F. Davis, Member; (retired), Former Vice President, Allmerica Asset Management, Inc., Princeton, Massachusetts.

Christopher F. Egan, Member; President, Carruth Capital LLC, Westborough, Massachusetts.

Robert Fox, Member; President and Principal, Bradford Development, Chestnut Hill, Massachusetts.

Robert E. Gray, III, Member; President of Gray Media, Boston, Massachusetts.

Benaree P. Wiley, Member; President & CEO, The Partnership, Inc., Boston, Massachusetts.

Eric Kriss, Member Ex Officio; Secretary, Executive Office for Administration and Finance, The Commonwealth of Massachusetts.

Barbara B. Berke, Member Ex Officio; Director, Department of Economic Development, The Commonwealth of Massachusetts.

Officers of the Issuer

Michael P. Hogan, Executive Director and President/CEO.

Charleen Tyson, Treasurer and Executive Vice President, Finance and Administration.

David T. Slatery, Secretary/Senior Executive Vice President.

Laura L. Canter, Senior Vice President.

Anne Marie Dowd, General Counsel.

PLAN OF FINANCING

The proceeds of the Bonds will be used to make payments from such proceeds as follows: (a) the amount equal to the outstanding advances being reimbursed with Bond proceeds shall be used to pay off all or part of such advances; and (b) the balance of such proceeds shall be deposited in the Project Fund to pay Project Costs, including costs of issuance.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the initial Bonds are expected to be applied as follows:

Sources of Funds

Principal amount of initial Bonds	<u>\$93,200,000.00</u>
Total Sources of Funds	<u>\$93,200,000.00</u>

Uses of Funds

Outstanding advances being reimbursed	\$85,361,730.98
Deposit to Project Fund (including capitalized interest on the initial Bonds and excluding costs of issuance)	4,461,965.52
Costs of Issuance (including Underwriter's Discount and Bond Insurance Premium)	<u>3,376,303.50</u>
Total Uses of Funds	<u>\$93,200,000.00</u>

ADDITIONAL INDEBTEDNESS

Additional Indebtedness may be incurred by the Institution under the conditions and for the purposes stated in the Agreement. See Appendix D -- "Summary of the Mortgage and Trust Agreement" under the headings "Issuance of Remaining Bonds" and "Limitations On Incurring Additional Indebtedness."

DESCRIPTION OF THE PROJECT

The Project consists of the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing located in Needham and Wellesley, Massachusetts, in connection with the development of approximately 500,000 square feet of academic, residential and administrative space, including a campus center/campus power plant building, an academic/administrative/library building, a classroom/laboratory building, an academic building and four residence halls, all furnishings and equipment and any other capital expenditures included in the Institution's capital plan. The initial Bonds, together with the Series B Bonds, are expected to refinance the development of approximately 300,000 square feet of the Project, including a campus center/campus power plant building, an academic/administrative/library building, an academic center, and a residence hall and to finance a second residence hall. See Appendix A -- "The Project" and "Property and Plant – Development of Campus."

THE MORTGAGED PROPERTY

The Mortgaged Property consists of certain land aggregating approximately 42.633 acres in the Town of Needham, Massachusetts, owned by the Institution, together with the buildings, facilities, and improvements now and hereafter thereon, including fixtures, equipment and furnishings therein and additions, renewals, and replacements thereto, except as expressly excluded from the Mortgaged Property as described below. The Mortgaged Property will include the buildings and improvements which encompass the majority of the operating facilities of the Institution. The Mortgaged Property consists of several lots of the Institution: (1) the lot upon which the main administration, dormitory, classroom and laboratory facilities and buildings of the Institution are located, (2) a lot that is currently devoted to the primary access drive of the Institution, and (3) the land only (*i.e.*, expressly excluding the buildings and improvements located thereon), comprising single family and other residences for faculty and other officials affiliated with the Institution. The title insurance policy issued by Old Republic Title Insurance Company in connection with the issuance of the initial Bonds will be endorsed to cover the initial Bonds and the Tax-Exempt Mortgage will be endorsed to cover the Series B Bonds. For a description of the circumstances under which the lien on the Mortgaged Property will be released, see "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

NO REPRESENTATION IS MADE BY THE ISSUER, THE INSTITUTION OR THE UNDERWRITER AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE FOLLOWING INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION OR THE CONDITION OF THE BOND INSURER SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

BOND INSURANCE

Upon the issuance of the initial Bonds, the Bond Insurer will issue the Bond Insurance Policy. The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Bond Insurance Policy.

The Bond Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer and its affiliates set forth under this heading. In addition, the Bond Insurer makes no representation regarding the initial Bonds or the advisability of investing in the initial Bonds.

General

XL Capital Assurance Inc. (the "Bond Insurer" or "XLCA") is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Bond Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-seven other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. The Bond Insurer has license applications pending, or intends to file an application, in each of those states in which it is not currently licensed.

The Bond Insurer is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation ("XL Capital Ltd"). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against the Insurer.**

The Bond Insurer was formerly known as The London Assurance of America Inc. ("London"), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. ("XL Re") acquired 100% of the stock of London. XL Re merged its former financial guaranty

subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

Reinsurance

The Bond Insurer has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd (“XLFA”), an insurance company organized under the laws of Bermuda, and an affiliate of the Bond Insurer. Pursuant to this reinsurance agreement, the Bond Insurer expects to cede up to 90% of its business to XLFA. The Bond Insurer may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by the Bond Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the Bond Insurer's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Bond Insurance Policy.

Based on the audited financials of XLFA, as of December 31, 2002, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of \$611,791,000, \$245,750,000, \$39,000,000 and \$327,041,000, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA's insurance financial strength is rated “Aaa” by Moody's and “AAA” by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of “AAA” from S&P.

The obligations of XLFA to the Bond Insurer under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd (“XLI”), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to having an “A+” rating from A.M. Best, XLI's financial strength rating is “Aa2” by Moody's and “AA” by Standard & Poor's and Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the initial Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to the Bond Insurer described in this section, the holders of the initial Bonds will have direct recourse against the Bond Insurer only, and neither XLFA nor XLI will be directly liable to the holders of the initial Bonds.

Financial Strength and Financial Enhancement Ratings of XLCA

The Bond Insurer's insurance financial strength is rated “Aaa” by Moody's and “AAA” by Standard & Poor's and Fitch, Inc. (“Fitch”). In addition, XLCA has obtained a financial enhancement rating of “AAA” from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's current assessment of the Bond Insurer's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the initial Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the initial Bonds. The Bond Insurer does not guaranty the market price of the initial Bonds nor does it guaranty that the ratings on the initial Bonds will not be revised or withdrawn.

Capitalization of the Bond Insurer

Based on the audited statutory financial statements for XLCA as of December 31, 2001, XLCA had total admitted assets of \$158,442,157, total liabilities of \$48,899,461 and total capital and surplus of \$109,542,696 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). Based on the audited statutory financial statements for XLCA as of December 31, 2002 filed with the State of New York Insurance Department, XLCA has total admitted assets of \$180,993,189, total liabilities of \$58,685,217 and total capital and surplus of \$122,307,972 determined in accordance with SAP.

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "Commission") by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the initial Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in XL Capital Ltd's reports filed with the Commission is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of the Bond Insurer

The Bond Insurer is regulated by the Superintendent of Insurance of the State of New York. In addition, the Bond Insurer is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, the Bond Insurer is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. The Bond Insurer is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY THE INSURER, INCLUDING THE BOND INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of the Bond Insurer are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

RIGHTS OF THE BOND INSURER

The Bond Insurer shall be deemed to be the sole owner of the initial Bonds for purposes of giving consents (including consents to amendments to the Agreement other than those requiring unanimous consent of the affected Bondowners), notices, directions and waivers to the Institution, the Issuer and the Trustee under the Agreement.

The Bond Insurer, acting alone, shall have the right to direct all remedies in an Event of Default so long as the Bond Insurer is the owner of a majority of the Bonds. Notwithstanding the foregoing, the rights and remedies granted to the Bond Insurer under the Agreement are null and void upon the happening of either of the following: (1) a Bond Insurer Event of Insolvency, except to the extent of payments made by the Bond Insurer under the Bond Insurance Policy which are not voidable preferences or (2) failure of the Bond Insurer to pay in accordance with the Bond Insurance Policy.

THE BONDS

The Bonds shall be issuable as fully registered bonds without coupons in the denomination of \$50,000 or any integral multiple thereof while bearing interest at a SAVRS Rate and in the denomination of \$100,000 and multiples of \$5,000 in excess thereof while bearing interest at a Weekly Rate. On and after the Fixed Rate Conversion Date, the Bonds shall be fully registered in the denomination of \$5,000 or any integral multiple thereof. See "Transfer of SAVRS" below for information concerning transfer restrictions on the Bonds.

Debt Service Requirements

The following table sets forth, for each respective year ending June 30, the estimated amounts required to be made available in such year by the Institution for payment of the principal, interest and total debt service on the initial Bonds, total debt service on the Series B Bonds, and total debt service. The Institution has no other outstanding indebtedness.

initial Bonds

Year Ending June 30	Principal	Interest ¹	Debt Service¹	Total Net Debt Service on Series B Bonds¹	Total Net Debt Service^{1,2}
2004		\$2,454,495.07	\$2,454,495.07		\$2,454,495.07
2005		2,718,333.30	2,718,333.30	\$2,238,337.50	4,956,670.80
2006		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2007		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2008		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2009		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2010		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2011		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2012		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2013		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2014		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2015		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2016		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2017		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2018		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2019		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2020		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2021		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2022		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2023		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2024		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2025		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2026		2,718,333.30	2,718,333.30	3,460,275.00	6,178,608.30
2027		2,990,166.63	2,990,166.63	3,460,275.00	6,450,441.63
2028		2,718,333.30	2,718,333.30	4,485,275.00	7,203,608.30
2029		2,990,166.63	2,990,166.63	13,721,462.50	16,711,629.13
2030	\$10,000,000	2,733,774.48	12,733,774.48	14,409,925.00	27,143,699.48
2031	10,000,000	2,454,117.68	12,454,117.68	15,128,812.50	27,582,930.18
2032	10,000,000	2,360,509.80	12,360,509.80	15,888,137.50	28,248,647.30
2033	63,200,000	2,000,558.79	65,200,558.79	16,682,125.00	81,882,683.79

¹ The debt service schedule on the initial Bonds has been computed using an assumed interest rate of 3%. Actual debt service may be higher or lower than the assumed rate.

² Net of capitalized interest on the Series B Bonds.

All payments of interest (other than on the Stated Maturity Date (as defined herein under “Maturity” below)) and premium, if any, on, and of principal upon redemption of, the Bonds shall be paid through a securities depository (together with any successor securities depository, the “Securities Depository”) in accordance with its normal procedures, which as of the date hereof provides for payment by the Securities Depository to the Depository Participants (as defined herein under “Book Entry Only System” below) in same-day funds. Payment of the principal of, and interest on, the Bonds on the Stated Maturity Date shall be made through the Securities Depository upon the presentation and surrender of the bond referred to below.

Book-Entry-Only System

Unless a successor securities depository is designated pursuant to the Agreement, the Depository Trust Company (“DTC”), New York, New York, will act as the Securities Depository for the SAVRS. On the date of delivery of the SAVRS offered hereby, the SAVRS will be issued in a single global bond for each series in a denomination equal to the aggregate principal amount thereof. It is anticipated that the SAVRS will be 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. The global bond will bear a legend to the effect that it is issued subject to the provisions restricting transfers of the SAVRS contained in the Agreement. Stop-transfer instructions will be issued to the Trustee. The Securities Depository or its nominee will be the holder of record of all issued and outstanding SAVRS and beneficial owners of SAVRS may not obtain physical possession of SAVRS unless the Securities Depository resigns or shall no longer be registered or in good standing under applicable statutes or regulations and no successor is appointed. In such event beneficial owners may obtain physical possession of the SAVRS beneficially owned by them. See “Interest - Interest on the SAVRS” below.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

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

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

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

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

Principal, redemption premium, if any, 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 detailed information from the Issuer or Trustee or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the Institution or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, the Trustee or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the SAVRS at any time by giving reasonable notice to the Institution or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates will be made available to the beneficial owners of the SAVRS.

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT NONE OF THE ISSUER, THE INSTITUTION OR THE UNDERWRITER TAKES RESPONSIBILITY FOR THE ACCURACY THEREOF.

No Responsibility of Issuer, Trustee, Institution and Paying Agent. NONE OF THE ISSUER, THE PAYING AGENT, THE INSTITUTION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO

DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT 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 BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Maturity

The initial Bonds, if in a SAVRS Rate Period, will mature on the Stated Maturity Date which is the second Business Day preceding the Regular Interest Payment Date on or immediately succeeding July 1, 2033.

Interest

General

Interest on the initial SAVRS will accrue from the date of initial issuance and will be payable in arrears, commencing on the Initial Interest Payment Date, February 12, 2004 with respect to the initial Series A-1 SAVRS and September 18, 2003, with respect to the initial Series A-2 SAVRS, and on each succeeding Thursday with respect to SAVRS in a seven day Standard Auction Rate Period or fifth Thursday with respect to SAVRS in a thirty-five day Standard Auction Rate Period thereafter, provided, that if the Institution designates, as described under "Auctions - Special Auction Rate Periods," any Subsequent Auction Rate Period as a Special Auction Rate Period that consists of:

- (i) fewer than 92 Rate Period Days, interest shall be payable on the Thursday after the last day of such Special Auction Rate Period;
- (ii) 92 or more but fewer than 183 Rate Period Days, interest shall be payable on the thirteenth Thursday after the first day of such Special Auction Rate Period and on the day after the last day of such Special Auction Rate Period; or
- (iii) 183 or more Rate Period Days, interest shall be payable on each succeeding thirteenth Thursday after the first day of such Special Auction Rate Period and on the day after the last day of such Special Auction Rate Period.

(each date referred to above, a "Regular Interest Payment Date"); provided further that if:

(x) (1) the Securities Depository shall make available to its participants and members, in next-day funds in New York City on Interest Payment Dates, the amount then due as interest or shall make available to its participants and members, in funds immediately available in New York City, on Interest Payment Dates, such amount but shall not have so advised the Auction Agent (as defined herein under "Auctions - Auction Agency Agreement" below) and the Trustee of such availability and (2) (I) such Thursday is not a Business Day (as defined below) or (II) the Friday following such Thursday is not a Business Day, then the Regular Interest Payment Date shall be the first Business Day that is immediately preceded by a Business Day that falls after such Thursday and is immediately followed by a Business Day; or

(y) (1) the Securities Depository shall make available to its participants and members, in funds immediately available in New York City on Interest Payment Dates, the amount then due as interest and shall have so advised the Auction Agent and the Trustee of such availability and (2) such Thursday is not a Business Day, then the Regular Interest Payment Date shall be the first Business Day that is immediately preceded by a Business Day that falls after such Thursday; and

at maturity, whether the Stated Maturity Date, prior redemption or otherwise and whether or not a Regular Interest Payment Date (each date of payment of interest being herein referred to as a “SAVRS Interest Payment Date”).

The regular record date for each Regular Interest Payment Date will be the second Business Day immediately preceding such Regular Interest Payment Date.

As used herein, “Business Day” means any day other than (i) during the SAVRS Rate Period, April 14, April 15, December 30 and December 31, and (ii) a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or in any city in which is located the principal corporate trust office of the Trustee.

SAVRS Rate

The Initial Auction Rate Period for the initial Series A-1 SAVRS will be a Special Auction Rate Period of 183 Rate Period Days and the Initial Auction Rate Period for the initial Series A-2 SAVRS will be a Special Auction Rate Period of 36 Rate Period Days. The rate of interest on the SAVRS for the Initial Auction Rate Period will be communicated to prospective purchasers by the Underwriter. Each Subsequent Auction Rate Period after the Initial Auction Rate Period shall be 35 Rate Period Days unless the Institution elects to change the length of the Standard Auction Rate Period or designates a Subsequent Auction Rate Period for all or a portion of the SAVRS as a Special Auction Rate Period. The rate of interest on SAVRS for each Subsequent Auction Rate Period therefor commencing prior to the Conversion Date shall be equal to the rate of interest per annum that results from implementation of the Auction Procedures (the “Auction Rate”) subject to certain exceptions and adjustments provided in the Agreement. Each periodic implementation of the Auction Procedures is hereinafter referred to as an “Auction.” As used herein, (i) “Subsequent Auction Rate Period” means the period from and including the Initial Interest Payment Date to but excluding the next Regular Interest Payment Date and each period thereafter from and including one Regular Interest Payment Date to but excluding the next succeeding Regular Interest Payment Date; provided that if any Subsequent Auction Rate Period is also a Special Auction Rate Period consisting of more than 91 Rate Period Days, such term shall mean the period commencing on the first day of such Special Auction Rate Period and ending on the last day of the last Interest Period thereof, (ii) “Auction Rate Period” means the Initial Auction Rate Period and any Subsequent Auction Rate Period, including any Special Auction Rate Period, (iii) “Special Auction Rate Period” means a Subsequent Auction Rate Period, other than a Standard Auction Rate Period, that consists of a specified number of Rate Period Days not fewer than 28 and not more than 1,820 and evenly divisible by seven, subject to adjustment as provided in the Agreement and (iv) “Standard Auction Rate Period” means any Auction Rate Period consisting of 7 or 35 Rate Period Days.

If an Auction for any Subsequent Auction Rate Period is not held for any reason (other than the occurrence and continuance of a Payment Default (as defined below)), including, without limitation, because there is not on deposit with the Trustee when required by the Agreement the aggregate amount of interest payable on SAVRS, the redemption price of any SAVRS to be redeemed or the purchase price of any SAVRS subject to mandatory tender for purchase by the Institution, the SAVRS Rate (defined below) for the next succeeding Subsequent Auction Rate Period will be equal to the SAVRS Maximum Rate (as defined herein under “Auctions - Auction Procedures” below) on the applicable date.

There could be no Auction Agent if the Auction Agent has resigned and the Institution has not appointed a successor. See “Auctions - Concerning the Auction Agent” below.

Determination of the SAVRS Rate (defined below) pursuant to the Auction Procedures will be terminated on the effective date of a Change to Weekly Rate Mode or a conversion to a Fixed Rate. If a notice of a Change to Weekly Rate Mode or a conversion to a Fixed Rate or a change to the Tax-Exempt Period is given by the Institution and because of a failure to satisfy certain of the conditions to the effectiveness of such change on the proposed effective date thereof such change does not take effect, the SAVRS Rate for the next succeeding Subsequent

Auction Rate Period will be equal to the SAVRS Maximum Rate on the proposed effective date of such change. See “Alternative Interest Rates” below.

If the SAVRS are no longer represented by a global bond registered in the name of the Securities Depository or its nominee, no further Auctions will be held and the SAVRS Rate for each Subsequent Auction Rate Period commencing after certificates representing the SAVRS are made available will equal the SAVRS Maximum Rate on the Business Day immediately preceding the first day of such Subsequent Auction Rate Period. See “General - Book-Entry Only System” above for a description of the circumstances under which the SAVRS may no longer be represented by a global bond.

If a Payment Default occurs under the Agreement (other than during a Special Auction Rate Period consisting of more than 364 Rate Period Days), Auctions will be suspended and the SAVRS Rate for each Subsequent Auction Rate Period commencing thereafter to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after, all such Payment Defaults are cured shall equal the Overdue Rate for a Standard Auction Rate Period on the first day of each such Subsequent Auction Rate Period.

If a Payment Default occurs under the Agreement during a Special Auction Rate Period consisting of more than 364 Rate Period Days, the SAVRS Rate for the portion of such Special Auction Rate Period during which such Payment Default shall not have been cured shall equal the Overdue Rate for such Special Auction Rate Period on the date of the occurrence of such Payment Default and if such Payment Default shall have not been cured at least two Business Days prior to the next succeeding Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period and for each Subsequent Auction Rate Period commencing thereafter to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured, shall equal the Overdue Rate for such Special Auction Rate Period on the first day of each such Subsequent Auction Rate Period.

The “SAVRS Rate” shall mean the rate per annum at which interest is payable on the SAVRS for any Auction Rate Period.

The “Overdue Rate,” shall mean on any date of determination, for any Standard Auction Rate Period, the interest rate per annum equal to 265% of the Reference Rate equal in length to the then-ending Standard Auction Rate Period, and for any Special Auction Rate Period, the interest rate per annum equal to 265% of LIBOR equal in length to the then-ending Special Auction Rate Period; *provided* that in no event shall the Overdue Rate exceed the lesser of (1) 16% per annum and (2) the maximum rate on such date permitted by Massachusetts law, as the same may be modified by United States law of general application.

“Payment Default” shall mean the default by the Issuer in the due and punctual payment of (a) any installment of interest on the Bonds or (b) any principal of, premium, if any, or interest on, the Bonds at their maturity (whether on the Stated Maturity Date, prior redemption or otherwise), which default shall continue for a period of two Business Days and which, in either case, is followed by the failure of the Bond Insurer to make, in accordance with the Bond Insurance Policy, due and punctual payments to or on behalf of the registered owners of the Bonds of such installments or payments described in clause (a) or (b), if so required under such Bond Insurance Policy.

“LIBOR,” on any date of determination for any Auction Rate Period, shall mean:

(i) subject to clause (ii) below, (A) for any Standard Auction Rate Period or any Special Auction Rate Period of fewer than 14 Rate Period Days, the offered rate for deposits in U.S. dollars for a one-week period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the “calculation date”) and (B) for any Standard Auction Rate Period or any Special Auction Rate Period of (i) 14 or more but fewer than 49 Rate Period Days, such rate for

deposits in U.S. dollars for a one-month period, (ii) 49 or more but fewer than 70 Rate Period Days, such rates for deposits in U.S. dollars for a two-month period, (iii) 70 or more but fewer than 85 Rate Period Days, the arithmetic average of such rates for deposits in U.S. dollars for two and three-month periods, (iv) 85 or more but fewer than 120 Rate Period Days, such rate for deposits in U.S. dollars for a three-month period, (v) 120 or more but fewer than 148 Rate Period Days, the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods, (vi) 148 or more but fewer than 180 Rate Period Days, such rate for deposits in U.S. dollars for a six-month period, (vii) 180 or more but fewer than 225 Rate Period Days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (viii) 225 or more but fewer than 290 Rate Period Days, such rate for deposits in U.S. dollars for a nine-month period, (ix) 290 or more but fewer than 325 Rate Period Days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods and (x) 325 or more but fewer than 365 Rate Period Days, such rate for deposits in U.S. dollars for a one-year period; or

(ii) If on any calculation date (A) no rate appears on the Telerate Page 3750 as specified in clause (i) above, the arithmetic average of the offered quotations of four major banks in the London interbank market, selected by the Market Agent, for deposits in U.S. dollars for the respective periods specified in clause (i) above to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such calculation date and in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time, unless fewer than two such quotations are provided, in which case the arithmetic average of the rates quoted at approximately 11:00 A.M., New York City time, on the date next preceding such calculation date by three major banks in The City of New York selected by the Market Agent for loans in U.S. dollars to leading European banks in a principal amount equal to an amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time.

"Taxable Period" means the period commencing on the date of issuance of the Bonds and ending on the day immediately preceding the first day of the Tax-Exempt Period.

"Tax-Exempt Period" means the period commencing on the Interest Payment Date on which Bonds commence accruing interest that is excludable from the gross income of the owners thereof for federal income tax purposes and ending on the Stated Maturity Date thereof. See "Change to Tax-Exempt Period" and "Mandatory Exchange upon Change to Tax-Exempt Period" and "TAX MATTERS" below.

Interest on the SAVRS for each Auction Rate Period shall be computed on the basis of the actual number of days in such Auction Rate Period and a 365- or 366- day year, as applicable.

Auctions

Auction Dates. Except as otherwise described herein, an Auction to determine the SAVRS Rate for each Subsequent Auction Rate Period will be held on the Business Day immediately preceding the first Business Day of such Subsequent Auction Rate Period (each an "Auction Date"). The first Auction for the initial Series A-1 Bonds will be held on February 11, 2004 and the first Auction for the initial Series A-2 Bonds will be held on September 17, 2003. Thereafter, Auctions will normally be held every Wednesday or fifth Wednesday, as applicable, and each Subsequent Auction Rate Period will normally begin on the following Thursday, unless the Institution changes the length of a Subsequent Auction Rate Period by designating it as a Special Auction Rate Period of between 28 and 1,820 days (approximately 5 years) and evenly divisible by seven, as described under "Auctions - Special Auction Rate Periods." In that event, the Subsequent Auction Rate Period after such Special Auction Rate Period will normally begin on the Thursday after the end of such Special Auction Rate Period and the Auction therefor will normally be held on the preceding Wednesday. See "General" above for information concerning the circumstances under which the Auction Date or the first day of an Auction Rate Period, or both, may be moved to a date other than such day.

Auction Agency Agreement. The Trustee will enter into an agreement (the "Auction Agency Agreement") with The Bank of New York (together with any successor bank or trust company or other entity entering into a similar agreement with the Trustee, the "Auction Agent") which provides, among other things, that the Auction

Agent will follow the Auction Procedures for the purposes of determining the SAVRS Rate so long as the SAVRS Rate is to be based on the results of an Auction. See “Concerning the Auction Agent” below.

Market Agent Agreement. The Trustee will enter into a market agent agreement (the “Market Agent Agreement”) with Lehman Brothers Inc. (“Lehman Brothers”) (Lehman Brothers, together with any successor as market agent under the Agreement, the “Market Agent”) which sets forth the Market Agent's duties and responsibilities. The Institution may remove the Market Agent.

Broker-Dealer Agreements. Each Auction requires the participation of one or more broker-dealers. The Auction Agent will enter into an agreement with Lehman Brothers and may enter into similar agreements (collectively, the “Broker-Dealer Agreements”) with one or more additional broker-dealers (collectively, the “Broker-Dealers”) selected by the Institution with the approval of Lehman Brothers (which approval will not be unreasonably withheld) which provide for the participation of Broker-Dealers in Auctions. See “Broker-Dealers” below.

Auction Procedures. The following is a summary of the Auction Procedures to be used with respect to Auctions.

As used herein, (i) “Beneficial Owner” means, during a SAVRS Rate Period, a customer of a Broker-Dealer (other than the Institution) who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of SAVRS, and during the Weekly Period or the Fixed Rate Period, when the Bonds are held by the Securities Depository, the beneficial owner of the Bond in question determined under the rules of the Securities Depository, (ii) “Existing Holder” means a Broker-Dealer (or any such other person (other than the Institution) as may be permitted by the Institution) that is listed as a holder of SAVRS on the records of the Auction Agent, (iii) “Potential Beneficial Owner” means a customer of a Broker-Dealer that is not a Beneficial Owner of SAVRS but that wishes to purchase SAVRS, or that is a Beneficial Owner of SAVRS that wishes to purchase an additional principal amount of SAVRS and (iv) “Potential Holder” means a Broker-Dealer (or any such other person as may be permitted by the Institution) that is not an Existing Holder or that is an Existing Holder that wishes to become the Existing Holder of an additional principal amount of SAVRS.

Orders by Existing Holders and Potential Holders. Prior to the Submission Deadline (as defined herein under “Submission of Orders by Broker-Dealers to Auction Agent” below) on each Auction Date:

(a) each Beneficial Owner may submit to a Broker-Dealer by telephone or otherwise a:

(i) Hold Order - indicating the principal amount of Outstanding SAVRS, if any, that such Beneficial Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Rate Period;

(ii) Bid - indicating the principal amount of Outstanding SAVRS, if any, that such Beneficial Owner offers to sell if the Auction Rate for the next succeeding Auction Rate Period shall be less than the rate per annum specified in such Bid by such Beneficial Owner; and/or

(iii) Sell Order - indicating the principal amount of Outstanding SAVRS, if any, that such Beneficial Owner offers to sell without regard to the Auction Rate for the next succeeding Auction Rate Period; and

(b) one or more Broker-Dealers may contact Potential Beneficial Owners to determine whether each such Potential Beneficial Owner desires to submit Bids, in which case they will indicate the principal amount of SAVRS that they offer to purchase if the Auction Rate for the next succeeding Auction Rate Period is not less than the rates per annum specified in such Bids.

The communication to a Broker-Dealer of the foregoing information is herein referred to as an “Order” and, collectively, as “Orders.” A Beneficial Owner or a Potential Beneficial Owner placing an Order is herein referred to as a “Bidder” and, collectively, as “Bidders.” The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an “Order” and collectively as “Orders,” and an Existing Holder or Potential Holder who places an Order with the Auction Agent or on whose behalf an Order is placed with the Auction Agent shall likewise be referred to herein as a “Bidder” and collectively as “Bidders.”

An Order may be submitted only in a principal amount of \$50,000 or any integral multiple thereof.

A Beneficial Owner may submit different types of Orders to its Broker-Dealer with respect to SAVRS then held by such Beneficial Owner. A Bid placed by a Beneficial Owner specifying a rate higher than the Auction Rate determined in the Auction shall constitute an irrevocable offer to sell the SAVRS subject thereto. A Beneficial Owner that submits a Bid to its Broker-Dealer having a rate higher than the SAVRS Maximum Rate on the Auction Date will be treated as having submitted a Sell Order to its Broker-Dealer. A Beneficial Owner that fails to submit to its Broker-Dealer prior to the Submission Deadline an Order or Orders covering the entire principal amount of SAVRS held by such Beneficial Owner will be deemed to have submitted a Hold Order to its Broker-Dealer covering the principal amount of SAVRS held by such Beneficial Owner and not subject to Orders submitted to a Broker-Dealer. A Sell Order shall constitute an irrevocable offer to sell the principal amount of SAVRS subject thereto. A Beneficial Owner that offers to purchase additional SAVRS is, for purposes of such offer, treated as a Potential Beneficial Owner.

A Potential Beneficial Owner may submit to its Broker-Dealer a Bid in which it offers to purchase the principal amount of SAVRS subject to such Bid if the Auction Rate determined in the Auction is not less than the rate specified in such Bid. A Bid placed by a Potential Beneficial Owner specifying a rate not higher than the SAVRS Maximum Rate shall constitute an irrevocable offer to purchase the principal amount of SAVRS specified in such Bid if the rate determined in the Auction is equal to or greater than the rate specified in such Bid.

As described more fully below under “Submission of Orders by Broker-Dealers to Auction Agent,” the Broker-Dealers will submit the Orders of their respective customers who are Beneficial Owners and Potential Beneficial Owners to the Auction Agent, designating themselves (unless otherwise permitted by the Institution) as Existing Holders in respect of the SAVRS subject to Orders submitted or deemed submitted to them by Beneficial Owners and as Potential Holders in respect of SAVRS subject to Orders submitted to them by Potential Beneficial Owners. However, none of the Issuer, the Institution, the Trustee or the Auction Agent will be responsible for a Broker-Dealer's failure to comply with the foregoing. Any Order placed with the Auction Agent by a Broker-Dealer as or on behalf of an Existing Holder or a Potential Holder will be treated in the same manner as an Order placed with a Broker-Dealer by a Beneficial Owner or a Potential Beneficial Owner, as described in the preceding paragraph. Similarly, any failure by an Existing Holder to submit to the Auction Agent an Order in respect of any principal amount of SAVRS held by it or its customers who are Beneficial Owners will be treated in the same manner as a Beneficial Owner's failure to submit to its Broker-Dealer an Order in respect of the principal amount of SAVRS held by it, as described in the second preceding paragraph. For information concerning the priority given to different types of Orders placed by Existing Holders, see “Submission of Orders by Broker-Dealers to Auction Agent” below.

None of the Issuer, the Institution or any affiliate thereof may submit an Order in any Auction except as set forth in the following sentence. Any Broker-Dealer that is an affiliate of the Institution or the Issuer may submit Orders in an Auction but only if such Orders are not for its own account, except that if such affiliated Broker-Dealer holds SAVRS for its own account, it must submit a Sell Order on the next Auction Date with respect to such SAVRS.

The Auction Procedures include pro rata allocation of SAVRS for purchase and sale, which may result in an Existing Holder's continuing to hold or selling, or a Potential Holder's purchasing, a principal amount of SAVRS that is smaller than the principal amount of SAVRS specified in its Order. See “Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of SAVRS” below. To the extent the allocation

procedures have that result, Broker-Dealers that have designated themselves as Existing Holders or Potential Holders in respect of customer Orders will be required to make the appropriate pro rata allocations among their respective customers. Each purchase or sale of SAVRS shall be made for settlement on the first Business Day following the Auction Date at a price equal to 100% of the principal amount thereof. See “Notification of Results; Settlement” below.

As described above, any Bid specifying a rate higher than the SAVRS Maximum Rate will (i) be treated as a Sell Order if submitted by a Beneficial Owner or an Existing Holder and (ii) not be accepted if submitted by a Potential Beneficial Owner or a Potential Holder. Accordingly, the Auction Procedures establish the SAVRS Maximum Rate as a maximum rate per annum that can result from an Auction. See “Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate” and “Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of SAVRS” below.

As used herein, “SAVRS Maximum Rate,” on any date of determination for any Auction Rate Period, means the interest rate per annum equal to the lowest on such date of:

(i) the Applicable Percentage (as defined below) of LIBOR on such date, unless:

(1) such Auction Rate Period is proposed to be a Special Auction Rate Period, in which case, the Applicable Percentage of the highest of:

(x) the higher of (I) the Reference Rate for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (II) LIBOR, if any, for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date; and

(y) the higher of (I) the Reference Rate for such Special Auction Rate Period on such date and (II) LIBOR, if any, for such Special Auction Rate Period on such date; and

(z) the higher of (I) the Reference Rate for a Standard Auction Rate Period on such date and (II) LIBOR, if any, for a Standard Auction Rate Period on such date; or

(2) such Auction Rate Period succeeds a Special Auction Rate Period and an Auction for a Standard Auction Rate Period at which Sufficient Clearing Bids existed, has not yet occurred since such Special Auction Rate Period, in which case, the higher of:

(x) the SAVRS Rate for the then-ending Auction Rate Period; and

(y) the Applicable Percentage of the higher of (I) the higher of (aa) the Reference Rate for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (bb) LIBOR, if any, for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (II) the higher of (aa) the Reference Rate for an Auction Rate Period equal in length to such Special Auction Rate Period and (bb) LIBOR, if any, for an Auction Rate Period equal in length to such Special Auction Rate Period on such date;

(ii) 16% per annum; and

(iii) the maximum rate on such date permitted by Massachusetts law as the same may be modified by United States law of general application.

“Applicable Percentage,” on any date of determination, means the percentage determined as set forth below based on the prevailing rating of the SAVRS in effect at the close of business on the Business Day immediately preceding such date:

<u>Prevailing Rating</u>	<u>Applicable Percentage</u>
“AAA”/“Aaa”	175%
“AA”/“Aa”	200%
“A”/“A”	250%
“BBB”/“Baa”	275%
Below “BBB”/“Baa”	300%

For purposes of this definition, the “prevailing rating” of the SAVRS will be:

(a) “AAA”/“Aaa”, if the SAVRS have a rating of “AAA” by Standard & Poor's Ratings Group (“S&P”) and a rating of “Aaa” by Moody's Investors Service, Inc. (“Moody's”), or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below;

(b) if not “AAA”/“Aaa”, then “AA”/“Aa” if the SAVRS have a rating of “AA-” or better by S&P and a rating of “Aa” or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below;

(c) if not “AAA”/“Aaa” or “AA”/“Aa”, then “A”/“A” if the SAVRS have a rating of “A-” or better by S&P and a rating of “A” or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below;

(d) if not “AAA”/“Aaa,” “AA”/“Aa” or “A”/“A”, then “BBB”/“Baa” if the SAVRS have a rating of “BBB-” or better by S&P and a rating of “Baa” or better by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below; and

(e) if not “AAA”/“Aaa”, “AA”/“Aa”, “A”/“A” or “BBB”/“Baa”, then below “BBB”/“Baa”, whether or not the SAVRS are rated by any securities rating agency.

The Institution will take all reasonable action necessary to enable at least two nationally recognized statistical rating agencies to provide ratings for the SAVRS. If (x) the SAVRS are rated by a nationally recognized statistical rating agency or agencies other than Moody's or S&P and (y) the Institution has delivered on behalf of the Issuer to the Trustee and the Auction Agent an instrument designating one or two of such rating agencies to replace Moody's or S&P, or both, then for purposes of the definition of “prevailing rating” Moody's or S&P, or both, will be deemed to have been replaced in accordance with such instrument; provided, however, that such instrument must be accompanied by the consent of the Market Agent. For purposes of this paragraph, S&P's rating categories of “AAA,” “AA-,” “A-” and “BBB,” and Moody's rating categories of “Aaa,” “Aa,” “A” and “Baa”, refer to and include the respective rating categories correlative thereto in the event that either or both of such rating agencies have changed or modified their generic rating categories.

As used herein “Reference Rate” shall mean (i) for a Standard Auction Rate Period or any Special Auction Rate Period of fewer than 183 days, the LIBOR Rate for such Auction Rate Period, (ii) for an Auction Rate Period of more than 182 days but fewer than 365 days, the Treasury Rate for such Auction Rate Period and (iii) for an Auction Rate Period of more than 364 days, the Treasury Note Rate for such Auction Rate Period.

As used herein, “Treasury Note Rate,” on any date of determination for any Auction Rate Period, shall mean (A) the bond equivalent yield, calculated in accordance with prevailing industry convention, of the rate on the most recently auctioned direct obligation of the United States Government having a remaining maturity closest to

the length of such Auction Rate Period, as quoted in *The Wall Street Journal* on such date for the Business Day next preceding such date; or (B) in the event that any such rate is not published in *The Wall Street Journal*, then the bond equivalent yield, calculated in accordance with prevailing industry convention, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the United States Government having a remaining maturity closest to the length of such Auction Rate Period, based on bid price quotations on such date obtained by the Auction Agent from Lehman Brothers Inc., Goldman, Sachs & Co., Salomon Smith Barney Inc. and Morgan Guaranty Trust Company of New York or their respective affiliates or successors, if such entity is a dealer of U.S. Government securities (the "U.S. Government Securities Dealers").

As used herein, "Treasury Rate," on any date of determination for any Auction Rate Period, shall mean (A) the bond equivalent yield, calculated in accordance with prevailing industry convention, of the rate on the most recently auctioned direct obligation of the United States Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Rate Period, as quoted in *The Wall Street Journal* on such date for the Business Day next preceding such date; or (B) in the event that any such rate is not published in *The Wall Street Journal*, then the bond equivalent yield, calculated in accordance with prevailing industry convention, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the United States Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Rate Period, based on bid price quotations on such date obtained by the Auction Agent from the U.S. Government Securities Dealers; and

The All Hold Rate is the minimum rate per annum that can result from an Auction. Any Bid specifying a rate lower than the All Hold Rate will be treated as a Bid specifying the All Hold Rate. See "Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate" and "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of SAVRS" below. As used herein, "All Hold Rate," on any date of determination, means the interest rate per annum equal to 45% of the greater of (a) LIBOR or (b) the applicable Reference Rate in effect on such Auction Date; provided, however, that in no event shall such All Hold Rate exceed the SAVRS Maximum Rate.

Submission of Orders by Broker-Dealers to Auction Agent. Prior to 1:00 p.m., New York City time, on each Auction Date, or such other time on the Auction Date specified by the Auction Agent (the "Submission Deadline"), each Broker-Dealer will submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date, designating itself (unless otherwise permitted by the Institution) as the Existing Holder or Potential Holder in respect of the principal amount of SAVRS subject to such Orders. Any Order submitted by a Beneficial Owner or a Potential Beneficial Owner to its Broker-Dealer, or by a Broker-Dealer to the Auction Agent, prior to the Submission Deadline on any Auction Date, shall be irrevocable.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding SAVRS held by such Existing Holder, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the aggregate principal amount of SAVRS held by such Existing Holder, and if the aggregate principal amount of SAVRS subject to such Hold Orders exceeds the aggregate principal amount of Outstanding SAVRS held by such Existing Holder, the aggregate principal amount of SAVRS subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding SAVRS held by such Existing Holder;

(ii) (A) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding SAVRS held by such Existing Holder over the aggregate principal amount of SAVRS subject to any Hold Orders referred to in clause (i) above;

(B) subject to subclause (A), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding SAVRS subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of SAVRS subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of SAVRS equal to such excess;

(C) subject to subclauses (A) and (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amounts of Outstanding SAVRS, if any, subject to Bids not valid under this clause (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate specified therein; and

(iii) all Sell Orders shall be considered valid but only up to and including the excess of the aggregate principal amount of Outstanding SAVRS held by such Existing Holder over the aggregate principal amount of SAVRS subject to Hold Orders referred to in clause (i) and valid Bids referred to in clause (ii) above.

If more than one Bid is submitted by or on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount of SAVRS therein specified.

Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of SAVRS not equal to \$50,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of SAVRS not equal to \$50,000 or any integral multiple thereof shall be rejected.

Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate. Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Hold Order, Bid or Sell Order as submitted or deemed submitted by a Broker-Dealer being herein referred to as a “Submitted Hold Orders,” “Submitted Bids” or “Submitted Sell Orders,” as the case may be, or as a “Submitted Order”) and will determine the excess of the total principal amount of Outstanding SAVRS over the sum of the aggregate principal amount of Outstanding SAVRS subject to Submitted Hold Orders (such excess being herein referred to as the “Available SAVRS”) and whether Sufficient Clearing Bids have been made in the Auction on such Auction Date. Sufficient Clearing Bids will have been made if the aggregate principal amount of Outstanding SAVRS that is the subject of Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the SAVRS Maximum Rate equals or exceeds the aggregate principal amount of Outstanding SAVRS that is the subject of Submitted Sell Orders (including the aggregate principal amount of SAVRS subject to Submitted Bids by Existing Holders specifying one or more rates higher than the SAVRS Maximum Rate).

If Sufficient Clearing Bids have been made, the Auction Agent will determine the lowest rate specified in the Submitted Bids (the “Winning Bid Rate”) which, taking into account the rates in all Submitted Bids of Existing Holders, would result in Existing Holders continuing to hold an aggregate principal amount of Outstanding SAVRS which, when added to the aggregate principal amount of Outstanding SAVRS to be purchased by Potential Holders, based on the rates in their Submitted Bids, would equal not less than the Available SAVRS. In such event, the Winning Bid Rate will be the Auction Rate for the next Auction Rate Period.

If Sufficient Clearing Bids have not been made (other than because all SAVRS are subject to Submitted Hold Orders), the Auction Rate for the next Auction Rate Period will be the SAVRS Maximum Rate. If Sufficient Clearing Bids have not been made, Beneficial Owners that have submitted Sell Orders or that are deemed to have

submitted Sell Orders may not be able to sell in the Auction all SAVRS subject to such Submitted Sell Orders. See “Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of SAVRS” below. None of the Issuer, the Institution, the Trustee, any Broker-Dealer or any other person is required to provide money to purchase SAVRS if Sufficient Clearing Bids do not exist.

If all of the Outstanding SAVRS are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocations of SAVRS.

Based on the determinations made under “Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate” above and, subject to the discretion of the Auction Agent to round off fractional amounts as described below, Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the order of priority set forth in the Auction Procedures with the result that Existing Holders and Potential Holders of SAVRS shall sell, continue to hold and/or purchase SAVRS as set forth below. Existing Holders that submitted or were deemed to have submitted Hold Orders (or on whose behalf Hold Orders were submitted or deemed to have been submitted) shall continue to hold SAVRS subject to such Hold Orders.

If Sufficient Clearing Bids have been made:

(a) each Existing Holder that placed or on whose behalf was placed a Submitted Sell Order or Submitted Bid specifying a rate higher than the Winning Bid Rate shall sell the principal amount of SAVRS subject to such Submitted Sell Order or Submitted Bid;

(b) each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall continue to hold the principal amount of SAVRS subject to such Submitted Bid;

(c) each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate lower than the Winning Bid Rate shall purchase the principal amount of SAVRS subject to such Submitted Bid;

(d) each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall continue to hold the principal amount of SAVRS subject to such Submitted Bid unless the aggregate principal amount of SAVRS subject to all such Submitted Bids is greater than the aggregate principal amount of Available SAVRS less the SAVRS accounted for in clauses (b) and (c) above, in which event each Existing Holder with such a Submitted Bid shall continue to hold a principal amount of outstanding SAVRS subject to such Submitted Bid determined on a pro rata basis based on the aggregate principal amount of outstanding SAVRS subject to all such Submitted Bids by Existing Holders; and

(e) each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to the Winning Bid Rate shall purchase any Available SAVRS not accounted for in clause (b), (c) or (d) above on a pro rata basis based on the aggregate principal amount of outstanding SAVRS subject to all such Submitted Bids.

If Sufficient Clearing Bids have not been made (unless all of the outstanding SAVRS are subject to Submitted Hold Orders):

(a) each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to or lower than the SAVRS Maximum Rate shall continue to hold the principal amount of SAVRS subject to such Submitted Bid;

(b) each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to or lower than the SAVRS Maximum Rate shall purchase the principal amount of SAVRS subject to such Submitted Bid; and

(c) each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate higher than the SAVRS Maximum Rate or a Submitted Sell Order shall sell a principal amount of SAVRS determined on a pro rata basis based on the aggregate principal amount of SAVRS subject to all such Submitted Bids and Submitted Sell Orders.

If, as a result of the Auction Procedures, (i) any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of SAVRS that is not equal to \$50,000 or any integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of SAVRS being sold or purchased on such Auction Date so that the principal amount of SAVRS sold or purchased by each Existing Holder or Potential Holder shall be equal to \$50,000 or an integral multiple thereof or (ii) any Potential Holder would be entitled or required to purchase less than \$50,000 principal amount of SAVRS, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate principal amounts of SAVRS for purchase among Potential Holders so that only principal amounts of SAVRS equal to \$50,000 or an integral multiple thereof are purchased by any such Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any SAVRS.

Notification of Results; Settlement. The following is a summary of the Settlement Procedures to be used with respect to Auctions.

The Auction Agent is required to advise each Broker-Dealer that submitted an Order of the Auction Rate for the next Auction Rate Period and, if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone by approximately 3:00 p.m., New York City time, on each Auction Date. Each Broker-Dealer that submitted an Order for the account of a customer will be required to then advise such customer of the Auction Rate for the next Auction Rate Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, will be required to confirm purchases and sales with each customer purchasing or selling SAVRS as a result of the Auction and advise each customer purchasing or selling SAVRS as a result of the Auction to give instructions to its Depository Participant to pay the purchase price against delivery of such SAVRS or to deliver such SAVRS against payment therefor, as appropriate. The Auction Agent will record each transfer of SAVRS on the registry of Existing Holders to be maintained by the Auction Agent.

In accordance with the Securities Depository's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through the Securities Depository and the accounts of the respective Depository Participants at the Securities Depository will be debited and credited and SAVRS delivered as necessary to effect the purchases and sales of SAVRS as determined in the Auction. Purchasers are required to make payment through their Depository Participants in same-day funds to the Securities Depository against delivery through their Depository Participants. The Securities Depository will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Depository Participants in same-day funds.

If any Existing Holder or Beneficial Owner selling SAVRS in an Auction fails to deliver such SAVRS, the Broker-Dealer of any person that was to have purchased SAVRS in such Auction may deliver to such person a principal amount of SAVRS that is less than the principal amount of SAVRS that otherwise was to be purchased by such person but in any event equal to \$50,000 or an integral multiple thereof. In such event, the principal amount of SAVRS to be delivered shall be determined by such Broker-Dealer. Delivery of such lesser principal amount of SAVRS shall constitute good delivery.

Concerning the Auction Agent. The Bank of New York is the initial Auction Agent under the Agreement.

In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts.

The Auction Agent may resign upon notice to the Issuer, the Institution, the Trustee, the Paying Agent, the Market Agent and the Bond Insurer on a date no earlier than 90 days after such notice. If the Auction Agent should resign or be removed, the Institution is obligated to use its best efforts to appoint a successor Auction Agent approved by the Bond Insurer. Prior to the Conversion Date, if required by the Market Agent, an agreement shall be entered into with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. The Institution may remove the Auction Agent with the consent of the Bond Insurer.

On the Interest Payment Date for each interest period for each Auction Rate Period immediately following an Auction Date, the Auction Agent will be entitled to receive a fee for all services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreements with respect to the Auction held on such Auction Date in an amount initially equal to an annualized rate of .009 of 1% of the aggregate principal amount of the SAVRS upon which interest is paid but in any event not less than \$3,500. In addition, the Auction Agent will be entitled to receive on the Interest Payment Date for the Initial Auction Rate Period the Auction Agent Fee calculated for the Initial Auction Rate Period on the initial aggregate principal amount of the SAVRS for all services rendered by it in connection with the original issuance of the SAVRS.

Broker-Dealers. On the Interest Payment Date for each interest period for each Auction Rate Period immediately following an Auction Date, each Broker-Dealer will be entitled to receive a service charge with respect to the Auction held on such Auction Date in an amount initially equal to an annualized rate of .25 of 1% of the aggregate purchase price of the SAVRS upon which interest is paid and which were placed by such Broker-Dealer at such Auction. For purposes of the preceding sentence, SAVRS will be deemed to have been placed by a Broker-Dealer in an Auction if such SAVRS were (i) the subject of Hold Orders deemed to have been submitted to the Auction Agent by the Broker-Dealer and were acquired by such Broker-Dealer for its own account or were acquired by such Broker-Dealer for its customers who are Beneficial Owners or (ii) the subject of an Order submitted by such Broker-Dealer that is (A) a Submitted Bid of an Existing Holder that resulted in such Existing Holder continuing to hold such SAVRS as a result of the Auction, (B) a Submitted Bid of a Potential Holder that resulted in such Potential Holder purchasing such SAVRS as a result of the Auction or (C) a valid Hold Order. In addition, if an Auction is for any reason not held on an Auction Date, SAVRS will be deemed to have been placed by a Broker-Dealer in such Auction if such SAVRS were acquired by an Existing Holder through such Broker-Dealer. Each Broker-Dealer will also be entitled to receive a service charge on the Initial Interest Payment Date for the Initial Auction Rate Period calculated for the Initial Auction Rate Period on the aggregate principal amount of the SAVRS initially sold by such Broker-Dealer or an affiliate thereof as an underwriter in the initial offering of the SAVRS.

If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders because it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers in the Auction. Orders submitted by a Broker-Dealer for its own account in any Auction could affect the Auction Rate determined in such Auction.

Special Auction Rate Periods. The Institution at its option, with the written consent of the Bond Insurer, may designate any succeeding Subsequent Auction Rate Period as a Special Auction Rate Period that consists of a specified number of days not fewer than 28 and not more than 1,820 and evenly divisible by seven, subject to adjustment as provided below; provided that if an Event of Default has occurred and is continuing, the Bond Insurer shall succeed to the right of the Institution to make such designation until such Event of Default has been cured. A designation of a Special Auction Rate Period shall be effective only if (A) notice thereof shall have been given as described below, (B) an Auction shall have been held on the Auction Date for such proposed Special Auction Rate

Period and Sufficient Clearing Bids shall have existed in such Auction, and (C) if any notice of redemption shall have been mailed by the Trustee, the related redemption price shall be on deposit with the Trustee.

In the event the Institution wishes to designate a Subsequent Auction Rate Period as a Special Auction Rate Period, but the day following what would otherwise be the last day of such Special Auction Rate Period is not a Thursday that is a Business Day, then the Institution shall designate such Subsequent Auction Rate Period as a Special Auction Rate Period consisting of the period commencing on the first day following the end of the immediately preceding Auction Rate Period and ending on the first preceding Wednesday that is followed by a Thursday that is a Business Day preceding what would otherwise be such last day.

If the Institution proposes to designate any succeeding Subsequent Auction Rate Period as a Special Auction Rate Period, not less than 20 (or such lesser number of days as may be agreed to from time to time by the Auction Agent) nor more than 30 days prior to the date the Institution proposes to designate as the first day of such Special Auction Rate Period (which shall be the day that would otherwise be the first day of the next succeeding Auction Rate Period), the Institution shall give written notice to the Trustee, the Auction Agent, the Market Agent and the Securities Depository.

No later than 11:00 A.M., New York City time, on the second Business Day next preceding the first day of any proposed Special Auction Rate Period (or such later time or date, or both, as may be agreed to by the Auction Agent), the Institution shall deliver to the Auction Agent either:

- (i) (A) a notice stating (1) that the Institution has determined to designate the next succeeding Auction Rate Period as a Special Auction Rate Period, specifying the same and the first day thereof, (2) the Auction Date immediately prior to the first day of such Special Auction Rate Period, (3) that such Special Auction Rate Period shall not commence if (x) an Auction shall not be held on such Auction Date for any reason or (y) an Auction shall be held on such Auction Date but Sufficient Clearing Bids shall not exist in such Auction, (4) the Regular Interest Payment Dates during such Special Auction Rate Period and (B) an Opinion of Bond Counsel to the effect that such designation of a Special Auction Rate Period is authorized by the Agreement and is permitted under the Act; or
- (ii) a notice stating that the Institution has determined not to exercise its option to designate a Special Auction Rate Period and that the next succeeding Auction Rate Period shall be a Standard Auction Rate Period.

Investors who purchase SAVRS having an extended Initial Auction Rate Period or who purchase SAVRS in an Auction for a Special Auction Rate Period should note that because the interest rate on the SAVRS will be fixed for the length of such Auction Rate Period, the value of the SAVRS may fluctuate in response to changes in interest rates, and may be more or less than their original cost if sold on the open market in advance of the next Auction, depending on market conditions.

Changes in Standard Auction Rate Period. While any SAVRS are Outstanding, the Institution, at its option, with the written consent of the Bond Insurer, may from time to time on any Interest Payment Date change the length of the Standard Auction Rate Period on all or a portion of the SAVRS from one period to another in order to accommodate economic and financial factors that may affect or be relevant to the length of the Standard Auction Rate Period and the interest rate borne by such SAVRS. The Institution shall initiate the change in the length of a Standard Auction Rate Period by giving written notice to the Issuer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Standard Auction Rate Period will change if the conditions described below are satisfied and the proposed effective date of the change, at least ten Business Days prior to the Auction Date for such Standard Auction Rate Period and that SAVRS are subject to mandatory tender for purchase on the Interest Payment Date immediately following the Auction Date on which there has been a successful Auction of such SAVRS for the first Standard Auction Rate Period. If an Event of Default has occurred and is continuing, the Bond Insurer shall succeed to the rights of the Institution described in this paragraph until such Event of Default has been cured.

The change in the length of a Standard Auction Rate Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date which the notice of the proposed change was given as provided above and the Auction immediately preceding the proposed change.

The change in length of a Standard Auction Rate Period shall take effect only if (A) the Trustee and the Auction Agent receive by 11:00 a.m., Eastern Time, on the Business Day before the Auction Date for the first such Standard Auction Rate Period, a certificate from the Institution, authorizing the change in the length of the Standard Auction Rate Period specified in such certificate, and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Standard Auction Rate Period. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Rate Period shall be determined pursuant to the Auction Procedures and the Auction Rate Period shall be the Auction Rate Period determined without reference to the proposed change. If the condition referred to in (B) above is not met, the Auction Rate for the next Auction Rate Period shall be the SAVRS Maximum Rate, and the Standard Auction Rate Period shall be seven days.

Any SAVRS for which the Standard Auction Rate Period is changed shall be subject to mandatory tender for purchase on the Interest Payment Date immediately following the Auction Date on which there has been a successful Auction of such SAVRS at a price equal to the principal amount being tendered and accrued interest thereon.

Transfer of SAVRS

So long as the ownership of the SAVRS is maintained in book-entry form by the Securities Depository, a Beneficial Owner or an Existing Holder may sell, transfer or otherwise dispose of SAVRS only pursuant to a Bid or Sell Order placed in an Auction or to a Broker-Dealer (or other person, if permitted by the Institution) provided, however, that (a) a sale, transfer or other disposition of SAVRS from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such SAVRS to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of the foregoing if such Broker-Dealer remains the Existing Holder of the SAVRS so sold, transferred or disposed of immediately after such sale, transfer or disposition and (b) in the case of all transfers other than pursuant to Auctions such Broker-Dealer (or other person, if permitted by the Institution), to whom such transfer is made shall advise the Auction Agent of such transfer.

Alternative Interest Rates

Change to Weekly Rate Mode

The method for determining the interest rate to be borne by all or a portion of the SAVRS may be changed by the Institution, with the written consent of the Bond Insurer, from a SAVRS Rate to a Weekly Rate (as defined below) upon at least 30 days' prior notice to the Issuer, the Trustee, the Auction Agent, the Market Agent and the Securities Depository; provided that if an Event of Default has occurred and is continuing, the Bond Insurer shall succeed to the right of the Institution to effect such Change to Weekly Rate Mode until such Event of Default has been cured. Such notice shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of the Change to Weekly Rate Mode to the effect that such Change to Weekly Rate Mode is authorized by the Agreement and is permitted under the Act. The Auction Agent shall mail notice of any proposed Change to the Weekly Rate Mode to the Existing Holders within three Business Days of its receipt thereof. **Existing Holders to whom notice of a proposed Change to Weekly Rate Mode has been delivered should contact their respective Broker-Dealers to be given information regarding such proposed change.**

A Change to Weekly Rate Mode may be effected only on a Regular Interest Payment Date.

The effectiveness of a Change to Weekly Rate Mode is subject to the following conditions:

(i) the Trustee and the Auction Agent shall receive:

(A) a certificate of the Institution by no later than the tenth day prior to the proposed effective date of such Change to Weekly Rate Mode stating that (1) a written agreement between the Institution and a firm or firms of investment bankers to remarket the SAVRS on such effective date at a price of 100% of the principal amount thereof (a "Remarketing Commitment") has been entered into, which agreement (x) may be subject to such reasonable terms and conditions which in the judgment of the Institution reflect the current market standards regarding investment banking risk, (y) must include a provision requiring payment of the purchase price in same-day funds for the SAVRS and (z) must include a provision requiring the determination of the Weekly Rate for the initial Weekly Period no later than 11:00 A.M., New York City time, on the Business Day prior to the effective date of such Change to Weekly Rate Mode, and (2) a Remarketing Agreement (the "Remarketing Agreement") meeting the requirements set forth in the Agreement is or will be in effect on or prior to the effective date of such Change to Weekly Rate Mode;

(B) by 11:00 A.M., New York City time, on the second Business Day prior to the effective date of such Change to Weekly Rate Mode by telecopy or other similar means, a certificate from the Institution (x) authorizing the establishment of the Weekly Rate, (y) setting forth the Weekly Rate for the initial Weekly Period and (z) confirming that Bond Counsel expects to be able to give an opinion on the effective date of such Change to Weekly Rate Mode to the effect that such Change to Weekly Rate Mode is authorized by the Agreement and is permitted under the Act;

(C) by 9:30 A.M., New York City time, on the effective date of such Change to Weekly Rate Mode, an Opinion of Bond Counsel to the effect that such Change to Weekly Rate Mode is authorized by the Agreement and is permitted under the Act;

(D) by 4:00 P.M., New York City time, on the effective date of such Change to Weekly Rate Mode, a certificate from the Institution that all of the SAVRS tendered or deemed tendered have been purchased at a price equal to the principal amount thereof with funds provided from the remarketing of the SAVRS pursuant to the Remarketing Commitment; and

(ii) a Liquidity Facility has been delivered to the Trustee not less than one Business Day prior to the Effective Date and is, by its terms, in effect on or prior to the Effective Date; provided that if on the proposed effective date of the Change to Weekly Rate Mode the short-term rating of the Bonds is at least "A-1" by S&P or "VMIG-1" by Moody's, no Liquidity Facility shall be required;

(iii) the Remarketing Agreement referred to above has been duly executed and delivered by the parties thereto and is in full force and effect not less than one Business Day prior to the effective date of such Change to Weekly Rate Mode; and

(iv) if the Trustee is not serving as tender agent, a tender agent (a "Tender Agent") has been duly appointed by the Institution in accordance with the Agreement.

If a Change to Weekly Rate Mode is effective, the SAVRS subject to such Change to Weekly Rate Mode shall cease to bear interest at the SAVRS Rate and shall bear interest at a floating rate determined weekly by a remarketing agent under the Remarketing Agreement (the "Weekly Rate"). If any one of the conditions referred to in (i)(A) or (B) above is not met, the SAVRS Rate for the next succeeding Subsequent Auction Rate Period shall be determined pursuant to the Auction Procedures. If any one of the conditions referred to in (i)(C), (i)(D), (ii), (iii) or (iv) is not met, the SAVRS Rate for the next succeeding Subsequent Auction Rate Period shall be equal to the SAVRS Maximum Rate as determined on the proposed effective date of such Change to Weekly Rate Mode. If any

one of the foregoing conditions is not met, the Trustee shall give a notice thereof to the Auction Agent and the registered owners of the SAVRS by telecopy or similar means.

Conversion to Fixed Rate

The Institution may, with the written consent of the Bond Insurer, fix the interest rate to be borne by all or a portion of the Bonds to a fixed rate (the "Fixed Rate") upon not less than 35 nor more than 45 days' prior notice to the Issuer, the Trustee, and during the SAVRS Rate Period, the Auction Agent, the Market Agent and the Securities Depository, or, after a Change to the Weekly Rate Mode, the Liquidity Facility Issuer, if any, the Tender Agent and the Remarketing Agent; provided that if an Event of Default has occurred and is continuing, the Bond Insurer shall, until such Event of Default has been cured, succeed to the right of the Institution to convert the rate of interest on the Bonds to a Fixed Rate. Such notice shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of the conversion to a Fixed Rate (the "Fixed Rate Conversion Date") to the effect that the establishment of a Fixed Rate is authorized by the Agreement and is permitted under the Act. The Auction Agent shall mail notice of any proposed conversion to a Fixed Rate to the Existing Holders within three Business Days of its receipt thereof. **Existing Holders to whom notice of a proposed conversion to a Fixed Rate has been delivered should contact their respective Broker-Dealers to be given information regarding such proposed conversion.**

The Fixed Rate Conversion Date may only be a Regular Interest Payment Date.

The effectiveness of a conversion to a Fixed Rate from a SAVRS Rate is subject to the following conditions:

(i) the Trustee and the Auction Agent shall receive:

(A) a certificate of the Institution by no later than the tenth day prior to a Fixed Rate Conversion Date stating that a written agreement has been entered into between the Institution and a firm or firms of investment bankers to remarket the Bonds on the Fixed Rate Conversion Date at a price of not less than 100% of the principal amount thereof (a "Fixed Rate Commitment"), which written agreement (x) may be subject to such reasonable terms and conditions which in the judgment of the Institution reflect current market standards regarding investment banking risk, (y) must include a provision requiring payment of the purchase price in same-day funds for the Bonds and (z) must include a provision requiring the determination of the Fixed Rate no later than 11:00 A.M., New York City time, on the Business Day prior to the Fixed Rate Conversion Date;

(B) by 11:00 A.M., New York City time, on the second Business Day prior to the Fixed Rate Conversion Date, by telecopy or other similar means, a certificate from the Institution (x) authorizing the establishment of a Fixed Rate, (y) setting forth the Fixed Rate and (z) confirming that Bond Counsel expects to be able to give an opinion on the Fixed Rate Conversion Date to the effect that the change to a Fixed Rate is authorized by the Agreement and is permitted under the Act;

(C) by 9:30 A.M., New York City time, on the Fixed Rate Conversion Date, an opinion of Bond Counsel to the effect that the conversion to a Fixed Rate is authorized by the Agreement and is permitted under the Act; and

(D) by 4:00 P.M., New York City time, on the Fixed Rate Conversion Date, a certificate from the Institution that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof, with funds provided from the remarketing of the Bonds in accordance with the Fixed Rate Commitment; and

(ii) if the Trustee is not serving as tender agent, a Tender Agent has been duly appointed by the Institution in accordance with the Agreement.

If a conversion to a Fixed Rate is effective as provided above, the SAVRS shall cease to bear interest at the SAVRS Rate and shall bear interest at the Fixed Rate determined pursuant to the Fixed Rate Commitment. If any one of the conditions referred to in (i)(A) or (i)(B) above is not met with respect to any change to a Fixed Rate, the SAVRS Rate for the next succeeding Subsequent Auction Rate Period shall be determined pursuant to the Auction Procedures. If any one of the conditions referred to in (i)(C), (i)(D) or (ii) above is not met with respect to any change to a Fixed Rate from the SAVRS Rate, the SAVRS Rate for the next succeeding Subsequent Auction Rate Period shall be equal to the SAVRS Maximum Rate as determined as of the proposed Fixed Rate Conversion Date. If any one of the foregoing conditions is not met, the Trustee shall give a notice thereof to the Auction Agent and to the registered owners of the SAVRS by telecopy or similar means.

Change to Tax-Exempt Period

Prior to the Fixed Rate Conversion Date, the Institution may effect a change from the Taxable Period to the Tax-Exempt Period to the SAVRS in whole or from time to time in part by delivering a written notice of such proposed change 35 days prior to the proposed effective date of such change to the Issuer, the Trustee, the Auction Agent, the Market Agent and the Securities Depository. A change to the Tax-Exempt Period may only be effected on an Interest Payment Date occurring on or before the Fixed Rate Conversion Date. A notice of a proposed change to the Tax-Exempt Period shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the fifth Business Day prior to the proposed effective date of the change to the Tax-Exempt Period to the effect that, subject to the conditions specified in such opinion, from and after such effective date interest on the SAVRS (or portions thereof subject to a change to the Tax-Exempt Period) will be excluded from the gross income of the owners thereof for federal income tax purposes.

A change to the Tax-Exempt Period shall be effective only if the Trustee and the Auction Agent shall receive:

(i) by 11:00 A.M., New York City time, on the sixth Business Day prior to the effective date of such proposed change to the Tax-Exempt Period, by telecopy or other similar means, a certificate from the Institution (x) authorizing the establishment of the Tax-Exempt Period and (y) confirming that Bond Counsel expects to be able to give an opinion on the following Business Day to the effect that, subject to the conditions specified in such opinion, from and after such effective date interest on the SAVRS (or portions thereof subject to a change to the Tax-Exempt Period) will be excluded from gross income of the owners thereof for federal income tax purposes;

(ii) by 11:00 A.M., New York City time, on the fifth Business Day prior to the effective date of such change to the Tax-Exempt Period, an opinion of Bond Counsel to the effect that, subject to the conditions specified in such opinion, from and after such effective date interest on the SAVRS (or portions thereof subject to a change to the Tax-Exempt Period) will be excluded from the gross income of the owners thereof for federal income tax purposes;

(iii) by 9:30 A.M., New York City time, on the effective date of such change to the Tax-Exempt Period, confirmation from Bond Counsel that the conditions set forth in its opinion referred to in clause (ii) above have been satisfied; and

(iv) by 4:00 P.M., New York City time, on the effective date of such change to the Tax-Exempt Period, a certificate from the Institution that all of the SAVRS subject to a change from the Taxable Period to the Tax-Exempt Period have been exchanged or deemed exchanged as provided in the Agreement for an equal principal amount of SAVRS in the form described in the Agreement.

If for any reason after delivery of the opinion of Bond Counsel referred to above the Tax-Exempt Period shall not commence on the proposed effective date thereof with respect to the SAVRS subject to a change from the Taxable Period to the Tax-Exempt Period, the Institution shall promptly give written notice to the Issuer, the

Trustee, the Auction Agent, the Market Agent and the Securities Depository stating that the Tax-Exempt Period will not commence or has not commenced, as the case may be, and that, if the next succeeding Rate Period is a Subsequent Auction Rate Period, the interest rate on the applicable SAVRS (including portions thereof subject to a change to the Tax-Exempt Period) for such Subsequent Auction Rate Period shall be equal to the SAVRS Maximum Rate for the Taxable Period on the Auction Date for such Subsequent Auction Rate Period.

Mandatory Exchange upon Change to Tax-Exempt Period

The SAVRS (or portions thereof subject to a change to the Tax-Exempt Period) shall be subject to mandatory tender for exchange in accordance with the terms of the Agreement, at the effective time of a change to the Tax-Exempt Period (the "Mandatory Exchange Date") for an equal principal amount of SAVRS the interest on which is excluded from the gross income of the owners thereof for federal income tax purposes. If less than all the SAVRS shall be subject to a change from the Taxable Period to the Tax-Exempt Period, such SAVRS (or portions thereof) to be so exchanged shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee, provided that for so long as Cede & Co., as nominee of DTC, is the registered owner, the particular SAVRS (or portions thereof) to be exchanged shall be selected by DTC, in such manner as DTC may determine, from all SAVRS Outstanding. The Trustee shall give notice of any mandatory tender for exchange pursuant to the Agreement to the registered owners of the SAVRS subject to a change from the Taxable Period to the Tax-Exempt Period at their addresses appearing in the registration books maintained by the Trustee at the time of delivery of the notice specified above.

The registered owners of SAVRS subject to a change from the Taxable Period to the Tax-Exempt Period shall be required to tender such SAVRS to the Tender Agent on the Mandatory Exchange Date. If any such registered owner fails to properly deliver any SAVRS on any Mandatory Exchange Date, such SAVRS shall be deemed to have been properly tendered to the Tender Agent for exchange and, to the extent that the change to the Tax-Exempt Period is effective as provided in the Agreement on the Mandatory Exchange Date, the interest payable on the SAVRS of such registered owner shall thereafter be excluded from the gross income of the owners thereof for federal income tax purposes and the provisions of the Agreement relating to the Taxable Period shall no longer apply.

Mandatory Tender for Purchase of SAVRS

Upon a Change to Weekly Rate Mode, a change in Standard Auction Rate Period or a conversion to a Fixed Rate or at the request of the Institution, the SAVRS subject to such change or conversion or request are subject to mandatory tender for purchase on the effective date of such change or conversion, as applicable, or in the case of a request by the Institution, on the second Business Day preceding any Regular Interest Payment Date (a "Mandatory Tender Date") at a price equal to the principal amount thereof together with interest accrued and unpaid thereon. The Trustee shall give notice of any mandatory tender for purchase to the registered owners of the SAVRS at their addresses appearing in the registration books maintained by the Trustee no later than 30 days prior to the Mandatory Tender Date. If less than all of the SAVRS of a series shall be subject to mandatory tender for purchase, such SAVRS (or portions thereof) to be so purchased shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee, provided that for so long as Cede & Co., as nominee of DTC, is the registered owner, the particular SAVRS of a series (or portions thereof) to be purchased shall be selected by DTC, in such manner as DTC may determine, from all SAVRS Outstanding.

The registered owners of SAVRS shall be required to tender the SAVRS to the Tender Agent on any Mandatory Tender Date. If any such registered owner fails to properly deliver any SAVRS on any Mandatory Tender Date, such SAVRS shall be deemed to have been properly tendered to the Tender Agent and, to the extent that there shall be on deposit with the Tender Agent on such Mandatory Tender Date an amount sufficient to pay the principal amount thereof, no interest shall accrue on such SAVRS from and after the Mandatory Tender Date and such registered owner of SAVRS shall have no rights under the Agreement thereafter as the owner of such SAVRS, except the right to receive the purchase price of such SAVRS.

Holders of the SAVRS will not have the right to elect to retain SAVRS subject to mandatory tender for purchase.

Redemption

Mandatory Redemption

The aggregate amounts specified below of the initial Series A-1 Bonds shall be redeemed by the Issuer on the second Business Day preceding the Regular Interest Payment Date (or, after the Conversion Date, on the Interest Payment Date) on or immediately succeeding July 1 in the years listed below at a price of 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption:

<u>Year</u>	<u>Principal Amount</u>
2030	\$10,000,000
2031	10,000,000
2032	10,000,000
2033	10,000,000 [†]

[†] Final Maturity.

The initial Series A-2 Bonds are not subject to mandatory redemption.

Optional Redemption

The SAVRS shall be subject to optional redemption as a whole or in part on the second Business Day preceding any Regular Interest Payment Date at 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

Special Redemption

The initial Bonds are subject to redemption as a whole or in part at any time, in such order of sinking fund installments as directed by the Institution so long as no Event of Default exists, and otherwise by the Issuer, at their principal amounts, without premium, plus accrued interest to the redemption date from unspent proceeds in the Project Fund, or in certain circumstances, from the proceeds of insurance or condemnation awards. See "Summary of the Mortgage and Trust Agreement -- Damage to, Destruction or Taking of the Mortgaged Property."

Notice of Redemption

Notice of redemption of the SAVRS will be given by mailing a copy of such notice not less than 30 days prior to the date fixed for redemption, to the registered holders of the SAVRS or the portions thereof to be redeemed. If notice of redemption shall have been given as provided in the Agreement and described herein, and if on the date fixed for redemption monies for redemption of all of the SAVRS or portions thereof to be redeemed, together with interest accrued and unpaid thereon to the date fixed for redemption, shall be available for such payment, then from and after the date fixed for redemption interest on such SAVRS or portions thereof shall cease to accrue.

BONDOWNERS' RISKS

Payment of Debt Service

The principal of, redemption premium, if any, and interest on the Bonds are payable solely from the amounts paid by the Institution to the Issuer under the Agreement. No representation or assurance can be made that revenues will be realized by the Institution in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the Bonds.

The success of the Institution is highly dependent on the ability of the Institution to maintain the value of the Olin Endowment and other investments, to manage its costs and expenses relative to overall resources and to earn sufficient return on its investments to support the desired scale of its operations and other expenses of the Institution. The Institution primarily considers available financial resources when targeting the number of students admitted and thus the scale of its operations will be affected by changes in interest rates and market conditions and by other economic, political and financial developments. There can be no guarantee that future market performance will be sufficient to support the operations and other expenses of the Institution.

Future revenues and expenses of the Institution will be affected by events and conditions relating generally to, among other things, demand for the Institution's educational services, the ability of the Institution to provide the required educational services, management capabilities, the Institution's ability to control expenses, competition, costs, legislation, governmental regulation and developments affecting the federal or state tax-exempt status of non-profit organizations. Unanticipated events and circumstances may occur which cause variations from the Institution's expectations.

Enforceability

The remedies granted to the Trustee or the owners of the Bonds upon an event of default under the Agreement may be dependent upon judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified in the Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the provisions of the Agreement by limitations imposed by state and federal laws, rulings and decisions affecting equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity and by bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally.

Realization of Value on the Mortgaged Property

The Mortgaged Property is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the Mortgaged Property if it were necessary to foreclose the lien of the Mortgage. Thus, upon a default by the Institution, it may not be possible to realize the amount of the Bonds then outstanding from a sale or a lease of the Mortgaged Property.

Bondowners also should note that, under applicable federal and Massachusetts environmental statutes, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the lien of the Mortgage could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the Trustee's ability to realize value from the disposition of the Mortgaged Property upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property under the Mortgage, the Trustee would need to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

In addition, the Mortgaged Property also secures the Series B Bonds being issued simultaneously with the initial Bonds. The value of the Mortgaged Property could be diluted further by the issuance of remaining Bonds

under the Agreement or by the issuance of additional Tax-Exempt Bonds under the Tax-Exempt Mortgage which are also secured by a lien on the Mortgaged Property.

TAX MATTERS

Interest Income. In the opinion of Palmer & Dodge LLP, Boston, Massachusetts, the return on investment to owners of the initial Bonds will be treated as interest income for federal income tax purposes. INTEREST EARNED ON THE INITIAL BONDS IS NOT EXCLUDED FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES UNTIL THE INSTITUTION EFFECTS A CHANGE FROM THE TAXABLE PERIOD TO THE TAX-EXEMPT PERIOD. See "DESCRIPTION OF THE SAVRS - Change to Tax-Exempt Period." The Trustee on behalf of the Issuer will report annually (or more frequently if required) to the registered owner and the Internal Revenue Service in respect of the interest paid on the initial Bonds during the Taxable Period.

Change to Tax-Exempt Period

Current Position of Bond Counsel. On the date of initial issuance of the initial Bonds, Bond Counsel will advise the Issuer and the Institution that under existing laws, regulations, rulings and judicial decisions, (i) the initial Bonds upon a change to the Tax-Exempt Period will be considered refunding obligations issued on the date of the change for purposes of Section 103(a) of the IRC; and (ii) interest on the initial Bonds after such change will be excluded from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations assuming (A) upon the change the initial Bonds meet the requirements of Sections 145(b), 147(f), 148(a) and 149(e) of the IRC, (B) continuing compliance by the Issuer and the Institution with the requirements of Sections 141-150 of the IRC that must be met after the change to the Tax-Exempt Period in order that interest on the initial Bonds not be included in the gross income of the owners thereof for federal income tax purposes, and (C) the change is carried out in such a way that it will constitute a sale or exchange within the meaning of Section 1001 of the IRC.

Future Opinion of Bond Counsel. As one of the conditions to the change from the Taxable Period to the Tax-Exempt Period, the Trustee and the Auction Agent must receive an opinion of Bond Counsel that interest on the initial Bonds after the change will be excluded from the gross income of the owners thereof for federal income tax purposes. The ability of Bond Counsel to deliver such an opinion is subject to its review and analysis, at the time of the proposed change to the Tax-Exempt Period, of pertinent provisions of laws, regulations, rulings and judicial decisions, including, but not necessarily limited to, state law and federal income tax laws then in effect or proposed to be in effect.

State Tax Status

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

No assurance can be given that future legislation will not have adverse tax consequences for owners of the initial Bonds.

LITIGATION

There is no litigation now pending against the Institution or, to the knowledge of its officers, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceeding of the Institution concerning the issuance or sale thereof or the security provided for the payment of the Bonds. There is no litigation pending against the Issuer or, to the knowledge of the officers of the Issuer, threatened against the Issuer seeking to restrain or enjoin the issuance or delivery of any of the Bonds or in any way contesting the existence or powers of the Issuer relating to the issuance of the Bonds.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Institution has undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Issuer shall have no liability to the Bondowners or any other person with respect to such disclosures.

The Institution has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the Institution to the Dissemination Agent following the end of the Institution's fiscal year beginning with the fiscal year ending June 30, 2003 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed within 180 days after each fiscal year end on behalf of the Institution with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State Repository if such repository is established. The notices of material events will be filed on behalf of the Institution with NRMSIRs and the State Repository, if any. The specific nature of the information to be contained in the Annual Report or in notices of material events is summarized in Appendix E -- "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

This is the first continuing disclosure agreement entered into by the Institution.

RATINGS

The initial Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), 99 Church Street, New York, New York, and "AAA" by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("Standard & Poor's"), 55 Water Street, New York, New York based on the issuance of Bond Insurance by the Bond Insurer. The ratings assigned by Moody's and Standard & Poor's express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's and Standard & Poor's, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the initial Bonds may have an effect on the market price thereof.

UNDERWRITING

The initial Bonds are being purchased by Lehman Brothers Inc., as the Underwriter. The Underwriter has agreed to purchase the initial Bonds at a discount of \$817,164.04. The Institution has agreed to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

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

LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the initial Bonds by the Issuer are subject to the approval of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, whose opinion approving the validity of the Bonds will be delivered with the initial Bonds. A copy of the proposed form of such opinion is attached hereto as Appendix F. Certain legal matters will be passed on for the Institution by its counsel, Palmer & Dodge LLP, Boston, Massachusetts, and for the Underwriter by its counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

MISCELLANEOUS

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

Information relating to DTC and the book-entry system described herein under the heading "Description of the Bonds - Book Entry Only System" is based on information furnished by DTC and is believed to be reliable and information relating to Bond Insurer and the Bond Insurance Policy has been furnished by XL Capital Assurance Inc. and is believed to be reliable, but none of the Issuer, the Institution or the Underwriter makes any representations or warranties whatsoever with respect to such information.

Appendix A - "LETTER FROM THE INSTITUTION" contains certain information relating to the Institution. Appendix B - "FINANCIAL STATEMENTS OF THE INSTITUTION" includes the financial statements of the Institution for the fiscal year ended June 30, 2002 (with comparative summary information for the fiscal year ended June 30, 2001). The financial statements of the Institution for such fiscal year included in Appendix B have been audited by KPMG LLP, independent accountants, as stated in its report appearing in Appendix B. The Institution has furnished the contents of Appendices A and B. The Issuer and the Underwriter have relied on the contents of Appendices A and B.

Appendix C - "DEFINITIONS OF CERTAIN TERMS," Appendix D - "SUMMARY OF THE MORTGAGE AND TRUST AGREEMENT" and Appendix F - "PROPOSED FORM OF BOND COUNSEL OPINION" have been prepared by Palmer & Dodge LLP, Bond Counsel.

Appendix E - "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" has been prepared by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Counsel to the Underwriter.

Appendix G - "FORM OF MUNICIPAL BOND INSURANCE POLICY" has been furnished by the Bond Insurer.

All appendices are incorporated as integral parts of this Official Statement.

The Institution has reviewed the portions of this Official Statement describing the Institution, Estimated Sources and Uses of Funds, the Plan of Financing, the Project, the Mortgaged Property, Bondowners' Risks and Continuing Disclosure, and has furnished Appendix A and Appendix B to this Official Statement, and has approved all such information for use with this Official Statement. At the closing, the Institution will certify that such portions of this Official Statement, except for any projections and opinions contained in such portions, do not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

ISSUER NOT RESPONSIBLE FOR OFFICIAL STATEMENT

The Issuer has consented to the use of this Official Statement. The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "The Issuer" and "Litigation" (but only insofar as it relates to the Issuer).

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF; EXCEPT TO THE EXTENT PAID FROM BOND PROCEEDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE AGREEMENT. THE ISSUER HAS NO TAXING POWER.

[THIS PAGE INTENTIONALLY LEFT BLANK]

FRANKLIN W. OLIN COLLEGE OF ENGINEERING

TABLE OF CONTENTS

BACKGROUND AND HISTORY	1
The F.W. Olin Foundation	1
Franklin W. Olin College of Engineering	2
GRANT AGREEMENT	4
Financial Support	4
Use of Endowment	4
Founding Precepts	5
DESCRIPTION OF ACADEMIC PROGRAMS	8
Approval by Board of Higher Education; Expected Accreditation in 2006	8
Memberships and Affiliations	8
Curriculum.....	9
RELATIONSHIP WITH BABSON COLLEGE	11
GOVERNANCE	12
Administration.....	14
Faculty	16
President’s Council.....	20
STUDENT ENROLLMENT	21
STUDENT FINANCIAL SUPPORT	23
OPERATIONS	23
Accounting Matters	23
Schedule of Activities	23
Schedules of Financial Position.....	25
Budgeting Process	25
Retirement Plan	26
FINANCIAL OPERATING MODEL	26
Revenues	26
Expenses.....	26
OUTSTANDING INDEBTEDNESS AND LEASE OBLIGATIONS	27
INVESTMENTS AND GIFTS	27
Investment Strategy and Endowment Funds	27
Gifts and Grants.....	28
THE PROJECT	28
PROPERTY AND PLANT	29
Plant Assets	29
Development of Campus	30
Shared Facilities With Babson College.....	30
Library Resources.....	30
LABOR RELATIONS	31
INSURANCE	31
LITIGATION	32

APPENDIX A

[This page intentionally left blank.]



Franklin W. Olin College of Engineering

August 4, 2003

We are pleased to present the following information with respect to the Franklin W. Olin College of Engineering (“Olin College” or the “College”) for inclusion in the Official Statement relating to the Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-1 and A-2, Select Auction Variable Rate Securities that are expected to be issued and delivered in August 2003 (the “initial Bonds”). As used hereinafter, and unless otherwise indicated by the narrative, all academic and financial data for any year refer to the fiscal year ended June 30.

BACKGROUND AND HISTORY

The F. W. Olin Foundation

The F.W. Olin Foundation (the “Foundation”) is a New York not-for-profit corporation. Franklin W. Olin, an engineer, entrepreneur and philanthropist, established the Foundation in 1938 to support a broad range of philanthropic activities.

As of June 30, 2003, the Foundation had assets of approximately \$270.1 million. For further information on the Foundation’s endowment, see “Investments and Gifts” herein.

Until 1997, the Foundation had a long-standing program of grants to colleges and universities for the construction of new academic buildings. When making such grants, the Foundation undertook to pay the full cost of such facilities, including equipment and furnishings. The total of such grants exceeds \$300 million for 72 buildings at 57 colleges and universities across the United States. A large number of these grants were made to finance the construction of teaching and laboratory facilities for engineering and science. Some of the recipients of the grants include Babson College, Bates College, Bucknell University, Carleton College, Case-Western Reserve University, Colby College, Colgate University, Connecticut College, Cornell College, DePauw University, Hampton University, Harvey Mudd College, Johns Hopkins University, Marquette University, Rose-Hulman Institute of Technology, Tufts University, University of San Diego, University of Southern California, Vanderbilt University, and Worcester Polytechnic Institute. Grants have also funded facilities for information technology, business, the humanities, and the arts, plus a number of libraries.

In March, 1997, after long-range strategic planning began in 1993 to consider other possible grant opportunities and to address other issues, including the Board’s desire to continue to commit substantially all of the Foundation’s assets in support of higher education in perpetuity, the Foundation suspended its building grant program, and determined that it would establish a new engineering college. In reaching this decision, the Directors considered Franklin W. Olin’s own clearly expressed interest in the Foundation supporting the establishment of a new college, as well as the National Science Foundation’s call for “broad structural and cultural, rather than incremental” reforms in engineering education.

APPENDIX A

Olin College currently expects to receive support from the Foundation in excess of \$400 million, of which approximately \$183.7 million has been received as of June 30, 2003. **While the Foundation has agreed to provide certain funds to support Olin College pursuant to the Grant Agreement, the Foundation is not obligated to pay debt service on the Bonds. See “Grant Agreement.”**

Franklin W. Olin College of Engineering

The Franklin W. Olin College of Engineering was organized in 1997 by the Foundation’s four Directors as a private, non-profit, non-sectarian, co-educational undergraduate engineering institution. The College is located in Needham, Massachusetts, approximately 14 miles west of Boston, on approximately 75 acres of land purchased from and adjacent to Babson College. In addition, the College owns a small contiguous parcel that is located in Wellesley. The College is in close proximity to Route 128, the inner loop around the city of Boston that is home to many technology companies.

The goals of Olin College are to provide superb undergraduate engineering education in a caring residential environment, at significantly reduced cost to students, and to become a national leader in innovative engineering education.

Olin College believes that the following characteristics will distinguish it from other engineering schools:

- 100% merit tuition scholarships granted to all students;
- multi-disciplinary approach which integrates traditionally segmented fields of engineering;
- a strong exposure to business and entrepreneurial practices;
- no formal academic departments in order to facilitate multi-disciplinary approach;
- no traditional tenure for faculty;
- greater level of involvement in funded research;
- student/faculty ratio of 10:1 or lower;
- commitment to innovation, learning by discovery, project-based learning, and continuous improvement; and
- a close collaborative relationship with Babson College, a school which specializes in management education and is internationally recognized for its focus on entrepreneurial leadership in a changing global environment (see “Relationship with Babson College”).

The College admitted a select group of 30 recent high school graduates who started at the College in fall 2001 (the “Olin Partners”). See “Student Enrollment”. The Olin Partners were selected from hundreds of applicants to participate in an innovative program to help prepare the College for its formal opening in fall 2002. Each Olin Partner received a scholarship covering the Olin Partner year and the subsequent four years of undergraduate study.

An additional 14 students who had been placed on the admission waiting list elected to defer their admission to Olin until 2002. These Virtual Olin Partners spent the 2001-2002 academic year pursuing various endeavors and participated in some of the Olin Partner activities.

During academic year 2001-2002, the Olin Partners worked with faculty to help design the College's curriculum, with the goal of incorporating entrepreneurial thinking and the best educational practices from around the world. They also worked with the Dean of Student Life to help develop student activities and governance, as part of a multi-faceted program that included an academic component, international experience, community service, and leadership development.

The College recruited 32 additional students who joined the Olin Partners and the Virtual Olin Partners in Fall 2002 to form the first class of students, totaling 75, that are scheduled to graduate in 2006. (One Olin Partner had to withdraw from the program because of visa issues.)

An additional 75 students have been recruited into the class of 2007. They will matriculate in the Fall 2003.

The academic quality of all students accepted at Olin College has been uniformly exceptional by all traditional measures. See “Student Enrollment”.

Olin College and Babson College have agreed to a collaborative relationship involving shared academic programming, facilities and administrative services. With its association with Babson College and focus on entrepreneurial education, Olin College hopes to attract students whose ambitions go beyond merely obtaining a quality technical education, those who desire to use their education and other skills to make significant contributions to society. The College is attempting to recruit the faculty, design the curriculum, and construct facilities to enable fast and continuous change, to adapt to technology, and to meet the business needs of the 21st century.

Olin College expects to educate students in engineering, science and mathematics and provide them with grounding in the humanities, arts and social sciences so that they will have a clear understanding of the impact of their work on the rest of society. In particular, the College hopes that its graduates will both develop an extensive understanding of the science and technology that undergird modern life and an ability to predict, create and manage technology that could shape the future. A complementary mission is to provide undergraduate students from other colleges majoring in business, the social sciences, or the humanities with a basic understanding of engineering by involving them in collaborative work with Olin College students and faculty members.

A time line, which highlights some of the key events in the College’s brief history, is as follows:

<u>Date</u>	<u>Event</u>
November 1997	Olin College incorporated after receiving approval from the Massachusetts Board of Higher Education
	Foundation begins to provide management and financial support for consultants and other professionals to assist in planning the College
February 1999	President Richard K. Miller is hired
June 1999-September 1999	Other key leadership personnel hired
March 2000	Acquired 75 acres from Babson College
	Entered into Collaboration Agreement with Babson College
May 2000	Groundbreaking for new campus

APPENDIX A

August 2000	Founding faculty are hired
Academic Year 2001-2002	Olin Partners spend year helping to design College curriculum, student life and governance.
August 2002	First Freshman class matriculates
August – November 2002	Four Phase 1 buildings open
December 2002	College and Foundation enter into Grant Agreement
April 2003	First Endowment Grant received from Foundation
May 2003	Formal Dedication of campus and inauguration of President

GRANT AGREEMENT

Financial Support

In December, 2002, the Foundation and the College entered into a Grant Agreement pursuant to which the Foundation has agreed to provide certain financial support for the College. Pursuant to the Grant Agreement, the Foundation transferred approximately \$26.5 million to the College on April 1, 2003 as the first Endowment Grant. As of June 30, 2003, the Foundation had also provided approximately \$145 million to the College for construction and operating expenses. In addition, to the extent that other revenues are not available for such purpose, the Foundation has agreed subject to the conditions set forth in the Grant Agreement (i) to make periodic payments to the College through December 31, 2005 in an amount necessary to pay operating expenses and (ii) to make payments to pay capital expenses and other expenses for the construction of Phases 1 and 2 of the campus as approved by the Foundation President. See “Property and Plant -- Proposed Development of Campus.” Finally, the Foundation has agreed to make annual endowment grants to the College on or before the last day of each of the 2003, 2004 and 2005 calendar years. The actual amounts of these annual grants will depend on the value of the Foundation’s assets but is expected to be approximately \$75 million per year (assuming rates of return of 5-7%). In effect, with the exception of approximately \$55 million that the Foundation is reserving for other purposes, the Foundation has agreed to transfer all of its funds to the College by December 31, 2005. Under the terms of the Grant Agreement, prior to the payment of all amounts due from the Foundation to the College, the Foundation has the right to terminate the Grant Agreement after 15 days written notice to the College if the College has refused or substantially failed, without legal justification, to perform any act required by the Grant Agreement (including the founding precepts described below).

Use of Endowment

The Grant Agreement requires that the moneys received from the Foundation as endowment will always be held as a separate endowment (the “Olin Endowment”) and be invested to provide a reasonable return to support the College’s operating budget. In addition, to the extent that a portion of the funds the College borrows to pay for construction of Phases 1 and 2 of its campus represents funds previously expended by the College for such construction, such portion is required to be added to the Olin Endowment as a permanent part thereof. Of the \$93,200,000 being borrowed by the College through the

issuance of the initial Bonds and the \$65,910,000 Massachusetts Development Finance Agency Tax-Exempt Revenue Bonds, Olin College Issue, Series B (the “Tax-Exempt Bonds”), approximately \$124,000,000 will be added to the Olin Endowment. In addition, endowment gifts received by the College from sources other than the Foundation are required to be added to the Olin Endowment unless specifically designated by the donor to be for a different purpose or fund. The Olin Endowment is not permitted to be used for capital needs except for interest payments required with respect to debt incurred for capital expenses, expenses for maintaining capital assets, and a reasonable amount to fund regular and ordinary acquisition and replacement of capital assets, including depreciation. In addition, the Olin Endowment may be used to repay the principal of bonds and similar debt incurred for construction of Phase 1 and Phase 2 of its campus, up to a maximum of \$183 million. The Grant Agreement also provides that to the extent there are operating surpluses at the end of each fiscal year, the College’s Board of Trustees may elect to transfer all or a portion of such surplus to a capital expense reserve or fund. Such reserve or fund, including the income derived therefrom, may be used for capital expenses including the repayment of debt incurred for capital expenses. To the extent such surplus is not transferred to a capital expense reserve or fund, or if so transferred but is no longer needed for such reserve, such balance is required to be added to the Olin Endowment as a permanent part thereof.

The College has agreed to use its best efforts to withdraw no more than five percent of the Olin Endowment annually in order to support its operating budget. The Grant Agreement states that in no event shall the withdrawal from the Olin Endowment exceed six percent except upon the written consent of 2/3 of the total number of members of the College’s Board of Trustees.

Founding Precepts

Attached to the Grant Agreement is a statement of the founding precepts for the College that the College has agreed to adhere to in perpetuity. As stated therein:

The F. W. Olin Foundation, Inc., founded in 1938 in New York by Franklin W. Olin, established the Franklin W. Olin College of Engineering in Needham, Massachusetts in 1997. In connection with the execution of an agreement between the Foundation and the College of even date herewith, which, among other matters, provides for the Foundation to make endowment and other grants to the College, the Foundation hereby sets forth the following precepts, all of which the College accepts and agrees to adhere to and abide by in perpetuity. These precepts reflect the principles upon which the College was established as well as the Foundation’s hopes for what the College will accomplish and the good that it will do.

With respect to the Foundation’s reasons for establishing the College, let it be said that the Foundation does not seek to establish a generic undergraduate engineering college - one that will simply offer programs similar to many others around the country. Olin College is intended to be different - not for the mere sake of being different - but to be an important and constant contributor to the advancement of engineering education in America and throughout the world and, through its graduates, to do good for humankind.

1. Name of the College

The College shall, in perpetuity, be named FRANKLIN W. OLIN COLLEGE OF ENGINEERING, or in the event it shall be determined upon the written consent of two-thirds of the total number of the members of the College’s Board of Trustees that such name is no longer adequately descriptive of the College’s programs and courses of study, such name may be changed, provided, however, that: (1) the College’s name always shall include the name “Franklin W. Olin”; and (2) no other person’s name (or corporate or business name) shall appear in the name. It is also agreed that for

APPENDIX A

marketing and related purposes, the name “Olin College” (or appropriate variations such as “Olin University” and “Olin School”), may be used in written material, provided that when practical there will always appear in such materials a reference to the College’s full name.

2. Engineering the Primary Academic Program

The College’s primary academic program always will be undergraduate engineering. As such, the number of its full time equivalent (herein “FTE”) students working towards an undergraduate engineering degree shall always constitute no less than two-thirds of the total FTE undergraduate enrollment.

3. Commitment to Academic Quality and Diversity

Students shall be recruited on the basis of their academic merit, as determined by their scholastic records and appropriate test results, and other relevant achievements. However, from among the students who qualify on this basis, the College shall endeavor to develop as diverse a student community as is possible. Diversity of many kinds is desirable. Race, gender, creed, religion, ethnicity, economic background, home location, particular skills, talents and experiences, are but a few that are important for achieving a diverse and vital student community. Quality and diversity also shall be sought with respect to the College’s faculty and administrative employees. Because current pedagogy makes a low student/faculty ratio an important contributing factor for achieving academic quality, the College will maintain a low student/faculty ratio of about ten to one unless changes in pedagogy through technological developments or other improvements in education are developed which justify departing from this standard.

4. A Culture of Innovation and Constant Improvement

The National Science Foundation and other credible voices from engineering schools and industry have advocated changes in how engineers are educated. Some of the major themes of the changes advocated include interdisciplinary and integrated teaching, hands-on learning and research opportunities for students, improved communication skills, students working as members of teams (the way that engineers in industry work), exposure to other cultures or an international experience, and a better understanding of business and management practices. But for many reasons, including the very simple reason that many, but not all, faculty are resistant to change, progress has been slow and disappointing. The Foundation’s decision to establish the College was based in large part on a determination that the need to reform engineering education could be accomplished more easily at a new institution that is not burdened with people and existing programs resistant to change. However, even a new institution can, with the passage of time, become resistant to change. If this were to happen at the College it would be a tragic loss of opportunity for engineering education, generally, and a terrible disappointment to the Foundation. The need for the College to be continually open to change and to encourage and support a culture of innovation is paramount. Risk taking with respect to new programs or the manner in which engineers are taught should be routine. The College acknowledges that a culture of innovation is a fundamental precept of the planning for Olin College. The College commits itself to the need to be open to change and to support a culture of innovation and constant improvement in every aspect of its operations and programs.

5. A Student Centered and Philanthropic Institution

The Foundation believes that the College must care about its students - not only as scholars and engineers but also as people. Students must be encouraged and given the opportunity to grow both intellectually and socially. Student life policies must assure that no student is forgotten or ignored. A

commitment to support the education of students with programs in the arts, humanities and social sciences is vital to the fulfillment and potential of their lives. The College also should nurture a student's appreciation of the role of philanthropy in America. Students should be encouraged to contribute their time and wealth to support philanthropic endeavors of their choice. The College, itself, the product of philanthropy, should find ways to contribute to its community, and beyond, with services natural for it as an educational institution. Policies must be maintained that support these outcomes.

6. Full Tuition Scholarships

The College will always endeavor to operate by offering full tuition scholarships to all regular full time students enrolled in its undergraduate degree programs. The solicitation of additional endowment gifts and annual giving to support tuition and scholarship aid shall be an important goal. In order to provide full tuition scholarships to all students, the College shall adjust its undergraduate enrollment to a number that can be supported by the projected operating budget revenue. Beginning in the 2021 academic year, upon the written consent of ninety percent of the total number of the members of the College's Board of Trustees, the College may elect to reduce full tuition scholarships to an amount that will leave the portion of tuition payable by regular full time students enrolled in its undergraduate degree programs equal to an amount that is not in excess of the average cost of tuition for resident engineering students at the following institutions: the University of California – Berkeley, the Georgia Institute of Technology, the University of Illinois – Urbana, the University of Massachusetts – Amherst, the University of Michigan – Ann Arbor, and the University of Texas – Austin. The decision to reduce full tuition scholarships shall be based on substantial business needs and a determination that the endowment take and other revenue cannot support the number of students needed to sustain the College's academic programs. During such period of time as the College shall only offer partial scholarships, the College may award financial aid to students based on need. After reducing full tuition scholarships, the College's Board of Trustees may thereafter, by a simple majority vote, at a meeting of the Board called for such purpose, restore full tuition scholarships. Tuition scholarships, whether they fully or only partially cover tuition, always shall be awarded to all students who are admitted to the College regardless of need. This Precept shall not prohibit the College from charging for or providing need-based aid for non-tuition charges such as room, board and student fees.

7. Collaboration With Babson College

The conceptual planning for Franklin W. Olin College of Engineering made collaboration with Babson College an important element. Babson's recognized excellence in management and entrepreneurship education were considered to be potential resources for the College's own innovative programs. The College shall endeavor to always work closely with Babson College to develop programs and operating and administrative procedures for their mutual benefit. Similar collaboration with other neighboring colleges, particularly Brandeis University and Wellesley College shall be actively sought. See "Description of Academic Programs – Curriculum – Cross Registration at Babson, Wellesley and Brandeis" for description of existing agreements with Brandeis University and Wellesley College.

8. Faculty Tenure

Knowledge of science and technology is not static but is continually evolving. The ability of the College to offer its students a faculty that is competent in the latest advances in knowledge and in newly emerging fields of science and technology is absolutely essential to the College's goal of offering academic programs with the highest possible quality. The College will, therefore, strive to strike an appropriate balance between the legitimate concerns of faculty for employment security and the College's need to achieve and maintain the quality it seeks. It will do this without offering traditional tenure.

APPENDIX A

9. The College to Remain Independent

The College shall remain a privately supported institution committed to supporting itself from private, rather than government or public resources. However, government grants from programs subject to peer review and open to other institutions on a competitive basis may be sought. Grants from so-called earmarked funds will be rejected.

10. Economic and Governmental Ideals

The College's policies and operations shall be consistent with and supportive of free enterprise and a capitalistic economy within a democratic nation.

DESCRIPTION OF ACADEMIC PROGRAMS

Approval by Board of Higher Education; Expected Accreditation in 2006

On November 18, 1997, the Massachusetts Board of Higher Education approved the incorporation of Olin College pursuant to 610 CMR 2.00 (Degree Granting Regulations for Independent Institutions of Higher Education). On March 9, 2001, the Massachusetts Board of Higher Education authorized the College to begin accepting students. The College is approved to offer baccalaureate degrees in engineering, electrical and computer engineering and mechanical engineering.

The College is currently working with the two accrediting organizations, the New England Association of Schools and Colleges (NEASC) and the Accreditation Board for Engineering and Technology (ABET) and hopes to receive accreditation at the earliest opportunities. Both organizations require that the College graduate the first class of students before they will grant accreditation. The current schedule would have the College being accredited by NEASC in the summer of 2006 and the academic programs accredited by ABET in the summer of 2007. Both accreditations, if achieved according to this schedule, would be retroactive to the first graduating class.

Memberships and Affiliations

The College is a member of the following organizations:

- American Association of Collegiate Registrar's and Admission Officers (AACRAO)
- American Association for Higher Education (AAHE)
- American Astronomical Society (AAS)
- American College Personnel Association (ACPA)
- American Chemical Society (ACS)
- American Library Association (ALA)
- American Mathematical Society (AMS)
- American Physical Society (APS)
- The American Society for Engineering Education (ASEE)
- Association of American Colleges and Universities
- Association for College and University Housing Officers – International (ACUHO-I)
- Association of Higher Education Facilities Officers (APPA)
- Association of Independent Technological Universities (AITU)
- Association for Women in Mathematics (AWM)
- The Boston Consortium for Higher Education
- Center for Academic Integrity (CAI)
- Clay Minerals Society (CIMS)

The College Board
 College Music Society (CMS)
 The Council for Advancement and Support of Education (CASE)
 Eastern Association of College and University Business Officers (EACUBO)
 EDUCAUSE
 Electrical and Computer Engineering Department Heads Association (ECEDHA)
 European Council of Independent Schools (ECIS)
 For Inspiration and Recognition of Science and Technology (FIRST)
 Institute of Electrical and Electronics Engineers (IEEE)
 International Association of Technological University Libraries (IATUL)
 International Astronomical Union (IAU)
 IEEE Computer Society (IEEE - Computer)
 IEEE - Robotics and Automation Society (IEEE-RAS)
 Massachusetts Campus Compact
 Materials Information Society (ASM)
 Materials Research Society (MRS)
 Mathematics Association of America (MAA)
 National Association of Campus Activities (NACA)
 The National Association of College Admission Counseling (NACAC)
 National Association of College and University Research Administrators (NACURA)
 National Association of College and University Business Officers (NACUBO)
 National Association of Student Personnel Administrators (NASPA)
 National Collegiate Inventors and Innovators Alliance (NCIIA)
 The National Consortium of Specialized Secondary Schools of Math, Science and Technology (NCSSSMST)
 New England Association of College Admission Counseling (NEACAC)
 New England Resource Center for Higher Education (NERCHE)
 North East Regional Computing Program (NERCOMP)
 Project Management Institute (PMI)
 Society for College and University Planners (SCUP)
 Society for Industrial and Applied Mathematics (SIAM)
 Special Libraries Association (SLA)
 Society of Women Engineers (SWE)
 Western Association of College Admission Counseling (WACAC)
 Women in Engineering Programs & Advocates Network (WEPAN)
 Women in Film and Video/New England (WIFV/NE)

The College has entered into a collaboration agreement with Babson College. See “Relationship with Babson College” below.

Curriculum

The Franklin W. Olin College of Engineering is an undergraduate institution dedicated to the growth of individuals who will innovate, create, and manage the technologies of the future. Engineering education at Olin is in the liberal arts tradition, with a strong emphasis on the Arts, Humanities and Social Sciences. Olin is committed to preparing graduates who recognize the complexity of the world, who appreciate the relationship of their work to society, and who are dedicated to creative enterprises for the good of humankind.

APPENDIX A

Olin College strives to foster in students:

- a deep appreciation and comprehension of the principles of engineering analysis and design;
- a broad knowledge of social and humanistic contexts;
- the ability to articulate a vision and see it to fruition; and
- dedication to intellectual vitality, community involvement and lifelong personal growth.

The curriculum is designed to rethink the way engineers are taught and the way colleges function. The effort was guided by the reform recommendations made over the last decade by the National Science Foundation, the American Society for Engineering Education, and the Accreditation Board of Engineering and Technology, which call for changes in engineering education including more emphasis on teamwork, project-based learning, and entrepreneurial thinking. The goals of the program were to identify innovative educational practices from around the world and to adapt them to the developing programs at the College. This collaborative effort involved the College's administrators, faculty, trustees, educational consultants, corporate partners, and the Olin Partners.

Curriculum Fundamentals

Olin's progressive educational perspective has shaped a curriculum with several distinctive features:

- Hands-on, project-oriented course work that integrates the pedagogies and practices of design, engineering analysis, mathematics, science and entrepreneurship. From the outset, Olin engineers study design by actually designing, building, and testing real systems. This practical focus is ongoing, with students undertaking significant design projects over the course of their four years.
- Building connections between fundamental science, mathematics, and engineering; between different fields of engineering; between the arts, humanities and social sciences and technical disciplines; and between business, entrepreneurship, and technology. As a result, the Olin curriculum is conceived and taught in a highly interdisciplinary way.
- Purposeful decentralization of writing and speaking instruction, making the mastery of communication skills a joint faculty project.
- A focus on entrepreneurship as a process of fulfilling human needs and creating value. Students acquire entrepreneurial skills through a process of learning by doing. Outcomes are assessed and fed back through intensive coaching.
- Opportunity for significant independent study or research, in addition to the experiences of team membership and team leadership.

The Olin curriculum consists of three phases: *foundation*, which emphasizes mastering and applying technical fundamentals in substantial engineering projects; *specialization*, in which students develop and apply in-depth knowledge in their chosen fields; and *realization*, in which students bring their education to bear on problems approaching professional practice. It provides the depth, breadth, cohesion and rigor necessary to produce fully qualified engineering graduates. In all three phases of the curriculum, students are engaged in interdisciplinary engineering projects that require them to put theory into practice, to put engineering in context, and to develop teaming and management skills. As a student progresses, these projects become increasingly open-ended and authentic. Students have significant flexibility in charting their path through the curriculum, but all students are responsible for demonstrating mastery of required material through regular assessment. The programs have been designed to meet the General Criteria outlined by the Accreditation Board for Engineering and Technology (ABET) and ABET Program Criteria.

Curriculum Profile

Olin's curriculum contains the following elements:

- Integrated course blocks that incorporate hands-on projects throughout the curriculum
- Major Sophomore Design and Senior Capstone Projects
- Arts, Humanities, and Social Sciences courses and co-curricular offerings in addition to technical courses.
- Entrepreneurship across the curriculum
- Communication across the curriculum
- Opportunity for study away from Olin
- Passionate pursuits, independent study, and research

Cross Registration at Babson, Wellesley, and Brandeis

Olin College has entered into cross registration agreements with Babson College, Wellesley College and Brandeis University to allow students to take courses at these other institutions, and vice versa. In the spring of 2003, 36 of Olin's 75 students took one or more of their classes at Babson or Wellesley. See "*Relationship with Babson College*" below.

RELATIONSHIP WITH BABSON COLLEGE

Babson College is an independent, nonsectarian, coeducational school of management that was founded in 1919. It sits amidst 380 acres of woodland in the towns of Wellesley and Needham, Massachusetts, and is located on land that is adjacent to Olin College. In the 2002-2003 academic year, there were 1,735 undergraduate students and 1,710 graduate students at Babson. More than 40 states and 65 countries are represented on campus. About 19 percent of the undergraduates and 14 percent of the graduate students are from outside the United States.

Babson College's mission is as follows:

Babson College is committed to being an internationally recognized leader in management education. Through its programs and practices, the college educates innovative leaders capable of anticipating, initiating, and managing change. It creates a climate of entrepreneurial spirit, creative and analytical thinking, global perspectives, continuous learning, and social responsibility, where men and women of different cultures, origins, and life stages learn together to define the opportunities of the future.

To this end, Babson College provides educational programs at the undergraduate, graduate and executive levels. It grants B.S., M.B.A., and custom M.S. degrees, and offers executive development programs to experienced managers worldwide. Babson College is internationally recognized for its focus on entrepreneurial leadership in a changing global environment.

Pursuant to a March 2000 Collaboration Agreement between Olin College and Babson College, both institutions agreed to collaborate in a variety of ways ranging from cost sharing of certain campus services, such as facilities services, campus security, student health services and environmental health and safety services, to sharing faculty, developing joint programs for both engineering and business students, and maintaining joint facilities such as a innovation and entrepreneurship development center and business hatchery.

APPENDIX A

Olin College relies on Babson College to supply a number of facilities such as the general library, athletic and recreational facilities, and student health services. The ready availability of this support and these resources are extremely important to Olin College's early development and success. The relationship with Babson College also provides an opportunity for Olin College students to have access to a wide range of business-related courses and to benefit from Babson College's strong program in entrepreneurship.

Through its relationship with Babson College, Olin College hopes to offer its students the benefit of a larger and more mature educational environment than would ordinarily be expected at a new institution. The long term goal is for both Olin College and Babson College to be able to jointly offer their students and faculty a greater critical mass of educational and social opportunities than either institution could offer alone. The opportunity to develop new programs that integrate business and engineering is expected to make the Babson-Olin collaborative relationship unique.

The two colleges also share a common educational philosophy based on continuous innovation, practical hands-on learning and an emphasis on a student-centered environment.

Although Olin College is collaborating with Babson College as described above, each entity intends to maintain its separate identity, with separate boards of trustees and each college responsible for and managing its own separate financial resources. **Babson College is in no way obligated to pay debt service on the initial Bonds.**

GOVERNANCE

The general management of the business, property and affairs of the College are vested in a Board of Trustees. Under the by-laws, the Board of Trustees shall consist of not fewer than four Trustees. Trustees are elected for staggered terms of four years. The Board is a self-perpetuating body. There is no limit on the number of four-year terms a member may serve. The four founding Trustees (indicated below) have been designated F. W. Olin Foundation Members and shall hold office indefinitely until such Foundation Member dies or resigns. There is a three member Executive Committee (members indicated below). Currently, there are nine Trustees.

The members of the Board of Trustees include:

Lawrence W. Milas (1) (2), Chairman, age 68, was appointed to the Board of Trustees in 1997. Mr. Milas has been a Director of the F.W. Olin Foundation, Inc. since 1974, and has served as President since 1983. During his tenure, 42 building grants have been made by the Foundation totaling more than \$200 million. In 1993 Mr. Milas proposed the establishment of Olin College to the Foundation Board, and he has led the development effort since the Board approved the concept in 1997. He was a partner in the New York City law firm of Baer Marks & Upham, and specialized in tax and trusts and estate law. He has received honorary degrees from Washington and Jefferson College, Whitman College, and Roanoke College. He is a recipient of the Babson Medal from Babson College, and served several terms on their Board of Trustees. A 1958 graduate of Babson College (with distinction), he received his LLB degree from Columbia University in 1963.

William R. Cotter, age 67, was appointed to the Board in 2002. Mr. Cotter is President of the Oak Foundation in Boston, MA, an international philanthropic organization focusing on social and environmental issues around the globe. He served from 1979-2000 as president of Colby College in Waterville, Maine, where he remains a life trustee. Prior to joining Colby, Mr. Cotter was president of the African-American Institute in New York. He has also served as assistant attorney general in northern

Nigeria, as an associate with a law firm in New York, as Representative of the Ford Foundation for Colombia and Venezuela, and as a White House Fellow. He has received numerous honors and awards, including four honorary degrees. Mr. Cotter serves on the board of several academic, philanthropic, and governmental organizations. He is a graduate of Harvard College (A.B. 1958) and Harvard Law School (J.D. 1961).

Tamara P. Davis, age 57, was appointed to the Board in 2002. Ms. Davis is the Managing Director and leads the Corporate Governance Practice at Levin & Company, Inc., in Boston, where she consults with CEOs of entrepreneurial life science and technology companies relating to board composition, governance best practices, and building boards as strategic assets. Previously, Ms. Davis served as President, Chief Executive Officer, and Director of UST Leasing Corporation, an investment banking/financial services company in Boston. She was also formerly an Assistant Dean of Humanities at Santa Ana College in California and an educator within the Los Angeles City Schools System. Ms. Davis is Chair of the Massachusetts State College Building Authority, a former Vice Chair of the Massachusetts Educational Financing Authority, and a former board director of the Massachusetts Board of Higher Education. She also serves on several corporate, academic and nonprofit boards. Ms. Davis earned an M.A., summa cum laude, from California State University and a B.A from University of California, Los Angeles.

William F. Glavin, age 71, was appointed to the Board of Trustees in 2002. Mr. Glavin retired in 1997 as President of Babson College, where he served for 8 years. He is credited with leading major changes in Babson's graduate and undergraduate curriculum and advancing its national visibility and reputation. He was the ninth person to lead Babson since its founding in 1919. Mr. Glavin went to Babson after 34 years with Xerox Corporation and the International Business Machines Corporation (IBM). In his last position he served as Vice Chairman of Xerox Corporation. Before joining Xerox in 1970, he held a number of executive positions with IBM, including Vice President of Service Bureau Corporation, a subsidiary of the parent corporation. At Xerox he held many positions with ascending responsibility, including 6 years as CEO of Rank Xerox, residing in London with responsibility for all of Xerox outside of the Americas. Mr. Glavin has received numerous honors and awards, including honorary Doctor of Laws degrees from The College of the Holy Cross and Babson College, as well as the Distinguished Alumni Award from the University of Pennsylvania. He serves on the board and advisory councils of several corporations and academic institutions. He received his B.S. from The College of the Holy Cross and his M.B.A. from the Wharton School of the University of Pennsylvania.

William B. Horn (1), age 72, was appointed to the Board of Trustees in 1997. Mr. Horn has been a Director of the F.W. Olin Foundation, Inc. since 1974 and served as Vice President from 1987 to 1995. He received a Bachelor of Arts in Economics (magna cum laude) at the University of Minnesota in 1952. Following service in the U.S. Army Ordnance Corps, he joined Federal Cartridge Corporation, a leading manufacturer of small arms ammunition and industrial electrical products. Before retiring he served as Chairman and Chief Executive Officer of Federal Cartridge Corporation and its successor, Federal-Hoffman, Inc. He resides in Edina, Minnesota.

Richard K. Miller (2), age 54, is President of Olin College and has been a voting, *ex officio* member of the Board of Trustees since 1999. See "Administration" below for more background information on Dr. Miller.

William B. Norden (1) (2), age 58, was appointed to the Board of Trustees in 1997. Mr. Norden is a partner with Brown Raysman Millstein Felder & Steiner LLP in New York City, and has extensive experience in legal matters related to trusts and estates and charitable organizations. He has been a Director of the F.W. Olin Foundation, Inc. since 1988, and has served as Secretary and Counsel to the Foundation since 1983. Mr. Norden also serves on the Board of the Samuel and Rae Eckman Charitable

APPENDIX A

Foundation, Inc., the New York City Fire Museum, and the Honor Emergency Fund of the Fire Department of the City of New York. He received his B.S. in economics from Brooklyn College in 1967, and his J.D. from the New York University Law School in 1969.

John W. Prados, age 73, was appointed to the Board of Trustees in 2002. Dr. Prados is Vice President Emeritus and University Professor in the Department of Chemical Engineering at The University of Tennessee where he has been employed for more than 45 years. He recently completed six years as editor of the Journal of Engineering Education of the American Society for Engineering Education, and is a past President of the Accreditation Board for Engineering and Technology (ABET). He has received many awards and honors, including the L.E. Grinter Distinguished Service Award of ABET, and Faculty Macebearer from The University of Tennessee. His career is marked with extensive service to national organizations, including Director and current Treasurer of the American Institute of Chemical Engineers, Executive Counselor of Tau Beta Pi, President and Treasurer of Sigma Xi, Chair of the Engineering Accreditation Commission, Senior Education Associate at the National Science Foundation, and advisor and consultant to more than 30 universities and state education agencies in the U.S. and abroad. At the University of Tennessee he served as Acting Chancellor of the Knoxville and Martin campuses, and Vice President for Academic Affairs of the statewide University of Tennessee system (for 15 years). His research is in the fields of flow visualization, separation by thermal diffusion, process dynamics, and mathematical simulation of chemical and nuclear systems. He received his B.S. at the University of Mississippi and his M.S. and Ph.D. at The University of Tennessee, all in chemical engineering.

William J. Schmidt (1), age 70, was appointed to the Board of Trustees in 1997. Mr. Schmidt is the Treasurer and a Director of the F.W. Olin Foundation, Inc., where he has served as an officer since 1978. He also held the positions of Director, Secretary and Treasurer, and Chief Financial Officer during his 29-year career with the Federal Cartridge Corporation, a leader in the manufacture of small arms ammunition and industrial electrical products. After attending Michigan State College he graduated in 1957 from the Minnesota School of Business with an Associate Degree of Applied Sciences in Accounting and Business Law.

- (1) F. W. Olin Foundation Member
- (2) Executive Committee Member

Administration

The administration of the College is the responsibility of the President. Assisting the President in these responsibilities are the Provost, three Vice Presidents, the Dean of Admission, the Dean of the Faculty, the Dean of Student Life, and the Chief Information Officer.

The principal administrative officers of the College are as follows:

Dr. Richard K. Miller, age 54, became President of Olin College on February 1, 1999. Before joining Olin College as its founding President, Dr. Miller served as Dean of the College of Engineering at the University of Iowa from 1992 to 1999. He spent the previous 17 years on the faculty of the University of Southern California in Los Angeles and the University of California, Santa Barbara. He has published extensively in the field of applied mechanics, and has been recognized for teaching excellence. He serves on the Board of Directors of Stanley Consultants, Inc., the Board of Trustees of Babson College, and on the advisory boards of IIHR—Hydroscience and Engineering at the University of Iowa, and the Mechanical and Aeronautical Engineering Department at the University of California at Davis. He received a B.S. from the University of California at Davis in 1971 (where he received the 2002 Distinguished Engineering Alumni Award), an M.S. from MIT in 1972, and a Ph.D. from Caltech in 1976.

Dr. David V. Kerns, Jr., age 58, became Provost on September 1, 1999. Dr. Kerns was the Orrin Henry Ingram Distinguished Professor in the Department of Electrical and Computer Engineering at Vanderbilt University and is the Franklin and Mary Olin Distinguished Professor of Electrical Engineering at Olin College. At Vanderbilt, he chaired the Department of Electrical Engineering, directed the Management of Technology Program, and served as Associate Dean for Administration and Acting Dean of the School of Engineering. He is a Fellow of the Institute of Electrical and Electronics Engineers (IEEE), an officer of the IEEE Education Society, and a past Chair of the International Frontiers in Education Conference. He was the founding Chair of the Electrical Engineering Department at Florida State/Florida A&M Universities, and served on the faculty at both Auburn University and Bucknell University. He also was a member of the technical staff at Bell Laboratories and founder of two technology start-up companies. Dr. Kerns is a holder of several patents and his research interests include microelectromechanical systems (MEMS) devices, analog circuit design and engineering education. He is the co-author of a successful textbook, *Introduction to Electrical Engineering*. Dr. Kerns received his B.S. in Engineering Science, M.S. in Engineering Science, and Ph.D. in Engineering Science from Florida State University.

Mr. Stephen P. Hannabury, age 49, became Vice President for Administration and Finance on August 11, 1999. Mr. Hannabury was Boston University School of Management's Assistant Dean and Chief Financial, Administrative, and Information Officer. A member of the Boston University staff for over 14 years, he was the project manager for the design, construction and operation of the School of Management's multi-million dollar classroom and office building project. He also managed an Information Technology department at Boston University which served a 3,800-port network with more than 15 staff members and an annual budget in excess of \$1.3 million. Prior to his appointment at Boston University, Mr. Hannabury was executive director of a non-profit organization and a staff engineer for Metcalf and Eddy, Engineers. He serves on the Board of Directors of the Boston Consortium for Higher Education. Mr. Hannabury holds a B.S. in Civil Engineering degree from Northeastern University and an M.B.A from Boston University.

Dr. Sherra E. Kerns, age 56, became Vice President for Innovation and Research on September 1, 1999 and is Professor of Electrical and Computer Engineering. Dr. Kerns was Professor and Chair of the Department of Electrical and Computer Engineering and Director of the University Consortium for Research on Electronics in Space at Vanderbilt University. A Fellow of the IEEE, she served as President of the National Electrical Engineering Department Heads Association, Division Chair of the American Society for Engineering Education, a member of the IEEE Committee on Engineering Accreditation Activities, and as an Evaluator of engineering programs seeking accreditation from the Accreditation Board for Engineering and Technology. Dr. Kerns has published over 100 technical journal papers and made original contributions to enhancing information integrity in digital microelectronics in space. She is

APPENDIX A

a recipient of the 1999 Harriett B. Rigas Outstanding Woman Engineering Educator Award. She was recently elected President-elect of the American Society of Engineering Education. Dr. Kerns holds an A.B. in physics from Mount Holyoke College, an M.A. in physics from the University of Wisconsin, and a Ph.D. in physics from the University of North Carolina.

Mr. Duncan C. Murdoch, age 63, became Vice President for External Relations and Enrollment on June 1, 1999. Mr. Murdoch was Associate Dean and Director of Admission at the University of Southern California. Prior to his appointment at USC, he served as Vice President for Planning and Development and Dean of Admission at Harvey Mudd College and as Dean of Admission at the Rose-Hulman Institute of Technology. Mr. Murdoch holds a B.A. from Hanover College and an M.A. in economics from Indiana State University.

Dr. Charles Nolan, age 56, became Dean of Admission on September 1, 1999. Dr. Nolan was Dean of Undergraduate Admission for 10 years at Babson College. Prior to his position at Babson College, Dr. Nolan served as Assistant Provost and Dean of Undergraduate Admission at Washington University in St. Louis, and as Director of Undergraduate Admission at Boston College. Dr. Nolan has an A.B. from Curry College, a M.A.T. in political science from Bridgewater State College and a Ph.D. in Higher Education Administration from Boston College.

Dr. Roger C. Crafts, Jr., age 56, became Dean of Student Life on August 14, 2000. Dr. Crafts was Dean of Student Affairs at Brandeis University for 16 years. Prior to his position at Brandeis, Dr. Crafts held student affairs posts at the University of Rhode Island and Indiana University. He received his bachelor's degree from Earlham College and master's and doctorate degrees in education from Indiana University.

Dr. Michael Moody, age 51, became Dean of the Faculty on September 1, 2002. Dr. Moody was the Diana and Kenneth Jonsson Professor of Mathematics and Chairman of Mathematics at Harvey Mudd College. Dr. Moody's research in biomathematics focuses on genetic models for evolving populations. His developmental work in teaching is concentrated on designing and implementing curricular models and technological tools to improve mathematics education for engineers and scientists. He received his bachelor's degree from the University of California, San Diego and his doctorate degree from the University of Chicago.

Ms. Joanne Kossuth, age 42, became Director of Information Technology and Chief Information Officer on November 1, 1999. Her prior positions include: Director of Computer Support Services at Boston University's School of Management, Director of Information Technology at Wheelock College and Systems Manager at Fisher College. Ms. Kossuth received her bachelor's degree from the College of the Holy Cross and masters degree from Lesley University. She currently serves as Board member and Vice Chair of the NERCOMP (North East Regional Computing Group) and on the Educause Professional Development Committee.

Faculty

The College has currently hired 26 faculty for academic year 2004. The College offers faculty members five-year contracts with renewal subject to peer review. Olin College does not plan to grant tenure to faculty members in order to promote flexibility in curriculum.

A brief biography of the faculty members hired as of June 2003 is provided below.

Roberto Ballarini, Ph.D., F.W. Olin Professor of Mechanical Engineering. was Professor of Civil Engineering, Mechanical & Aerospace Engineering, Materials Science and Engineering at Case

Western Reserve University and the recipient of the John S. Diekhoff Award for Distinguished Graduate Teaching. He teaches and conducts research in solid mechanics, and is particularly interested in developing theoretical models and experimental procedures for characterizing the mechanical behavior of materials, composite structures, structural components, microelectromechanical systems (MEMS), and biological structures.

Hillary Thompson Berbeco, Ph.D., Assistant Professor of Chemistry, was a director's postdoctoral fellow at Los Alamos National Laboratory investigating the chemistry and thermodynamic properties of novel catalyst materials intended for fuel cell use. Her research at Stanford University involved an array of analytical chemical techniques to identify a mineral phase responsible for retarding the movement of metal contaminants in the subsurface.

John R. Bourne, Ph.D., Professor of Electrical and Computer Engineering and Director, Sloan Center for Online Education at Olin and Babson Colleges. Dr. Bourne joined Olin from Vanderbilt University, where he was Professor of Electrical and Computer Engineering and Professor of Biomedical Engineering. At Vanderbilt, he was a pioneer in asynchronous learning networks (ALN), a new computer-based learning initiative. He also headed Vanderbilt's Center for Innovation in Engineering Education and ALN Center and recently launched the Sloan Consortium, a group of over 40 institutions offering online programs.

Debbie Chachra, Ph.D., Assistant Professor of Materials Science and Chemistry, was a postdoctoral associate at MIT in the Department of Materials Science and Engineering. Her research involved using a model system to study how cells interact mechanically with the tissue around them. She was a recipient of a National Sciences and Engineering Research Council of Canada postdoctoral fellowship and a Medical Research Council of Canada graduate fellowship, as well as numerous other academic honors.

Jill D. Crisman, Ph.D., Associate Professor of Electrical and Computer Engineering, was Associate Professor and the Director of the Robotics and Vision Systems Laboratory in the Department of Electrical and Computer Engineering at Northeastern University. Her research at Northeastern focused on using color vision systems in aiding robots in navigation. Dr. Crisman was also a visiting scientist with Nissan's Cambridge Basic Research Laboratory, where she had the opportunity to explore the relationship between humans and robots.

Diana Dabby, Ph.D., Assistant Professor of Electrical Engineering and Music, taught courses in Electrical Engineering and Music Composition at the Massachusetts Institute of Technology and Tufts University. At MIT, Dr. Dabby synthesized music and engineering in her application of chaos theory to musical variation. She maintains an active career as a concert pianist and composer, and has performed at Weill (Carnegie) Hall and Tanglewood.

Helen Donis-Keller, Ph.D., Professor of Biology and Art. As a scientist, Dr. Donis-Keller has been involved in mapping the human genome and identifying genes and mutations which give rise to heritable disorders such as cystic fibrosis. As an artist she uses visual and sonic metaphors for genetic concepts to make them more accessible and increase her understanding of them. She was Assistant Research Director of Molecular Biology at Biogen, Inc. and later the Director of the Human Genetics Department at Collaborative Research, Inc. More recently she was Professor of Surgery and Director of the Division of Human Molecular Genetics at the Washington University School of medicine in St. Louis.

Allen Downey, Ph.D., Associate Professor of Computer Science, taught at Colby College and Wellesley College, and held research positions at the San Diego Supercomputer Center and Boston University. His research is based on the application of the tools of empirical science to computer systems

APPENDIX A

and networks, and he has worked on several projects pertaining to the measurement and modeling of the Internet. These projects examined emergent properties in network traffic, looking for an explanatory model of these behaviors.

John Geddes, Ph.D., Associate Professor of Mathematics, formerly Assistant Professor of Mathematics at Ramapo College of New Jersey, where he focused his efforts on developing a course on chaos and fractals for freshmen. He then moved to the University of New Hampshire where he worked on laser-based chaotic communication schemes and pulse dynamics in modelocked lasers.

Stephen S. Holt, Ph.D., Professor of Physics, was Director of Space Sciences at the NASA-Goddard Space Flight Center in Greenbelt, Maryland. Dr. Holt has been a leader in the field of X-ray astronomy. He was the NASA Project Scientist on eight NASA missions, including cooperative scientific missions with the United Kingdom, Germany, Japan, and Russia. He was also Chief Scientist for the Space Station Project at NASA. His honors include the NASA Award for Meritorious Achievement and he has 158 publications in professional journals.

David V. Kerns, Jr., Ph.D. is Provost and Professor of Electrical Engineering. For more information about Dr. Kerns, see “Administration.”

Sherra E. Kerns, Ph.D. is Vice President for Innovation and Research and Professor of Electrical and Computer Engineering. For more information about Dr. Kerns, see “Administration.”

Benjamin Linder, Ph. D., Assistant Professor of Mechanical Engineering, is the Co-founder, Director, and Vice President of Product Development for Oculus Technologies Corporation in Boston, MA. He has several patents and, while at MIT, assisted in teaching several engineering courses and received various fellowships and awards.

Robert Martello, Ph.D., Assistant Professor of the History of Science and Technology. Prior to joining the Olin College faculty, Dr. Martello served as the Digital History Annotations and Features Producer for the Sloan Foundation’s electronic textbook *Inventing America*. His dissertation, *Paul Revere’s Metallurgical Ride: Craft and Proto-Industry in Early America*, reexamines Paul Revere’s historical narrative from technological, environmental, and entrepreneurial perspectives. While at MIT, he also co-lectured in a history of technology survey course, served as a graduate residence tutor in an undergraduate dormitory, and earned several academic fellowships.

Richard K. Miller, Ph.D. is President and Professor of Mechanical Engineering. For more information about Dr. Miller, see “Administration.”

Michael E. Moody, Ph.D., is Dean of the Faculty and Professor of Mathematics. For more information about Dr. Moody, see “Administration”

Gill Pratt, Ph.D. Associate Professor of Electrical and Computer Engineering. Before coming to Olin, Dr. Pratt was Associate Professor of Electrical Engineering and Computer Science and a researcher in parallel computer hardware at the Massachusetts Institute of Technology, where he received his Bachelor's, Master's, and Doctorate degrees in Electrical Engineering and Computer Science. As a member of MIT’s AI Lab, he directed the MIT Leg Laboratory, focusing on the development of robots with legs and devices for helping people walk. He is an enthusiast of hands-on, “do-learn” education, and has a strong interest in the societal aspects of technology, including "green" technologies like electric cars and larger issues like the impact of robotics on the quality of life.

Joanne C. Pratt, Ph.D., Assistant Professor of Biological Sciences, was an Instructor in the Division of Cell Biology and the Department of Pediatrics at the National Jewish Medical Research Center (“NJC”) in Denver. Before the NJC, she was an Instructor in pediatrics at Dana-Farber Cancer Institute and Harvard Medical School. Funded in part by the Association for International Cancer Research, her immunology research is relevant to certain forms of cancer, such as leukemia and lymphoma, as well as AIDS and autoimmune diseases.

Stephen J. Schiffman, Ph. D., Senior Olin partner, is the former Dean of the Undergraduate Programs at Babson College in Wellesley, MA. A Babson faculty member in Mathematics and MIS since 1986, he is also the architect of the new undergraduate curriculum, which was launched in the fall of 1996. In 1997, the Pew Charitable Trusts recognized this effort by selecting Babson for a Pew Leadership Award for renewal of undergraduate education. Dr. Schiffman holds a Ph.D. in mathematics from Dartmouth College as well as an M.S. in management from Sloan School, MIT. He has taught at the University of Colorado and Colorado College, and, prior to joining Babson College, he worked at Digital Equipment Corporation.

Mark H. Somerville, Ph.D., Assistant Professor of Electrical Engineering and Physics, was formerly an Assistant Professor of Physics at Vassar College. He holds a Ph.D. and a M.S. in Electrical Engineering from MIT, as well as an M.A. (first class honors) in Physics from Oxford University. His academic honors include the Joint Services Electronics Program Doctoral and Post Doctoral Fellowship, the Office of Naval Research Graduate Fellowship, and a Rhodes Scholarship. His research focuses on the physics of semiconductor devices and is supported by a Research at Undergraduate Institutions grant from the National Science Foundation.

Sarah Spence, Ph.D., Assistant Professor of Mathematics earned her M.S. and Ph.D. in Mathematics from Cornell University, where she was also a member of the Wireless Intelligent Systems Laboratory in the Department of Electrical Engineering. She earned her B.S. from the University of Richmond, where she was a Clare Boothe Luce Research Fellow and graduated summa cum laude with departmental honors in Mathematics and minors in Physics and French. Algebraic coding theory is Dr. Spence's primary area of research which uses mathematics and electrical engineering to develop error-control codes.

Lynn Andrea Stein, Ph.D., Professor of Computer Science and Engineering, was Associate Professor of Computer Science at the Massachusetts Institute of Technology. Dr. Stein’s approach to the teaching of computer science makes use of an interactive model rather than the traditional linear view of computation. She is currently working on a book, *Introduction to Interactive Programming*. She is the recipient of MIT’s Spira Teaching Award and the NSF Young Investigator Award.

Jonathan D. Stolk, Ph.D., Assistant Professor of Mechanical Engineering and Materials Science, is passionate about engineering, teaching and the development of new laboratory experiments, and he greatly enjoys working with undergraduate students. Prior to arriving at Olin, he served as a Visiting Assistant Professor at Bucknell University. Dr. Stolk developed and taught a new Advanced Materials lecture and laboratory course at Bucknell, and was recently voted "Bucknell's Favorite Professor" by first- and second-year students. Dr. Stolk has research experience in corrosion fatigue behavior of carbon fiber-epoxy composites in high-pressure seawater, and he has many years of industrial experience in the area of testing and failure analysis of materials and components.

Brian D. Storey, Ph.D., Assistant Professor of Mechanical Engineering, was previously at the University of California at Berkeley, where he received his Ph.D. in Mechanical Engineering. Dr. Storey holds an M.S. from the University of Illinois at Urbana-Champaign and a B.S. from the University of Texas at Austin. He has also worked in active sonar systems and underwater acoustics at the University

APPENDIX A

of Texas Applied Research Labs. Dr. Storey's research interests include fluid mechanics, computational science and engineering, numerical methods, and heat transfer.

Burt Tilley, Ph.D., Associate Professor of Mathematics, was Assistant Professor of Mathematics at the New Jersey Institute of Technology where he incorporated real-life examples as projects in undergraduate courses. He holds a Ph.D. in Applied Mathematics from Northwestern University and was awarded an NSF-NATO Postdoctoral Research Fellowship at the Hydrodynamics Laboratory at the Ecole Polytechniques in France. Dr. Tilley's general research interests include the stability and pattern formation of the interface between two fluids. A current NSF grant allows him to study the mechanisms that cause transitions from small waves to large waves, as well as their effects on the overall rates of heat transport.

Yevgeniya Zastavker, Ph.D., Assistant Professor of Physics joined Olin College after completing a two year appointment as a visiting Assistant Professor of Physics at Wellesley College. She received her Ph.D. in Biological Physics from M.I.T. and her B.S. (Magna Cum Laude) with distinction in Physics from Yale University. She is also a recipient of the Red Diploma of graduation with honors from Kiev Evening Musical School, where her concentration was piano, and studied at Kiev Pedagogical College. Dr. Zastavker's research interests lie in the field of biological physics, an interdisciplinary field that bridges such diverse areas as physics, biology, chemistry, bio-medical engineering, and chemical engineering.

The Trustees currently anticipate that a steady state student to teaching faculty ratio of no more than 10 to 1 will be necessary to enable students to achieve the College's educational objectives. Additional faculty members have been hired during the College's start-up phase to handle curriculum development. For further information on the College's proposed plans for the size of its faculty, see "Financial Operating Model."

President's Council

The President's Council is a group of 19 distinguished advisors who have volunteered their time to counsel the President on a full range of issues relating to curriculum, student life, administration and finance, governance, admission and other topics important to the founding of the College. Council members serve two terms of up to four years. The Council meets two times per year.

The following is a list of the current members of the President's Council.

Mr. John E. Abele, Founder Chairman of Boston Scientific Corporation, a \$2.7 billion medical device company known for pioneering "less invasive medicine."

Dr. James E. Ashton, chairman of Poco Graphite, Inc., and a partner in Grisanti, Galif & Goldress, Inc., and served as vice president and general manager of the Naval Systems Division of the FMC Corporation.

Dr. Stephen W. Director, Dean of Engineering at the University of Michigan and Chair of the National Academy of Engineering Committee on Engineering Education.

Ms. Carla L. Gude, former Vice President of Technology, IBM Corporate Staff in New York. Ms. Gude is a mathematician who has served IBM as Vice President of Systems Software.

Dr. George Hatsopoulos, Founder, Chairman, and CEO Pharos, LLC and founder of Thermo Electron Corporation. Dr. Hatsopoulos is a member of the National Academy of Engineering and a life member of the MIT Corporation.

Dr. Paul C. Jennings, Professor and former Vice President, Provost and Chairman of the Division of Engineering and Applied Science at the California Institute of Technology. Dr. Jennings is a member of the National Academy of Engineering.

Dr. Thomas L. Magnanti, Dean of Engineering and one of thirteen Institute Professors at the Massachusetts Institute of Technology.

Dr. Robert N. McBurney, former President of CeNeS Pharmaceuticals, Inc., and a physiologist who taught medicine before becoming involved in a start-up biotech company.

Dr. Melvin R. Ramey, Professor of Engineering at the University of California at Davis and renowned teacher and advisor of students.

Dr. Kwan Rim, Chairman of Samsung Advanced Institute of Technology in Korea, Vice President of the Korean Academy of Science and Technology (KAIST), and Chairman of the Board of KAIST.

Mr. Gregory S. Shelton, Vice President for Engineering and Technology for Raytheon Company in Lexington, Massachusetts.

Dr. Sheri D. Sheppard, Professor of Engineering at Stanford University and well-known investigator on a project to reform engineering curricula.

Dr. Lee S. Shulman, President of the Carnegie Foundation for the Advancement of Teaching and past President of the National Academy of Education.

Ralph Sorenson, President Emeritus of Babson College, previous President and CEO of Barry Wright Corporation, and a Director or Trustee of many companies & organizations.

Dr. B. Samuel Tanenbaum, Professor and former Dean of Faculty at Harvey Mudd College in Claremont, California.

Dr. Jeffrey A. Timmons, Distinguished Professor of Entrepreneurship at Babson College.

Dr. Carol Tomlinson-Keasey, Chancellor, University of California at Merced.

Mr. David A. Walker, retired President, Chief Executive Officer, and Founder of Pharaoh Corporation in Rochester, New York.

Dr. William A. Wulf, President of the National Academy of Engineering in Washington, D.C.

STUDENT ENROLLMENT

The College currently intends only to admit full-time undergraduate students. It hopes to attract top students by providing a unique educational experience at significantly reduced cost to the student. See “Background and History – Franklin W. Olin College of Engineering.” The College hopes to achieve a better gender balance than is typically found in engineering programs.

APPENDIX A

The first students at Olin College were the Olin Partners. Funded by full scholarships from the College, these thirty students spent the 2001-2002 academic year in a program that included (1) academic discovery, (2) student life and leadership, (3) corporate experience, (4) international experience and (5) community service. They worked closely with the faculty to help develop and test the curriculum, and with the Dean of Student Life to shape the student culture and activities. One of the Olin Partners had to withdraw from the program due to visa issues.

Fourteen students who were on the admission waitlist for the Olin Partner program elected to defer their admission to Olin until August 2002. Each of them spent the intervening year in educational and/or personal growth activities that were approved by the College.

An additional 32 students were recruited to join the remaining 29 Olin Partners and the 14 Virtual Olin Partners to constitute the first class of 75 students. Of the 75 students, 41 received recognition from the Advanced Placement program, including 13 AP Scholars with Distinction, 17 AP Scholars with Honor, 9 AP Scholars and 2 National AP Scholars. In addition, the first class included 29 National Merit Scholarship Program Finalists, 3 U.S. Presidential Scholars (only 140 awarded nationally), 1 National Achievement Scholar, 5 National Hispanic Scholars, 20 Valedictorians and 9 Salutatorians. The first class includes 38 men and 37 women, and includes 23% students of color (10 Asian-Americans, 6 Hispanics and 1 African-American). They come from 34 states and Costa Rica.

Seventy-five additional students have been recruited to the Class of 2007 and they will matriculate in Fall 2003. The Class of 2007 will include 44 men and 31 women, with 20% students of color (11 Asian-Americans, 1 Hispanic and 3 African-American). They come from 28 states and the District of Columbia. Of the 75 students, 39 received recognition from the Advanced Placement program, including 14 AP Scholars with Distinction, 15 AP Scholars with Honor, and 10 AP Scholars. In addition, the group will include 29 National Merit Scholarship Program Finalists, 3 National Achievement Scholars, 11 Valedictorians and 8 Salutatorians.

Additional information on these first two classes of students follows. See “Financial Operating Model” for the College’s present plans regarding student enrollment.

Student Statistics

Academic Year	Applications Received	Applications Accepted	Acceptance Ratio %	Enrolled	Matriculation Ratio %	Middle 50% of SAT Scores for Matriculated Students	Average GPA
2002-03	1,201 (1)	93	7.7%	75	80.6%	1440-1530	4.3/4.0 scale
2003-04	596	90	15.1%	75	83.3%	1420-1530	4.4/4.0 scale

(1) 665 applications were submitted in winter 2001 for the 30 “Olin Partners” who came to campus in August 2001; 536 applications were submitted in winter 2002 for the remaining 32 places in the Class of 2006 that came to campus in August 2002. (14 students called “Virtual Olin Partners (see above) deferred their admission to the fall of 2002 and are part of the Class of 2006.)

The College was informed by the U.S.A. Immigration Services (INS) in the Fall of 2001 that it would not be able to issue student visas until it receives its accreditation. As described in more detail under “Description of Academic Programs”, the College expects to be accredited in 2006 after it graduates its first class. As a result, the College does not expect to be able to enroll non-U.S. citizens or non-resident aliens until the 2006-07 academic year. This accounted in part for the reduction in

applications that the College experienced between the winter of 2001 and the winter of 2002. The College believes the second reason for the drop in applications was due to a much greater degree of selectivity among applicants; there were fewer less qualified students who applied.

STUDENT FINANCIAL SUPPORT

In keeping with its founding precepts, the College will endeavor to operate by offering full tuition scholarships to all regular full-time students enrolled in its undergraduate degree programs. It is anticipated that students enrolled at the College will also have available external sources of financial aid which will assist in meeting the cost of tuition, room and board at the College. In order to provide full tuition scholarships to all students, the College plans to adjust its undergraduate enrollment to a number that can be supported by the projected operating budget revenue. Under the Grant Agreement with the Foundation, beginning in the 2021 academic year, the College may elect, upon 90% support by Board of Trustees, to discontinue full tuition scholarships and instead offer a more limited financial aid package to students. In accordance with its operating plan, the College began to charge students for board and other miscellaneous fees in Fall 2002 and will charge for room beginning in Fall 2004. The College does provide need-based aid for non-tuition charges.

OPERATIONS

Accounting Matters

The College operates on a fiscal year ending June 30. The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America on an accrual basis. The following summaries and discussions of financial matters should be read in conjunction with the financial statements of the College, related notes, and the independent auditors' report included as Appendix B to the Official Statement.

Schedule of Activities

The College began operations in late fiscal year 1999. Operations during the first three full years included planning, designing and constructing the physical campus; site work and regulatory approvals; interviewing and hiring faculty and other administrators; recruiting students; developing a program for creating all academic and operational aspects of the College; conducting the Olin Partner program, and developing the curriculum. In Fall 2002 the College commenced full operations with the arrival of the first class of students and the opening of the new campus.

APPENDIX A

The following table contains schedules of activities for the past four fiscal years:

Schedules of Activities For the Years Ended June 30

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues and other support:				
Contributions ¹	\$57,983,102	\$33,204,731	\$29,562,224	\$1,400,000
Grants	1,016,451	351,104	—	—
Fees, net	30,540	34,680	—	—
Interest income	91,727	60,526	3,678	148
Other	<u>23,515</u>	<u>67,182</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>59,145,335</u>	<u>33,718,223</u>	<u>29,565,902</u>	<u>1,400,148</u>
Expenses:				
Instruction	2,817,028	968,307	—	—
Academic support	1,448,626	833,817	507,146	—
Student services	1,364,102	866,112	430,383	—
Research	557,788	343,323	211,553	—
Sponsored programs	1,150,366	401,809	—	—
Institutional support	<u>4,363,758</u>	<u>2,433,146</u>	<u>2,053,505</u>	<u>336,461</u>
Total expenses	<u>11,701,668</u>	<u>5,846,514</u>	<u>3,202,587</u>	<u>336,461</u>
Increase in Net Assets	47,443,667	27,871,709	26,363,315	1,063,687
Net assets at beginning of year	<u>55,298,711</u>	<u>27,427,002</u>	<u>1,063,687</u>	<u>—</u>
Net assets at end of year	\$102,742,378	\$55,298,711	\$27,427,002	\$1,063,687

¹ Substantially all contributions received by the College were from the Foundation.

Schedules of Financial Position

The following table contains the schedules of financial position for the past four fiscal years:

**Schedules of Financial Position
For the Years Ended June 30**

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assets				
Cash and equivalents	\$1,294,617	\$1,236,307	\$266,229	\$184,486
Short-term investments	3,196,757	2,808,874	—	—
Accounts and grants receivable, net	280,857	151,517	—	—
Prepays and other assets	28,780	10,148	11,450	—
Property and equipment, net	<u>102,636,231</u>	<u>55,772,684</u>	<u>28,332,111</u>	<u>1,412,331</u>
Total assets	<u>\$107,437,242</u>	<u>\$59,979,530</u>	<u>\$28,609,790</u>	<u>\$1,596,817</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$4,276,610	\$4,461,124	\$1,182,788	\$533,130
Deferred revenue and deposits	<u>418,254</u>	<u>219,695</u>	—	—
Total liabilities	<u>4,694,864</u>	<u>4,680,819</u>	<u>1,182,788</u>	<u>533,130</u>
Net assets:				
Unrestricted	1,070,003	53,594,204	27,427,002	1,063,687
Temporarily restricted (1)	85,378,137	46,382	—	—
Permanently restricted (1)	<u>16,294,238</u>	<u>1,658,125</u>	—	—
Total net assets	<u>102,742,378</u>	<u>55,298,711</u>	<u>27,427,002</u>	<u>1,063,687</u>
Total liabilities and net assets	<u>\$107,437,242</u>	<u>\$59,979,530</u>	<u>\$28,609,790</u>	<u>\$1,596,817</u>

(1) See Note 7a in the Financial Statements of the College included as Appendix B for information on classification of net assets.

Budgeting Process

The budgets for 2003 and 2004 are based on the College's business plan as described under "Financial Operating Model." In January 2003, the College undertook a detailed three year financial planning exercise. The results of this work were used to further refine the financial model and formed the basis for the fiscal year 2004 budget. The College intends to update the three year financial plan annually as development of the College progresses and will continue utilizing a zero-based budgeting method for the next several years until operations become more stable and predictable.

APPENDIX A

Retirement Plan

The College has established a contributory retirement plan for eligible full-time employees. The plan is designed in accordance with the provisions of section 403(b) of the Internal Revenue Code. The College's expenses under the plan in 2002, 2001, 2000 and 1999 was \$414,269, \$171,171, \$134,780, and \$10,023 respectively.

FINANCIAL OPERATING MODEL

The College's annual budget targets will be developed based on the key elements of its long range planning model. The Vice President for Administration and Finance works with the President to refine planned sources and uses of funds and to achieve a balanced budget, which is then presented to the Board of Trustees for approval. The College prepares its own financial model. No independent consultant has been retained to review the College's financial model or the assumptions used therein.

The College's financial model is based on many assumptions regarding revenue (tuition, board charges, housing charges, fund raising, limited operating subsidies from the Foundation and endowment earnings) and expenses (faculty and staff salaries, educational and operating expenses, construction costs and debt service). The following is a brief description of these revenue and expenses.

Revenues

As discussed, the basic philosophy of the College is to grant full tuition scholarships to all students. However, the College will encourage its students to apply for outside scholarships when available. The financial model assumes that the College will receive some funds as a result of outside scholarship aid received by students. Students are charged for board and other miscellaneous fees and will be charged for room beginning with the class entering in August, 2004. The College will also strive to keep its endowment spending rate at levels which will retain the significant "real" incremental value to its endowment. It is currently expected that the College's annual endowment earnings used for operations will continue to be between 5% to 6% of the endowment market value.

Expenses

Currently, the College believes that its ultimate target enrollment will be between 600 and 650 full-time equivalent ("FTE") students. The College currently plans to reach an intermediate steady state enrollment of 300 students in academic year 2005-2006. At that time, the College will assess its financial, curricular, and student life conditions and determine a plan and timeline for continued growth. Faculty and staff levels are highly dependent on the actual size of the student body. The College anticipates maintaining a student-faculty ratio of no more than 10 to 1. Thus, the College expects to have between 60 and 65 FTE faculty members when it reaches its ultimate steady-state enrollment. The College has also incorporated its estimates of non-salary expenses. Total construction costs for the near-term development of the campus including the four buildings of Phase 1 and the first building of Phase 2 are currently estimated to be \$150 million. Of this amount, the Foundation and College had already expended approximately \$123.3 million as of June 30, 2003. The College has incorporated the debt service cost of financing these construction costs into the model. For a description of the development plan, see "The Project" and "Property and Plant".

While the College is still in the development stage, changes to its currently proposed plan of operations are likely. In order to provide full tuition scholarships to all students, the College plans to adjust its undergraduate enrollment to a number that can be supported by available funds. See "Student Financial Support." Another alternative available to the College is to discontinue full tuition

scholarships. Under the Grant Agreement with the Foundation, beginning in the 2021 academic year, the College may elect, upon a 90% affirmative vote by the Board of Trustees, to discontinue full tuition scholarships and instead offer a more limited financial aid package to students. See “Grant Agreement.”

OUTSTANDING INDEBTEDNESS AND LEASE OBLIGATIONS

The initial Bonds and the Tax-Exempt Bonds will be the first indebtedness of the College.

The College leases office equipment and construction trailers under non-cancelable agreements that expire on various dates through 2006. Rental expense under these agreements aggregated \$238,381 in 2003, \$709,580 in 2002, \$56,720 in 2001, \$18,633 in 2000 and \$0 in 1999.

The future minimum annual lease payments as of June 30, 2003 required under non-cancelable leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$69,939
2005	63,714
2006	<u>12,606</u>
Total	<u>\$146,259</u>

INVESTMENTS AND GIFTS

Investment Strategy and Endowment Funds

F.W. Olin Foundation. The Foundation has agreed to provide certain funds to the College in accordance with the terms of the Grant Agreement. **The amount payable to the College under the Grant Agreement is dependent on the Foundation’s financial resources. The Foundation is not obligated to pay debt service on the initial Bonds.** See “Background and History – The F.W. Olin Foundation” and “Grant Agreement.”

On September 12, 1983, the Foundation adopted its investment management policy. The Foundation’s Investment Committee meets regularly with the investment managers to determine overall investment policies and allocation of assets. The Foundation has worked with its current investment managers since 1994. The Foundation currently targets to have equity investments comprise 65% (minimum of 60% and maximum of 70%) and fixed income investment comprise 35% (minimum of 30% and maximum of 40%) of its endowment fund assets other than its operating reserve. The Foundation maintains an operating reserve of approximately 2% of its endowment fund assets (minimum of 1% and maximum of 3%). The investment management policy provides that the operating reserve be invested in reputable money market accounts and/or U.S. Treasury and federal agency securities with a maturity of one year or less. The investment management policy does permit the Investment Committee to depart from the investment guidelines and from time to time the Investment Committee has elected to do so.

In August, 2002, the College’s Board of Trustees established a College Investment Committee which will oversee the transfer of the endowment from the Foundation to the College and the subsequent management of the College endowment.

APPENDIX A

As of June 30, 2003, the allocation of the Foundation's assets was as follows:

Assets		
<u>Asset Class</u>	<u>Amount</u>	<u>Percentage</u>
Cash & Equivalent	\$23,950,995	8.87%
Equity	193,409,955	71.61
<u>Fixed</u>	<u>52,737,771</u>	<u>19.53</u>
Total	<u>\$270,098,721</u>	<u>100.00%</u>

Franklin W. Olin College of Engineering. The College presently uses the same investment managers as the Foundation. The College initially expects to operate under the same investment guidelines as the Foundation.

As of June 30, 2003, the fair market value value of the College's endowment is approximately \$31,500,000.

Gifts and Grants

The Foundation organized and funded the Franklin W. Olin College of Engineering. Contributions to the College for 2002, 2001, 2000, and 1999 were \$57,898,177, \$31,546,106, \$29,555,224, and \$1,400,000 respectively. Substantially all of these amounts were contributed by the Foundation. As described in more detail above under "Grant Agreement," the Foundation is prepared to contribute upwards of \$285 million over the next 3 years for the development, growth, and maintenance of Olin College. (Note: Approximately \$63 million of this amount was received by the College as of June 30, 2003.)

The following table shows the source and distribution of gifts and grants donated to Olin College for the fiscal years 2000, 2001 and 2002. In total, such gifts and grants have totaled \$1,750,550. This table does not include contributions by the Foundation.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
	<u>Board</u>	<u>Board Members, Staff</u>	<u>Unrelated Donors,</u>	<u>Total</u>
	<u>Members and</u>	<u>and Unrelated Donors</u>	<u>Board Members and</u>	
	<u>Staff</u>		<u>Staff</u>	
2000	\$7,000	0	0	\$7,000
2001	0	\$500	\$1,658,125	1,658,625
2002	<u>2,900</u>	<u>55,425</u>	<u>26,600</u>	<u>84,925</u>
Total	<u>\$9,900</u>	<u>\$55,925</u>	<u>\$1,684,725</u>	<u>\$1,750,550</u>

In the future, Olin College plans on soliciting gifts and grants from individuals, corporations, other foundations and government agencies. The College is currently conducting a search for a Vice President for Development.

THE PROJECT

The proceeds of the initial Bonds and the Tax-Exempt Bonds are expected to (i) finance and refinance Phase 1 of the Project, which consists of the College's development of the campus site and

infrastructure and approximately 300,000 square feet of academic, residential, and administrative space divided among four buildings and (ii) finance the first building of Phase 2, a second residence hall of approximately 73,900 square feet.

Specifically, the Project includes site work including roadways and utilities, the construction of a campus center/campus power plant building, an academic/administrative/library building (Olin Center), an academic center, and a residence hall. The College currently expects Phase 1 construction to be completed in August 2003. The design process for the second residence hall is underway, and construction is expected to begin in July 2003 and be completed in December 2004.

The three academic buildings feature fully networked classrooms, laboratories, and team rooms that allow professors and students to use various digital media as part of the learning process. The buildings were designed to permit the incorporation of future advances in technology. The residence hall is wired for high-tech communications.

The 71,600 square foot campus center and campus power plant building contains the main dining hall, post office, game room and various student services. In the future, a campus store and a café will be added. The heating, cooling, and electrical power plant component will distribute services throughout the campus.

The 76,000 square foot Olin Center contains a technology center, an engineering library, a 300-seat auditorium, plus administrative and faculty office space.

The 56,000 square foot, 172-bed residence hall, is fully wired for high-tech communications and features double rooms, each with a private bath, as well as study, lounge, exercise, and laundry spaces, a kitchenette and an apartment for a staff member. Each floor has a common living room with a working fireplace.

The 90,650 square foot academic center has 27 classrooms and laboratories, 12 seminar/meeting rooms, and about 25 faculty research laboratories and support rooms.

The 73,900 square foot, 182 bed second residence hall is expected to contain 114 single bedrooms arranged in suites of six with a living room, 32 double bedrooms, spaces for four resident assistants, common floor lounges, study rooms, an exercise room, music practice rooms, a kitchenette, and a bicycle storage room. There will also be a staff apartment, a faculty apartment, and an office for campus Public Safety. Construction of this building is expected to begin in Fall 2003.

PROPERTY AND PLANT

Plant Assets

The College acquired its campus land from Babson College in March 2000. This site consists of approximately 75 acres of land in Needham, Massachusetts and is adjacent to the Babson College campus. In addition, the College purchased a contiguous, approximately 1,000 square foot parcel in Wellesley, Massachusetts.

Olin College's property and equipment consisted of the following as of the end of each of the past four fiscal years.

APPENDIX A

Property and Equipment

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Land	\$14,609,513	\$14,604,513	\$14,604,513	-
Buildings and Improvements	2,720,311	2,714,034	2,534,134	-
Equipment	384,317	108,818	84,870	\$24,072
Construction in Progress	<u>85,291,851</u>	<u>38,543,676</u>	<u>11,172,010</u>	<u>1,388,259</u>
	103,005,992	55,971,041	28,395,527	1,412,331
Less accumulated Depreciation	<u>(369,761)</u>	<u>(198,357)</u>	<u>(63,416)</u>	<u>-</u>
	<u>\$102,636,231</u>	<u>\$55,772,684</u>	<u>\$28,332,111</u>	<u>\$1,412,331</u>

Development of Campus

The College currently expects to construct a total of approximately 500,000 square feet of academic, residential and administrative space. Phase 1 of this development, consisting of approximately 300,000 square feet and the first Phase 2 residential building of approximately 74,000 square feet, is being financed and refinanced by the initial Bonds and the Tax-Exempt Bonds. See "The Project."

During the remainder of Phase 2 of construction, the College expects to develop an additional 126,000 square feet, including a fourth academic building and two additional residence halls. These buildings will be constructed as the enrollment growth requires them. The College may issue additional bonds to finance this portion of the Project.

Shared Facilities With Babson College

The sharing of facilities and services with Babson College is important to Olin College's success. The two colleges have acknowledged that by sharing resources they can provide services in a more efficient and cost effective manner than it they were to do it separately. Both colleges will realize operational savings from this collaboration and Olin will not have to build all of the facilities that would be needed by a stand-alone college.

Library Resources

Olin College faculty and students utilize the Babson College library, as well as other area libraries through the WebNet Consortium and other arrangements. The location of Olin College makes the sharing of information resources particularly appropriate and practical.

In addition, as part of Phase 1, Olin College constructed its own library. The library has study areas and open access "stacks" for the College's hard copy holdings. The library is not intended to be a repository for aging printed matter, however, and the College intends to operate the library to accentuate access and use rather than preservation and storage. The College expects to rely on electronic resources more than most other colleges. The collection will be focused on the current and emerging professional interests of the College's faculty and students.

LABOR RELATIONS

The College has 88.88 full-time equivalent positions as of June 30, 2003, 5.15 of which are funded by research grants. None of the College’s employees is represented by labor unions or similar organizations. The College believes that its relationship with its employees is good.

In addition, certain Babson College employees perform certain services that benefit Olin College. See “Relationship with Babson College.”

INSURANCE

The major insurance policies currently carried by the College are listed below. Insurance coverage is reviewed regularly and increased as the growth of the College (both in students, faculty and staff, and in physical plant) occurs.

<u>Policy</u>	<u>Limits</u>
Property	\$50,000,000 per building
General Liability Package Policy	\$1,000,000 each occurrence \$2,000,000 aggregate
Business Auto	\$1,000,000
Umbrella Liability	\$25,000,000
Excess Umbrella Liability	\$25,000,000
Workers’ Compensation	Statutory Limits/\$500,000
Educators Legal Liability	\$5,000,000
International Package	\$1,000,000 each occurrence \$2,000,000 aggregate
Fiduciary	\$1,000,000

APPENDIX A

LITIGATION

No litigation is pending or threatened which, to the knowledge of the College, could have a material adverse effect on the financial condition of the College or its ability to make timely payments of all sums required under the Agreement.

* * *

This letter and the information contained herein are submitted for inclusion in the Official Statement relating to the initial Bonds.

FRANKLIN W. OLIN COLLEGE
OF ENGINEERING

By: /s/ Richard K. Miller
President

By: /s/ Stephen P. Hannabury
Vice President for Administration
and Finance



FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

[THIS PAGE INTENTIONALLY LEFT BLANK]



99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

The Board of Trustees
Franklin W. Olin College of Engineering, Inc.:

We have audited the accompanying statements of financial position of the Franklin W. Olin College of Engineering, Inc. (the College) as of June 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College at June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

August 9, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statements of Financial Position

June 30, 2002 and 2001

Assets	2002	2001
Cash and equivalents	\$ 1,294,617	1,236,307
Short-term investments	3,196,757	2,808,874
Accounts and grants receivable, net	280,857	151,517
Prepays and other assets	28,780	10,148
Property and equipment, net (note 3)	102,636,231	55,772,684
Total assets	\$ 107,437,242	59,979,530
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,276,610	4,461,124
Deferred revenue and deposits	418,254	219,695
Total liabilities	4,694,864	4,680,819
Net assets (note 7):		
Unrestricted	1,070,003	53,594,204
Temporarily restricted	85,378,137	46,382
Permanently restricted	16,294,238	1,658,125
Total net assets	102,742,378	55,298,711
Total liabilities and net assets	\$ 107,437,242	59,979,530

See accompanying notes to financial statements.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statements of Activities

Years ended June 30, 2002 and 2001

	2002				2001			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:								
Contributions from F. W. Olin Foundation (note 7)	\$ 9,742,653	48,150,524	5,000	57,898,177	31,546,106	—	—	31,546,106
Contributions from others	2,900	55,425	26,600	84,925	—	500	1,658,125	1,658,625
Grants	1,016,451	—	—	1,016,451	351,104	—	—	351,104
Fees, net	30,540	—	—	30,540	34,680	—	—	34,680
Interest income	40,905	50,822	—	91,727	14,644	45,882	—	60,526
Other	23,515	—	—	23,515	67,182	—	—	67,182
Net assets released from restrictions (note 7)	171,404	(171,404)	—	—	—	—	—	—
Total revenues and other support	11,028,368	48,085,367	31,600	59,145,335	32,013,716	46,382	1,658,125	33,718,223
Expenses (note 5):								
Instruction	2,817,028	—	—	2,817,028	968,307	—	—	968,307
Academic support	1,448,626	—	—	1,448,626	833,817	—	—	833,817
Student services	1,364,102	—	—	1,364,102	866,112	—	—	866,112
Research	557,788	—	—	557,788	343,323	—	—	343,323
Sponsored programs	1,150,366	—	—	1,150,366	401,809	—	—	401,809
Institutional support	4,363,758	—	—	4,363,758	2,433,146	—	—	2,433,146
Total expenses	11,701,668	—	—	11,701,668	5,846,514	—	—	5,846,514
Net assets reclassified (note 7)	(51,850,901)	37,246,388	14,604,513	—	—	—	—	—
(Decrease) increase in net assets	(52,524,201)	85,331,755	14,636,113	47,443,667	26,167,202	46,382	1,658,125	27,871,709
Net assets at beginning of year	53,594,204	46,382	1,658,125	55,298,711	27,427,002	—	—	27,427,002
Net assets at end of year	\$ <u>1,070,003</u>	<u>85,378,137</u>	<u>16,294,238</u>	<u>102,742,378</u>	<u>53,594,204</u>	<u>46,382</u>	<u>1,658,125</u>	<u>55,298,711</u>

See accompanying notes to financial statements.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statements of Cash Flows

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Increase in net assets	\$ 47,443,667	27,871,709
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	171,404	134,941
Contributions restricted for long-term investment	(26,600)	(1,658,125)
Contributions restricted for acquisition and construction of property and equipment	(48,155,524)	(24,543,240)
Increase in accounts receivable, net	(129,340)	(151,517)
(Increase) decrease in prepaids and other assets	(18,632)	1,302
Increase in operating accounts payable and accrued expenses	936,059	246,062
Increase in deferred revenue and deposits	198,559	219,695
Net cash provided by operating activities	<u>419,593</u>	<u>2,120,827</u>
Cash flows from investing activities:		
Purchases of investments	(387,883)	(2,808,874)
Purchases of property and equipment	(48,155,524)	(24,543,240)
Net cash used by investing activities	<u>(48,543,407)</u>	<u>(27,352,114)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	26,600	1,658,125
Contributions restricted for acquisition and construction of property and equipment	48,155,524	24,543,240
Net cash provided by financing activities	<u>48,182,124</u>	<u>26,201,365</u>
Net increase in cash and equivalents	58,310	970,078
Cash and equivalents, beginning of year	<u>1,236,307</u>	<u>266,229</u>
Cash and equivalents, end of year	\$ <u><u>1,294,617</u></u>	\$ <u><u>1,236,307</u></u>

See accompanying notes to financial statements.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

(1) Organization

The Franklin W. Olin College of Engineering, Inc. (the College) was founded by the F. W. Olin Foundation, Inc. in 1997 in response to a national agenda for the advancement of engineering education in the 21st century. The College began operations in late fiscal year 1999. The College ran a “Partners Program” for the academic year starting fall 2001. A team of 30 students assisted in developing and testing the curriculum and certain aspects of campus culture. In the fall of 2002, the first class will number approximately 75 students, with the ultimate total enrollment expected to be 650 students. The College will offer undergraduate programs in electrical and computer engineering, mechanical engineering, and a general engineering option.

Operations to date include the planning, design, and construction of the physical campus, site work and regulatory approvals, interviewing and hiring faculty and other administrators, and designing the academic and operational aspects of the College.

While the College maintains its own independent financial resources, governance, identity, and style, a collaborative relationship exists between the College and the adjacent Babson College. The two colleges will cooperate in academic programming and will arrange to share certain facilities and services. The College pays Babson College a fee for certain administrative services and other associated expenses. Such fees were \$1,273,243 and \$652,941 in 2002 and 2001, respectively, and have been included in institutional support in the accompanying statements of activities.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting with net assets and revenues, gains and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. The donors of these assets permit the College to use all or part of the related investment income and appreciation earned, as applicable, for general or specific purposes.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations, or law, that may or will be met by actions of the College and/or the passage of time.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations which the College may use at its discretion.

Revenues are reported as increases in unrestricted net assets unless use of the related net assets is limited by donor-imposed restriction, including time restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes or net assets. Expirations of temporary restrictions

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

occur when donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed. If an expense is incurred for a purpose for which both unrestricted and temporarily restricted net assets are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred unless the expense is for a purpose that is directly attributable to another specific external source of revenue. Changes in or clarifications of donor-imposed restrictions subsequent to the period of contribution are reported as reclassifications within the appropriate net asset classes.

Dividends, interest and net gains on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains; and
- as increases in unrestricted net assets in all other cases.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions restricted for the purchase of land are reported as permanently or temporarily restricted net assets, depending on the donor's intent. To the extent such contributions are temporarily restricted, the restrictions are released when expended for land. Contributions restricted for the acquisition of buildings and equipment are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets over the useful lives of the related assets. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contributions in the appropriate net asset class.

(b) Cash Equivalents

For purposes of the statements of cash flows, investments with maturities at the date of purchase of three months or less are considered cash equivalents.

(c) Property and Equipment

Land, buildings, and equipment are reported at cost at date of acquisition or fair value at date of donation in the case of gifts. For assets placed in service, depreciation is provided using the straight-line method over the estimated useful lives of the assets. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

Depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 to 40
Land improvements	10 to 35
Equipment	3 to 20

(d) *Short-Term Investments*

Short-term investments are stated at fair value and consist solely of holdings in the Common Fund Short-Term Fund.

(e) *Functional Reporting of Expenses*

The costs of providing the College's activities have been summarized on a functional basis in the statements of activities. Expenses associated with the College's property and equipment, including depreciation and operations and maintenance expenses, are functionally allocated based on the pro rata portion of each function.

(f) *Deferred Revenue and Deposits*

The College recognizes revenue on grants and contracts for research as related costs are incurred. Payments received in advance of expenditures are recorded as deferred revenue. Advance payments received for student-related activities are recorded as deposits.

(g) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) *Income Tax Status*

The College is an organization described under Internal Revenue Code (IRC) Section 501(c)(3) and is generally exempt from income taxes under the provisions of IRC Section 501(a).

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

(3) Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2002</u>	<u>2001</u>
Land	\$ 14,609,513	14,604,513
Buildings and improvements	2,720,311	2,714,034
Equipment	384,317	108,818
Construction in progress	<u>85,291,851</u>	<u>38,543,676</u>
	103,005,992	55,971,041
Less accumulated depreciation	<u>(369,761)</u>	<u>(198,357)</u>
	<u>\$ 102,636,231</u>	<u>55,772,684</u>

(4) Retirement Plan

The College has established a contributory retirement plan for eligible full-time personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Internal Revenue Code. The College's expense under the Plan in 2002 and 2001 was \$414,269 and \$171,171, respectively.

(5) Natural Classification of Expenses

Expenses by their natural classification were as follows for the years ended June 30:

	<u>2002</u>	<u>2001</u>
Salaries	\$ 4,773,194	2,963,888
Benefits	909,618	543,506
Purchased services	2,181,909	753,373
Facility services	1,388,305	275,665
Information and communications	1,069,813	607,649
Training, travel, and entertainment	502,388	296,060
Consumable equipment	396,712	80,173
Materials and supplies	147,011	65,377
Insurance	36,493	16,280
Other	<u>296,225</u>	<u>244,543</u>
	<u>\$ 11,701,668</u>	<u>5,846,514</u>

(6) Rental Expense and Lease Obligations

The College leases office equipment and construction trailers under noncancelable agreements which expire on various dates through 2007. Rental expense under these agreements aggregated \$709,580 in 2002 and \$56,720 in 2001, respectively.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

Future minimum annual lease payments required under noncancelable leases are as follows:

	Amount
Year ending June 30:	
2003	\$ 238,381
2004	6,330
2005	4,305
2006	4,305
2007	4,305
	\$ 257,626

(7) Net Assets

(a) Contributions From F.W. Olin Foundation

Contributions of \$57,898,177 and \$31,546,106 received by the College in 2002 and 2001, respectively, were from the F. W. Olin Foundation, Inc. (the Foundation), a related party. During 2002, the Foundation clarified its intentions with respect to its current and previous contributions for the College's acquisition and construction of property and equipment. It is the Foundation's intent that restrictions on such contributions used to purchase land shall remain in perpetuity, and that restrictions on other such contributions be released over the useful lives of the related depreciable assets. Accordingly, in 2002, the College recorded all such contributions received in 2002 in the applicable net asset categories, consisting of temporarily restricted contributions of \$48,150,524 and permanently restricted contributions of \$5,000. In addition, the College reclassified prior year unrestricted net assets of \$14,604,514 to permanently restricted net assets and \$37,246,388 to temporarily restricted net assets.

(b) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2002	2001
Time restrictions	\$ 85,225,508	—
Purpose restrictions	152,629	46,382
	\$ 85,378,137	46,382

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Notes to Financial Statements

June 30, 2002 and 2001

(c) Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	<u>2002</u>	<u>2001</u>
Land purchased with Foundation contribution	\$ 14,609,513	—
Bioengineering chair	1,633,125	1,633,125
Milas Library fund	50,000	25,000
Olin Endowment (R. Miller)	1,600	—
	<u>\$ 16,294,238</u>	<u>1,658,125</u>

(d) Net Assets Released From Restrictions

In 2002, net assets of \$171,404 were released from time restrictions to the extent of depreciation recorded on property and equipment acquired or constructed with contributions from the Foundation.

DEFINITIONS OF CERTAIN TERMS

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

“Act” has the meaning set forth in Massachusetts General Laws Chapters 23G and 40D, each as amended.

“Additional Indebtedness” means any Indebtedness incurred by the Institution subsequent to the issuance of the Bonds.

“Balloon Indebtedness” means Long-Term Indebtedness which is secured by a refinancing arrangement meeting the requirements of the Agreement or which is part of an issue of Indebtedness twenty-five percent (25%) or more of which has its Date of Maturity in the same twelve (12) month period.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

“Bond Insurance Policy” means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Insurer” means XL Capital Assurance Inc., a New York stock insurance company, or its successor.

“Bond Insurer Event of Insolvency” means the occurrence and continuance of one or more of the following events: (i) the issuance, under the applicable laws of any state of the United States, of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (ii) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent in writing by the Bond Insurer to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by the Bond Insurer of an assignment for the benefit of creditors; (v) the failure by the Bond Insurer to pay generally its debts as they become due; or (vi) the initiation by the Bond Insurer of any action to authorize any of the foregoing.

“Bond Year” means each one year period (or shorter period from the date of issue of the Bonds) ending on June 30.

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

“Bonds” means the Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-1, Select Auction Variable Rate SecuritiesSM (SAVRS®) (the “Series A-1 Bonds”), and the Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-2, Select Auction Variable Rate SecuritiesSM (SAVRS®) (the “Series A-2 Bonds”), and any additional series of bonds issued by the Issuer pursuant to the Agreement, and any Bond or Bonds duly issued in exchange or replacement therefor. The “Bonds” or “SAVRS” means collectively, the Series A-1 Bonds and Series A-2 Bonds. The “initial Series A-1 Bonds” or “initial Series A-1 SAVRS” means the \$40,000,000 Series A-1 Bonds delivered on August 13, 2003. The “initial Series A-2 Bonds” or “initial Series A-2 SAVRS” means the \$53,200,000 Series A-2 Bonds delivered on August 13, 2003. The “initial Bonds” or “initial SAVRS,” means the \$40,000,000 of Series A-1 Bonds and \$53,200,000 of Series A-2 Bonds. The “remaining Bonds” or “remaining SAVRS” means the Bonds issued pursuant to the Agreement subsequent to the issuance of the initial Bonds and which may be issued by the Issuer from time to time, in one or more tranches or series pursuant to the Agreement, provided that the issuance of any such remaining Bonds cannot cause the aggregate amount of Taxable and Tax-Exempt Bonds issued to exceed \$183,000,000 unless the issuance of such remaining Bonds is approved by the Issuer and the Borrower and the Bond Insurer has consented to such issuance in writing.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Institution and Wachovia Bank, National Association, as Trustee.

“Credit Facility” means any irrevocable transferable insurance policy, letter of credit or surety bond constituting a credit enhancement or liquidity facility.

“Date of Interest Accrual” means (i) August 13, 2003 with respect to the initial Bonds, and each subsequent date on which the Issuer issues any remaining Bonds bearing interest at the SAVRS Rate or Weekly Rate, and (ii) with respect to any remaining Bonds issued bearing interest at the Fixed Rate, a date to be determined at the time such remaining Bonds are issued.

“Date of Maturity” means as to any Indebtedness of the Institution, as of any date of determination, the first date thereafter on which such Indebtedness is payable, whether at maturity, by mandatory redemption (or purchase) or by redemption (or purchase) at the option of the holders; provided, that if portions of any Indebtedness are payable on different dates, the Date of Maturity shall be separately determined for each such portion. Balloon Indebtedness may be deemed to be payable as provided in the Agreement in order to adjust actual Dates of Maturity for such Indebtedness to assumed Dates of Maturity, to be used in calculating Total Principal and Interest Requirements.

“Fiscal Year” means the fiscal year ending June 30, or any other fiscal year designated from time to time in writing by the Institution to the Trustee.

“Government or Equivalent Obligations” means (i) obligations issued or guaranteed by the United States; (ii) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (i), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee or the Issuer, as the case may be, in a special account separate from the general assets of such custodian; (iii) any open-end or closed-end management type investment company or trust registered under 15 U.S.C. §80(a)-1 *et seq.*, provided that the portfolio of such investment company or trust is limited to obligations described in clause (i) and repurchase agreements fully collateralized by such obligations, and provided further that such investment company or trust shall take custody of such collateral either directly or through a custodian satisfactory to the Trustee or the Issuer; and (iv) tax-exempt obligations of any state or instrumentality, agency or political subdivision thereof which are fully secured by, or payments of principal and interest on which shall be made from, obligations described in clause (i) above.

“Hedge Agreement” means an interest rate swap, cap, collar, floor, forward, or other hedging agreement, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness, and with a counterparty which is rated at least “A” by Moody’s or S&P and is approved in writing by the Bond Insurer.

“Indebtedness” means indebtedness for borrowed money, whether or not evidenced by notes, bonds, capitalized leases, debentures, or other evidence of indebtedness, including indebtedness under purchase money mortgages and similar security arrangements, indebtedness which is non-recourse, and any other obligation which under generally accepted accounting principles would appear as indebtedness on the Institution’s balance sheet; provided, however, that debt service amounts for which payment moneys or direct obligations of the United States of America maturing or redeemable at not less than 100% of the principal amount thereof solely at the option of the holder of such securities prior to the principal payment date or interest payment date on which they are to be applied have been irrevocably set aside and held in trust solely to pay such debt service shall not be considered Indebtedness for purposes of the Agreement. Indebtedness incurred with respect to a Credit Facility shall be counted only to the extent the reimbursement obligation on amounts drawn, or in the reasonable judgment of the Institution, likely to be drawn on the Credit Facility, exceeds the obligation on the Indebtedness for which a Credit Facility is provided.

“Institution Representative” means the person or persons at the time designated to act on behalf of the Institution in a written certificate (or any alternate or alternates at the time so designated) furnished to the Trustee, containing the specimen signature of such person or persons and signed on behalf of the Institution by its Secretary.

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on any of the Mortgaged Property which secures any Indebtedness or any other obligation of the Institution, or which secures any obligation of any Person other than an obligation to the Institution.

“Long-Term Indebtedness” means all Indebtedness, other than Short-Term Indebtedness, including the following:

Indebtedness with respect to money borrowed for an original term, or renewable at the option of the Institution for a period from the date originally incurred, longer than one year; and

Indebtedness with respect to installment purchase contracts having an original term longer than one year.

“Moody’s” means Moody’s Investors Service, Inc., or any successor rating agency.

“Mortgaged Personalty” means the equipment and furnishings, not constituting fixtures, now or hereafter owned by the Institution, located at the premises described in the Agreement, and used or useful in the operation of the facilities thereat, together with any additional personal property not included in the foregoing provisions which may be added to the Mortgaged Personalty by a supplemental agreement.

“Mortgaged Property” means the Mortgaged Personalty and the premises described in the Agreement, all rights and easements appurtenant thereto and all buildings, structures, fixtures and improvements thereon, whether in existence on the date or later coming into existence and whether owned by the Institution on the date or acquired hereafter, together with any additional real property not included in the foregoing provisions which may be added to the Mortgaged Property by a supplemental agreement.

“Net Revenues Available for Debt Service” means the excess of operating revenues, unrestricted investment earnings and restricted investment earnings (to the extent they are available to pay debt service on the Bonds) over expenses (excluding from unrestricted and restricted investment earnings and expenses extraordinary items and unrealized gains and losses on investments and excluding from expenses depreciation, interest on Long-Term Indebtedness and amortization of bond discount and financing expenses), as determined in accordance with generally accepted accounting principles.

“Officer’s Certificate” means a certificate signed by a Institution Representative.

“Outstanding,” when used to modify Bonds, refers to Bonds issued under the Agreement, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment or a sinking fund installment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or Government or Equivalent Obligations described in clause (i), (ii) or (iv) of the definition thereof bearing interest at such rates, and with such maturities as will provide sufficient funds, to pay or redeem them, provided, however, that if any such Bonds are to be redeemed prior to maturity, the Issuer shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee and including any debt obligations that do not have a scheduled maturity date and are due on demand.

“Paying Agent” means the Paying Agent designated from time to time pursuant to the Agreement.

“Person” means an individual, association, unincorporated organization, a corporation, partnership, joint venture, or a government or an agency or a political subdivision thereof.

“Project” means the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings and equipment, or any combination of the foregoing, in connection with the development of approximately 500,000 square feet of academic, residential and administrative space, including a campus center/campus power plant building, an academic/administrative/library building, a classroom/laboratory

building, four residence halls, one additional laboratory building, all furnishings and equipment and any other capital expenditures included in the Institution's capital plan over the next three years.

The word "Project" also refers to the facilities which result or have resulted from the foregoing activities.

"Project Costs" means the costs of issuing the Bonds and carrying out the Project, including repayment of external loans and internal advances for the same and including interest prior to, during and up to one year after construction is substantially complete, all as permitted by the Act.

"Project Officer" means the Vice President for Administration and Finance, or an alternate or successor appointed by the Institution.

"Restricted Property" means the premises described in the Agreement consisting of approximately 32 acres located in the Town of Needham, Massachusetts, fronting upon the Mortgaged Property.

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

"S&P" means Standard & Poor's Ratings Group, or any successor rating agency.

"Short-Term Indebtedness" means that portion of Indebtedness which shall have the meaning accorded to the term "current obligations" excluding amounts that would be classified as the current portion of long-term obligations determined in accordance with generally accepted accounting principles.

"Tax-Exempt Bonds" means the \$65,910,000 Massachusetts Development Finance Agency Tax-Exempt Revenue Bonds, Olin College Issue, Series B dated August 1, 2003 and issued simultaneously with the Bonds, and any remaining Bonds issued by the Issuer pursuant to the Tax-Exempt Mortgage.

"Tax-Exempt and Taxable Bonds" means the Tax-Exempt Bonds together with the initial Bonds, any remaining Bonds and any other Bonds which may be issued by the Issuer from time to time, in one or more or series.

"Tax-Exempt Mortgage" means the Mortgage and Trust Agreement dated as of August 1, 2003 among the Issuer, the Institution and Wachovia Bank, National Association, as Trustee, providing for the issuance of the Tax-Exempt Bonds.

"Total Principal and Interest Requirements" means amounts required during a year (or twelve (12) consecutive calendar months) to amortize principal and to pay interest (other than capitalized interest) on Long-Term Indebtedness, taking into account in determining the Total Principal and Interest Requirements for any future period that (i) at the election of the Institution, Indebtedness described in the Agreement shall be deemed payable on the dates and in the amounts contemplated in such section; (ii) principal on all Indebtedness shall be deemed to be payable on the Date of Maturity thereof; (iii) the amounts of principal and interest taken into account during such period shall exclude amounts payable from proceeds of any refunding Indebtedness issued during such period or from interest earnings on the proceeds of such refunding Indebtedness; and (iv) in the event that there shall have been issued or entered into in respect of all or a portion of any Indebtedness a Hedge Agreement, and (A) interest on such Indebtedness or such portion of such Indebtedness is payable at a variable rate of interest for any future period of time or is calculated at a varying rate per annum, and (B) a fixed rate is specified as payable by the Institution in such Hedge Agreement or such Indebtedness, taken together with the Hedge Agreement, results in a net fixed rate payable by the Institution for such period of time (the "Hedge Fixed Rate"), assuming the Institution and the party(ies) with whom the Institution has entered into the Hedge Agreement make all payments required to be made by the terms of the Hedge Agreement, then such Indebtedness shall be deemed for all purposes to bear interest for such period of time at the Hedge Fixed Rate and all provisions applicable for fixed rate indebtedness shall apply

with respect thereto. If any issue of Additional Indebtedness or other Long-Term Indebtedness bears other than a fixed rate of interest, calculations for the purposes of determining the maximum Total Principal and Interest Requirements with respect to such Indebtedness shall be made in accordance with the provisions of the Agreement.

“UCC” means the Massachusetts Uniform Commercial Code.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF THE MORTGAGE AND TRUST AGREEMENT

The following is a brief summary, prepared by Palmer & Dodge LLP, Bond Counsel and Counsel to the Institution, of certain provisions of the Mortgage and Trust Agreement dated as of August 1, 2003 (the "Agreement") pertaining to the Bonds (including the initial Bonds). This summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

The Mortgage

Under the Agreement, the Institution has granted with mortgage covenants the Mortgaged Property to the Trustee in trust upon the terms and, to the extent the Mortgaged Property is or may be treated as collateral under the UCC, grants to the Trustee a security interest therein and in the proceeds thereof, including without limitation all proceeds of insurance, eminent domain or sale, to secure the payment of all sums required to be paid by the Institution under the Agreement and the satisfaction and performance of all other covenants, agreements and obligations made or undertaken by the Institution for the benefit of the Trustee, the Bondowners and the Issuer.

The Agreement is upon the statutory condition and upon the further condition that all covenants, agreements and obligations of the Institution will be observed and performed, and upon any Event of Default, as defined in the Agreement, the Trustee shall in addition to its other rights and remedies have the statutory power of sale and any other rights granted by law.

The Institution agrees that it will not create or suffer to be created or exist any Lien upon any Mortgaged Property other than Permitted Liens. Permitted Liens shall consist of the following:

Any judgment lien or notice of pending action against the Institution so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Mortgaged Property, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Mortgaged Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Mortgaged Property; (B) any liens on any Mortgaged Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Mortgaged Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, and laborers, have been due for less than 60 days; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Mortgaged Property which do not materially impair the use of such Mortgaged Property or materially and adversely affect the value thereof; and (D) rights reserved to or vested in any municipality or public authority to control or regulate any Mortgaged Property or to use such Mortgaged Property in any manner, which rights do not materially impair the use of such Mortgaged Property or materially and adversely affect the value thereof (E) easements hereafter granted to governmental bodies and utility companies in connection with existing or future improvements to the Mortgaged Property and (F) easements required for the maintenance and use of certain buildings and improvements located on the Mortgaged Property but which are specifically excluded from the description of the Mortgaged Property;

Any Lien described in the Agreement, provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Mortgaged Property not subject to such Lien on such date, unless such Lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Lien;

Purchase money security interests and security interests existing on any Mortgaged Property prior to the time of its acquisition through purchase, merger, consolidation or otherwise, or placed upon Mortgaged Property to secure a portion of the purchase price thereof, including financings or refinancings occurring within 18 months of such an acquisition and for the purpose of reimbursing internal advances by the Institution for such acquisition, or lessee's interests in leases required to be capitalized in accordance with generally accepted accounting principles; provided that the aggregate principal amounts secured by any such interests shall not exceed at the time of incurrence or assumption the lesser of the cost or fair market value of such Mortgaged Property;

Liens arising by reason of good faith deposits in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Institution to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit-sharing plans or other similar arrangements, or to share in the privileges or benefits required for companies participating in such arrangements;

Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds or while held in a debt service reserve fund;

Liens on Mortgaged Property received by the Institution through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Mortgaged Property or the income thereon, up to the fair market value of such Mortgaged Property;

Liens for taxes or special assessments not then delinquent or which are being contested;

Any Lien created or permitted by the Agreement;

Liens, if any, that are listed in the list of title exceptions in the Lender's Title Insurance Policy to be issued in favor of the Trustee by Old Republic Title Insurance Company;

Any Lien arising solely by reason of a lease of Mortgaged Property to others, provided that the Trustee shall have received a certificate of a Institution Representative to the effect that the lease will not have any material adverse effect upon (1) the security for the Bonds or (2) the operations of the Mortgaged Property;

Any Lien arising solely by reason of a lease of Mortgaged Property to faculty, staff or students of the Institution, provided that such lease is a short-term lease of two (years) or less;

Any Lien arising solely by reason of a lease of certain buildings and improvements located on the Mortgaged Property but which are specifically excluded from the description of the Mortgaged Property; and

Any Lien upon Mortgaged Property, provided that the Trustee shall have received the written consent of the Bond Insurer and a certificate of a Institution Representative to the effect that the loss of the Mortgaged Property would not have any material adverse effect upon (1) the security for the Bonds or (2) the operations of the Mortgaged Property.

Under the Agreement, the Institution represents and warrants, and the Trustee acknowledges and agrees, that notwithstanding the actual order of recording or disbursement of the proceeds of the Tax-Exempt and Taxable Bonds, the Institution is granting to the Trustee a separate but shared first priority mortgage lien on the Mortgaged Property and a separate but shared first priority security interest in the Mortgaged Personalty pursuant the Tax-Exempt Mortgage for the Tax-Exempt Bonds. Accordingly, the Trustee further acknowledges and agrees that, notwithstanding the actual order of recording of the Agreement and the Tax-Exempt Mortgage or the actual order of disbursement of the proceeds of the Bonds issued and the proceeds of the Tax-Exempt Bonds, the lien of the Agreement and the obligations secured shall be in equal priority, *pari passu*, as to the lien, time of payment and in all other respects, to the lien of the Tax-Exempt Mortgage and the Tax-Exempt Bonds issued thereunder. (Section 201).

Damage to, Destruction or Taking of the Mortgaged Property.

Recovery of Insurance Proceeds. Pursuant to the Agreement, in the event of damage to or destruction of all or any part of the Mortgaged Property, the parties shall cooperate in order to recover any applicable proceeds of insurance under the first sentence of the Agreement, with the Institution to have primary responsibility to recover the proceeds. Such proceeds shall be paid to the Trustee. From such proceeds the Trustee is required to provide for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Trustee is required to then give notice to the Institution of such expenses and of the amount of the remaining proceeds (the "Net Proceeds").

Payment to Institution. The Trustee is required to pay to the Institution the Net Proceeds or so much thereof as may be needed for the repair, replacement, restoration or reconstruction, at one time or from time to time as requested by the Institution, as such funds are required by the Institution, upon notification by the Institution as to the amount needed and upon receipt of such evidence, if any, as the Trustee may require as to the intended application thereof and as to the availability and sufficiency of other funds that may be required to assure compliance with the Agreement. Until so paid to the Institution or transferred under the Agreement, such funds may be invested by the Trustee as provided in the Agreement with respect to the Redemption Fund.

Balance of Net Proceeds. If no repair, replacement, restoration or reconstruction is necessary, or when no further funds are needed for such purposes, the Institution is required to so notify the Trustee. Any remaining Net Proceeds shall be, at the direction of the Bond Insurer, either (i) paid to the Institution or (ii) transferred to the Redemption Fund and used to redeem Bonds pursuant to the Agreement.

Eminent Domain. In the event of a taking of all or any part of the Mortgaged Property by eminent domain, the parties shall cooperate as in the Agreement in order to recover any applicable proceeds. Such proceeds shall be paid to the Trustee. The Trustee shall make appropriate deductions from such proceeds as in the case of insurance proceeds and give notice to the Institution of such deductions and of the amount of the Net Proceeds. The Net Proceeds shall be dealt with as in the Agreement unless the Institution elects to defease the Agreement or redeem Bonds pursuant to the Agreement with that portion of the Net Proceeds, or in the case of a partial taking, unless the Institution, within thirty (30) days after such notification, gives notice to the Trustee of its election to repair, replace, restore, or reconstruct the remaining property. In the event of such an election to repair, replace, restore or reconstruct, the foregoing provisions as to insurance proceeds shall apply, and the Institution shall be obligated to repair, replace, restore or reconstruct the remaining property to the extent necessary to restore the operational utility lost by the taking, and this obligation shall not be limited by the amount of Net Proceeds available.

Option to Obtain Discharge or Redeem Bonds. The Institution may be relieved of its obligation to repair, replace, restore or reconstruct (i) at any time, by taking all action necessary to discharge the lien of the Agreement under the Agreement, or (ii) with respect to any one casualty or series of related casualties (as determined by the Trustee), whenever the Net Proceeds of insurance or condemnation awards resulting from damage to or destruction or a taking of all or a portion of the Mortgaged Property exceed twenty-five percent (25%) of the then full insurable value of the Mortgaged Property as determined by the Trustee, by electing to use such Net Proceeds (or a portion thereof exceeding twenty-five percent (25%) of such insurable value not used or to be used for partial repair, replacement, restoration, or reconstruction) to redeem Tax-Exempt and Taxable Bonds, on a pro rata basis, pursuant to the special redemption provisions of the Agreement. In order so to redeem Tax-Exempt and Taxable Bonds, the Institution shall direct the Trustee to transfer such Net Proceeds (or such portion thereof) in the manner provided in the Agreement, and shall instruct the Trustee to redeem Bonds pursuant to the Agreement) from such proceeds deposited in the Redemption Fund. In order to discharge the lien of the Agreement pursuant to the Agreement, the Institution may direct the Trustee to deposit into the Redemption Fund all Net Proceeds (as provided in the Agreement) then held by the Trustee under the Agreement. (Section 507). See also "Special Redemption," below. (Section 507).

The Assignment and Pledge of Revenues

Under the Agreement, the Issuer has assigned and pledged to the Trustee in trust upon the terms (a) all Revenues to be received from the Institution or derived from any security provided, (b) all rights to receive such Revenues and the proceeds of such rights, (c) all funds and investments held from time to time in the funds established under the Agreement and (d) all of its right, title and interest in the Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses as set forth in the Agreement. This assignment and pledge does not include: (i) the rights of the Issuer pursuant to provisions for consent, concurrence, approval or other action by the Issuer, notice to the Issuer or the filing of reports, certificates or other documents with the Issuer; (ii) the right of the Issuer to any payment or reimbursement pursuant to the Agreement; or (iii) the powers of the Issuer as stated herein to enforce the provisions. As additional security for its obligations to make payments to the Debt Service Fund and the Redemption Fund, and for its other payment obligations under the Agreement, the Institution grants to the Issuer a security interest in its interest in the moneys and other investments held from time to time in the funds established under the Agreement. (Section 202).

Partial Releases

The Trustee may make partial releases of Mortgaged Property from the lien hereof in accordance with the Agreement. The Trustee shall also release easements in or over the Mortgaged Property and may make other releases, substitutions and subordinations consented to in writing by the Bond Insurer. (Section 205)

Application of Bond Proceeds

Upon the receipt of the proceeds of the initial Bonds, the Trustee shall make payments from such proceeds as follows: (a) the amount equal to the outstanding advances being refinanced with Bond proceeds shall be used to pay off all or part of such advances; and (b) the balance of such proceeds shall be deposited in the Project Fund. (Section 302).

Debt Service Fund

Under the Agreement, a Debt Service Fund is established with the Trustee and moneys shall be deposited therein as provided in the Agreement. The moneys in the Debt Service Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of the principal (including sinking fund installments), redemption premium, if any, and interest on the Bonds. Promptly after July 1 of each Bond Year, if the amount deposited by the Institution in the Debt Service Fund during the preceding Bond Year pursuant to the Agreement was in excess of the amount required to be so deposited, the Trustee shall transfer such excess to the Institution unless there is then an Event of Default known to the Trustee with respect to payments to the Debt Service Fund or to the Trustee, the Paying Agent or the Issuer, in which case the excess shall be applied to such payments.

The Trustee shall transfer moneys from the Debt Service Fund to the Paying Agent for the payment of Bonds on or before the Business Day next preceding the date on which such payment is to be made, provided that moneys set aside for the payment of particular Bonds pursuant to clause (iv) of the definition of "Outstanding" or as stated in the Agreement may be transferred to the Paying Agent in immediately available funds at the opening of business on the date on which the payment is to be made. (Section 303).

Redemption Fund

Under the Agreement, a Redemption Fund is established with the Trustee and moneys shall be deposited therein as provided in the Agreement. The moneys in the Redemption Fund and any investments held as a part of such Fund shall be held in trust and, except as otherwise provided, shall be applied by the Trustee on behalf of the Issuer solely to the redemption of Bonds. The Trustee may, and upon written direction of the Institution for specific purchases shall, apply moneys in the Redemption Fund to the purchase of Bonds for cancellation at prices not exceeding the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not within the forty-five (45) days preceding a redemption date. Accrued interest on the purchase of Bonds shall be paid from the Debt Service Fund.

When moneys in the Redemption Fund are to be applied to the redemption of Bonds, the Trustee shall transfer such moneys to the Paying Agent on or before the Business Day next preceding the redemption date, provided that moneys set aside for the redemption of particular Bonds pursuant to clause (iv) of the definition of "Outstanding" or as stated in the Agreement may be transferred in immediately available funds at the opening of business on the redemption date.

If on any date the amount in the Debt Service Fund is less than the amount then required to be transferred to the Paying Agent to pay the principal (including sinking fund installments) and interest then due on the Bonds, the Trustee shall apply the amount in the Redemption Fund (other than any sum irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) to the Debt Service Fund to the extent necessary to meet the deficiency. The Institution shall remain liable for any sums which it has not paid into the Debt Service Fund and any subsequent payment thereof shall be used to restore the funds so applied.

If any moneys in the Redemption Fund are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay the redemption price of Bonds called for redemption in accordance with the Agreement, then the Institution shall immediately supply the deficiency. (Section 304).

Project Fund

A Project Fund is established under the Agreement to be held by the Trustee. Proceeds of the sale of the Bonds shall be deposited in the Project Fund as provided in the Agreement. The moneys in the Project Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied solely to the payment or reimbursement of Project Costs and to the payment of capitalized interest on the Bonds in accordance with the Agreement. If there is an Event of Default known to the Trustee with respect to payments to the Debt Service Fund or to the Issuer, the Paying Agent or the Trustee, the Trustee may use the Project Fund without requisition to make up the deficiency, and the Institution shall restore the funds so used. The moneys and investments held in the Project Fund shall be applied to pay capitalized interest on the Bonds according to requisitions furnished to the Trustee by the Institution as set forth below. To the extent the Project Fund is insufficient to pay the costs of issuing the Bonds, the Institution shall be liable for the deficiency and shall pay such deficiency as directed by the Trustee.

Disbursements from the Project Fund shall be made by the Trustee to pay directly or to reimburse the Institution for Project Costs and to pay capitalized interest on the Bonds, each as directed by requisitions signed on behalf of the Institution by the Project Officer. Each requisition for Project Costs shall identify the sums requisitioned for payment to others than the Institution by item number, amount, name of payee and purpose and shall identify the sums requisitioned for reimbursement to the Institution by item number, amount, name of original payee and purpose. Each requisition for Project Costs (other than for the costs of issuing the Bonds) shall state:

that it is for Project Costs which have not been the basis of a prior or contemporaneous requisition or of a prior payment of an external loan or of a prior reimbursement of internal advances and which have not been paid from gifts or grants received by the Institution for the Project; in the case of Project Costs, that it is for work actually performed or material, equipment or other property actually supplied for the Project in accordance with the applicable plans and specifications; and that it contains no amount entitled to be retained; and

that the work and material, equipment or other property covered by the requisition have been performed or delivered to the Institution and are in accordance with all applicable building, zoning, land use, environmental protection, sanitary, safety and educational laws, rules and regulations, all applicable grant, reimbursement and insurance requirements and the provisions of the Agreement; and that all permits, licenses and approvals required for the items covered by the requisition have been obtained.

The signers of the requisition may rely, as to conclusions of law, on an opinion of counsel furnished to the Trustee and referred to in the requisition. The Trustee shall be fully protected in making disbursements from the Project Fund as long as such disbursements are made in accordance with such requisitions and the Agreement.

Completion of the Project shall be evidenced by the filing with the Trustee, the Issuer and the Bond Insurer of a certificate signed by the Project Officer stating that the Project has been substantially completed so as to permit efficient use in the operations of the Institution and setting forth any Project Costs remaining to be paid from the Project Fund. Any balance in such Fund upon such completion in excess of the amount set forth in such certificate shall be paid to the Institution or deposited into the Redemption Fund for the redemption of Bonds. (Section 501).

Special Redemption

If unspent proceeds from the Project Fund are transferred to the Redemption Fund or if monies are transferred to the Redemption Fund pursuant to the provisions of the Agreement summarized under the caption "Damage to, Destruction or Taking of the Mortgaged Property" (above), such moneys (and earnings thereon) shall be used to redeem Tax-Exempt and Taxable Bonds, on a pro rata basis, except to the extent previously used to purchase Bonds in accordance with the Agreement or transferred to the Debt Service Fund or this paragraph. Bonds are subject to redemption pursuant to the provisions summarized in this paragraph as a whole or in part at any time, in such order of maturity or sinking fund installment as directed by the Institution so long as no Event of Default exists hereunder, and otherwise by the Issuer (provided that, if less than all of the Bonds outstanding of any maturity

shall be called for redemption, the Bonds to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee and provided further that the Trustee shall redeem Bonds that are insured by the Bond Insurer before redeeming Bonds that are not insured by the Bond Insurer), at their principal amounts plus accrued interest to the redemption date. If the amount available in the Redemption Fund to redeem Bonds at any time is less than \$50,000, the Trustee may, and upon written direction of the Institution shall, transfer it to the Debt Service Fund for credit against deposits otherwise required to be made therein with respect to principal instead of calling Bonds for redemption.. (Section 420(b)).

Application of Moneys

If available moneys in the Debt Service Fund after any required transfers from the Redemption Fund are not sufficient on any day to pay all principal (including sinking fund installments), redemption price and interest on the Outstanding Bonds then due or overdue, such moneys (other than any sum in the Redemption Fund irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) shall, after payment of all charges, disbursements and indemnities of the Trustee in accordance with the Agreement, be applied (in the order such funds are named in the Agreement) first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due). For this purpose interest on overdue principal shall be treated as coming due on the first day of each month. Whenever moneys are to be applied pursuant to the Agreement, such moneys shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment. (Section 305).

Unconditional Obligation

To the extent permitted by law, the obligation of the Institution to make payments to the Issuer, the Paying Agent and the Trustee under the Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to setoff, recoupment or counterclaim and shall be a general obligation of the Institution to which the full faith and credit of the Institution are pledged. (Section 307).

Investments

Pending their use under the Agreement, moneys in the Debt Service Fund and Redemption Fund may be invested by the Trustee in Permitted Investments (as defined below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Institution if there is not then an Event of Default known to the Trustee. Moneys in the Project Fund may be invested by the Trustee in Permitted Investments maturing or redeemable at the option of the holder not later than the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Institution if there is not then an Event of Default known to the Trustee. With respect to amounts invested during the Tax Exempt Period, the Institution agrees that any amount of Bond proceeds allocable to such tax-exempt Bonds deposited in the Project Fund pursuant to the Agreement which has not been expended within three (3) years from commencement of such Tax Exempt Period shall be invested only in Permitted Investments with a yield not more than 1/8% higher than the yield on the Bonds. Any investments pursuant to the Agreement shall be held by the Trustee as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-611 of the UCC to the extent applicable.

Any interest realized on investments in any Fund and any profit realized upon the sale or other disposition thereof shall remain in such Fund or, at the option of the Institution, shall be paid to the Institution promptly upon receipt. Any loss shall be charged to the applicable Fund.

The term “Permitted Investments” means (A) Direct 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, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (B) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
2. Direct obligations or fully guaranteed certificates of beneficial ownership
3. Farmers Home Administration (FmHA)
4. Certificates of beneficial ownership
5. Federal Financing Bank
6. Federal Housing Administration Debentures (FHA)
7. General Services Administration
8. Participation certificates
9. Government National Mortgage Association (GNMA or “Ginnie Mae”)
10. GNMA - guaranteed mortgage-backed bonds
11. GNMA - guaranteed pass-through obligations
12. U.S. Maritime Administration
13. Guaranteed Title XI financing
14. U.S. Department of Housing and Urban Development (HUD)
15. Project Notes
16. Local Authority Bonds
17. New Communities Debentures - U.S. government guaranteed debentures
18. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds;
- 19.

Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
2. Senior debt obligations
3. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
4. Participation Certificates
5. Senior debt obligations
6. Federal National Mortgage Association (FNMA or “Fannie Mae”)
7. Mortgage-backed securities and senior debt obligations
8. Student Loan Marketing Association (SLMA or “Sallie Mae”)
9. Senior debt obligations
10. Resolution Funding Corp. (REFCORP) obligations
11. Farm Credit System
12. Consolidated systemwide bonds and notes;

Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”; “AAA-m”; or “AA-m” and if rated by Moody’s rated “Aaa”, “Aa1” or “Aa2”; (E) Certificates of deposit secured at all times by collateral described in clause (A) and/or clause (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondowners must have a perfected first security interest in the collateral; (F) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; (G) Investment agreements, including guaranteed investment contracts and forward purchase agreements acceptable to the Bond Insurer (investment agreement criteria is available upon request to the Bond Insurer); (H) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P; (I) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies; (J) Federal funds or bankers acceptances with a maximum term of one year of any bank

which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” by S&P; (K) Repurchase agreements for 30 days or less must follow the following criteria (repurchase agreements which exceed 30 days must be acceptable to the Bond Insurer – criteria available upon request to the Bond Insurer): Repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; and (L) investments in the Common Fund short term fund. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm which is either a primary dealer on the Federal Reserve Bank reporting dealer list which is rated “A” or better by S&P and Moody’s, or a bank rated “A” or better by S&P and Moody’s. The repurchase agreement must be in writing and include the following provisions: Securities that are acceptable for transfer are direct obligations of the United States of America or securities of federal agencies backed by the full faith and credit of the United States of America (and FNMA and FHLMC); provided that the term of the repurchase agreement may be up to 30 days, that such obligations are delivered to the Trustee (if the Trustee is not supplying the collateral), or an agent of the Trustee (if the Trustee is supplying the collateral), before or simultaneously with the payment therefor, that the delivery thereof is accompanied by an opinion of counsel to the effect that such repurchase agreement complies with Massachusetts law governing the legal investment of public funds, and that the market value of such obligations is, at the time of entering into the agreement, and as marked to market at the current market price plus accrued interest by the Trustee or custodian on a weekly basis thereafter, at least 104% of the repurchase price specified in the agreement; and provided further that if such value slips below 104%, additional cash and/or acceptable securities must be transferred to the dealer bank or security firm, but if the securities used as collateral are FNMA or FHLMC, then the value of the collateral must equal 105%.

A security interest required by the Agreement shall be perfected in such manner as may be provided by law. In the case of a Repurchase Agreement, if under applicable law, including the federal Bankruptcy Code, the agreement is recognized as transferring ownership in the underlying securities to the investing party with a right to liquidate the securities and apply the proceeds against the repurchase obligation, all free and clear of the claims of creditors and transferees of the other party, the interest of the investing party shall be regarded as the equivalent of a perfected security interest for the purposes of the Agreement. In any case, however, if the underlying securities or the securities subject to the security interest are certificated securities (as opposed to uncertificated or book-entry securities), they shall be delivered to the Trustee or to a depository satisfactory to the Trustee, either as agent for the Trustee or as bailee with appropriate instructions and acknowledgment, at the time of or prior to the investment, or, if the security interest is perfected without delivery, delivery shall be made within three (3) Business Days. Possession by the Trustee of the security for an obligation of the Trustee shall not be deemed to satisfy the requirements of the Agreement unless there is an opinion of counsel satisfactory to the Issuer to the effect that such possession satisfies the requirements of the Agreement.

The Trustee may hold undivided interests in Permitted Investments for more than one Fund (for which they are eligible) and may make interfund transfers in kind. (Section 308).

Payments by the Institution

Under the Agreement, the Institution is required to pay to the Trustee for deposit in the Debt Service Fund the amounts specified in the Agreement at the times specified in the Agreement.

The payments to be made under the Agreement shall be appropriately adjusted to reflect any earnings on amounts in the Debt Service Fund, any amounts requisitioned from the Project Fund for the payment of capitalized interest on the Bonds and any purchase or redemption of Bonds, so that there will be available on each payment date in the Debt Service Fund the amount necessary to pay the interest and principal or sinking fund installment due or coming due on the Bonds and so that capitalized interest will be applied to the installments of interest to which it is applicable.

At any time when any principal (including sinking fund installments) of the Bonds is overdue, the Institution shall also have a continuing obligation to pay to the Trustee for deposit in the Debt Service Fund an amount equal to interest on the overdue principal but the installment payments required under the Agreement shall not otherwise bear interest. Redemption premiums shall not bear interest.

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

In addition to payments required by the Agreement, the Institution shall pay the Trustee on demand for reimbursement of any and all costs, expenses and liabilities reasonably paid or incurred by the Trustee, including reasonable fees of counsel and disbursements thereof, in satisfaction of any obligations of the Institution not performed by the Institution as required.

The Institution shall pay the Issuer on demand for reimbursement or prepayment of any and all costs, expenses and liabilities paid or incurred or to be paid or incurred by the Issuer or any of its directors, officers, employees or agents, including reasonable fees of counsel and disbursements thereof, and requested by the Institution or required by the Agreement or required by the Act with respect to the Bonds or the Project.

Within thirty (30) days after notice from the Issuer, the Institution shall pay to the Issuer all expenditures reasonably incurred by the Issuer by reason of the Agreement.

Within thirty (30) days after notice from the Trustee, the Institution shall pay to the Trustee the reasonable fees and expenses of the Trustee as set forth in the Agreement.

Within thirty (30) days after notice from the Paying Agent, the Institution shall pay to the Paying Agent its reasonable fees and expenses. (Section 306).

Unclaimed Moneys

Except as may otherwise be required by applicable law, in case any moneys deposited with the Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond remain unclaimed for three (3) years after such principal, interest or premium has become due and payable, the Paying Agent may and upon receipt of a written request of the Institution shall pay over to the Institution the amount so deposited in immediately available funds, and thereupon the Paying Agent and the Issuer shall be released from any further liability with respect to the payment of principal, interest or premium and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Institution as an unsecured creditor for the payment thereof. (Section 310).

Repair and Current Expenses

The Institution has agreed under the Agreement that it will maintain and repair the Mortgaged Property and keep the same in good and serviceable condition and in at least as good condition and repair (reasonable wear and tear and casualty loss excepted) as it was on the date the same was placed in service. In the event of damage to or destruction of all or any part of the Mortgaged Property from any casualty, unless the Institution exercises its right under the Agreement, the Institution shall repair, replace, restore or reconstruct the Mortgaged Property to the extent necessary to restore substantially its value and in a manner suitable for its continued use for the purpose for which it was provided; and this obligation shall not be limited by the amount of available insurance proceeds.

The Institution also is required by the Agreement to pay all costs of maintaining and operating the Project and the Mortgaged Property. (Section 505).

Insurance

Under the Agreement, the Institution is required to keep its plant, equipment and furnishings (including the Mortgaged Property) insured against fire, lightning and extended coverage perils and against such other risks as are customarily insured against by similar institutions in the area, in an amount at least equal to eighty percent (80%) of the insurable value thereof, exclusive of excavations and foundations, or, in the case of blanket policies, an amount at least equal to the outstanding long-term indebtedness of the Institution (as determined in accordance with generally accepted accounting principles), including the Bonds. Subject to the foregoing sentence, the Institution is required to maintain insurance with insurance companies authorized to transact business in The Commonwealth of Massachusetts or otherwise satisfactory to the Issuer on such of its properties, in such amounts and against such risks as is customarily maintained by similar institutions of higher education operating in the area and promptly file with the Issuer upon request, from time to time, certificates of all such insurance. In any case, if the Mortgaged

Property is located in an area of special flood hazard, the Institution is required to maintain flood insurance to the extent required pursuant to U.S.C. § 4012a. All insurance policies carried under the first sentence of the Agreement and the flood insurance policy, if any, shall be made payable to the Issuer and the Trustee as their interests may appear and otherwise to the Institution. All policies of insurance shall contain a provision that prior to cancellation of such insurance, the carrier will endeavor to give at least ten (10) days written notice of the proposed cancellation to the Issuer and the Trustee. When any insurance is to expire other than by cancellation, the duplicate or certificate of the new policy must be furnished to the Issuer and the Trustee at least ten (10) days before such expiration date. (Section 506).

Bond Insurer

Under the Agreement, the Bond Insurer is deemed to be the owner of the Bonds insured by it for purposes of giving consents (including consent to amendments to the Agreement other than those requiring unanimous consent of the affected Bondowners), notices, directions and waivers to the Institution, the Issuer and the Trustee under the Agreement.

The Bond Insurer, acting alone, shall have the right to direct all remedies pursuant to the Agreement in an Event of Default, as long as the Bond Insurer is the owner of a majority of the Outstanding Bonds.

The rights and remedies granted to the Bond Insurer under the Agreement shall be null and void upon the happening of either of the following: (1) a Bond Insurer Event of Insolvency, except to the extent of payments made by the Bond Insurer under the Bond Insurance Policy which are not voidable preferences; or (2) failure of the Bond Insurer to pay in accordance with the Bond Insurance Policy.

In the event of a change in any of the Bonds to the Weekly Rate Period, SAVRS Rate Period or Fixed Rate Period or to a Tax Exempt Period, the Bond Insurance Policy shall remain in full force and effect and the obligations of the Bond Insurer thereunder shall not be affected by any such change.

Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to, in writing, by the Bond Insurer shall be sent to S&P.

The Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

The Bond Insurer shall receive copies of all notices required to be delivered to Bondowners and, on an annual basis, copies of the Institution's audited financial statements and annual budget.

Any notice that is required to be given to an owner of the Bonds or to the Trustee or by any party pursuant to the Agreement shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under the Agreement shall be in writing and shall be sent by registered or certified mail addressed to XL Capital Assurance Inc., 1221 Avenue of the Americas, 31st Floor, New York, New York 10020. (Section 312).

Default

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

Debt Service. Failure to pay any installment of principal (including sinking fund installments), premium, if any, interest or purchase price on any Bonds when due.

Other Obligations. The Institution shall fail to make any other required payment to the Trustee or the Issuer, and such failure is not remedied within seven (7) days after written notice thereof is given by the Issuer or the Trustee to the Institution; or the Institution shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement and such failure is not remedied within thirty (30) days after written notice thereof is given by the Issuer or the Trustee to the Institution.

Warranties. There shall be a material breach of warranty made herein by the Institution as of the date it was intended to be effective and the breach is not cured within sixty (60) days after written notice thereof is given by the Trustee to the Institution.

Voluntary Bankruptcy. The Institution shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the

benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property.

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

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

Breach of Other Agreements. A breach shall occur (and continue beyond any applicable grace period) with respect to the payment of other indebtedness of the Institution for borrowed money with respect to loans exceeding the greater of \$5,000,000 or 2% of outstanding Long-Term Indebtedness as shown on the Institution's most recent audited financial statements or with respect to loans in any amount if such loans constitute Indebtedness that is secured by a parity lien on the Mortgaged Property or on the Restricted Property as permitted under the Agreement, or with respect to the performance of any agreement securing such other indebtedness or pursuant to which the same was issued or incurred, or an event shall occur with respect to provisions of any such agreement relating to matters of the character referred to in the Agreement, so that a holder or holders of such indebtedness or a trustee or trustees under any such agreement accelerates or is empowered to accelerate any such indebtedness; but an Event of Default shall not be deemed to be in existence or to be continuing under this clause (vii) if (A) the Institution is in good faith contesting the existence of such breach or event and if such acceleration is being stayed by judicial proceedings, (B) the power of acceleration is not exercised and it ceases to be in effect, or (C) such breach or event is remedied and the acceleration, if any, is wholly annulled. The Institution shall notify the Trustee of any such breach or event immediately upon the Institution's becoming aware of its occurrence and shall from time to time furnish such information as the Trustee may reasonably request for the purpose of determining whether a breach or event described in this clause (vii) has occurred and whether such power of acceleration has been exercised or continues to be in effect.

Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, including any acceleration, with the written consent of the Bond Insurer, by written notice to the Institution and shall do so, with the written consent of the Bond Insurer, upon written instruction of the owners of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds. (Section 601).

Remedies for Events of Default

Acceleration. Under the Agreement, the Trustee may, with the written consent of the Bond Insurer, and shall, upon written instruction of the Bond Insurer or upon written instruction of the owners of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds together with the written consent of the Bond Insurer, by written notice to the Institution declare immediately due and payable the principal amount of the Outstanding Bonds and the payments to be made by the Institution therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

Entry. Under the Agreement, the Trustee may, with the written consent of the Bond Insurer, and shall, upon written instruction of the Bond Insurer, at any time enter the Mortgaged Property without being liable for any prosecution or damages therefor, may take complete and peaceful possession of the Mortgaged Property, in whole or in part, with or without process of law, and may dispossess the Institution therefrom, and the Institution covenants that in any such event it will peacefully and quietly yield up and surrender the Mortgaged Property. The Trustee may operate and manage the property either directly or through its agents, receivers or other similar officials; exercise all of the powers and privileges and remedies of the Institution with respect thereto, either in the name of the Institution or otherwise; receive all rents, profits, revenues and other income of the Mortgaged Property; and make such repairs or alterations in or to the Mortgaged Property as it may deem necessary to place and maintain the same in good order and condition. Notwithstanding entry by the Trustee, the Institution agrees that any utility services, including heat, furnished by the Institution to the Mortgaged Property prior to such entry shall continue to be furnished by the Institution to the Mortgaged Property at the expense of the Institution. Before making such entry, the Trustee shall give at least ten (10) days' notice to the Institution, except that, in case entry on lesser notice

or without notice is necessary to preserve such property from damage, destruction, deterioration or unauthorized removal, as reasonably determined by the Trustee, the Trustee may make such entry on lesser notice or give the notice promptly after rather than before the entry. Entry, under the Agreement, shall not operate to release the Institution from any sums to be paid or other obligations under the Agreement. Any such entry shall not cause the Trustee to become so-called mortgagee in possession unless the Trustee declares itself so to be.

Power of Sale. Under the Agreement, the Trustee may, with the written consent of the Bond Insurer, and shall, upon written instruction of the Bond Insurer, sell the Mortgaged Property or any part or parts of the same, either as a whole or in parts or parcels, together with any improvements thereon, by public auction on or near the premises described in the attached Schedule A in accordance with the statutes of The Commonwealth of Massachusetts relating to the foreclosure of a mortgage by the exercise of a power of sale, and may convey the same by proper deed or deeds or bill or bills of sale to the purchaser or purchasers absolutely and in fee simple; and such sale shall forever bar the Institution and all persons claiming under it from all right and interest in the Mortgaged Property, whether at law or in equity. The Institution covenants that it will, upon request, execute, acknowledge and deliver to the purchaser or purchasers a deed or deeds of release confirming such sale, and the Trustee is irrevocably appointed the Institution's attorney to execute and deliver a full transfer of all policies of insurance on the Mortgaged Property at the time of such sale, with credit to the Institution for any unearned premiums paid by the Institution. In the exercise of any power of sale, it is agreed that a part or parcel may consist wholly of real estate, wholly of tangible personal property or any combination of both. Any sale under the foregoing provisions shall be on not less than ten (10) days' notice published in a newspaper or newspapers of general circulation in Boston and Needham, Massachusetts, and sent to the Institution, or given in such other manner as may be required or permitted by law. The Institution, the Issuer, the Trustee or any Bondowner may become the purchaser at any such sale.

Rights as a Secured Party. Under the Agreement, the Trustee may exercise all of the rights and remedies of a secured party, under the UCC or otherwise, with respect to moneys in the Project Fund, Debt Service Fund and Redemption Fund, including the right to sell or redeem securities and the right to retain such securities in satisfaction of the obligations of the Institution. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least ten (10) days before an event under UCC Section 9-611 or any successor provision of law shall constitute reasonable notification of such event. The Trustee may exercise all of the rights and remedies of a secured party under the UCC with respect to that portion of the Mortgaged Property pledged which is or may be treated as collateral under the UCC. The Trustee may deal with such property as collateral under the UCC or as provided in the Agreement or in part the one and in part the other. Notice of any public sale of such collateral under the UCC shall be given in the same manner as is provided in the Agreement. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least ten (10) days before an event under UCC Section 9-611 or any successor provision of law shall constitute reasonable notification of such event. To the extent permitted by law, the Trustee may treat all or any portion or portions of the Mortgaged Property as personal property and may remove the same for the purposes of exercising its rights and remedies. Before any such removal of Mortgaged Property which has not been sold pursuant to a power of sale, the Trustee shall give at least ten (10) days' notice to the Institution, except that, in case removal on lesser notice or without notice is necessary to preserve such property from damage, destruction, deterioration or unauthorized removal, as reasonably determined by the Trustee, the Trustee may remove such property on lesser notice or give the notice promptly after rather than before the removal. (Section 602).

Court Proceedings

The Trustee may enforce the obligations of the Institution under the Agreement by legal proceedings for the specific performance of any covenant, obligation or agreement contained herein, whether or not any breach has become an Event of Default, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Institution of the provisions of the Agreement, including (to the extent the Agreement may lawfully provide) court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing the obligations of the Institution. The Issuer may likewise enforce obligations to it which it has not assigned to the Trustee. (Section 603)

Annual Reports and Other Current Information

Within sixty (60) days after the close of each fiscal year, the Institution is required by the Agreement to render to the Trustee and the Bond Insurer a report as of the close of the fiscal year as to the physical condition of the Mortgaged Property. In addition, the Institution shall from time to time render such other reports concerning the condition of the Mortgaged Property or the Project or compliance with the Agreement as the Trustee, the Issuer or the Bond Insurer may reasonably request. Within one hundred and fifty (150) days after the close of each fiscal year, the Institution shall furnish to the Trustee and the Bond Insurer, and to Bondowners requesting the same, copies of its audited financial statements. Copies of the reports and statements required to be filed with the Trustee pursuant to the Agreement shall be filed with the Trustee in sufficient quantity to permit the Trustee to retain at least one copy for inspection by Bondowners and to permit the Trustee to mail a copy to each Bondowner who requests it. The Trustee shall maintain a list of Bondowners who have made such a request. The Institution shall furnish to the agencies rating the Bonds such information as they may reasonably require for current reports to their subscribers. (Section 1005).

Maintenance of Corporate Existence

Under the Agreement, the Institution is required to maintain its existence as a nonprofit corporation qualified to do business in Massachusetts and shall not dissolve, dispose of or spin off all or substantially all of its assets, or consolidate with or merge into another entity or entities, or permit one or more other entities to consolidate with or merge into it, except that it may consolidate with or merge into one or more other entities or permit one or more other entities to consolidate with or merge into it, or transfer all or substantially all of its assets to one or more other entities (and thereafter dissolve or not dissolve as it may elect), if (a) the surviving, resulting or transferee entity or entities each is a corporation having the status and powers set forth in the Agreement, (b) the transaction does not result in a conflict, breach or default referred to in the Agreement, (c) the surviving, resulting or transferee entity or entities each (i) assumes by written agreement with the Issuer and the Trustee all the obligations of the Institution, (ii) notifies the Issuer, the Trustee and the Bond Insurer of any change in the name of the Institution, and (iii) executes, delivers, registers, records and files such other instruments as are legally necessary (or as the Issuer or the Trustee may reasonably require) to confirm, perfect or maintain the security granted in the Mortgaged Property. (Section 1006).

Restrictions on Encumbrance, Sale and Lease of Property.

The Institution may grant purchase money security interests on equipment and furnishings, transfer all or substantially all of its assets pursuant to the Agreement, make sales of equipment, furnishings and fixtures which have become obsolete, worn out or unnecessary for the operation of the Institution, and assign accounts receivable to secure indebtedness permitted by the Agreement. Except as otherwise provided in this paragraph or elsewhere in the Agreement, the Institution shall not, without the consent of the Trustee, encumber its title to any of its property to secure indebtedness, or lease any of the Mortgaged Property or any of its real property to others, or permit others to occupy the same except to carry out the purposes of the Institution. In addition, the Institution shall not encumber its title to any of the Restricted Property to secure indebtedness except to secure Additional Indebtedness as permitted by the Agreement and shall not permit any liens to exist on the Restricted Property other than Permitted Liens of the type allowed for the Mortgaged Property. (Section 1007)

Maintenance of Unrestricted Net Assets.

The Institution has covenanted and agreed under the Agreement that, subject to certain limitations, it will maintain unrestricted net assets (excluding the value of plant) and, to the extent available to pay principal and interest on the Bonds, restricted assets (excluding the value of plant) at a market value equal to at least 100% of all outstanding Indebtedness. Within 30 days after each January 1 and July 1, the Institution must provide an Officer's Certificate to the Bond Insurer and the Trustee stating the market value of the Institution's unrestricted net assets (excluding the value of plant) and, to the extent available to pay principal and interest on the Bonds, restricted assets (excluding the value of plant) and the principal amount of all outstanding Indebtedness on January 1 or July 1, as applicable. If (i) the aggregate value of such unrestricted net assets and restricted assets does not equal at least 100% of all outstanding Indebtedness on such date, (ii) such deficiency is not due solely to general market conditions, and (iii) such deficiency is not cured within the sixty (60) days succeeding such date, then

notwithstanding any other provision of the Agreement, only then shall such deficiency constitute an Event of Default. Upon such an Event of Default, within thirty (30) days the Institution must deposit and maintain collateral with the Trustee consisting of Permitted Investments with a market value equal to 100% of outstanding Indebtedness. To the extent sufficient funds are not available to meet the collateral requirement the Institution shall (i) deposit all unrestricted funds as collateral and (ii) pledge all future gross unrestricted revenues on a first lien basis to the Trustee as security for the Taxable and Tax-Exempt Bonds and deposit such revenues directly with the third party custodian. Until the value of collateral in such account equals 100% of outstanding Indebtedness, a majority of the owners of the Taxable and Tax-Exempt Bonds shall have sole discretion to direct disbursements from such account; provided that the Institution may direct disbursements from such account for operating expenses without the consent of a majority of the owners of the Taxable and Tax-Exempt Bonds. Notwithstanding such collateralization, the Bond Insurer shall continue to have the right under the Agreement to direct a full or partial acceleration of the Bonds during an Event of Default. (Section 1009)

Issuance of Remaining Bonds

Pursuant to the Agreement, the remaining Bonds may be issued by the Issuer at any time, in one or more tranches as part of the same series as the initial Bonds or in one or more new series, as taxable Bonds or, upon satisfaction of all conditions required by Bond Counsel at such time, as tax-exempt Bonds, at the request of the Institution for the purpose of paying costs of the Project and paying the associated costs of issuance of the remaining Bonds; provided that if the Bond Insurer is not insuring an issue of remaining Bonds, such remaining Bonds shall be issued as a new series. The remaining Bonds shall be issued only upon delivery to the Trustee and the Issuer of an opinion of Bond Counsel approving the validity of the remaining Bonds and certain other legal matters, an opinion of counsel to the Institution as to the validity of the undertakings of the Institution with respect to the remaining Bonds and certain other legal matters and, if all Bonds to be Outstanding after the issuance of the remaining Bonds will be in the Taxable Period or all in the Tax-Exempt Period, confirmation that any remaining Bonds issued will have the same tax status as any other Bonds Outstanding included in the Auction Procedures applicable to such remaining Bonds. Any remaining Bonds that, if issued, would cause the aggregate principal amount of all remaining Bonds issued to exceed \$183,000,000 shall be issued only upon delivery of, in addition to the items listed in the preceding sentence, evidence of Issuer and Institution approval of, and written Bond Insurer consent to such issuance. If issued as part of the same series as the initial Bonds, the remaining Bonds shall mature on the second Business Day preceding the Regular Interest Payment Date on or immediately succeeding July 1, 2033 and shall be considered in all respects to be Bonds as defined herein. In connection with the issuance of the remaining Bonds, the Issuer, the Institution and the Trustee shall enter into a supplemental agreement providing for:

- (a) the principal amount of the remaining Bonds;
- (b) the series designation for such remaining Bonds if such series designation is to be different from that of the Bonds Outstanding and providing, as appropriate, that the provisions of the Agreement and the definitions applicable thereto shall be applied separately with respect to each additional series of remaining Bonds issued, if any, as well as providing for a different Auction Rate Period for such subsequent series of Bonds and any other mechanics necessary to establish separate Auction Procedures for each such series of Bonds;
- (c) if the remaining Bonds are to be issued as part of the same series as the initial Bonds, an amendment to the schedule of mandatory sinking fund redemptions in this Agreement; and
- (d) any other amendment to the Agreement in order to provide for the details of the issuance of the remaining Bonds, which amendment may provide, among other things, for the rights, remedies and consents of a bond insurer, if any, for the remaining Bonds, to be exercised by such bond insurer, pro-rata, based on the principal amount of any such remaining Bonds insured by such bond insurer in relation to all other Outstanding Tax-Exempt and Taxable Bonds, for the appointment of a security agent to act on behalf of the Issuer and the Trustee with respect to the recovery and application of insurance proceeds, with respect to proceeds derived from the Mortgaged Property in the event of a default under the Agreement, the duties and limitations of duties of the Trustee and the sharing of the rights of the Bondowners and the owners of other Outstanding Bonds to control the exercise of remedies with the holders of the remaining Bonds.

Issuance of the remaining Bonds shall not be subject to Bondowner consent. Upon issuance of the remaining Bonds, appropriate changes to the form of Bonds may be made, and Bonds previously issued may be exchanged for new Bonds at the office of the Paying Agent. (Section 301).

Limitations On Incurring Additional Indebtedness

Pursuant to the Agreement, the Institution has agreed that it will not incur Additional Indebtedness other than Additional Indebtedness consisting of one or more of the following:

(i) Indebtedness that is not secured by a lien on the Mortgaged Property or by a lien on the Restricted Property, prior to the incurrence of which there is delivered to the Trustee and the Bond Insurer an Officer's Certificate certifying that after the issuance of such Indebtedness, (a) total unrestricted net assets and, to the extent available to pay principal and interest on the Bonds, restricted assets, as shown on the most recent audited financial statements of the Institution but excluding the value of plant, will have a market value equal to at least 100% of all Outstanding Indebtedness, including the proposed Additional Indebtedness and (b), only in the case of the proposed issuance of Indebtedness beyond the initial aggregate \$183,000,000 of Taxable and Tax-Exempt Bonds, the underlying rating on the Bonds will be at least "Baa2" by Moody's and "BBB" by S&P;

(ii) Long-Term Indebtedness that meets the requirements contained in clauses (a) and, if applicable (b) in the foregoing paragraph (i) that is secured by a lien on all or a portion of the Restricted Property and which also may be secured by a lien on the Mortgaged Property on a parity with the lien granted under the Indenture, provided that in any case, the Institution must grant the Trustee a mortgage of and lien on the applicable Restricted Property for the benefit of the Bondholders on a parity with the mortgage of and lien securing the Additional Indebtedness, and provided further that the following requirements are satisfied:

(A) there shall be an intercreditor agreement, approved in writing by the Bond Insurer, with the lender or trustee ("Alternative Lender") of any such Additional Indebtedness containing the following provisions:

1. Any pledge, lien, mortgage, security interest or other encumbrance on the Mortgaged Property or on the Restricted Property granted to secure the Additional Indebtedness (except for liens permitted pursuant to the Agreement) shall be extended also to secure the obligations of the Institution under the Agreement and any other agreement securing Additional Indebtedness equally and ratably with such Additional Indebtedness;

2. The Alternative Lender and the trustee, if any, appointed to administer the Additional Indebtedness (the "Additional Indebtedness Trustee") shall notify the Issuer, the Trustee, the Bond Insurer and the Institution of any default in a payment by the Institution with respect to debt service on the Additional Indebtedness immediately upon becoming aware of such default; and

3. The recovery and application of insurance and eminent domain proceeds as provided in the Agreement, the entry, operation and sale of the Mortgaged Property by the Trustee under the Agreement, the exercise of the rights and remedies of the Trustee under the Agreement, the institution of legal proceedings by the Trustee under the Agreement, and the exercise of the rights of the Trustee under the Agreement shall be the sole and exclusive remedies of the Alternative Lender and the Alternative Indebtedness Trustee (in the event of a default or breach by the Institution under the agreement between the Institution and the Alternative Lender) with respect to the lien on the Mortgaged Property. However, the agreement between the Institution and the Alternative Lender may set forth additional remedies which the Alternative Lender or the Alternative

Indebtedness Trustee may exercise with respect to the Mortgaged Property upon obtaining the written consent of the Trustee and the Bond Insurer.

4. The agreement between the Institution and the Alternative Lender shall designate a security agent to act on behalf of the Alternative Lender and the Additional Indebtedness Trustee with respect to the recovery and application of eminent domain and insurance proceeds pursuant to the Agreement, if appropriate, so that Bonds and such Additional Indebtedness shall be redeemed pro rata with respect to the principal amounts of each outstanding, and with respect to the sale of the Mortgaged Property and the Restricted Property in the event of a default under the Agreement or the agreement between the Institution and the Alternative Lender; provided, however, that unless otherwise consented to by the Issuer and the Bond Insurer, the security agent shall be the Trustee. The agreement also shall set forth the specific terms of allocation among the Bonds, Additional Indebtedness previously issued and the new Additional Indebtedness pro rata (based on the levels of outstanding amounts of Bonds and such Additional Indebtedness from time to time, which may include interest to the extent permitted by such agreement) of any net proceeds derived from the exercise by the security agent on behalf of the Issuer and the Trustee of the rights and remedies of the Issuer and the Trustee under the Agreement and/or of any net proceeds derived from the exercise by the security agent on behalf of the Alternative Lender and the Additional Indebtedness Trustee of the rights and remedies of the Alternative Lender and the Additional Indebtedness Trustee, if any, under the agreement between the Institution and the Alternative Lender;

(B) no such Additional Indebtedness shall be Balloon Indebtedness or Put Indebtedness unless (1) the Bond Insurer consents in writing or (2) unless the Institution has obtained a binding commitment to refinance such Balloon Indebtedness (or a portion thereof), including without limitation, a letter of credit or a line of credit, which commitment is subject only to usual conditions applicable to loans to entities similar to the Institution and has a repayment term of at least 7 years, the Balloon Indebtedness (or portion thereof) may be deemed to be payable in accordance with the terms of the refinancing arrangement; provided, however, that if such refinancing exists, the Balloon Indebtedness or Put Indebtedness may be deemed to be payable over a twenty (20) year term in equal annual installments of principal and interest.

(C) there shall have been delivered to the Trustee and the Bond Insurer, a written appraisal by an appraiser satisfactory to the Trustee and the Bond Insurer accompanied by a certificate of the Institution's chief financial officer demonstrating that the aggregate appraised value of the Mortgaged Property and the Restricted Property equals at least 125% of the total principal amount of any and all Outstanding Indebtedness that is secured by a lien on the Mortgaged Property or the Restricted Property, provided, however, that the value of improvements not yet constructed on such property may be deemed to have a value at their estimated cost, as certified by the Institution's chief financial officer; and

(D) there shall have been delivered to the Trustee and the Bond Insurer, a certificate of the Institution's chief financial officer which shall show the Net Revenues Available for Debt Service for either the most recent fiscal year of the Institution for which audited financial statements are available or for any twelve (12) consecutive calendar months ending not more than one hundred and eighty (180) days prior to the issuance of the Additional Indebtedness, and that Net Revenues Available for Debt Service for such period equal at least 1.25 times the maximum Total Principal and Interest Requirements in any year; and

(iii) Indebtedness approved in writing by the Bond Insurer. (Section 1010).

Debt Service on Balloon Indebtedness, Put Indebtedness and Variable Rate Indebtedness

With respect to Balloon Indebtedness that does not meet the requirements of the Agreement, but which has been incurred pursuant to the written consent of the Bond Insurer, at the election of the Institution, for the purpose of computations of Total Principal and Interest Requirements and debt service coverage ratios, whether historical or

projected, the principal and interest deemed to be payable on Balloon Indebtedness or Indebtedness subject to tender by the holder thereof (“Put Indebtedness”) for the period for which such calculation is being made shall be as set forth below:

(i) If the Institution has obtained a binding commitment to refinance such Balloon Indebtedness or Put Indebtedness (or a portion thereof), including without limitation, a letter of credit or a line of credit, which commitment is subject only to usual conditions applicable to loans to entities similar to the Institution, the Balloon Indebtedness or Put Indebtedness (or portion thereof) may be deemed to be payable in accordance with the terms of the refinancing arrangement; provided, however, that if such refinancing arrangement has a term of not less than eighteen months, the Balloon Indebtedness or Put Indebtedness may be deemed to be payable in accordance with the provisions of clause (ii) below; or

(ii) If (A) the Date of Maturity of any portion of such Balloon Indebtedness or Put Indebtedness is more than eighteen (18) months after the date of any transaction for which a projection is made, or (B) the condition of paragraph (i) above is satisfied by a financing arrangement having a term not less than 18 months, or (C) if the aggregate amount of all outstanding Balloon Indebtedness and Put Indebtedness does not exceed 25% of the Institution’s total revenues as shown on its most recent audited financial statements, or (D) the Institution is making annual sinking fund payments with respect to such Balloon Indebtedness or Put Indebtedness and at the time of the transaction for which the projection is made, the Institution could incur \$1 of Additional Indebtedness under the Agreement, such portion of such Balloon Indebtedness or Put Indebtedness, as the case may be, may be deemed to be Indebtedness payable over a twenty (20) year term, at the interest rate certified below, or, with respect to Indebtedness which bears interest at other than a fixed rate, as provided in paragraph (b) below, in equal annual installments of principal and interest, provided that the Institution has delivered to the Issuer, the Trustee and the Bond Insurer a certificate of an investment banker satisfactory to the Issuer stating that it is reasonable to assume that such Indebtedness could be sold and stating the interest rate then applicable to twenty (20) year obligations of comparable quality and type.

In determining Total Principal and Interest Requirements and debt service coverage ratios, whether historical or projected, the interest deemed to be payable on Indebtedness which bears interest at other than a fixed rate shall be calculated either at (i) the average interest rate for the preceding twelve months, or (ii) the interest rate on obligations with a maturity of twenty (20) years as set forth in a certificate of an investment banking firm acceptable to the Issuer; provided, however, that the Institution may make other assumptions with respect to such Indebtedness as it deems reasonable and as are reasonably acceptable to the Issuer. (Section 1011).

Amendment

The Agreement may be amended by the parties without Bondowner consent, but with the written consent of the Bond Insurer with respect to clause (e), below, for any of the following purposes: (a) to correct the description of the Mortgaged Property or to subject additional property to the lien of the Agreement, (b) to provide for the establishment of a book entry system of registration for the Bonds through a securities depository (which may or may not be DTC), (c) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Bonds (including provisions for a substitute Bond Insurance Policy obtained pursuant to the Agreement) or (e) to make any necessary changes to the Agreement to facilitate the conversion of Bonds to the Weekly Rate or the Fixed Rate or to the Tax Exempt Period. In addition, the Agreement may be amended by the parties without Bondowner consent, but with the written consent of the Bond Insurer, on any Mandatory Tender Date for which notice of such amendments was included in the notice of mandatory tender for purchase required by the Agreement. The Institution acting alone, with the written consent of the Bond Insurer, may amend the Weekly Maximum Rate to a higher interest rate without Bondowner consent, provided that, if a Liquidity Facility is then in effect, it entitles the Paying Agent to draw upon or demand and receive in immediately available funds an amount equal to the principal amount of the Bonds then outstanding plus a number of days of accrued interest at such amended Weekly Maximum Rate at least equal to the number of days required to be covered under the Agreement. The Agreement also may be amended by the parties, as contemplated in the Agreement, without Bondowner consent and without the consent of the Bond Insurer in order to provide for the issuance of any remaining Bonds that do not cause the total principal amount of Tax-Exempt and Taxable Bonds issued to exceed \$183,000,000 as provided in the Agreement.

In addition, with the consent of each Broker-Dealer, the provisions of the Agreement concerning the Auction Procedures, including without limitation the mandatory tender provisions and amending the Auction Rate Period, Auction Date and Interest Payment Dates as provided in the Agreement, and the definitions applicable thereto, including without limitation, the definitions of SAVRS Maximum Rate, All Hold Rate and SAVRS Rate, may be amended (i) by obtaining the written consent of the Trustee and the Bond Insurer if the Trustee determines that such amendment does not materially adversely affect the rights of any Bondowner (it being agreed that in making such determination the Trustee may conclusively rely upon a certificate to such effect of each Broker-Dealer) or (ii) by obtaining the consent of the beneficial owners of the Bonds and the written consent of the Bond Insurer, or (iii) on any Auction Date on which Sufficient Clearing Bids have been made or all of the SAVRS are subject to Submitted Hold Orders; provided that any amendment relating to a change in the Overdue Rate, the SAVRS Maximum Rate or the Weekly Maximum Rate or the method of calculating either shall be consented to by the Bond Insurer, in writing. In the case of clause (iii) above, if on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice to the registered owners of the SAVRS as required by the Agreement, Sufficient Clearing Bids have been received or all of the SAVRS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the owners of all SAVRS.

Except as provided in the foregoing provisions, the Agreement may be amended only with the written consent of the Bond Insurer or the written consent of the owners of at least a majority in principal amount of the Outstanding Bonds; provided, however, that no amendment of the Agreement may be made without the unanimous written consent of the affected Bondowners and the written consent of the Bond Insurer for any of the following purposes: (i) to extend the maturity of any Bond, (ii) to reduce the principal amount or interest rate of any Bond, (iii) to make any Bond redeemable other than in accordance with its terms, (iv) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) to reduce the percentage of the Bonds required to be represented by the Bondowners giving their consent to any amendment.

The Bond Insurer is required to be given notice of any amendment to the Agreement made pursuant to the first two paragraphs of this subsection.

When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consents, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such mailing. The Trustee will promptly certify to the Issuer that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained. The Trustee shall be entitled to receive, and may conclusively rely upon, an opinion of Bond Counsel that any amendment is authorized or permitted by the Agreement. (Section 1101)

Defeasance

When there are in the Debt Service Fund and Redemption Fund sufficient funds, or non-callable Government or Equivalent Obligations described in clause (i), (ii) or (iv) of the definition thereof in such principal amounts, bearing interest at such rates and under the Agreement with such maturities as will provide sufficient funds to pay or redeem the Bonds in full, and when all the rights of the Issuer and the Trustee have been provided for, upon written notice from the Institution to the Issuer and the Trustee, the Bondowners shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, the security interests created by the Agreement (except in such funds and investments) shall terminate, and the Issuer and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Issuer shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose, subject, however, to the Agreement and moneys held for defeasance shall be invested only as provided above in the Agreement. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, after satisfaction of all the rights of the Issuer and the

Trustee, be distributed to the Institution upon such indemnification, if any, as the Issuer or the Trustee may reasonably require. (Section 206)

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Franklin W. Olin College of Engineering (the "Institution") and Wachovia Bank, National Association, as trustee (the "Trustee") in connection with the issuance of the Massachusetts Development Finance Agency Taxable Revenue Bonds, Olin College Issue, Series A-1 and Series A-2, Select Auction Variable Rate Securities (the "Bonds"). The Bonds are being issued pursuant to a Mortgage and Trust Agreement dated as of August 1, 2003 among the Massachusetts Development Finance Agency (the "Issuer"), the Institution and the Trustee (the "Agreement"), and the proceeds of the Bonds are being loaned by the Issuer to the Institution pursuant to the Agreement. The Institution and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Institution and the Trustee for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Institution and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The Trustee, except as provided in Section 3(c), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

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

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

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

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

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

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

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

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

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

"Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Dissemination Agent, not later than 180 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2003 (the "Filing Deadline"), shall provide to each Repository an Annual Report provided by the Institution, which Annual Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited financial statements of the Institution at a later date, it shall if it has received the same from the Institution, provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Institution shall submit the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to each Repository as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Issuer and the Trustee.

(b) The Dissemination Agent shall:

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

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

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

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

SECTION 4. Content of Annual Reports. The Institution's Annual Report shall contain or incorporate by reference financial information and operating data as set forth below:

Audited financial statements

Table with information on first year applications (in substantially the same level of detail as is found in the table entitled "Student Statistics" on page A-22 in Appendix A to the Official Statement)

Table showing total student enrollment

Table showing any tuition, room and board charges, and student fees charged to students

Table showing any financial aid granted to students and the source of that financial aid

The financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Institution is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Institution shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose under clause (b) of this Section 5);
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities;

11. Rating changes.

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

SECTION 6. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Institution may, from time to time with notice to the Trustee and the Issuer, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Issuer, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon 30 days' written notice to the Institution, the Trustee and the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Trustee may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 8, the Trustee shall agree to any amendment so requested by the Institution) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Institution and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution and the Trustee may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondholders or (ii) the amendment is consented to by the Bondholders as though it were an amendment to the Agreement pursuant to Section 1302 of the Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth

in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of registered owners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. As to the Trustee, Article 7 of the Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Agreement. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

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

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Trustee, the Dissemination Agent, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure

Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Dated: August 13, 2003

FRANKLIN W. OLIN COLLEGE OF ENGINEERING

By _____

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Development Finance Agency
Name of Bond Issue: Taxable Revenue Bonds, Olin College Issue, Series A-1 and Series A-2,
Select Auction Variable Rate Securities
Name of Obligated Person: Franklin W. Olin College of Engineering
Date of Issuance: August 13, 2003

NOTICE IS HEREBY GIVEN that Franklin W. Olin College of Engineering (the "Institution") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated August 13, 2003 between the Institution and Wachovia Bank, National Association, as trustee (the "Trustee").

Dated: _____

[TRUSTEE/DISSEMINATION AGENT
on behalf of] FRANKLIN W. OLIN COLLEGE OF
ENGINEERING

[cc: Franklin W. Olin College of Engineering]

EXHIBIT B

NRMSIRs

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
PH: (609) 279-3225
FAX: (609) 279-5962
Internet: Munis@bloomberg.com

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

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

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
PH: (212) 438-4595
FAX: (212) 438-3975
Internet: nrmsir_repository@sandp.com

MSRB

Municipal Securities Rulemaking Board
CDINet
1900 Duke Street, Suite 600
Alexandria, VA 22314
PH: (703) 797-6600
FAX: (703) 683-1930

PALMER & DODGE LLP

111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

[FORM OF OPINION OF BOND COUNSEL]

[Date of Closing]

Massachusetts Development
Finance Agency
75 Federal Street
Boston, Massachusetts 02110

We have acted as bond counsel in connection with the issuance by the Massachusetts Development Finance Agency (the “Agency”) of the following bonds (the “Bonds”):

\$93,200,000

Massachusetts Development Finance Agency
Taxable Revenue Bonds, Olin College Issue,
Series A-1 and A-2, Select Auction Variable Rate SecuritiesSM (SAVRS®)

We have examined the law and such certified proceedings and other papers as deemed necessary to render this opinion, including the Mortgage and Trust Agreement (the “Agreement”) dated as of August 1, 2003 among the Agency, Franklin W. Olin College of Engineering (the “Institution”) and Wachovia Bank, National Association (the “Trustee”).

As to questions of fact material to our opinion we have relied upon representations of the Agency and the Institution contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us and certifications by officials of the Institution, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. Under the Agreement the Institution has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) of, and premium (if any) and interest on the Bonds. Such payments and other moneys payable to the Agency or the Trustee under the Agreement (collectively the “Revenues”), and the rights of the Agency under the Agreement to receive the same (excluding, however, certain administrative fees, indemnification and reimbursements), are pledged and assigned by the Agency to the Trustee as security for the Bonds. The Bonds are payable solely from the Revenues.

As security for its obligations under the Agreement, the Institution has mortgaged certain real property and granted security interests in certain tangible personal property (as described in the Agreement). As to matters relating to title and compliance by the Institution with the recording of the mortgage and the filing under the Uniform Commercial Code (the “Code”) with respect to the tangible personal property, reference is made to Old Republic Title Insurance Company’s

Lender's Title Insurance Policy. To maintain a perfected security interest in the personal property under the Code, the Trustee must file a continuation statement every five years.

Based on our examination, we are of opinion, as of the date hereof and under existing law, as follows:

1. The Agency is a validly existing body politic and corporate and public instrumentality of The Commonwealth of Massachusetts with all necessary power and authority to enter into and perform its obligations under the Agreement and to issue the Bonds.

2. The Agreement has been duly authorized, executed and delivered by the Agency and is a valid and binding obligation of the Agency enforceable upon the Agency. As provided in Chapter 23G of the Massachusetts General Laws, the Agreement creates a valid lien on the Revenues and on the rights of the Agency or the Trustee on behalf of the Agency to receive Revenues under the Agreement (except certain rights to indemnification, reimbursements and fees) to secure the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the moneys to be received under the Agreement.

4. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Agreement are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It should be noted that interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds.

Yours faithfully,

250 Park Avenue
New York, New York 10177
Telephone: (646) 658-5900

MUNICIPAL BOND INSURANCE POLICY

ISSUER: []

Policy No: []

BONDS: []

Effective Date: []

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

SPECIMEN

Name:
Title:

SPECIMEN

Name:
Title:

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Franklin W. **Olin**
College of Engineering



Recycled Paper - Printed by
IMAGEMASTER 800.452.5152